CR03867-2016

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

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

1. Check the appropriate box:

☐ Preliminary Information Statement

☑ Definitive Information Statement

2. Name of Registrant as specified in its charter

Manila Jockey Club, Inc.

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

Manila, Philippines

4. SEC Identification Number

PW803

5. BIR Tax Identification Code

786-765-000

6. Address of principal office

Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite
Postal Code
1003

7. Registrant's telephone number, including area code

(02) 687-9889

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

June 30, 2016 [Thursday] at 9:00 a.m. at the Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite

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

Jun 9, 2016

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

NA

Address and Telephone No.

NA

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

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

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

☑ Yes ☐ No

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

PHILIPPINE STOCK EXCHANGE, COMMON

Manila Jockey Club, Inc.
MJC

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

Date of Stockholders' Meeting	Jun 30, 2016
Type (Annual or Special)	ANNUAL
Time	9:00 A.M.
Venue	Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite
Record Date	May 12, 2016

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

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

Filed on behalf by:

Name	Chino Paolo Roxas
Designation	Corporate Information Officer and Compliance Officer

COVER SHEET

PW803
S.E.C. Registration Number

MANILA JOCKEY CLUB, INC.

(Company's Full Name)

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

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

ATTY. CHINO PAOLO Z. ROXAS
Contact Person

687-9889
Company's Telephone Number

DEFINITIVE INFORMATION STATEMENT-2016

12 31
Month *Day*
Fiscal Year

20-IS
FORM TYPE

06 30
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

MANILA JOCKEY CLUB, INC.

INFORMATION STATEMENT

Pursuant to Section 20 of the Securities Regulations Code

For Annual Stockholders' Meeting

On June 30, 2016

Turf Club, San Lazaro Leisure and Business Park
Carmona, Cavite

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

MANILA JOCKEY CLUB, INC.

ORTIGAS CENTER OFFICE
14th FLOOR, STRATA 100 BUILDING
EMERALD AVENUE, ORTIGAS CENTER
PASIG CITY 1605, PHILIPPINES
Tel: (632) 687-9889; Telefax: (632) 6316366
E-mail: www.manilajockey.com
RACING SINCE 1867

SECURITIES AND EXCHANGE COMMISSION
MAY 2 6 2016
MARKET REGULATION DEPT.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

May 25, 2016

Dear Stockholder:

Notice is hereby given that the Annual Stockholders' Meeting of the Manila Jockey Club, Inc. ("the Corporation") will be held at the Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite on **June 30, 2016 (*Thursday*)** at **9:00 A.M.** to consider the following:

1. Call to Order
2. Determination and Declaration of Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on June 30, 2015
4. President's Report
5. Ratification of Past Acts of the Board and Management
6. Election of Directors
7. Appointment of External Auditor
8. Adjournment

Stockholders of record as of May 12, 2016 shall be entitled to attend and vote at said meeting.

Stockholders who will not, are unable to, or do not expect to attend the meeting in person may, at their option, designate their authorized representatives by means of Proxy. The Proxy instrument must be duly notarized and must be submitted to the Office of the Corporate Secretary at 12/F Strata 100 Building, F. Ortigas Road, Ortigas Center, 1605, Pasig City not later than June 28, 2016.

To expedite the registration of your attendance, please bring any valid form of identification with a photograph such as a passport, driver's license, or Company ID.

By Authority of the Board of Directors.

ATTY. FERDINAND A. DOMINGO
Corporate Secretary
Manila Jockey Club

PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES

The nomination and election of the members of the Board of Directors should be in accordance with the nomination forms, procedure and requirements as set forth in the Corporation's Revised Manual on Corporate Governance. Any stockholder may obtain the required nomination form and must submit their nominations to the Nomination Committee or the Corporate Secretary at the following address not later than May 12, 2016.

NOMINATION COMMITTEE
12/F Strata 100 Building
F. Ortigas Road, Ortigas Center, Pasig City
Philippines, 1605

ATTY. FERDINAND A. DOMINGO
Corporate Secretary
12/F Strata 100
F. Ortigas Road, Ortigas Center, Pasig City
Philippines, 1605

All nominations shall be in writing duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance and conformity of their nominees. The Nomination must indicate whether the nominees are intended to be independent directors and shall contain the nominee's age, educational attainment, full disclosure of work and/or business experience and/or affiliations. The Directors and Independent Directors shall be elected from among the Corporation's stockholders. All nominees for Directors and Independent Directors must possess the minimum requirements/qualifications and none of the disqualifications prescribed under paragraphs D and E, Article 3 the Revised Manual on Corporate Governance and the rules and regulations issued by the Securities and Exchange Commission and other regulatory agencies having jurisdiction over the Corporation, and any other relevant circular or memorandum.

Please be guided accordingly.

Ferdinand A. Domingo

ATTY. FERDINAND A. DOMINGO
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC Form 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Sheet
   [x] Definitive Information Statement

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

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

4. SEC Identification Number: **PW803**

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

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

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

8. Date, Time and Place of the meeting of security holders: **June 30, 2016 [Thursday] at 9:00 a.m. at the Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite**

9. Approximate date on which the Information Statement is first to be sent or given to security holders : **June 9, 2016**

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

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

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

    Yes __x__ No ______

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

MANILA JOCKEY CLUB, INC.

INFORMATION STATEMENT

This Information Statement is dated May 25, 2016 and is being furnished to stockholders of Manila Jockey Club, Inc. (the "Company"), at least fifteen (15) business days prior to the Annual Stockholders' Meeting on June 30, 2016 or approximately on or before June 9, 2016.

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

A. GENERAL INFORMATION

1. Date, time and place of meeting of security holders.

Date	:	June 30, 2016 (*Thursday*)
Time	:	9:00 a.m.
Place	:	Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite.
Record Date	:	May 12, 2016

The principal office address of the Company is currently at the San Lazaro Leisure Park, Carmona Cavite.

The approximate date on which the Information Statement will first be sent to security holders is June 9, 2016.

2. Dissenters' Right of Appraisal

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

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

3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

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

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

B. CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Holders Thereof

a. Number of shares outstanding as of Record Date of May 12, 2016.

Common	996,170,748

b. Number of Foreign Ownership: 50,251,298 common shares

c. Percentage of Foreign Ownership Level: 5.04%

Each security holder shall be entitled to as many number of votes as the number of shares held.

d. Record date: May 12, 2016

e. Cumulative Voting Rights

Each security holder is entitled to cumulative voting rights pursuant to Section 24 of the Corporation Code of the Philippines which provides:

> "Sec. 24. Election of directors or trustees. - xxx In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: xxx"

f. Security Ownership of Certain Beneficial Owners and Management

I. Security Ownership of Certain Record and Beneficial Owners as of May 12, 2016.

Title of Class	*Name, Address of Record 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	N.A*	Filipino	477,740,557	47.96 %
Common	ARCO EQUITIES, INC. 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	Alfonso R. Reyno, Jr. – Chairman	Filipino	98,770,857	9.92 %
Common	ALFONSO R. REYNO, JR. 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	Same as record owner	Filipino	65,947,940	6.62 %
Common	EXEQUIEL D. ROBLES Sta. Lucia Realty East Grandmall 3/F, Bldg. 2, Marcos Hiway cor. Felix Avenue, Cainta, Rizal	Same as record owner	Filipino	56,911,100	5.71 %

**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.*

II. Security Ownership of Management (*Directors & Officers*) as of May 12, 2016.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	ALFONSO R. REYNO, JR. 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City	65,947,940 (d)	Filipino	6.62%
Common	PEDRO O. TAN 2255 Pasong Tamo Street Makati City	2,319,001 (d)	Filipino	0.23%
Common	ALFONSO VICTORIO G. REYNO III 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City	2,114,732 (d)	Filipino	0.21%
Common	MARIZA SANTOS-TAN Cluster 351 A Alexandra Cond., Meralco Avenue, Pasig City	5,190 (d)	Filipino	00.00%

Common	CHRISTOPHER G. REYNO 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City	478,668 (d)	Filipino	00.05%
Common	PATRICK G. REYNO 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City	231,462 (d)	Filipino	00.02%
Common	VICTOR B. VALDEPEÑAS No. 61 Vernon Street, Filinvest Batasan Hills, Diliman Quezon City	1 (d)	Filipino	00.00%
Common	JOHN ANTHONY ESPIRITU No. 17 Penthouse B, Ritz Towers, Ayala Ave., Makati City	1 (d)	Filipino	00.00%
Common	VICTOR C. FERNANDEZ. No. 1570 Princeton Street, Wack-wack Village Mandaluyong City	1 (d)	Filipino	00.00%
Common	FERDINAND A. DOMINGO No. 4 Lopez Jaena Street Ayala Village, Quezon City	3,548,030 (d)	Filipino	00.36%
Common	**Total (Directors & Officers)**	**74,645,026 (d)**	**Filipino**	**7.50%**

d - Direct
i - Indirect

III. Voting Trust Holders of 5% or More

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

IV. Changes in Control

The Corporation is not aware of any arrangement which may result in the change in its control.

V. Directors and Executive Officers (as of May 12, 2016)

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 CEO, Manila Jockey Club, Inc. (*March 1, 1997 to Present*); Chairman and President, Arco Management & Development Corporation, Arco Equities, Inc., Arco Ventures, Inc. (*1995 to Present*), Bonaventure Development Corporation (*1983 to Present*); Managing Partner, Reyno Tiu Domingo & Santos Law Offices (*1976 to Present*); Chairman and President of MJC Investments Corporation (*2009 to present*). He resides at No. 4 Pili Road, South Forbes Park, Makati City.

MARIZA SANTOS-TAN

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

ALFONSO G. REYNO III

Filipino, was born on March 9, 1970, is a lawyer by profession. He is affiliated with and occupies the following position in various institutions in the last five (5) years viz: President and COO, Manila Jockey Club, Inc. (*March 1, 1997 to Present*); viz: President, Arco Ventures, Inc. (*1995 to Present*), Director, Arco Management & Development Corporation, Bonaventure Development Corporation. Arco Equities, Inc. (*1995 to present*), Junior Associate, ACCRA Law Offices (*1997-1999*), Junior Partner, Reyno Tiu Domingo & Santos Law Offices (*1999 to present*); Director of MJC Investments Corporation (*2009 to present*). He resides at 23B South Tower Condominium, Pacific Plaza Tower, Fort Bonifacio, Taguig City.

PEDRO O. TAN

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

VICTOR B. VALDEPEÑAS

Filipino, was born on July 28, 1946. He graduated from the University of the Philippines in 1966 with a degree of Bachelor of Science Major in Economics and finished his Doctor of

Philosophy in Economics in the same school in 1972. In the last five (5) years or more he is affiliated with and occupies the following positions in various institutions, viz: Vice President and Country Treasurer of Citibank N.A. (from 1987-1994); Executive Vice President/Treasurer of Unionbank of the Philippines (1993-1997); consultant to the Chairman of National Economic Council; Assistant Director, National Planning Policy Research of National Economic Development Authority; Faculty Member of University of the Philippines; Professorial Lecturer of University of Sto. Tomas; Director of the University of the Philippines Alumni Association (2012-2015). He was the President and Chief Operating Officer of Unionbank of the Philippines. He resides at No. 61 Vernon Street, Filinvest Batasan Hills, Diliman Quezon City.

VICTOR C. FERNANDEZ

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

CHRISTOPHER G. REYNO

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

PATRICK G. REYNO

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

MA. LUISA T. MORALES

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

JOHN ANTHONY B. ESPIRITU

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

FERDINAND A. DOMINGO

Filipino, was born on June 22, 1952. He graduated from the University of the Philippines in 1972 with a degree of Bachelor of Arts and Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more he is affiliated with and occupies the following positions in various institutions, viz: Senior Partner, Reyno Tiu Domingo & Santos Law Offices (*September 1, 1991 to Present*); Corporate Secretary and General Counsel of MJC Investments Corporation (*2009 to present*); Director, CICI General Insurance Corporation (*May 2001 to Present*); Director, United Overseas Bank (*May 2001 to July 2002*); Corporate Secretary, Westmont Bank (*May 17, 2000 to January 16, 2004*); 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

VICTOR B. VALDEPEÑAS and VICTOR C. FERNANDEZ are the independent directors of the Company. During the Annual Stockholders Meeting last June 30, 2015, Directors Valdepeñas and Fernandez were elected Independent Directors of the Company. They are independent of management and free from any business or other relationship where it could, or could reasonably be perceived to mutually interfere with their exercise of independent judgment to carry out their responsibilities as directors.

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.

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[1] as well as the Code of Corporate Governance. After evaluation, said names will be submitted to the stockholders as nominees for directors.

The following are the members of the Nomination Committee with Alfonso Victorio G. Reyno III as the Chairman.

FERDINAND A. DOMINGO	-	Member
VICTOR C. FERNANDEZ *(Independent Director)*	-	Member

The members of the Nomination Committee are free from any business or other relationship with the Independent Directors.

Pursuant to Section 38 of the SRC[2] and as adopted in the by-laws of the Corporation dated June 02, 2014, the following rules shall apply in the Nomination and Election of Independent Directors:

a. The Nomination Committee shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly

[1] *Sec. 38. Independent Directors.* – Any corporation with a class of equity securities listed for trading on an Exchange or with assets in excess of Fifty million pesos (P50,000,000.00) and having two hundred (200) or more holders, at least of two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities or which has sold a class of equity securities to the public pursuant to an effective registration statement in compliance with Section 12 hereof shall have at least two (2) independent directors or such independent directors shall constitute at least twenty percent (20%) of the members of such board, whichever is the lesser. For this purpose, an "independent director" shall mean a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

[2] *Ibid.*

disclosed in the company's information or proxy statement or such other reports required to be submitted to the Securities and Exchange Commission ("SEC").

b. Nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholder's meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

c. The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

d. After the nomination, the Nomination Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Securities Regulation Code ("SRC") and its Implementing Rules and Regulations, which list, shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or in such other reports the company is required to submit to the SEC. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

e. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual/special stockholders' meeting.

f. Except as those required under the SRC and subject to the pertinent existing laws, rules and regulations of the SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the company or its by-laws.

g. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that the independent directors are elected during the stockholders' meeting.

h. Specific slots for independent directors shall not be filled-up by unqualified nominees.

i. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill the vacancy.

5. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY AS OF MAY 12, 2016

Position	Names	Citizenship	Age	Term of Office	Period Served

Chairman of the Board	Alfonso R. Reyno, Jr.	Filipino	71	19	1997-2016
Vice Chairman	Mariza Santos-Tan	Filipino	57	19	1997-2016
President & COO	Alfonso G. Reyno III	Filipino	46	19	1997-2016
Director & Treasurer	Pedro O. Tan	Filipino	78	18	1997-2016
Independent Director	Victor B. Valdepeñas	Filipino	69	11 months	2015-2016
Independent Director	Victor C. Fernandez	Filipino	72	6	2010-2016
Director	Christopher G. Reyno	Filipino	40	14	2002-2016
Director	Patrick G. Reyno	Filipino	45	6	2010-2016
Director	Ma. Luisa T. Morales	Filipino	71	3	2013-2016
Director	John Anthony B. Espiritu	Filipino	52	8	2008-2016
Director, General Counsel and Corporate Secretary	Ferdinand A. Domingo	Filipino	63	21	1995-2016

(a) Significant Employees

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

PETER FRANCIS G. ZAGALA

Filipino, was born in October 10, 1969 at Davao City. He graduated from the University of the Philippines (A.B., LL.B.). He is affiliated with and occupies the following position in various institutions in the last five (5) years, viz: Corporate Secretary, Arco Management & Development Corporation, Assistant Corporate Secretary, Arco Ventures, Inc. (1995 to present), Bonaventure Development Corporation, Arco Equities, Inc. (1995 to present), Junior Partner, Reyno Tiu Domingo & Santos Law Offices (1999 to present). He is currently the Vice President for Resource Administration of MJCI. He resides at Unit 16 Stella Maris Villas, Maybunga, Pasig City.

NESTOR N. UBALDE

Filipino, was born on March 4, 1959. He graduated from the University of East, Manila with a degree of Bachelor of Science in Business Administration and finished his Bachelor of Laws in the same school. In the last five (5) years, he was affiliated with and occupies the following positions in various institutions: Vice President for Finance and Controllership, Africa Israel Investments (ALL) (Philipines), Ins. and Africa Israel Properties (AIP) (Philippines), Inc. (January 2006 to March 2010); Chief Finance Officer, Smartpetro, Inc. (March 2010 to January 2011). He is currently the Chief Finance Officer of MJCI. He resides at cor. Mt. Apo and Mt. Makiling Streets, Grand Valley Subdivisions, Mahabang Parang, Angono, Rizal.

CHINO PAOLO Z. ROXAS

Filipino, was born on November 28, 1983. He graduated from the Ateneo de Manila University with a degree of Bachelor of Laws (LLB) under the Juris Doctor (J.D.) Program. He was formerly affiliated with Bernas Law Office from 2008-2010. He is currently the Corporate Information Officer and Compliance Officer of Manila Jockey Club, Inc. He resides at 44 Leo Street, Villarica Subdivision, Cainta Rizal.

(b) Family Relationships.

Alfonso Victorio G. Reyno III, Christopher G. Reyno and Patrick 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.

(c) Involvement in Certain Legal Proceedings (as of May 12, 2016).

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.

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

(e) Certain Relationship and Related Transactions

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

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

		Amount		Receivable/ (Payable)			
	Nature	**2015**	2014	**2015**	2014	Terms	Conditions
Subsidiaries:							
Biohitech Korea (BHK)	Advances	**₱–**	₱–	**₱–**	(₱38,640,000)	Non interest-bearing	Unsecured, no impairment
Arco Management Development Corporation (AMDC)	Lease of office Space	**6,884,042**	6,667,610	**–**	–	Non interest-bearing	Unsecured, no impairment
Associates:							
MIC	Advances	**2,028,930**	1,133,990	**4,107,091**	2,078,161	Non interest-bearing	Unsecured, no impairment
	Subscription payable	**–**	–	**–**	(42,808,835)	Non interest-bearing	Unsecured, no impairment
Techsystems		**8,333**	–	**9,333**	1,000	Non interest-bearing	Unsecured, no impairment

a. The Parent Company has a lease agreement with AMDC covering the lease of office space and parking lots.

b. Compensation of key management personnel of the Parent Company amounted to ₱65.3 million, ₱52.8 million and ₱41.1 million in 2015, 2014 and 2013, respectively. The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2015 and 2014, the BOD received a total of ₱9.8 million and ₱8.1 million in 2013.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash, unless otherwise indicate. There have been no guarantees provided or received for any related party receivables and payable. No impairment has been recorded on receivables in 2015, 2014 and 2013.

6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

Position	Name	Annual Compensation					
		2014 (actual)		2015 (actual)		2016 (estimate)	
		Salary	Bonus	Salary	Bonus	Salary	Bonus
Chairman & CEO	Alfonso R. Reyno, Jr.	₱4,200,000	₱-	₱4,200,000	₱-	₱4,200,000	₱-
Vice Chairman	Mariza Santos-Tan	1,170,000	-	1,170,000	-	1,170,000	-
Director, President & COO	Alfonso G. Reyno III	3,270,000	-	3,270,000	-	3,270,000	-
Director & Treasurer	Pedro O. Tan	1,170,000	-	1,170,000	-	1,170,000	-
Director & Corporate Secretary	Ferdinand A. Domingo	1,620,000	-	1,620,000	-	1,620,000	-

All directors are entitled to a per diem ranging from ₱10,000.00 to ₱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					
	2014 (actual)		2015 (actual)		2016 (estimate)	
	Salary	Bonus	Salary	Bonus	Salary	Bonus
Directors & Officers	₱52,751,490	₱-	₱ 65,336,887	₱-	₱ 71,789,987	₱-

KEY MANAGEMENT PERSONNEL

Compensation of the executive personnel of the Company as of March 31, 2016 and of the same period in 2015 amounted to ₱2.81 million and ₱2.80 million respectively. The Corporation has no standard arrangement with regard to the remuneration of its directors. The directors' fees as of March 31, 2016 is ₱0.13 million while in 2015 of the same period the BOD received director's fees aggregating ₱0.21 million.

C. FINANCIAL AND OTHER INFORMATION

7. Independent Public Accountant

For years 2006 to 2010, the Company had engaged Sycip Gorres Velayo & Co., with address at 6760 Ayala Avenue, 1226 Makati City, as its Independent Public Accountant. The partner-in-charge for MJCI in SGV & Co. during those years was Ms. Josephine H. Estomo. In compliance with SRC Rule 68, Paragraph 3 (b) (iv), the independent external auditor or the partner is rotated every five (5) years or earlier. The Company has re-appointed SGV & Co. as its independent external auditor for years 2011 to 2015 audit with Mr. Arnel F. de Jesus as the new partner-in-charge. A representative of SGV & Co. is expected to attend in the coming Annual Stockholders' Meeting with an opportunity to make any statements, if they so desire, and will be available to respond to appropriate questions.

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

8. External Audit Fees and Audit Related Fees

The Group paid its external auditors the following fees in the past two years.

	Audit and Audit-related Fees *(with VAT)*
2015	₱1.8 million
2014	₱1.6 million

The audit committee approved the policies and procedures for the services. No other fees were paid to said auditors for other services.

There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosures.

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

FERDINAND A. DOMINGO	-	Member
VICTOR B. VALDEPEÑAS *(Independent Director)*	-	Member
ALFONSO VICTORIO G. REYNO III	-	Member

9. Financial Statements

A copy of the Company's audited Financial Statements for the year ended December 31, 2015 is attached herewith.

D. OTHER MATTERS

10. Action with Respect to Reports and Other Proposed Action

The Minutes of the Annual Stockholders' Meeting held on June 30, 2015 will be submitted for the approval of the security holders. The minutes reflect the approval of the following matters by the stockholders:

I. Approval of the minutes of the Annual Stockholders' meeting held on June 30, 2015.
II. Report of the Management
III. Ratification of all Acts of the Board of Directors and Management
IV. Election of the Members of the Board of Directors
V. Appointment of the External Auditor

11. Matters to be Submitted for Approval

The approval and ratification of all the Acts of the Board of Directors for the period from June 30, 2015 to June 30, 2016.

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since June 30, 2015, or the last Annual Meeting. These are reflected in the minutes of meetings of the Board of Directors, the regular reports and disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, the 2015 Annual Report and the report of the Chairman and President. *(See Annex "A")*

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

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

12. Amendments of Charter, By-Laws and Other Documents

None.

13. Other Proposed Action

None.

E. VOTING PROCEDURE

15. Vote Requirement

a) For Election of Directors

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

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

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

b) Ratification of all Acts of Management and the Board of Directors for the period of June 30, 2015 to June 30, 2016.

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

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

c) Appointment of the External Auditor.

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

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

Article XVII

Voting

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

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

a. Procedure on Voting and Vote Requirement

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

b. Procedure For Election of Regular and Independent Directors

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

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

3) Every stockholder has the right to cumulative voting.

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

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on 2 3 MAY 2016 .

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

Date : 2 3 MAY 2016

By:

ALFONSO R. REYNO, JR.
Chairman & CEO

ALFONSO VICTORIO G. REYNO III
President & COO

NESTOR N. UBALDE
Chief Finance Officer

IRENE P. HABIATAN
Chief Accounting Officer

Ferdinand A. Domingo

FERDINAND A. DOMINGO
General Counsel & Corporate Secretary

SUBSCRIBED AND SWORN TO before me this day of 2 3 MAY 2016 at Pasig City, affiants exhibiting to me their respective ID Nos., as follows:

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

ATTY. JINGJING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 133-(2016-2017)
Until December 31, 2017
PTR No. 1418807 / Jan. 07, 2016 – Pasig City
IBP No. 1022670 / Jan. 07, 2016 – Quezon City
CITY OF PASIG
Roll of Attorney No. 60827

Doc. No. 203 ;
Page No. 42 ;
Book No. II ;
Series of 2016.

ANNEX "A"

SUMMARY OF THE PAST ACTS OF THE BOARD, ITS COMMITTEES AND MANAGEMENT FOR THE PERIOD JUNE 30, 2015 TO JUNE 30, 2016:

I. Election of Corporate Officers and Organization of Board Committees

II. Election of the Board of Directors, appointment of the External Auditor, and ratification of amendments of the Articles of Incorporation.

III. Approval of the Audited Financial Statements for the Fiscal year ending December 31, 2015

IV. Application of Mobile Telecommunication Services

V. The use of the 5,546 square meters lot of the Corporation located at Felix Huertas cor. Yuseco Sts., Sta. Cruz, Manila allotted for Vertex Two be in the meantime used as a commercial parking space

VI. Grant of a surety bond from a bonding company to guarantee the faithful compliance of its obligations under the Service Contract entered into with PAGCOR

VII. Opening of Bank Accounts, Credit Facilities and Cash Management Services (CMS)

VIII. Application of the Autosweep RFID account services and related transactions

IX. Application of Transfer of Ownership of a Motor Vehicle

X. Use of proceeds of Stock Rights Offering (SRO) of Manila Jockey Club, Inc. (the "Corporation") as of July 13, 2015

XI. Appointment of Atty. Chino Paolo Z. Roxas as Corporate Information and Compliance Officer

XII. Confirmation on the purchase of the 9.850 Million Apo Reef shares of stock

XIII. Division of the property into two (2) lots covered by Transfer Certificate of Title No. 252035

XIV. Authorization of signatory on matters pertaining to gaming-related transactions with PAGCOR and other matters in the ordinary course of business

XV. Update on Investment Agreement regarding Acquisition of Apo Reef World Resorts, Inc.

XVI. Declaration of Five Percent (5%) Cash Dividends with Record Date of June 10, 2016 and Payment Date on June 30, 2016

XVII. Other matters in the ordinary course of business

ANNUAL REPORT TO THE STOCKHOLDERS

MANAGEMENT REPORT

A. Audited Consolidated Financial Statements

The audited financial statements of the registrant as of December 31, 2015 and interim unaudited financial statements as of March 31, 2016 are attached herewith.

B. Changes in and Disagreements with Accountants on Accounting and Financing Disclosures

During the course of the audit, there were no disagreements that arose between the Company and the Independent Public Accountant.

C. Management Discussion and Analysis or Plan of Operations

Discussion on Results of Operations

The following table shows a summary of results of the operations for the year ended December 31, 2015, 2014 and 2013:

	For the Year Ended December 31			% change	% change
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(Amount in millions of Philippine peso except EPS)				
Revenue					
Racing	₱199.8	₱223.9	₱216.4	-10.8%	3.5%
Rent	87.2	86.1	89.0	1.3%	-3.4%
Real estate	46.6	35.4	148.5	31.6%	-76.2%
Food and beverages	19.0	17.5	7.1	8.6%	1.5%
Others	18.8	19.7	33.9	-4.6%	-41.9%
	371.4	382.6	494.9	-2.9%	-22.7%
Cost					
Racing	175.1	168.7	170.3	3.8%	-1.1%
Rent	62.6	59.6	48.9	5.2%	21.9%
Real Estate	1.0	4.3	46.5	-76.7%	-90.8%
Food and beverages	19.3	16.7	14.5	15.6%	15.2%
Others	22.1	19.6	33.7	12.8%	-41.8%
	280.1	268.9	313.9	4.2%	-14.3%
Gross Income	91.3	113.7	181.0	-19.7%	-37.2%
Operating Expenses	(195.5)	(182.7)	(210.6)	7.0%	-13.2%
Equity in earnings of associate and joint ventures	12.5	17.1	10.6	-26.9%	61.3%
Interest income	5.0	12.8	13.2	-60.9%	-3.0%
Other income – net	28.3	43.4	2,123.3	-34.8%	-98.0%
Benefit from income tax	13.4	(2.5)	(8.3)	-544.3%	-70.1%
Net income (loss)	(₱45.0)	₱1.8	₱2,109.2	-24.7%	-99.9%
Earnings per share	(₱0.0459)	₱0.0018	₱2.1173	-23.9%	-99.9%

The difference is due to rounding off.

Comparison of Operating Results for the Years Ended December 31, 2015 and 2014

Gross Revenue and Cost of Sale and Services

Gross revenue from operation includes revenue from racing, rentals, real estate sales, food and beverages and other ancillary services, including currency exchange operations.

For the periods ended December 31, 2015 and 2014, the Group has a gross revenue amounting to ₱371.4 million and ₱382.6 million, respectively. Compared to 2014, the gross revenue in 2015 dropped by 2.9% or ₱11.2 million. It is due primarily to the decrease in racing income by ₱24.1 million from ₱223.9 million to ₱199.8 million in 2015. The difference of 3 racing days from 117 in 2014 to 114 in 2015 contributed to the decline in racing income. Other reasons that contributed to the decline in racing revenue are the decrease in the average sales per day, reduction of the number of events per race day and of the closing of 8 off-track betting (OTB) stations.

Total cost of sales and services for the periods ended December 31, 2015 and 2014 amounted to ₱280.1 million and ₱268.9 million, respectively. It increased by 4.2% or ₱11.3 million in the current year. The bulk of the increase came from the cost of services for racing operations and can be ascribed to more race sponsorships and additional horse prizes given by the Company in 2015 compared in 2014. This is to attract more horse owners to register their racing horses in its races. There was also a three percent (3%) increase in the salaries of raceday employees as well as providing of signing bonuses to employees brought about by the renewal of the collective bargaining agreement (CBA) for raceday employees that expired in 2014 and renewed in 2015.

Operating expenses
Increase in OPEX by 7.0% or ₱12.8 million is due to the additional professional fees incurred and recognized provision for doubtful accounts during the year.

Equity in net earnings of associates and joint venture
For the period ended December 31, 2015, equity in net earnings of associates and joint venture amounted to ₱12.5 million which is lower by 27.0% compared to its balance for the same period in 2014 amounting to ₱17.1 million. This is the effect of the increase in the equity share in the net loss of MIC amounting to ₱5.2 million from ₱6.8 million in 2014 to ₱12.0 million in 2015, and increase in equity share in net earnings of SLBPO by ₱0.6 million, from ₱2.5 million in 2014 to ₱3.1 million in 2015.

Other income - net
Decrease in other income in 2015 by 34.8% or ₱15.1 million pertains mainly to the receipt in 2014 of the ₱14.0 million upfront payment for a right of way in the Parent Company's Carmona property.

Earnings per share
Earnings per share in 2015 and 2014 are (₱0.0459) and ₱0.0018, respectively which decreased by 0.044 as the Group registered a net loss attributable to the parent company for year 2015 amounting to ₱45.7 million while for year 2014, it recognized a net income attributable to equity holders of the parent amounting to ₱1.7 million.

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

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

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

- Increase in racing income by ₱7.5 million (3.5% 2014 vs. 2013) is due to the increase in average income per racing day and more weekend races of the club compared to 2013.

The total number of racing days for the periods ended December 31, 2014 and 2013 was 117 and 119, respectively, resulting to a difference of 2 racing days.

- Decrease in real estate revenues by ₱113.1 million is due to several cancellations of real estate units previously sold. The decline in the number of memorial lots sold in 2014 also contributed to the unfavorable variance in real estate revenue.
- Decrease in rental income by ₱2.9 million because of the decrease of rented stable stalls in 2014.
- Revenue from sale of food and beverages increased the Group's total revenues by ₱10.4 million from that of 2013. The Parent Company's restaurant business started its operations in April 2013.
- Decrease in other revenues by ₱14.2 million which came primarily from income derived from the money changing or currency exchange operations of MJC Forex.

For the period ended December 31, 2014, cost of sales and services amounted to ₱268.9 million or a decrease of 14.3% or ₱45 million from that of 2013. The movement is affected by the decline in the number of real estate units sold as well as the several cancellations of previously sold units. Also, there was a decrease in the income derived from the money changing or currency exchange operations of MFC contributed to the decrease in total cost of sales and services.

Operating expenses

Operating expenses decreased by 13.2% from ₱210.6 million in 2013 to ₱182.7 million in 2014 as a result of the cost saving measures being implemented by the Group. While certain pre-operational subsidiaries contributed to the increase in the operating expenses, the Company still managed to decrease its operating expenses.

Equity in net earnings of associates and joint venture

In 2014, equity in net earnings of associates and joint venture increased by ₱6.5 million or 61.3% from that of 2013 as a result of lower equity in net loss of MIC by ₱4.2 million and increase in equity in net earnings of SLBPO by ₱2.1 million. For the year ended December 31, 2014 and 2013, equity in net loss of MIC amounted to ₱6.9 million and ₱11.1 million, respectively, while equity in net earnings of SLLBPO amounted to ₱24.0 million and ₱21.9 million, respectively.

Other income - net

Other income decreased by 98.0% from that of 2013 or by ₱2,079.9 million as a result of the one-time remeasurement gain of investment in MIC recognized in 2013 as a result of the deconsolidation of MIC from the Group.

Earnings per share

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

Discussion on Financial Condition and Changes in Financial Condition

	For the Year Ended December 31				
	2015	2014	2013	% change	% change
	(Amount in millions of Philippine peso except EPS and ratio)			2015 vs. 2014	2014 vs. 2013
Cash and cash equivalents	₱134.5	₱303.0	₱263.8	-55.6%	14.9%
Receivables	245.2	313.3	384.6	-21.74%	-18.5%
Inventories	94.8	95.3	99.4	-0.5%	-4.1%
Other current assets	11.3	4.7	4.8	140.4%	-2.1%
Investments in associates and joint ventures	2,301.3	2,310.1	2,314.5	-0.4%	-0.2%
Available-for-sale (AFS) financial assets	31.9	22.1	21.2	44.3%	4.2%
Property and equipment	957.2	1,028.0	1,015.4	-6.9%	1.2%
Investment properties	998.4	1,010.8	1,023.2	-1.2%	-1.2%
Other non-current assets	31.0	32.0	34.4	-3.1%	-7.0%
Total assets	4,805.6	5,119.3	5,161.3	-6.1%	0.8%
Short-term loans and borrowings	39.0	74.4	86.4	-47.6%	-13.9%
Accounts payable and other liabilities	301.1	354.3	315.4	-15%	12.3%
Current portion of long-term loans and borrowings	–	14.3	14.3	100.0%	0%
Due to related parties	–	38.6	38.6	100.0%	0%
Subscription payable	–	42.8	42.8	100.0%	0%
Income tax payable	0.007	12.7	2.8	99.9%	353.6%
Total current liabilities	340.1	537.1	500.3	36.7%	7.4%
Long-term loans and borrowings – net of current portion	–	–	14.3	0%	100%
Accrued retirement benefits	39.0	42.5	35.1	-8.2%	21.1%
Deferred tax liabilities – net	228.6	246.1	264.8	-7.1%	-7.1%
Total non-current liabilities	267.6	288.6	314.2	-7.3%	-8.1%
Total liabilities	607.7	825.7	814.5	-26.4%	1.4%
Capital stock	996.2	996.2	948.7	0%	5.0%
Additional paid-in capital	27.6	27.6	27.6	0%	0%
Actuarial gains on accrued retirement benefits	21.6	21.2	24.9	1.9%	-14.9%
Net cumulative changes in fair values of AFS financial assets	3.9	5.2	9.1	-25%	-42.9%
Retained earnings:					
Appropriated			17.2		-100%
Unappropriated	3,150.2	3,245.7	3,321.6	-2.9%	-2.3%
Treasury shares	(0.007)	(0.007)	(0.007)	0%	0%
Noncontroling interests	(1.6)	(2.3)	(2.3)	-30.4%	0%
Total equity	4,197.9	4,293.6	4,346.8	-2.2%	-1.2%
Total liabilities and equity	4,805.6	5,119.3	5,161.3	-6.1%	-0.8%

Discussion on some Significant Changes in Financial Condition as of December 31, 2015 and 2014

Total assets decreased due to the following:

1. Cash and cash equivalents decreased from ₱303.0 million as of December 31, 2014 to ₱134.5 million as of December 31, 2015. The decrease of ₱168.5 million in 2015 is due to the following:

    a. The Group used cash in operating activities amounted to ₱32.7 million.

    b. The Group provided cash on investing activities in 2015 amounted to ₱8.2 million, which pertains to cash received from the following investing activities:
    - Dividends from its 30% share in the joint venture amounting to ₱47.9 million.
    - Interest from bank, real estate and AFS bonds totaling ₱5.0 million; and
    - Selling of available-for-sale financial assets which provided the Group proceeds of ₱12.7 million.

Cash received from investing activities were partially used to acquire property and equipment and AFS financial assets amounting to ₱35.1 million and ₱21.3 million, respectively.

c. Cash used by financing activities in 2015 amounted to ₱144.0 million, which includes payments of the following:
   - Cash dividends to equity holders of the Parent Company amounting to ₱49.0 million;
   - Long term and short term loans, together with interest, amounting to ₱52.1 million; and
   - Subscriptions payable for the subscribed shares in MIC amounting to ₱42.8 million.

2. Decrease in receivables amounting to ₱68.1 million in 2015 is due to the following:

   a. Decrease in trade receivable amounting to ₱16.5 million is primarily due to the decrease in real estate receivable amounting to ₱15.6 million during the year. This is due to the collection effort of the joint venture partners and cancellation of certain real estate sales during the year.

   b. Decrease in non-trade receivable amounting to ₱38.9 million is as a result of the following:

      - Collection of dividends from SLLBPO amounting to ₱26.2 million; and
      - Collection of receivable from Metro Manila Turf Club (MMTC) amounting to Php15.7 million.

      The collection above were partially decreased by advances extended to related parties and to suppliers amounted to ₱2.2 million and ₱2.3 million, respectively.

   c. Increase in allowance for doubtful account amounting to ₱12.9 million is due to the assessment made by management on its long outstanding receivables to be partially uncollectible.

3. Inventories decreased by ₱0.5 million in 2015 as a result of the sale of real estate inventories during the year.

4. Increase in other current assets amounting to ₱6.5 million pertains mainly to the overpayment by the Parent Company of its income taxes amounting to ₱5.9 million in 2015. As a result, consolidated income tax payable also decreased by ₱12.7 million.

5. Investment in associates and joint ventures amounted to₱2,301 million and ₱2,310 million as of December 31, 2015 and 2014, respectively. The decrease in investment in associates and joint ventures is due to the equity share in the net loss of MIC amounting to ₱12.0 million in 2015 partially offset by the equity in net earnings of SLBPO amounting to ₱24.5 million in 2015 less dividends declared for the Parent Company amounting to ₱21.4 million.

6. Increase in AFS investments during the year amounting to ₱9.9 million pertains mainly to the acquisition by the Group of additional AFS investments amounting to Php21.3 million, which is partially offset by the AFS investments sold by the Group with a carrying value of Php11.7 million. Increase in unrealized mark to market gain on AFS investment amounted to

₱0.3 million in 2015.

7. Property and equipment as of December 31, 2015 and 2014 amounted to ₱957.2 million and ₱1,028.0 million, respectively. The decrease in property and equipment amounting to

   ₱70.8 million in 2015 is the net effect of the acquisitions made during the year amounting to ₱35.1 million, the disposal of machineries amounting to ₱37.2 million and the recognition of depreciation charges for the year amounting to ₱68.7 million.

8. Investment properties which are measured at cost decreased by ₱12.4 million in 2015 from ₱1,010 million as of December 31, 2014 to ₱998.4 million as of December 31, 2015 as a result of the depreciation charges of the Vertex One building amounting to ₱12.4 million.

9. Other noncurrent assets as of December 31, 2015 and 2014 amounted to ₱31.0 million and ₱32.0 million, respectively. The decrease of ₱1.0 million in 2015 is primarily due to the amortization of franchise fee amounting to ₱1.8 million.

Total Current Liabilities in 2015 decreased due to the following:

10. Decrease in short term loans and borrowings in 2015 is due to the repayment made by the Group of its long-term loans amounting to ₱14.3 million as wells as its short term loans amounting to ₱35.4 million.

11. Accounts payable decreased by ₱53.2 million mainly as a result of the following:
    - Decline in the Company's racing operations, which resulted to a decrease in accounts payable of ₱17.3 million.
    - Payment of due to contractors amounting to ₱20.5 million
    - Payments to MMTC amounting to ₱12.0 million

12. Current portion of long term loans and borrowings amounted to ₱14.3 million as of December 31, 2014. The amount was fully paid upon its maturity in November 2015.

13. Subscription payable decreased from ₱42.8 million in 2014 to nil in 2015 as a result of the payment made by the Parent Company of its subscriptions in MJC Investments Corporation amounting to ₱42.8 million.

14. The decrease in income tax payable from ₱12.7 million in 2014 to ₱6.9 thousand in 2015 resulted from the payment of the income tax payable in 2014 during 2015.

Total Noncurrent Liabilities decreased due to the following:

15. The decrease in accrued retirement benefit amounting to ₱3.5 million is due to the contributions made by the Company to the retirement fund amounting to ₱11.5 million, partially offset by the retirement expense recognized by the Group amounting to Php8.6 million.

16. Net-deferred income tax liabilities decreased by ₱17.5 million in 2015 primarily due to deferred tax assets on MCIT and NOLCO recognized in 2015. As of December 31, 2015 and 2014, net deferred tax liabilities amounted to ₱228.6 million and ₱246.1 million, respectively.

Total Equity decreased due to the following:

17. Actuarial gains on accrued retirement benefits increased by ₱0.5 million from ₱21.1 million as of December 31, 2014 to ₱21.6 million as of December 31,2015 as a result of the increase in discount rate from 5.78% in 2014 to 6.25% in 2015.

18. Net cumulative changes in fair value of AFS financial assets decrease by ₱1.3 million in 2015 from ₱5.2 million as of December 31, 2014 to ₱3.9 million as of December 31, 2015 as a result of the realization of the changes in fair value of AFS due to disposal and unfavorable market condition.

19. Retained earnings decreased by ₱96.0 million from ₱3,246 million as of December 31, 2014 to ₱3,150 million as of December 31, 2015. The decrease pertains to the declaration of ₱0.05 cash dividend by the Parent Company in 2015 aggregating ₱49.8 million and net loss recognized by the Group for year 2015 amounting to ₱45.9 million.

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

Total Current Assets in 2014 decreased due of the following:

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

   a. The Group generated cash in 2014 amounting to ₱173.8 million from its operation, mainly from its racing, leasing, real estate operations and food and beverages operations.

   b. The Group also expends cash on the following investing activities:

      (1) acquisition of property and equipment amounting to ₱78.1 million (2) acquisition of AFS financial assets amounting to ₱8.1 million, partially offset by the cash generated from the following investing activities: (1) Interest amounting to ₱12.7 million; (2) proceeds from sale of AFS financial assets amounting to ₱4.8 million and (3) dividends received amounting to ₱9.5 million.

   c. Financing activities used up ₱75.8 million due to payment of outstanding short term and long term loans aggregating ₱26.3 million, payment of dividends to stockholders amounting to ₱45.8 million and payment of interest on short term and long term loan amounting to ₱3.7 million.

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

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

Total Noncurrent Assets decreased in 2014 due to the following:

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

5. Investment in associate and joint venture amounted to ₱2,310.3 million as of December 31, 2014 and ₱2,314.5 million as of December 31, 2013. The decrease in investment in associate is due to the share in net loss in equity interest in MIC, partially offset by the equity in net earnings of SLLBPO less profit share of the Parent Company declared by the joint venture.

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

7. Property and equipment increased by ₱12.6 million in 2014 due to additions to property and equipment during the year amounting to ₱78.1 million, offset by the depreciation charges made during the year amounting to ₱65.4 million.

8. Investment properties decreased by ₱12.4 million in 2014 from ₱1,023.2 million as of December 31, 2013 to ₱1,010.8 million as of December 31, 2014 as a result of the depreciation expense of the Vertex One building amounting to ₱12.4 million.

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

Total Current Liabilities in 2014 increased due to the following:

10. Short-term interest bearing loans and borrowings decreased by ₱12.0 million from ₱86.4 million as of December 31, 2013 to ₱74.4 million as of December 31, 2014, as a result of repayment made during the year amounting to ₱12.0 million. These loans were obtained for working capital requirements and the promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

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

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

13. The due to related parties account amounted to ₱38.6 million as of December 31, 2014 and December 31, 2013. The amount of ₱38.6 million pertains to the advances obtained by Biohitech (Phils.) from its affiliate, Biohitech Korea, to finance the construction of the building housing the fermentation machine and for the importation of additional machines.

Total Noncurrent Liabilities decreased due to the following:

14. Long term loans and borrowings (net of current portion) decreased to nil as of December 31, 2014 from ₱14.3 million as of December 31, 2013 as a result of the reclassification made for the current portion of the long term loans which are due within a year from the balance sheet date.

15. Accrued retirement benefits increased to ₱42.5 million as of December 31, 2014 from ₱35.1 million as of December 31, 2013. The increase of ₱7. 5 million can be attributed to the increase in the retirement benefit costs for year 2014 compared to 2013. The valuation of the fund was based on the latest actuarial valuation reports as of December 31, 2014.

16. Deferred income tax liabilities decreased by ₱18.7 million in 2014 due primarily to the decrease in the unrealized deemed cost adjustment on real estate properties and increase in the accrued retirement benefits. The unrealized deemed cost adjustment on real estate properties will be realized through sales of real estate inventories. As of December 31, 2014, 2013 and 2012, deferred income tax liabilities amounted to ₱246.1 million, ₱264.8 million and ₱270.3 million, respectively.

Total Equity decreased due to the following:

17. Capital stock amounted to ₱996.2 as of December 31, 2014 and ₱948.7 in 2013. Capital stock increased by ₱47.4 million in 2014 arising from the issuance of 5% stock dividends declared in 2014.

18. As of December 31, 2014 and 2013, actuarial remeasurement on retirement plan liabilities amounted to ₱21.1 million and ₱24.9 million, respectively. This is the result of the adoption of Revised PAS 19 due to changes in assumptions used in the valuation.

19. The net cumulative changes in fair value of AFS financial assets amounted to ₱5.2 million as of December 31, 2014 from ₱9.0 million as of December 31, 2013. The decrease of ₱3.8 million in 2014 is the net effect of the changes in fair value of quoted marketable securities

subjected to mark-to-market valuation at the balance date. The AFS financial assets are carried at fair value determined based on published prices in the active market.

20. Retained earnings from 2013 to 2014 decreased by 76.0 million. The decrease is the net effect of the declaration of ₱0.05 cash dividend and 5% stock dividends by the Parent Company resulting to a decrease in unappropriated retained earnings by ₱94.8 million. Moreover, the effect of the reclassification of appropriated retained earnings to unappropriated retained earnings increases the Group's total unappropriated retained earnings amounting to ₱17.2 million and net income of ₱1.8 million in 2014.

TOP KEY PERFORMANCE INDICATORS FOR FULL FISCAL YEARS:

The Group (MJCI and subsidiaries) looks closely at the following to determine its over-all performance:

	December **2015**	December 2014	December 2013
1. Current Ratio	**1.30**	1.09	1.20
2. Debt to Equity Ratio	**0.01**	0.02	0.03
3. Asset to Liability Ratio	**7.90**	6.18	6.34
4. Asset to Equity Ratio	**1.14**	1.19	1.19
5. Interest Rate Coverage Ratio	**14.74**	24.31	500.15
6. Sales to Revenue Ratio	**0.54**	0.59	0.44
7. Earnings Per Share	**(₱0.0459)**	₱0.0018	₱2.1173

Ratio Computation

Current ratio is computed by dividing current assets amounting to ₱440.7 million and ₱587.6 million as of December 31, 2015 and 2014, respectively over current liabilities amounting to ₱340.1 million and ₱537.2 million as of the same years. This indicates the ability of the company to pay its current liabilities using its current assets. Current ratio increased in 2015 by 0.21.

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, 2015 and 2014 amounted to ₱39.0 million and ₱88.7 million, respectively, while total equity as of December 31, 2015 amounted to ₱4,197.9 million and ₱4,293.6 million as of December 31, 2014.

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, 2015 and 2014 amounted to ₱4,805.6 million and ₱5,119.3 million, respectively, while the corresponding total liabilities as of December 31, 2015 and 2014 amounted to ₱607.7 million and ₱825.8 million, respectively.

Asset to equity ratio shows the relationship of total assets to the portion owned by shareholders. The formula for this ratio is total assets over total equity. As of December 31, 2015 and 2014, total assets amounted to ₱4,805.6 million and ₱5,119.3 million, respectively, while total equity amounted to ₱4,197.9 million and ₱4,293.6 million, respectively.

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/(losses) before interests, taxes, depreciation and amortization (EBITDA) over interest charges. For the year 2015 and 2014, EBITDA amounted to ₱33.9 million and ₱87.5 million, respectively. Finance costs, exclusive of bank charges amounted to ₱2.3 million in 2015 and ₱3.6 million in 2014.

Sales to total revenue ratio is computed by dividing the income from horse racing amounting to ₱199.8 million and ₱223.9 million for years 2015 and 2014, respectively, to total revenue of the company amounting to ₱371.3 million for the year ended December 31, 2015 and ₱382.6 million for the year ended December 31, 2014 . It indicates the performance by percentage of the income from horse racing to total revenue of the company. Sales and other revenues indicate the overall performance of the Company as it conducts horse races.

Earnings per share is computed by dividing net income/(loss) attributable to equity holders of the parent company against the weighted average number of outstanding common shares. Net loss and net income attributable to equity holders of the Parent Company amounts to ₱45.7 million and ₱1.8 million for the years ended 2015 and 2014, respectively. In 2015 and 2014, the weighted average of outstanding common shares is 996.2 million.

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

FOR THE FIRST QUARTER OF THE YEAR 2016

MANAGEMENT DISCUSSION & ANALYSIS OF PLAN OF OPERATIONS

Discussion on Operating Results for the Periods Ended March 31, 2016 and 2015

Revenues

Racing income increased by ₱0.4 million from ₱51.3 million for the period ended March 31, 2015 to ₱51.7 million for the same period in 2016. The company had thirty (30) racing days for the period ended March 31, 2016 compared to twenty seven (27) for the same period in 2015.

The Group recognizes income from real estate sales which is the subject of Joint Venture Agreements with Ayala for Sta. Cruz property and Century Communities Corp. for Carmona property. Revenue from real estate is recognized under the percentage of completion (POC) method. The company recognized a revenue amounting to ₱5.8 million for the quarter ended March 31, 2016 and a loss amounting to ₱8.5 million covering the same period in 2015. The increase in revenue from real estate transactions is the net effect of sales and cancellations during the period ended March 31, 2016. There were ten (10) cancellations of previously sold units in 2015 compared to two (2) units during the period ended March 31, 2016. The cancellations were mostly due to the default in payments by the buyers.

Revenue from the leasing of stables, buildings and other facilities increased by ₱1.1 million from ₱21.6 million for the period ended March 31, 2015 to ₱22.7 million for the same period in 2016. The increase in rental income in 2016 can be attributed to the 5% yearly escalation on rental rates for the lease of building units.

Revenue from sale of food and beverages decreased the Group's total revenues by ₱0.1 million in 2016 from ₱3.7 million for the period ended March 31, 2015 to ₱3.6 million for the same period in 2016.

The Group recognizes Other Revenues from its MJC Forex and Manilacockers operations. The revenue recognized from these transactions totaled to ₱3.5 million for the period ended March 31, 2015 and ₱5.4 million for the same period in 2016. The increase amounting to ₱1.9 million is attributed to the revenue provided by Manilacockers which started its operations in December 2015.

Interest income relates to real estate receivables and cash and cash equivalents. Interest income amounted to ₱5.5 million and ₱2.5 million for the periods ended March 31, 2016 and 2015, respectively, or an increase of ₱3.1 million which relates primarily to real estate transactions.

Equity in net earnings/losses of associates and joint ventures is recognized by the Group. The company's share in the net earnings of a joint venture amounted to ₱6.8 million while its share in the net losses of an associate amounted to ₱8.1 million for the first quarter of 2016, or a net loss amounting to ₱1.4 million for the period ended March 31, 2016. For the same period in 2015, equity in net earnings of associates and joint ventures amounted to ₱5.0 million. The decrease of ₱6.4 million is due from the company's share in the net loss of MIC.

Other income - net decreased by ₱4.6 million from ₱8.7 million for the period ended March 31, 2015 to ₱4.1 million for the same period in 2016. No income from services rendered to MMTC was recognized in 2016 as the arrangement in providing services to the other race club has ended in October 2015. There was also no sale of AFS financial assets during the period ended March 31, 2016.

Expenses

Cost of Sale and Services

Cost of racing services decreased by ₱2.2 million from ₱43.8 million for the period ended March 31, 2015 to ₱41.6 million for the same period in 2016. The decrease is ascribed primarily to thermal ticket supplies as no purchase was made during the period ended March 31, 2016.

Cost of real estate pertains to the cost of real estate property recognized under the percentage of completion method, if the criteria of full accrual method are not satisfied. The total cost of real estate for the periods ended March 31, 2016 and 2015 amounted to ₱0.1 million and (₱3.9) million, respectively. The variance of ₱4.0 million is the net effect of the costs of real estate units sold and the costs of real estate units previously sold that were reverted back to inventory account when these units were cancelled. Cancellations during the period ended March 31, 2015 is higher by eight (8) units compared to the same period in 2016.

Rental cost of services increased by ₱1.8 million from ₱12.8 million for the period ended March 31, 2015 to ₱14.6 million for the same period in 2016. The variance pertains to depreciation expense on gaming equipment purchased in the latter part of 2015.

Cost of food and beverage for the periods ended March 31, 2016 and 2015 amounted to ₱3.8 million and ₱4.0 million, respectively, or minimal decrease amounting to ₱0.2 million.

The cost of sales for "Others" amounted to ₱8.3 million and ₱3.5 million for the periods ended March 31, 2016 and 2015, respectively. It increased by ₱4.8 million in 2016. The variance relates primarily to the cost of services from the operations of Manilacockers which started its operations in December 2015.

General Operating Expenses

General and administrative expenses constitute costs of administering the business. For the period ended March 31, 2016, it amounted to ₱43.4 million or an increase of ₱2.8 million compared with the same period in 2015 which registered an amount of ₱40.6 million. Salaries and wages increased brought about by the yearly increase in salaries for rank and file employees as provided for by the CBA. Office rental expenses similarly increased due to yearly rate escalation. The expenses on travel and transportation likewise increased due to the 2016 Asian Racing Conference held in India attended by some company executives.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted to ₱0.7 million for the period ended March 31, 2016 compared to (₱1.1) million for the same period in 2015.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱0.3 million and ₱0.8 million for the periods ended March 31, 2016 and 2015, respectively, or a decrease of ₱0.4 million which is due to declining principal balances.

CHANGES IN FINANCIAL CONDITION

Discussion on some Significant Changes in Financial Condition as of March 31, 2016 and December 31, 2015

ASSETS

Total current assets increased due to the following:

Cash and cash equivalents as of March 31, 2016 amounted to ₱103.6 million compared to its balance as of December 31, 2015 which amounted to ₱134.5 million. The decrease of ₱30.9 million can be ascribed to the payment of major capital expenses as well as other expenditures that were due during the period.

Receivables increased by ₱50.2 million from its balance of ₱200.1 million as of December 31, 2015 compared to its balance as of March 31, 2016 which amounted to ₱250.3 million. Receivables from OTB operators increased considerably as collections from OTB operators for the March 31, 2016 race day were remitted the following month. Advances to suppliers likewise increased in 2016. These refer to advance payments to suppliers for goods yet to be received and services yet to be performed which shall be reclassified to proper accounts upon the receipt of the goods and services.

Inventories relate to real estate units, memorial lots, food and beverage items and gamefowls. Total inventories amounted to ₱95.2 million as of March 31, 2016 and ₱94.8 million as of December 31, 2015. The increase of ₱0.4 million is attributed to gamefowl inventory.

Other current assets decreased by ₱1.5 million from its December 31, 2015 balance of ₱11.3 million compared to its balance of ₱9.8 million as of March 31, 2016. The decrease is due to the amortization of prepaid expenses which are spread over a period like insurances and employee HMO.

Total non-current assets decreased due to the following:

Real estate receivables - net of current portion decreased by ₱3.2 million from ₱45.1 million as of December 31, 2015 to ₱41.9 million as of March 31, 2016. The re-classification of the noncurrent portion of real estate receivables to current portion resulted to the variance.

Investment in associates and joint ventures as of March 31, 2016 and December 31, 2015 amounted to ₱2,292.5 million and ₱2,301.3 million, respectively. The company's share in the net loss of MIC for the period ended March 31, 2016 decreased the investment account.

Available-for-sale financial assets as of March 31, 2016 and December 31, 2015 amounted to ₱31.9 million. There were no acquisitions nor disposals during the period ended March 31, 2016.

Property and equipment decreased by ₱13.6 million from its December 31, 2015 balance of ₱957.2 million to ₱943.6 million as of March 31, 2016. The increase is the net effect of acquisitions of various machineries and equipment during 2016 and the recognition of depreciation expense for the first quarter of 2016.

Investment properties as of March 31, 2016 amounted to ₱995.3 million and ₱998.4 million as of December 31, 2015. The decrease of ₱3.1 million relates to the depreciation expense recognized on the BPO building (retail and developed office) located at Sta. Cruz, Manila.

LIABILITIES AND EQUITY

Total current liabilities increased due to the following:

Short-term loans and borrowings amounted to ₱39.0 million as of December 31, 2015 and ₱37.0 million as of March 31, 2016. It decreased by ₱2.0 million due to partial payments made on principal balances of the availed bank loans that matured during the period.

Accounts payable and other liabilities as of March 31, 2016 amounted to ₱306.8 million or an increase of ₱5.7 million compared to its December 31, 2015 balance of ₱301.1 million. The increase is mainly due expenses accrued during the period they are incurred but remains unpaid as of the closing period. The increase in unclaimed winnings refers to dividends from the last raceday for the month of March 2016 which was on March 31.

As of March 31, 2016 and December 31, 2015, income tax payable balances are ₱0.8 million and ₱6,907, respectively. The increase amounting to ₱0.8 million is the provision for income tax expense made by the Parent Company covering the first quarter of 2016.

Total non-current liabilities increased due to the following:

Accrued retirement benefit as of March 31, 2016 amounted to ₱40.2 million or an increase of ₱ 1.2 million compared with its December 31, 2015 balance of ₱39.0 million. It is the net effect of the retirement expense recognized and the remittances made to the retirement fund account during the period ended March 31, 2016.

Total equity decreased due to:

Unappropriated retained earnings amounted to ₱3,134.1 million as of March 31, 2016 and ₱3,150.1 million as of December 31, 2015. The decrease of ₱16.0 million refers to the net loss recognized by the Group for the quarter ending March 31, 2016.

OTHERS

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

TOP FIVE (5) KEY PERFORMANCE INDICATORS:

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

	MAR 2016	DEC 2015
Current Ratio	**1.33**	1.30
Asset to Liability Ratio	**7.82**	7.91

	MAR 2016	MAR 2015
Sales to Revenue Ratio	**0.58**	0.72
Sales to Expenses Ratio	**0.46**	0.51
Earnings Per Share	**(₱0.0161)**	(₱0.0159)

Current ratio or working capital ratio is computed by dividing current assets over current liabilities.

Total current assets as of March 31, 2016 and December 31, 2015 amounted to ₱458.9 million and ₱440.7 million, respectively. As of March 31, 2016 and December 31, 2015, total current liabilities amounted to ₱344.6 million and ₱340.1 million, respectively.

Asset to liability ratio or solvency ratio is computed by dividing total assets over total liabilities. As of March 31, 2016 and December 31, 2015, total assets amounted to ₱4,795.1 million and ₱4,805.5 million, respectively. Total liabilities as of March 31, 2016 amounted to ₱613.4 million and ₱607.7 million as of December 31, 2015.

Sales to revenue ratio is computed by dividing the income from horse racing over total operating revenue. Income from club races for the period ended March 31, 2016 and 2015 amounted to ₱51.7 million and ₱51.3 million, respectively. Total operating revenue for the period ended March 31, 2016 amounted to ₱89.2 million and ₱71.6 million for the same period in 2015.

Sales to expenses ratio is computed by dividing income from horse racing over total expenses which include cost of sales and services, general and administrative expenses, selling expenses and finance costs. Income from club races for the period ended March 31, 2016 and 2015 amounted to ₱51.7 million and ₱51.3 million, respectively, while total expenses amounted to ₱112.7 million for the period ended March 31, 2016 and ₱100.5 million for the same period in 2015.

Earnings per share is computed by dividing net income (loss) attributable to equity holders of the parent company over the weighted average number of outstanding common shares. Net loss attributable to equity holders of the parent company for the period ended March 31, 2016 and 2015 amounted to ₱16.0 million and ₱15.8 million, respectively. The weighted average number of outstanding common shares as of March 31, 2016 and December 31, 2015 totaled to 996.2 million.

KEY VARIABLE AND OTHER QUALITATIVE AND QUANTITATIVE FACTORS

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

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.

There are no material off-balance sheet transactions, arrangements, obligations, 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.

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.

D. BUSINESS AND GENERAL INFORMATION

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

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

Employees

The Company has raceday and monthly employees.
The total number of raceday employees is as follows:

a. For racing days - 427 employees

The total number of monthly rank and file employees and officers is 179 employees. The monthly rank and file employees have a five-year Collective Bargaining Agreement ("CBA") with the Company which expired in 2015 which is currently undergoing negotiations with the management for a renewal of another five (5) years. The Company also has a CBA with the raceday employees for a period of five (5) years which expired in July 2014 and was renewed in June 2015. Both CBAs contain supplemental benefits for the employees such as vacation and sick leaves and retirement benefits. The Company has not experienced any labor strike in the last three (3) years.

Subsidiaries and Associate

Subsidiaries

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

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

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

On September 23, 2013, another wholly owned domestic corporation was organized, the Manila Cockers Club, Inc. Its primary purpose is to engage in the business of cockfighting which include but not limited to the construction, establishment and operation of cockpits, the conduct and broadcast of cockfights, and the accepting of bets thereon through conventional and electronic means. It started its commercial operations on December 5, 2015.

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

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

In 2015, a new wholly owned subsidiary was incorporated in Hong Kong under the corporate name of Hi-tech Harvest Limited. The primary purpose of this subsidiary is for the marketing and advertising of the cockfighting operations of MCC and the services provided by GSTI to the international setting and possible customers. As of December 31, 2015, Hi-tech Harvest Limited has not yet started commercial operations.

Associates

On January 23, 2009, the Parent Company acquired a 50.23% interest in MJC Investments Corporation (MIC), doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino, a publicly listed company incorporated and domiciled in the Philippines. The acquisition was made in accordance with the provisions of the Memorandum of Agreement (MOA) entered into by both parties in 2008, wherein the Parent Company will transfer its non-core assets to MIC under a property for share exchange subject to agreed conditions. 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. As of December 31, 2015, the Parent Company has a 22.31% interest 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, 2015, Techsystems has not yet started commercial operations.

Joint Venture

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

Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2015, Gamespan has not yet started its commercial operations.

RACING OPERATIONS

(1) Horse Races

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

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

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

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

The Company is expanding its OTB network in Metro Manila as well as in provincial areas. As of December 31, 2015, the Company now has a total of 255 quality OTB stations, 43 of which are located in provincial areas. The OTB sales account for 94.04% of the total sales generated from the races.

(3) Competition

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

(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

Horse disease can lead to mortality of racehorses and, at the very least, disability of horses to participate in races. In 1998, the Company suffered a disease outbreak in its stables which severely afflicted the horses. As a result of the disease, horse racing was suspended pending the remedial measures to cure said disease and to halt its spread. The Company implemented measures to minimize the occurrence of such disease outbreak such as the regular injection of preventive medicines.

The Company created a task force within management to carefully monitor the conditions of the horse stables for possible disease outbreaks. Measures have been taken to improve the cleanliness and sanitation of the stables to prevent the recurrence of said disease. The Company also bars horses afflicted with the Equine Infectious Anemia (EIA) virus from entering the SLLP complex. It screens running horses for the EIA virus using imported kits to apply the Coggins test. Said test is now mandatory for all racehorses and is periodically conducted.

(b) Weather

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

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

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

REAL ESTATE DEVELOPMENT

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

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

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

Township Development Components:

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

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

3. Real Estate Business

   Canyon Ranch

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

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

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

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

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

Township Development Components:

1. SM City San Lazaro

2. Ayala Land Inc. Joint Venture Developments

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

   b. ALVEO

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

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

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

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

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

Celadon Residences (Alveo)

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

Celadon Park (Alveo)

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

Avida Towers (AVIDA)

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

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

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

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

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

Philippine Economic Zone Authority (PEZA) - Carmona Property

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

Philippine Economic Zone Authority - Sta. Cruz Property

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

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

GAMING OPERATIONS

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

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

The Company has a total of 200 slot machines, 190 of which are company-owned while 40 are on a revenue-sharing arrangement with Jade Corporation. Under the lease contract with PAGCOR, the Company shall supply the 200 slot machines together with the floor management system. In consideration thereof, the Company shall receive thirty five percent (35%) of the gross win as its share for the VIP Club.

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.

Reclassification, mergers, etc.

No material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business that occurred during the calendar year ending December 31, 2015.

PROPERTIES

Sta. Cruz and Carmona, Cavite Property

The real estate properties of the Club are located in Sta. Cruz, Manila with an area of 2.1 hectares and Carmona, Cavite with an area of 77 hectares.

The investment properties, Sta. Cruz property held for capital appreciation and the Sta. Cruz propery held for lease have carrying values as of December 31, 2015 amounting to P359.6 million and P238.2 million.

The 2.1 hectare property held for capital appreciation in Sta. Cruz property and the Carmona property were used by the Parent Company as collateral for its long –term loans obtained from local bank. These long-term loans have already been paid in November 2015 thereby releasing the liens related to the properties.

Undivided Interest in a parcel of land

The Company also has an undivided interest in a parcel of land in Batangas which has a carrying value amounting to P56.7 million as of December 31, 2015.

E. PLAN OF OPERATIONS

The Company is committed in improving its financial performance by rationalizing current operations and venturing in opportunities allied with the core business of the Parent Company and likewise, where potential for revenue growth is highly likely. Financial planning is emphasized to ensure resources are wisely applied.

Among other projects, the Group's wholly owned subsidiaries, Manilacockers Club, Inc. ("MCI") and Gametime Sports and Technologies, Inc. ("Gametime"), are key drivers expected to make up the sliding growth in racing revenue as it unfolds its potentials in 2016. MCI is involved in cockfighting under a new business concept using totalizator as the betting platform. From its initial opening in December 2015, it was well received by cockfighting patrons. To date, the business concept continued to change for the better and revenue stream was very encouraging at this current stage. Management's outlook is very positive looking back at the actual numbers it generated in the early months of its operations.

Gametime's operation is already on for switching both for the technical and operational aspects of the business. Gametime will likewise be a game changer for the parent company since this will operate as the service provider for cockfighting, horse racing and other gaming businesses. Under mobile betting application, Gametime is seen as the transformation of the traditional betting from manual to electronic starting from loading up to payment of bets. Real time Pay Per View (PPV) cockfighting for international clients will soon be catered using Gametime. Inquiries had started coming in and hopefully in a year's time, PVV cockfighting will be launched. On the marketing side, ads are great potentials and this has yet to be factored in the revenue stream both for MCI and Gametime.

Apo Reef World Resorts, Inc. located in Mamburao, Occidental Mindoro will be another up and coming diversification for the parent company. The Company is on for consolidation of titles adjacent to the more than 3 kilometer beach front. There had been initial talks with big time resort operators/investors to develop Apo Reef resorts and Management is optimistic that this will replicate the beaches of Boracay in Antique. Management had already started pencil pushing for the initial budget of the project.

The Tayuman, Sta. Cruz project will soon take another lift after the venture with ALI had ceased. The Parent Company in a MOA arrangement with a big time real estate developer already started conceptualizing erecting high rise mixed commercial and residential condominium buildings on the remaining idle lots in Tayuman, Sta Cruz. The parent company will assume the commercial units that will add up to the recurring rental revenue stream of Vertex.

The stable lease has continuously provided ample revenue support to the Parent Company. It has introduced measures to attract more horse owners to stable their horses in the Complex by providing discounts and promos. Prompt maintenance and cleanliness of the stables are the core values of stable rental business and this mainly attracts first time and returning stable owners to stable their horses at San Lazaro.

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.

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.

F. MARKET PRICE AND DIVIDENDS

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 2014, 2015, 2016)

2014

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

2015

	1st Quarter Price	2nd Quarter Price	3rd Quarter Price	4th Quarter Price
HIGH	2.25	2.05	2.07	2.05
LOW	1.81	1.85	1.80	1.92

2016

	1st Quarter Price	2nd Quarter Price	3rd Quarter Price	4th Quarter Price
HIGH	1.94	2.00 (April)	--	--
LOW	1.91	1.97 (April)	--	--

As of May 12, 2016, the stock market price of the Company is pegged at Php2.00 per share.

2. Holders

There are approximately 979 holders of common equity of the registrant as of May 12, 2016.

3. Top Twenty (20) Stockholders as of May 12, 2016.

Name	No. of Shares	Percentage
1. PCD Nominee Corporation (F)	477,740,557	47.96%
2. Arco Equities, Inc.	98,770,857	9.91%
3. Alfonso R. Reyno, Jr.	65,947,940	6.62%
4. Exequiel D. Robles	56,911,100	5.71%
5. Redwood Oak Ventures, Inc.	42,524,305	4.27%
6. Maritess R. Calzado	40,850,507	4.10%
7. Chun Long Guilbert Wong	38,008,026	3.81%
8. Edgardo B. Espiritu	23,963,405	2.40%
9. Palos Verdes Realty Corp.	21,944,810	2.20%
10. Jut Holdings, Inc.	11,497,077	1.15%
11. Tormil Realty & Development Corp.	10,585,992	1.06%
12. Dante D. Morales/ Ma. Luisa T. Morales	9,567,731	0.96%
13. F. Arthur L. Villaraza	9,182,246	0.92%
14. PCD Nominee Corp. (NF)	9,033,569	0.91%
15. Rosendo G. Guevara	4,338,511	0.43%
16. Ruddy C. Tan	3,978,166	0.40%
17. Caridad Say	3,866,940	0.39%
18. Ferdinand A. Domingo	3,548,030	0.36%
19. APEX Management	3,398,275	0.34%
20. Armando R. Bonifacio	3,209,772	0.32%
Totals:	**938,867,816**	**94.25%**

4. Dividends

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

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

On 08 April 2014, the Board of Directors approved the declaration of five percent (5%) stock dividends with record date of July 14, 2014 and with issuance date of August 7, 2014.
On 30 May 2013, the Board of Directors approved the declaration of cash dividend of five centavos (Php0.05) per share to stockholders of record as of June 18, 2013 and payment date of June 28, 2013.

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

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

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

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

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

There were no dividends declared during 2010 and 2009.

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

5. 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.

Discussion on Compliance with Leading Practices on Corporate Governance

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

In compliance with SEC Memorandum Circular No. 20 series of 2013, all the Directors and key officers of the Company attended a Corporate Governance Seminar on October 15, 2015 and December 10, 2015. The Company also updated its Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 9 Series of 2014.

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

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

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

UNDERTAKING

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

The Corporate Secretary
Manila Jockey Club, Inc.
14th Floor, Strata 100 Building,
F. Ortigas Jr. Road,
Ortigas Center, Pasig City

MANILA JOCKEY CLUB, INC.
ORTIGAS CENTER OFFICE
14th FLOOR, STRATA 100 BUILDING
F. ORTIGAS JR. ROAD, ORTIGAS CENTER
PASIG CITY 1605, PHILIPPINES
Tel. (632) 6879889; Telefax: (632) 6316366
E-mail: executive@manilajockey.com or marketing@manilajockey.com
RACING SINCE 1867

CERTIFICATION

I, CHINO PAOLO Z. ROXAS, of legal age and with office address at 12th Floor Strata 100 Building, F. Ortigas Jr. Road, Ortigas Center, Pasig City, being the duly-elected Corporate Information Officer of the Manila Jockey Club, Inc. (the "Corporation"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, with business address at 14th Floor Strata 100 Building, F. Ortigas Jr. Road, Ortigas Center, Pasig City, hereby certify that no Director or Officer of the Corporation is connected with any government agencies or its instrumentalities.

IN WITNESS WHEREOF, I have signed this Certificate this 20th day of May 2016 at Pasig City, Philippines.

CHINO PAOLO Z. ROXAS
Corporate Information Officer

SUBSCRIBED AND SWORN TO before me this 20 MAY 2016 day of May 2016, affiant exhibiting to me his Tax Identification Number 268-712-136.

JING-JING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 153 (2016-2017)
UNTIL DECEMBER 31, 2017
PTR NO. 1418807/01-07-16/PASIG CITY
IBP NO.1022670/01-07-16/QUEZON CITY
CITIES OF PASIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 60827

Doc. No. 185;
Page No. 38;
Book No. II;
Series of 2016.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND DECEMBER 31, 2015

	UNAUDITED MARCH 2016	AUDITED DECEMBER 2015
ASSETS	(In Philippine Peso)	
Current Assets		
Cash and cash equivalents (Note 7)	103,592,105	134,470,762
Receivables (Note 8)	250,269,773	200,069,482
Inventories (Note 9)	95,239,746	94,804,252
Other current assets (Note 10)	9,824,024	11,331,636
Total Current Assets	458,925,648	440,676,132
Noncurrent Assets		
Real estate receivables - net of current portion (Note 8)	41,949,043	45,121,918
Investments in associates and joint ventures (Note 11)	2,292,533,164	2,301,262,044
Available-for-sale (AFS) financial assets (Note 12)	31,942,805	31,942,805
Property and equipment (Notes 13 and 31)	943,610,530	957,207,789
Investment properties (Notes 11, 14, 16 and 31)	995,249,358	998,356,015
Other noncurrent assets (Notes 1 and 15)	30,953,120	30,959,981
Total Noncurrent Assets	4,336,238,020	4,364,850,552
	4,795,163,668	4,805,526,684
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 16)	37,000,000	39,000,000
Accounts payable and other liabilities (Notes 17)	306,777,225	301,126,960
Income tax payable	834,994	6,907
Total Current Liabilities	344,612,219	340,133,867
Noncurrent Liabilities		
Accrued retirement benefits (Note 22)	40,176,952	38,982,230
Deferred tax liabilities - net	228,578,560	228,578,560
Total Noncurrent Liabilities	268,755,512	267,560,790
	613,367,731	607,694,657
Equity		
Capital stock (Note 28)	996,170,748	996,170,748
Additional paid-in capital	27,594,539	27,594,539
Actuarial gains on accrued retirement benefits	21,621,047	21,621,047
Net cumulative changes in fair values of AFS financial assets (Note 12)	3,923,214	3,923,214
Retained earnings (Note 28)	3,134,113,132	3,150,149,222
Treasury shares (Note 28)	(7,096)	(7,096)
Equity attributable to equity holders of the parent company	4,183,415,584	4,199,451,674
Noncontrolling interests	(1,619,647)	(1,619,647)
Total Equity	4,181,795,937	4,197,832,027
	4,795,163,668	4,805,526,684

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015

	UNAUDITED **MARCH 2016**	UNAUDITED MARCH 2015
	(In Philippine Peso)	
REVENUES		
Club races	**51,688,996**	51,318,869
Rent (Notes 13 and 14)	**22,669,641**	21,605,820
Real estate	**5,826,542**	(8,523,500)
Food and beverages	**3,615,164**	3,679,336
Others	**5,444,783**	3,501,961
	89,245,126	71,582,486
COST OF SALES AND SERVICES (Note 18)		
Club races	**41,552,558**	43,786,704
Rent	**14,598,302**	12,790,208
Real estate (Note 9)	**76,073**	(3,915,636)
Food and beverages	**3,772,323**	4,044,461
Others	**8,297,554**	3,472,160
	68,296,810	60,177,897
GROSS INCOME	**20,948,316**	11,404,589
General and administrative expenses (Note 19)	**(43,399,374)**	(40,617,952)
Selling expense (Note 9)	**(650,723)**	1,114,075
Interest income (Notes 7, 8, 12 and 23)	**5,533,266**	2,474,773
Finance costs (Notes 16 and 24)	**(332,488)**	(769,664)
Equity in net earnings (losses) of associates and joint ventures (Note 11)	**(1,358,378)**	5,008,395
Other income - net (Note 25)	**4,126,429**	8,683,004
INCOME (LOSS) BEFORE INCOME TAX	**(15,132,951)**	(12,702,781)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	**903,139**	3,096,284
Deferred	**-**	-
	903,139	3,096,284
NET INCOME	**(16,036,090)**	(15,799,065)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets	**-**	-
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax	**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**(16,036,090)**	(15,799,065)
Net income attributable to:		
Equity holders of the parent company	**(16,036,090)**	(15,799,065)
Noncontrolling interests	**-**	-
	(16,036,090)	(15,799,065)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**(16,036,090)**	(15,799,065)
Noncontrolling interests	**-**	-
	(16,036,090)	(15,799,065)
Basic/Diluted Earnings Per Share (Note 29)	**(0.0161)**	(0.0159)

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE PERIODS ENDED MARCH 31, 2016 AND 2015

	UNAUDITED MARCH 2016	UNAUDITED MARCH 2015
	(In Philippine Peso)	
REVENUES		
Club races	**51,688,996**	51,318,869
Rent (Notes 13 and 14)	**22,669,641**	21,605,820
Real estate	**5,826,542**	(8,523,500)
Food and beverages	**3,615,164**	3,679,336
Others	**5,444,783**	3,501,961
	89,245,126	71,582,486
COST OF SALES AND SERVICES (Note 18)		
Club races	**41,552,558**	43,786,704
Rent	**14,598,302**	12,790,208
Real estate (Note 9)	**76,073**	(3,915,636)
Food and beverages	**3,772,323**	4,044,461
Others	**8,297,554**	3,472,160
	68,296,810	60,177,897
GROSS INCOME	**20,948,316**	11,404,589
General and administrative expenses (Note 19)	**(43,399,374)**	(40,617,952)
Selling expense (Note 9)	**(650,723)**	1,114,075
Interest income (Notes 7, 8, 12 and 23)	**5,533,266**	2,474,773
Finance costs (Notes 16 and 24)	**(332,488)**	(769,664)
Equity in net earnings (losses) of associates and joint ventures (Note 11)	**(1,358,378)**	5,008,395
Other income - net (Note 25)	**4,126,429**	8,683,004
INCOME (LOSS) BEFORE INCOME TAX	**(15,132,951)**	(12,702,781)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	**903,139**	3,096,284
Deferred	**-**	-
	903,139	3,096,284
NET INCOME	**(16,036,090)**	(15,799,065)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets	**-**	-
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax	**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**(16,036,090)**	(15,799,065)
Net income attributable to:		
Equity holders of the parent company	**(16,036,090)**	(15,799,065)
Noncontrolling interests	**-**	-
	(16,036,090)	(15,799,065)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**(16,036,090)**	(15,799,065)
Noncontrolling interests	**-**	-
	(16,036,090)	(15,799,065)
Basic/Diluted Earnings Per Share (Note 29)	**(0.0161)**	(0.0159)

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2016 AND 2015

MARCH 2016 (UNAUDITED)

	Capital Stock (Note 28)	Additional Pain-In Capital (Note 28)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 12)	Actuarial Gains on Accrued Retirement Benefits (Note 22)	Retained Earnings - unappropriated (Note 28)	Treasury Shares (Note 28)	Subtotal	Noncontrolling Interests	Total
					(In Philippine Peso)				
BALANCES AT DECEMBER 31, 2015	**996,170,748**	**27,594,539**	**3,923,214**	**21,621,047**	**3,150,149,222**	**(7,096)**	**4,199,451,674**	**(1,619,647)**	**4,197,832,027**
Total comprehensive income for the period	-	-	-	-	(16,036,090)	-	(16,036,090)	-	(16,036,090)
BALANCES AS AT MARCH 31, 2016	**996,170,748**	**27,594,539**	**3,923,214**	**21,621,047**	**3,134,113,132**	**(7,096)**	**4,183,415,584**	**(1,619,647)**	**4,181,795,937**

See accompanying Notes to Consolidated Financial Statements.

MARCH 2015 (UNAUDITED)

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

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015

	UNAUDITED MARCH 2016	UNAUDITED MARCH 2015
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(15,132,951)**	(12,702,781)
Adjustments for:		
Depreciation (Notes 13, 14 and 20)	**20,159,232**	17,504,287
Equity in net earnings (loss) of associates and joint ventures (Note 11)	**1,358,378**	(5,008,395.08)
Interest income (Note 23)	**(5,533,266)**	(2,474,773)
Finance costs (Note 24)	**332,488**	769,664
Amortization of franchise fee (Note 18)	**448,500**	448,500
Loss (gain) on sale of:		
AFS financial assets (Note 12)	**-**	(2,202,559.18)
Operating income before working capital changes	**1,632,381**	(3,666,058)
Decrease (increase) in:		
Receivables	**(47,027,416)**	45,671,988
Inventories	**(435,494)**	(3,859,119)
Other current assets	**1,507,612**	(1,127,979)
Increase (decrease) in:		
Accounts payable and other liabilities	**6,245,378**	(46,981,964)
Accrued retirement benefits (Note 22)	**1,194,722**	(3,705,278)
Cash generated from operations	**(36,882,817)**	(13,668,410)
Income taxes paid, including creditable withholding and final taxes	**(75,052)**	(140,013)
Net cash provided by operating activities	**(36,957,869)**	(13,808,423)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (Note 23)	**5,533,266**	2,474,773
Dividends received (Notes 11 and 25)	**7,370,506**	6,394,659
Decrease (increase) in other noncurrent assets	**(441,639)**	147,738
Acquisitions of property and equipment (Note 13)	**(4,050,432)**	(1,931,546)
Proceeds from sale of:		
AFS financial assets (Note 12)	**-**	10,891,350.68
Net cash provided by investing activities	**8,411,701**	17,976,975
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Short-term loans and borrowings (Note 16)	**(2,000,000)**	(9,000,000)
Long-term loans and borrowings (Note 16)	**-**	(3,571,429)
Interest paid	**(332,488)**	(769,664)
Net cash used in financing activities	**(2,332,488)**	(13,341,093)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(30,878,657)**	(9,172,541)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**134,470,762**	302,978,624
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**103,592,105**	293,806,083

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2016 AND 2015

	UNAUDITED MARCH 2016	UNAUDITED MARCH 2015
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(15,132,951)**	(12,702,781)
Adjustments for:		
Depreciation (Notes 13, 14 and 20)	**20,159,232**	17,504,287
Equity in net earnings (loss) of associates and joint ventures (Note 11)	**1,358,378**	(5,008,395.08)
Interest income (Note 23)	**(5,533,266)**	(2,474,773)
Finance costs (Note 24)	**332,488**	769,664
Amortization of franchise fee (Note 18)	**448,500**	448,500
Loss (gain) on sale of:		
AFS financial assets (Note 12)	**-**	(2,202,559.18)
Operating income before working capital changes	**1,632,381**	(3,666,058)
Decrease (increase) in:		
Receivables	**(47,027,416)**	45,671,988
Inventories	**(435,494)**	(3,859,119)
Other current assets	**1,507,612**	(1,127,979)
Increase (decrease) in:		
Accounts payable and other liabilities	**6,245,378**	(46,981,964)
Accrued retirement benefits (Note 22)	**1,194,722**	(3,705,278)
Cash generated from operations	**(36,882,817)**	(13,668,410)
Income taxes paid, including creditable withholding and final taxes	**(75,052)**	(140,013)
Net cash provided by operating activities	**(36,957,869)**	(13,808,423)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (Note 23)	**5,533,266**	2,474,773
Dividends received (Notes 11 and 25)	**7,370,506**	6,394,659
Decrease (increase) in other noncurrent assets	**(441,639)**	147,738
Acquisitions of property and equipment (Note 13)	**(4,050,432)**	(1,931,546)
Proceeds from sale of:		
AFS financial assets (Note 12)	**-**	10,891,350.68
Net cash provided by investing activities	**8,411,701**	17,976,975
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Short-term loans and borrowings (Note 16)	**(2,000,000)**	(9,000,000)
Long-term loans and borrowings (Note 16)	**-**	(3,571,429)
Interest paid	**(332,488)**	(769,664)
Net cash used in financing activities	**(2,332,488)**	(13,341,093)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(30,878,657)**	(9,172,541)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**134,470,762**	302,978,624
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**103,592,105**	293,806,083

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
AGING SCHEDULE OF RECEIVABLES
AS OF MARCH 31, 2016

UNAUDITED
(In Philippine Peso)

A. AGING OF ACCOUNTS RECEIVABLE

	TYPE OF RECEIVABLES	TOTAL	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	OVER 120 DAYS
1	Real estate receivables - net of currrent potion	168,400,369	6,733,104	15,304,501	7,561,054	27,491,726	111,309,985
2	Receivables from off-track betting (OTB) operators	11,206,621	10,346,657	211,815	41,530	288,707	317,912
3	Rent Receivables	9,588,136	4,667,376	1,437,852	305,430	867,397	2,310,081
4	Advances and loans to officers and employees	8,772,399	1,874,270	944,767	1,601,726	1,495,479	2,856,156
5	Receivable from Philippine Amusement and Gaming Corporation (PAGCOR)	8,762,711	2,866,894	417,780	370,384	320,296	4,787,357
6	Advances to suppliers	8,219,871	1,390,976	5,798,237	-	202,217	828,441
7	Dividends receivable	7,370,506	2,024,619	2,725,753	2,620,135		
8	Due from related parties	5,662,874	1,384,252	99,672	65,712	110,171	4,003,066
9	Claims for tax credit certificates (TCC)	2,252,054					2,252,054
10	Deposit and advances to contractors	1,778,413					1,778,413
11	Others	42,808,432	19,936,801	1,050,206	3,384,523	313,631	18,123,270
	TOTAL	274,822,387	51,224,948	27,990,584	15,950,495	31,089,624	148,566,736
	Less: Allowance for doubtful accounts	(24,552,614)	-	-	-	-	-
	RECEIVABLES - NET	**250,269,773**	**51,224,948**	**27,990,584**	**15,950,495**	**31,089,624**	**148,566,736**

B. ACCOUNTS DESCRIPTION

	TYPE OF RECEIVABLES	DESCRIPTION	COLLECTION PERIOD
1	Real estate receivables - net of currrent potion	Sales on real estate operations	Monthly
2	Receivables from off-track betting (OTB) operators	Receivables from racing operations	Daily/Monthly
3	Rent Receivables	Receivables on leasing transactions from stables, building and other facilities	Monthly
4	Advances and loans to officers and employees	Advances granted to and loans availed by officers and employees	Semi-monthly/Monthly
5	Receivable from Philippine Amusement and Gaming Corporation (PAGCOR)	Proponent share on gaming revenues of PAGCOR on the casino operations at the	Monthly
6	Advances to suppliers	Advance payments to suppliers for goods and services yet to be received	Daily/Monthly
7	Dividends receivable	Share on the net earnings of a joint venture partner	Quarterly
8	Due from related parties	Receivable from related parties	Monthly
9	Claims for tax credit certificates (TCC)	Claim for refund on tax unduly paid	Annually
10	Deposit and advances to contractors	Claims for deposits paid to contractors	Monthly
11	Others	Various deposits and advances	Daily/Semi-monthly/Monthly

C. OPERATING CYCLE

Calendar Year

1. Corporate Information

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

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

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

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

Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership	
				MAR. 2016	DEC. 2015
Subsidiaries					
Biohitech Philippines, Inc. (Biohitech)	Philippines	Waste management	Philippine Peso	**50.00**	50.00
Gametime Sports and Technologies, Inc. (Gametime)	Philippines	Gaming	Philippine Peso	**100.00**	100.00
Manilacockers Club, Inc. (MCC)	Philippines	Gaming	Philippine Peso	**100.00**	100.00
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	100.00
New Victor Technology, Ltd.(NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	100.00
San Lazaro Resources and Development Corporation (SLRDC)	Philippines	Real estate	Philippine Peso	**100.00**	100.00
SLLP Holdings, Inc. (SLLPHI)	Philippines	Holdings	Philippine Peso	**100.00**	100.00
Hi-Tech Harvest Limited	Hong Kong	Marketing	Philippine Peso	**100.00**	100.00

Joint Ventures					
Gamespan, Inc. (Gamespan)	Philippines	Gaming	Philippine Peso	**50.00**	50.00
San Lazaro BPO Complex (SLBPO)	Philippines	Real estate	Philippine Peso	**30.00**	30.00
Associates					
MJC Investment Corporation					
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Real estate and Gaming	Philippine Peso	**22.31**	22.31
Techsystems, Inc. (Techsystems)	Philippines	Information technology	Philippine Peso	**33.00**	33.00

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations

The Group applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments did not have any significant impact on the financial statements.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*

Annual Improvements to PFRSs (2010-2012 cycle)
- 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*;
- PAS 16, *Property, Plant and Equipment, and* PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*; and

- PAS 24, *Related Party Disclosures - Key Management Personnel.*

Annual Improvements to PFRSs (2011-2013 cycle)
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*;
- PFRS 13, *Fair Value Measurement - Portfolio Exception*; and
- PAS 40, *Investment Property.*

Future Changes in Accounting Policies

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Group.

No definite adoption date prescribed by the SEC and FRSC ▪ Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments);
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments);
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests* (Amendments);
- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments);
- PFRS 14, *Regulatory Deferral Accounts*;
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments); and
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments).

Annual Improvements to PFRSs (2012-2014 cycle)
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*;
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*;
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*;
- PAS 19, *Employee Benefits - regional market issue regarding discount rate*; and
- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'.*

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

  In July 2014, the IASB issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

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

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

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

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

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

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

Specifically, the Group controls an investee if and only if the Group has:

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- 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 2015 and 2014 that are not held by the Group and are presented separately in the consolidated statements of comprehensive income (loss) and consolidated statements of financial position separate from equity attributable to equity holders of the parent.

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

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

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

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

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the statement of financial position based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 32.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. *Loans and receivables*

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

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

b. *AFS financial assets*

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Offsetting Financial Instruments

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

Inventories

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

Real Estate Inventories

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

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

Investments in Associates and Joint Ventures

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

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

Under the equity method, the cost of investment in associate and joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate and the joint venture. Goodwill, if any, relating to an associate or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The statements of comprehensive income (loss) reflect 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 statement of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate and joint venture.

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

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

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

- Assets, including its share in any assets jointly held
- Liabilities, including its share of any liabilities jointly incurred
- Revenue from the sale of its share of the real estate inventories
- Share of the revenue from services rendered jointly
- Expenses, including its share of expenses incurred jointly

Property and Equipment

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

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

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statements when the asset is derecognized.

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

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

Investment Properties

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

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

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

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

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

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

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

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

Franchise Fee

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

Impairment of Nonfinancial Assets

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

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

Capital Stock

Capital stock represents the portion of the paid in capital representing the total par value of the shares issued. When the 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.

Retained Earnings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determination if control exists in an investee company

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

Determination if joint control exists in a joint venture

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

Determination of joint venture or joint operation

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

Management has determined that arrangement for ventures with Avida, Alveo and CCC are classified as joint operations (see Note 9).

Classification of leases

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

a. *Operating lease commitments - the Group as a lessor*
The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, the lease agreements are accounted for as operating leases (see Notes 13, 14 and 31).

b. *Operating lease commitments - the Parent Company as lessee*
The Parent Company has entered into a lease agreement for the lease of office and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor. As such, the lease agreement was accounted for as an operating lease.

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

There were no indicators of impairment present on movement of financial assets, as such, there were no impairment losses recognized in 2016 and 2015.

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

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

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

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

Determination of NRV of real estate inventories
The Group's estimates of the NRVs of real estate inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating

to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

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 March 31, 2016 and December 31, 2015, the carrying value of the Group's AFS financial assets are disclosed in Note 12 to the consolidated financial statements. No impairment loss was recognized in 2016 and 2015.

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

There were no changes in the useful lives of property and equipment and investment property in 2016 and 2015.

Estimation of retirement benefits cost and obligations
The determination of the obligation and cost for retirement benefits cost is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore generally affect the recognized expense and recorded obligation in such future period. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement and other retirement obligations.

6. Deconsolidation of MIC

In 2013, the Parent Company and a group of Strategic Investors entered into an agreement for the Strategic Investors to subscribe up to 70% of MIC's outstanding capital stock. As a result, the Parent Company owned less than controlling interest in MIC, which led to deconsolidation.

The retained interest of the Group in MIC is at 22.31% as of March 31, 2016 and December 31, 2015.

7. Cash and Cash Equivalents

This account consists of:

	MAR 2016	DEC 2015
Cash on hand	**₱11,819,432**	₱9,742,835
Cash in banks	**62,870,768**	95,908,691
Cash equivalents	**28,901,905**	28,819,236
	₱103,592,105	₱134,470,762

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱0.4 million and ₱0.6 million for the periods ended March 31, 2016 and 2015, respectively (see Note 23).

8. Receivables

This account consists of:

	MAR 2016	DEC 2015
Trade		
Real estate receivables – net of noncurrent portion	**₱168,400,369**	₱168,468,704
Rent receivables	**9,588,136**	9,253,915
Receivable from Philippine Amusement and Gaming Corporation (PAGCOR)	**8,762,711**	8,061,391
Receivable from offtrack betting station (OTB) operators	**11,206,621**	1,150,427
Non-trade		
Advances and loans to officers and employees	**8,772,399**	6,171,609
Due from related parties	**5,662,874**	4,116,424
Dividends receivable	**7,370,506**	3,640,837
Advances to suppliers	**8,219,871**	2,296,102
Claims for tax credit certificates	**2,252,054**	2,252,054
Deposit and advances to contractors	**1,778,413**	1,778,413
Receivable from Metro Manila Turf Club (MMTC)	**-**	653,863
Others	**42,808,432**	16,778,356
	274,822,387	224,622,095
Less: allowance for doubtful accounts	**24,552,614**	24,552,613
	₱250,269,773	₱200,069,482

Real Estate Receivables

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

	MAR 2016	DEC 2015
Current	**₱168,400,369**	₱168,468,704
Noncurrent	**41,949,043**	45,121,918
	₱210,349,412	₱213,590,622

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

Interest income from accretion of real estate receivables amounted to ₱5.2 million and ₱1.9 million for the periods ended March 31, 2016 and 2015, respectively (see Note 23).

Advances and Loans to Officers and Employees
The Parent Company grants salary loans and advances to its officers, payable through salary deductions. The loans bear an average interest rate of 9% per annum.

Advances to Suppliers
Advances to suppliers are non-interest bearing payments and are recorded to appropriate accounts upon actual receipt of goods, which is normally within twelve months or within the normal operating cycle.

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 May 11, 2016.

Other Non-trade Receivables
Other non-trade receivables include accrued interest and other various individually insignificant items.

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

	MAR 2016	DEC 2015
Balance at beginning of year	**₱24,552,613**	₱11,664,616
Provision during the period (see Note 19)	-	13,249,397
Amounts written off during the period	-	(324,890)
Recovery of doubtful accounts	-	(36,510)
Balance as of the end of the period	**₱24,552,613**	₱24,552,613

9. Inventories

This account consists of:

	MAR 2016	DEC 2015
Real estate:		
Condominium units for sale - at cost	**₱42,677,119**	₱42,771,653
Land held for development - at cost	**38,189,898**	38,189,898

Memorial lots for sale - at net realizable value	**8,379,931**	8,449,965
Residential units for sale - at cost	**4,406,602**	4,318,107
	93,653,550	93,729,623
Food and beverages - at cost	**652,246**	527,629
Gamefowls	**933,950**	547,000
	₱95,239,746	₱94,804,252

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

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

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

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

Towers 1 to 5 of AVIDA and Towers 1 and 2 of Alveo are fully completed as of December 31, 2015 and 2014. The construction of Tower 3 of Alveo is 63.5% and 63.0% complete as of March 31, 2016 and December 31, 2015, respectively.

Residential units for sale
On February 24, 2004, the Parent Company entered into a Joint Venture Agreement (JVA) with Century Communities Corporation (CCC) for the development of 17.09 hectares of the Parent Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2015, the project is completed.

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost pertaining to real estate operations. The amount of marketing cost for the periods ended March 31, 2016 and December 31, 2015 amounted ₱0.7 million and (₱1.1) million, respectively.

10. Other Current Assets

This account consists of:

	MAR 2016	DEC 2015
Prepaid expenses	**₱4,726,949**	₱6,099,400
Prepaid income tax	**4,857,301**	4,968,118
Others	**239,773**	264,118
	₱9,824,024	₱11,331,636

Others include prepaid insurance, input VAT and rental deposit.

11. **Investment in Associates and Joint Ventures**

Investment in associates and joint ventures consist of:

	MAR 2016	DEC 2015
Investment in associates		
MIC	**₱2,274,511,769**	₱2,282,630,067
Techsystems	-	-
	2,274,511,769	2,282,630,067
Investment in joint ventures		
Gamespan	**9,792,161**	9,792,161
SLLBPO	**8,229,235**	8,839,816
	18,021,396	18,631,977
	₱2,292,533,164	₱2,301,262,044

Investment in Associates

MIC. Investment in MIC pertains to the Group's 22.31% interest in MIC as of March 31, 2016 and December 31, 2015, respectively. The movements and details of the accounts are as follows:

	MAR 2016	DEC 2015
Investment in associate at beginning of year	**₱2,282,630,067**	₱2,294,664,038
Equity in net loss of associate during the period	**(8,118,298)**	(12,033,971)
Investment in associate at end of period	**₱2,274,511,769**	₱ 2,282,630,067

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of P=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 March 31, 2016 and December 31, 2015, investment in Techsystems is fully provided with allowance. As of March 31, 2016, Techsystems has not yet started commercial operation. The summarized financial information of Techsystems is as follows:

	MAR 2016	DEC 2015
Total liabilities	**₱5,167,650**	₱5,167,650
Capital deficiency	**(5,167,650)**	(5,167,650)

Investment in Joint Ventures

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

The summarized financial information of the Gamespan is as follows:

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

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

	MAR 2016	DEC 2015
Balance at beginning of year	**₱9,792,161**	₱9,792,161
Equity in net earnings for the period	–	–
Balance at end of period	**₱9,792,161**	₱9,792,161

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

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

	MAR 2016	DEC 2015
Balance at beginning of year	**₱8,839,816**	₱5,691,837
Equity in net earnings for the period	**6,759,925**	24,511,980
Share on dividends declared	**(7,370,506)**	(21,364,001)
Balance at end of period	**₱8,229,235**	₱8,839,816

Dividend receivable from the JV amounted to ₱7.4 million and ₱3.6 million as of March 31, 2016 and December 31, 2015, respectively.

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

	MAR 2016	DEC 2015
Current assets	**₱179,125,330**	₱170,004,540
Noncurrent assets	**15,617,590**	15,837,279
Current liabilities	**120,465,173**	107,827,582
Noncurrent liabilities	**31,743,277**	33,444,496
Equity	**42,534,469**	44,569,741
Income	**23,789,767**	95,060,877
Expenses	**1,256,685**	13,354,278
Net income	**22,533,082**	81,706,599

12. AFS Financial Assets

This account consists of:

	MAR 2016	DEC 2015
At fair value:		
Debt securities	**₱16,536,916**	₱16,536,916

	MAR 2016	DEC 2015
Equity securities	14,772,592	14,772,592
At cost:		
Equity securities	633,297	633,297
	₱31,942,805	₱31,942,805

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

	MAR 2016	DEC 2015
Balance at beginning of year	₱31,942,805	₱ 22,067,765
Additions during the period	-	21,297,900
Disposal during the period	-	(11,713,950)
Unrealized mark-to-market gains (losses) during the period	-	291,090
Balance at end of the period	₱31,942,805	₱31,942,805

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

	MAR 2016	DEC 2015
Balance at beginning of year	₱3,923,214	₱5,216,306
Unrealized mark-to-market gains (losses) during the period	-	1,289,700
Realized mark-to-market gains during the period	-	(2,582,792)
Balance at end of period	₱3,923,214	₱3,923,214

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

Dividend income from these investments amounted to ₱0.07 million and ₱0.08 million for the periods ended March 31, 2016 and 2015, respectively.

13. Property and Equipment

Movements in this account are as follows:

March 2016

	January 1	Additions	Disposals	Reclassifications and adjustments	March 31
Cost					
Land	₱304,869,383	₱-	₱-	₱-	₱304,869,383
Land improvements	347,337,228	-	-	-	371,709,751
Building and improvements	668,447,375	245,901	-	-	644,303,012
Machinery and equipment	524,608,616	2,986,919	-	-	517,940,283
Transportation equipment	34,790,311	-	-	(412,500)	34,377,811
Furniture and fixtures	25,870,761	160,941	-	-	26,381,219
	1,905,923,674	3,393,761	-	(412,500)	1,899,581,459
Accumulated depreciation					
Land improvements	166,660,852	3,693,420	-	-	170,354,272
Building and improvements	311,790,077	6,793,344	-	-	318,565,680
Machinery and equipment	441,554,463	5,604,841	-	-	437,841,867
Transportation equipment	26,876,141	728,952	-	-	27,605,093
Furniture and fixtures	21,762,364	411,264	-	3,370	22,188,704
	968,643,897	17,231,821	-	3,370	976,555,617

March 2016	January 1	Additions	Disposals	Reclassifications and adjustments	March 31
Net book value	937,279,777	(13,838,060)	-	(415,870)	923,025,842
Construction in progress	19,928,012	656,671	-	-	20,584,688
	₱957,207,789	(₱13,181,389)	₱-	(₱415,870)	₱943,610,530

December 2015	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱-	₱-	₱-	₱304,869,383
Land improvements	337,492,757	1,237,262	-	8,607,209	347,337,228
Building and improvements	661,605,396	1,407,286	-	5,434,693	668,447,375
Machinery and equipment	555,443,590	6,362,671	(37,197,645)	-	524,608,616
Transportation equipment	29,804,488	4,985,823	-	-	34,790,311
Furniture and fixtures	25,183,095	687,666	-	-	25,870,761
	1,914,398,709	14,680,708	(37,197,645)	14,041,902	1,905,923,674
Accumulated depreciation					
Land improvements	152,708,178	13,952,674	-	-	166,660,852
Building and improvements	284,186,659	27,603,418	-	-	311,790,077
Machinery and equipment	417,945,108	23,609,355	-	-	441,554,463
Transportation equipment	25,064,785	1,811,356	-	-	26,876,141
Furniture and fixtures	20,032,161	1,730,203	-	-	21,762,364
	899,936,891	68,707,006	-	14,041,902	968,643,897
Net book value	1,014,461,818	(54,026,298)	(37,197,645)	-	937,279,777
Construction in progress	13,565,089	20,404,825	-	(14,041,902)	19,928,012
	₱1,028,026,907	(₱33,621,473)	(₱37,197,645)	₱-	₱957,207,789

Depreciation Charges

The amount of depreciation is allocated as follows:

	MAR 2016	MAR 2015
Cost of club races (see Notes 18 and 20)	₱9,597,722	₱9,409,561
General and administrative expenses (see Notes 19 and 20)	1,546,596	1,365,037
Cost of rental services (see Notes 18 and 20)	5,797,900	3,514,887
Cost of food and beverages (see Notes 18 and 20)	110,358	108,145
	₱17,052,576	₱14,397,630

Carmona Property

In 2001, the Parent Company acquired a parcel of land located in Carmona, Cavite from Royal Asia Land, Inc. (RALI), formerly known as KPPI Land Corporation, valued at =P523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Parent Company amounted to ₱433.7 million. No payments were made in 2016 and 2015. The outstanding balance of ₱89.9 million as of March 31, 2016 and December 31, 2015 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position.

Assets Under Operating Lease

The Parent Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱27.9 million and ₱28.3 million as of March 31, 2016 and December 31, 2015, respectively. Rent income from stable rentals for the periods ended March 31, 2016 amounted to ₱11.5 million and ₱11.0 milliion, 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 ₱0.1 million for the periods ended March 31, 2016 and 2015.

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

Rent income from PAGCOR amounted to ₱0.3 million for the same periods ending March 31, 2016 and 2015.

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

14. Investment Properties

This account consists of:

	MAR 2016	DEC 2015
Land:		
Sta. Cruz property held for capital appreciation (see Note 16)	**₱359,631,580**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Carmona property (see Note 16)	**109,750,785**	109,750,785
Undivided interest in a parcel of land in Carmona	**56,723,976**	56,723,976
	764,275,033	764,275,033
Building:		
Developed office units (see Note 11)	**195,470,321**	198,076,593
Retail development area (see Note 11)	**35,504,004**	36,004,389
	230,974,325	234,080,982
	₱995,249,358	₱998,356,015

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

	MAR 2016		
	Land	**Building**	**Total**
Cost	**₱764,275,033**	**₱310,665,629**	**₱1,074,940,662**
Accumulated Depreciation			
Balance at beginning of year	**-**	**(76,584,647)**	**(76,584,647)**
Depreciation for the period(see Notes 18 and 20)	**-**	**(3,106,657)**	**(3,106,657)**
Balance at end of period	**-**	**(79,691,304)**	**(79,691,304)**
Net Book Value	**₱764,275,033**	**₱230,974,325**	**₱995,249,358**

	DEC 2015		
	Land	Building	Total
Cost	₱764,275,033	₱310,665,629	₱1,074,940,662
Accumulated Depreciation			
Balance at beginning of year	-	(64,158,022)	(64,158,022)
Depreciation for the period(see Notes 18 and 20)	-	(12,426,625)	(12,426,625)
Balance at end of period	-	(76,584,647)	(76,584,647)
Net Book Value	₱764,275,033	₱234,080,982	₱998,356,015

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 March 31, 2016 and December 31, 2015 are used by the Parent Company as collateral for its long-term loans obtained from a bank. These long term loans have already been paid in November 2015 thereby releasing the liens related to the properties.

Philippine Economic Zone Authority (PEZA) zones

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

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

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

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

Sta. Cruz Property - Held for Lease

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

Under the JDA, the Parent Company agreed to contribute the necessary cash to fully finance the construction and development of the retail development area and its corresponding share (30%) of the development of the office units. In return for their respective contributions, the parties will distribute and allocate the developed units among themselves.

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.

15. **Other Noncurrent Assets**

This account consists of:

	MAR 2016	DEC 2015
Franchise fee (see Note 1)	**₱12,142,339**	₱12,590,839
Deferred input VAT	**9,401,869**	9,512,949
Deposits	**9,172,484**	8,619,765
Others	**236,429**	236,428
	₱30,953,120	₱30,959,981

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

	MAR 2016	DEC 2015
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**32,259,161**	30,465,161
Amortization for the period (see Note 18)	**448,500**	1,794,000
Balance at end of period	**32,707,661**	32,259,161
	₱12,142,339	₱12,590,839

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

Short-term Loans
As of March 31, 2016 and December 31, 2015, outstanding balance of short-term loans and borrowings amounted to ₱37.0 million and ₱39.0 million, respectively. These loans were obtained for working capital requirements and bear average interest of 3.5% in 2016 and 2015. 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 ₱0.3 million and ₱0.6 million for the periods ended March 31, 2016 and 2015, respectively.

17. **Accounts Payable and Other Liabilities**

This account consists of:

	MAR 2016	DEC 2015
Due to RALI	**₱89,900,000**	₱89,900,000
Accounts payable	**83,057,222**	85,568,757
Cash bond on OTB operators	**30,098,090**	30,398,961

	MAR 2016	DEC 2015
Documentary stamps payable	**22,390,909**	22,354,124
Accrued expenses	**16,709,116**	12,324,381
Provision for probable losses	**13,135,947**	13,135,947
Due to concessionaires	**9,336,323**	8,619,334
Taxes on winnings	**5,806,950**	6,576,083
Due to contractors	**7,083,538**	7,083,538
Trade payable and buyers' deposits	**5,289,445**	5,888,432
Unclaimed winnings	**9,020,734**	5,642,733
Dividends payable	**3,590,014**	3,590,898
Due to OTB operators	**1,961,352**	1,983,749
Retention payable	**2,003,806**	2,211,943
VAT payable	**883,680**	1,095,862
Due to Philracom	**988,604**	963,909
Due to horse owners	**1,699,809**	1,238,769
Others	**3,821,688**	2,549,540
	₱306,777,225	₱301,126,960

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

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

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

18. Cost of Sales and Services

Cost of club races consists of:

	MAR 2016	MAR 2015
Personnel costs (see Note 21)	**₱ 13,097,033**	₱12,380,922
Depreciation (see Notes 13 and 20)	**9,597,722**	9,409,561
Commission	**5,353,088**	5,432,397
Utilities	**4,810,622**	4,699,459
Transportation and travel	**1,877,987**	1,761,022
Taxes and licenses	**1,631,950**	1,552,677
Contracted services	**1,157,056**	1,207,877
Rent	**824,141**	754,286
Repairs and maintenance	**643,243**	505,076
Security services	**640,535**	493,175
Amortization of franchise fee (see Note 15)	**448,500**	448,500
Meetings and conferences	**420,502**	507,139
Added/guaranteed prizes and race sponsorships	**212,613**	881,381
Gas, fuel and oil	**137,236**	226,737
Supplies	**-**	2,009,259
Others	**700,330**	1,517,236
	₱41,552,558	₱43,786,704

Cost of real estate sold amounted to ₱0.08 million and (₱3.9) million for the periods ended March 31, 2016 and 2015, respectively.

Cost of rental services consists of:

	MAR 2016	MAR 2015
Depreciation (see Notes 13, 14 and 20)	**₱6,298,286**	₱4,015,272
Utilities	**2,119,971**	3,165,754
Food and beverage expenses	**1,766,108**	1,432,769
Contracted services	**1,023,824**	1,738,279
Personnel costs (see Note 21)	**760,986**	748,399
Rent expense	**669,347**	388,567
Repairs and maintenance	**450,065**	641,873
Taxes and licenses	**356,811**	354,096
Others	**1,152,903**	305,200
	₱14,598,302	₱12,790,208

Cost of food and beverages consists of:

	MAR 2016	MAR 2015
Purchased stocks	**₱531,436**	₱1,438,103
Contracted services	**1,220,260**	1,025,644
Utilities	**1,020,455**	116,719
Personnel cost (see Note 21)	**367,634**	579,831
Meetings and conferences	**221,256**	221,120
Depreciation (see Notes 13 and 20)	**110,358**	108,145
Supplies	**96,054**	112,962
Rent	**13,105**	210,521
Repairs	**12,750**	9,564
Transportation and travel	**267**	558
Gas, fuel and oil	**-**	15,300
Others	**158,036**	136,882
	₱3,772,323	₱4,044,461

Others include individually insignificant items.

19. General and Administrative Expenses

This account consists of:

	MAR 2016	MAR 2015
Personnel costs (see Note 21)	**₱16,271,163**	₱15,745,086
Depreciation (see Note 13 and 20)	**4,152,867**	3,971,308
Contracted services	**3,383,452**	2,872,116
Professional fees	**2,600,383**	2,165,213
Utilities	**2,544,381**	2,501,589
Taxes and licenses	**2,388,946**	2,358,127
Rent (see Note 31)	**2,147,035**	1,387,618
Security services	**1,974,342**	1,063,320
Repairs and maintenance	**1,624,128**	2,487,528
Meetings and conferences	**1,342,880**	1,394,779
Transportation and travel	**1,272,061**	291,216
Supplies	**678,721**	526,276
Gas, fuel and oil	**576,804**	620,770
Membership dues	**319,692**	340,395

	MAR 2016	MAR 2015
Seminars and trainings	**233,871**	82,021
Advertising	**214,612**	165,546
Insurance	**191,814**	308,578
Director's fee	**126,000**	209,500
Commission expense	**95,784**	118,402
Others	**1,260,439**	2,008,564
	₱43,399,374	₱40,617,952

20. Depreciation

This account consists of:

	MAR 2016	MAR 2015
Cost of club races (see Notes 13 and 18)	**₱9,597,722**	₱9,409,561
General and administrative expense (see Notes 13 and 19)	**4,152,867**	4,015,272
Cost of rental services (see Notes 13, 14 and 18)	**6,298,286**	3,971,308
Cost of food and beverages (see Notes 13 and 18)	**110,358**	108,145
	₱20,159,232	₱17,504,287

21. Personnel Costs

This account consists of:

	MAR 2016	MAR 2015
Salaries and wages	**₱27,508,655**	₱26,033,165
Retirement benefits costs (see Note 22)	**1,894,722**	2,107,019
Other employee benefits	**1,093,440**	1,314,054
	₱30,496,816	₱29,454,239

22. Retirement Benefits Costs

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

	MAR 2016	MAR 2015
Current service costs	**₱1,894,722**	₱5,762,681
Interest costs	**-**	1,816,207
	₱30,496,816	₱29,454,239

The components of remeasurements, before tax effect, in the consolidated statements of comprehensive income are as follows:

	MAR 2016	DEC 2015
Balance at beginning of year	₱ 38,982,230	₱42,512,894
Net retirement benefits costs for the year	1,894,722	8,646,931
Contributions for the year	(700,000)	(11,496,773)
Defined benefit cost recognized in OCI	-	(680,822)
Balance at end of year	₱ 40,176,952	₱ 38,982,230

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

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

23. Interest Income

Interest income related to:

	MAR 2016	MAR 2015
Real estate receivables (see Note 8)	₱5,157,810	₱1,866,532
Cash and cash equivalents (see Note 7)	375,456	599,395
Treasury bond (see Note 12)	-	8,847
	₱5,533,266	₱2,474,773

24. Finance Costs

Interest expense related to:

	MAR 2016	MAR 2015
Short-term loans (see Note 16)	₱321,042	₱614,411
Long-term loans (see Note 16)	-	138,299
Bank charges and others	11,447	16,953
	₱332,488	₱769,664

25. Other Income – net

	MAR 2016	MAR 2015
Tenants' reimbursements	₱1,524,871	₱-
Income from advertising campaign	482,850	535,436
Forfeited collections on real estate	327,376	-
Dividend income from AFS financial assets (see Note 12)	69,688	83,500
Service income	-	3,692,632
Gain on sale of retail treasury bonds	-	2,006,702
Gain (loss) on sale of AFS (see Notes 12)	-	195,857
Gain on reversal of liabilities	-	130,061
Others - net	1,721,645	2,038,816
	₱ 4,126,429	₱8,683,004

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

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

Others include various individually insignificant items of income and expenses.

26. Income Taxes

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

	MAR 2016	MAR 2015
RCIT	**₱-**	₱2,974,670
MCIT	**828,088**	-
Final tax on interest income	**75,051**	121,614
	₱903,139	₱3,096,284

27. Related Party Transactions

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

		Amount		Receivable/ (Payable)			
	Nature	Mar .2016	Dec. 2015	Mar. 2016	Dec. 2015	Terms	Conditions
Arco Management Development Corporation (AMDC)	Lease of office Space	2,227,255	6,884,042	(600,420)	-	Noninterest-bearing	Unsecured, no impairment
MIC	Advances	256,123	2,028,930	4,363,214	4,107,091	Non interest-bearing	Unsecured, no impairment
Techsystems	Advances	-	8333	9,333	9,333	Noninterest-bearing	Unsecured, no impairment

28. Equity

Capital Stock

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

	March 2016	December 2015
	Number of	Number of

	Shares	Amount	Shares	Amount
Common shares - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding (held by 973 equity holders in 2015 and 2014, respectively)	**996,170,748**	**₱996,170,748**	996,170,748	₱996,170,748
Stock dividend issued during the period/year	**-**	**-**	-	-
	996,170,748	**₱996,170,748**	996,170,748	₱996,170,748

Declaration of Dividends

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

Type of Dividend	Date of Declaration	Date of Record	Date of Payment	Dividends per Share
Cash	March 6, 2015	March 20, 2015	April 17,2015	**₱0.05**

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 as of March 31, 2016 and December 31, 2015.

Deemed Cost Adjustment

As of March 31, 2016 and December 31, 2015, the unappropriated retained earnings include the remaining balance of the deemed cost adjustment which arose when the Parent Company transitioned to PFRS.

The components of the deemed cost adjustment are as follows:

	MAR 2016	DEC 2015
Real estate inventories	**₱76,560,900**	₱76,560,900
Investment properties	**566,074,010**	566,074,010
Revaluation increment	**642,634,910**	642,634,910
Deferred tax liability	**(192,790,473)**	(192,790,473)
Deemed cost adjustment	**₱449,844,437**	₱449,844,437

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

29. Basic/Diluted EPS

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

	MAR 2016	DEC 2015
Net income attributable to equity holders of the Parent Company	**(₱16,036,090)**	(₱45,721,993)
Divided by weighted average number of outstanding common shares	**996,170,748**	996,170,748
Basic/diluted earnings per share	**(₱0.0161)**	(₱0.0459)

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

30. Operating Segment Information

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

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

As of March 31, 2016 and December 31, 2015, 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 periods ended March 31 are as follows:

2016						
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Segment revenue	**₱51,688,996**	**₱11,311,728**	**₱24,194,511**	**₱3,615,164**	**₱14,854,346**	**₱105,664,746**
Cost and expenses	**(41,552,558)**	**(726,796)**	**(14,598,302)**	**(3,772,323)**	**(52,029,417)**	**(112,679,395)**
Income (loss) before income tax	**10,136,438**	**10,584,933**	**9,596,209**	**(157,158)**	**(37,175,070)**	**(7,014,649)**
Provision for income tax					**903,139**	**903,139**
Net income (loss)	**₱10,136,438**	**₱10,584,933**	**₱9,596,209**	**(₱157,158)**	**(₱38,078,210)**	**(₱7,917,788)**

2015						
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱55,011,501	(₱6,656,968)	₱21,735,881	₱3,679,336	₱13,978,908	₱87,748,658
Cost and expenses	(43,786,704)	5,029,711	(12,790,208)	(4,044,461)	(44,859,777)	(100,451,439)
Income (loss) before income tax	11,224,797	(1,627,257)	8,945,673	(365,124)	(30,880,869)	(12,702,781)
Provision for income tax					3,096,284	3,096,284
Net income (loss)	₱11,224,797	(₱1,627,257)	₱8,945,673	(₱365,124)	(₱33,977,153)	(₱15,799,065)

31. Commitments and Contingencies

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

a. Operating Lease Commitment - the Parent Company as Lessee

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

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

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

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

Rent income from PAGCOR amounted to ₱0.1 million for the periods ended March 31, 2016 and 2015.

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

d. Claims and Legal Actions

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

e. Unclaimed Dividends on Winnings

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

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

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

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

To resolve the foregoing issue, the Parent Company filed a *Petition for Declaratory Relief* on November 6, 2013. As of May 11, 2016, the status is still pending before the Regional Trial Court of Bacoor, Cavite.

The Parent Company recognized provision for probable loss amounted to ₱13.1 million as of March 31, 2016 and December 31, 2015.

32. Financial Instruments

The following tables provide the fair value hierarchy of the Group's AFS financial assets March 31, 2016 and December 31, 2015:

			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
AFS financial assets	₱31,309,508	₱31,309,508	₱31,309,508	₱–	₱–

33. Financial Risk Management Objectives and Policies

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

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

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

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

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The financial instruments of the Group that bear fixed interest rates or are noninterestbearing 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.

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

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.

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 credit quality of the financial assets was determined as follows:

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

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

An impairment analysis is performed at each reporting date. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are in different industries and none of which holds at least 5% of the total receivables.

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

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

34. Capital Management

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

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

	MAR 2016	DEC 2015
Capital stock	**₱996,170,748**	₱996,170,748
Additional paid-in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of AFS financial assets	**3,923,214**	3,923,214
Remeasurement on retirement benefits	**21,621,047**	21,621,047
Retained earnings	**3,134,113,132**	3,150,149,222
Treasury shares	**(7,096)**	(7,096)
Noncontrolling interest	**(1,619,647)**	(1,619,647)
	₱4,181,795,937	₱4,197,832,027

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

35. Other Matters

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

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VICTOR B. VALDEPEÑAS**, Filipino, of legal age and with address at No. 61 Vernon Street, Filinvest Batasan Hills, Diliman Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Manila Jockey Club, Inc. ("MJC").

2. I am affiliated with the following companies:

Company	Position/Relationship	Validity of Service
Insular Life *Makati City*	Chairman	2015-Present
Unionbank of the Philippines *Pasig City*	President and Chief Operating Officer	1997-2015
	Executive Vice President/Treasurer	1993 - 1997
Citibank N.A. *Makati City*	Vice President and Country Treasurer	1987 - 1994

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

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

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

Done, this day of 24 MAY 2016 at Pasig City.

Valdepeñas

VICTOR B. VALDEPEÑAS
Affiant

SUBSCRIBED AND SWORN to before me this day of 24 MAY 2016 at Pasig City, affiant personally appeared before me and exhibited to me his valid Identification ID No. [illegible] issued on ______ at Manila, Philippines.

ATTY. JING-JING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 153-(2016-2017)
Until December 31, 2017
PTR No. 1418807 / Jan. 07, 2016 – Pasig City
IBP No. 1022670 / Jan. 07, 2016 – Quezon City
CITY OF PASIG
Roll of Attorney No. 60827

Doc. No. 205;
Page No. 42;
Book No. II;
Series of 2016.

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

2. I am a Retired Deputy Ombudsman For Luzon.

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

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

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

Done, this 20 MAY 2016 day of May 2016 at Pasig City.

VICTOR C. FERNANDEZ
Affiant

SUBSCRIBED AND SWORN to before me this 20 MAY 2016 day of May 2016, affiant personally appeared before me and exhibited to me his Tax Identification No. 155-565-214 issued at Manila, Philippines.

ATTY. [illegible] S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 153-(2016-2017)
Until December 31, 2017
PTR No. 1418807 / Jan. 07, 2016 – Pasig City
IBP No. 1022670 / Jan. 07, 2016 – Quezon City
CITY OF PASIG
Roll of Attorney No. 60827

Doc. No. 186;
Page No. 39;
Book No. II;
Series of 2016.

MANILA JOCKEY CLUB, INC.

RACING SINCE 1867

April 12, 2016

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, 2015 and 2014** in accordance with the prescribed financial reporting framework indicated therein. 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, 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.

Alfonso R. Reyno, Jr.
Chairman of the Board and Chief Executive Officer
Phil. Passport No. EB8557161

Alfonso G. Reyno III
President and Chief Operating Officer
Phil. Passport No. EB6074546

Nestor N. Ubalde
Chief Financial Officer
PL No. N04-89-106906

Signed this 14 APR 2016.

SUBSCRIBED AND SWORN TO before me this 14 APR 2016 at PASIG CITY affiant exhibiting to me his / her Competent evidence of Identity.

DOC. NO. 26;
PAGE NO. 05;
BOOK NO. IV;
SERIES OF 2016;

CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. M-142(2015-2016)
UNTIL DECEMBER 31, 2016
PTR NO. 1418810/01-07-16/ PASIG CITY
IBP NO. 1022669/01-07-16/MAKATI CITY
CS OF PASIG, TAGUIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

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E-mail. executive@manilajockey.com Web site www.manilajockey.com Tels (632) 6879889 Fax (632) 9144846
San Lazaro Leisure Park Governor's Drive, Barangay Lantic, Carmona, Cavite Tel (632) 8448344

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Manila Jockey Club, Inc., which comprise the parent company statements of financial position as at December 31, 2015 and 2014, and the parent company statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Manila Jockey Club, Inc. as at December 31, 2015 and 2014, 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 April 30, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2015,
June 26, 2015, valid until June 25, 2018
PTR No. 5321627, January 4, 2016, Makati City

April 11, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016 TSIS
RECEIVED
MA. GRACIA AURORA L. CASTILLO

MANILA JOCKEY CLUB, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱126,888,546**	₱296,843,220
Receivables (Note 7)	**223,908,467**	183,988,349
Inventories (Note 8)	**94,257,252**	95,301,721
Other current assets (Note 9)	**9,688,603**	4,608,945
Total Current Assets	**454,742,868**	580,742,235
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	**45,121,918**	128,751,041
Investments in subsidiaries, associates and joint ventures (Note 10)	**731,401,093**	731,316,637
Available-for-sale (AFS) financial assets (Note 11)	**31,942,805**	22,067,765
Property and equipment (Notes 12 and 29)	**932,576,207**	965,560,487
Investment properties (Notes 10, 13 and 15)	**998,356,015**	1,010,782,640
Other noncurrent assets (Note 14)	**30,959,981**	31,991,709
Total Noncurrent Assets	**2,770,358,019**	2,890,470,279
	₱3,225,100,887	₱3,471,212,514
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 15)	**₱39,000,000**	₱74,437,500
Accounts payable and other liabilities (Note 16)	**301,809,295**	351,814,449
Income tax payable	**–**	12,669,247
Current portion of long-term loans and borrowings (Note 15)	**–**	14,285,715
Due to related parties (Note 26)	**6,813,069**	6,730,741
Subscription payable	**–**	42,808,835
Total Current Liabilities	**347,622,364**	502,746,487
Noncurrent Liabilities		
Accrued retirement benefits (Note 21)	**38,982,230**	42,512,894
Deferred tax liabilities - net (Note 25)	**228,624,861**	246,103,418
Total Noncurrent Liabilities	**267,607,091**	288,616,312
	615,229,455	791,362,799
Equity		
Capital stock (Note 27)	**996,170,748**	996,170,748
Actuarial gains on accrued retirement benefits	**21,621,047**	21,144,472
Net cumulative changes in fair values of AFS financial assets (Note 11)	**3,923,214**	5,216,306
Retained earnings (Note 27)	**1,588,163,519**	1,657,325,285
Treasury shares (Note 27)	**(7,096)**	(7,096)
Total Equity	**2,609,871,432**	2,679,849,715
	₱3,225,100,887	₱3,471,212,514

See accompanying Notes to Parent Company Financial Statements.

MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31	
	2015	2014
REVENUES		
Club races	**₱199,811,373**	₱223,888,768
Rent (Notes 12, 13 and 29)	**87,163,618**	86,065,488
Real estate	**46,567,719**	35,388,928
Food and beverages	**18,972,040**	17,520,185
	352,514,750	362,863,369
COST OF SALES AND SERVICES (Note 17)		
Club races	**175,111,876**	168,656,048
Rent	**53,712,662**	49,782,540
Real estate (Note 8)	**1,008,078**	4,322,592
Food and beverages	**19,324,889**	16,667,638
	249,157,505	239,428,818
GROSS INCOME	**103,357,245**	123,434,551
General and administrative expenses (Note 18)	**(182,154,064)**	(168,027,409)
Other income - net (Note 24)	**47,951,988**	64,096,078
Interest income (Notes 6, 7, 11 and 22)	**4,981,246**	12,819,787
Selling expenses (Note 8)	**(4,446,269)**	(7,191,379)
Finance costs (Note 23)	**(2,377,980)**	(3,733,470)
INCOME (LOSS) BEFORE INCOME TAX	**(32,687,834)**	21,398,158
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	**4,348,673**	19,546,558
Deferred	**(17,682,804)**	(17,089,383)
	(13,334,131)	2,457,175
NET INCOME (LOSS)	**(19,353,703)**	18,940,983
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets (Note 11)	**(1,293,092)**	(3,797,287)
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax (Note 21)	**476,575**	(3,730,876)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱20,170,220)**	₱11,412,820
Basic/Diluted Earnings (Loss) Per Share (Note 33)	**(₱0.0194)**	₱0.0190

See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016 TSIS
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MA. GRACIA AURORA L. CASTILLO

MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock (Note 27)	Treasury Shares (Note 27)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 11)	Actuarial Gains on Accrued Retirement Benefits (Note 21)	Retained Earnings (Note 27) Appropriated	Retained Earnings (Note 27) Unappropriated	Total
BALANCES AT DECEMBER 31, 2014	**₱996,170,748**	**(₱7,096)**	**₱5,216,306**	**₱21,144,472**	**₱–**	**₱1,657,325,285**	**₱2,679,849,715**
Total comprehensive loss for the year	–	–	**(1,293,092)**	**476,575**	–	**(19,353,703)**	**(20,170,220)**
Cash dividends declared	–	–	–	–	–	**(49,808,063)**	**(49,808,063)**
BALANCES AT DECEMBER 31, 2015	**₱996,170,748**	**(₱7,096)**	**₱3,923,214**	**₱21,621,047**	**₱–**	**₱1,588,163,519**	**₱2,609,871,432**
BALANCES AT DECEMBER 31, 2013	₱948,734,898	(₱7,096)	₱9,013,593	₱24,875,348	₱17,180,917	₱1,716,075,506	₱2,715,873,166
Total comprehensive income for the year	–	–	(3,797,287)	(3,730,876)	–	18,940,983	11,412,820
Stock dividend declared	47,435,850	–	–	–	–	(47,435,850)	–
Cash dividends declared	–	–	–	–	–	(47,436, 271)	(47,436,271)
Reversal of previous appropriation during the year	–	–	–	–	(17,180,917)	17,180,917	–
BALANCES AT DECEMBER 31, 2014	₱996,170,748	(₱7,096)	₱5,216,306	₱21,144,472	₱–	₱1,657,325,285	₱2,679,849,715

See accompanying Notes to Parent Company Financial Statements

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

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱32,687,834)	₱21,398,158
Adjustments for:		
Depreciation (Note 19)	73,139,802	69,213,524
Dividend income (Note 24)	(21,714,486)	(22,221,236)
Interest income (Note 22)	(4,981,246)	(12,819,787)
Gain on reversal of liabilities (Note 24)	–	(8,004,970)
Finance costs (Note 23)	2,377,980	3,733,470
Gain on sale of AFS financial assets (Note 11)	(2,582,792)	(1,250,360)
Amortization of franchise fee (Notes 14 and 17)	1,794,000	1,794,000
Unrealized foreign exchange loss – net	95,562	105,077
Operating income before working capital changes	15,440,986	51,947,876
Decrease (increase) in:		
Receivables	18,101,004	74,486,449
Inventories	1,044,469	4,062,952
Other current assets	(186,576)	(1,696,759)
Increase (decrease) in:		
Accounts payable and other liabilities	(50,770,670)	46,621,487
Accrued retirement benefits (Note 21)	(2,849,842)	2,121,899
Cash generated from (used in) operations	(19,220,629)	177,543,904
Income taxes paid, including creditable withholding and final taxes	(21,911,002)	(9,699,049)
Net cash provided by (used in) operating activities	(41,131,631)	167,844,855
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Notes 10 and 24)	47,515,655	9,517,045
Acquisitions of property and equipment (Note 12)	(27,728,897)	(75,054,968)
Acquisitions of AFS financial assets (Note 11)	(21,297,900)	(8,129,767)
Proceeds from sale of AFS financial assets	12,712,560	4,758,026
Interest received (Note 22)	4,788,078	12,695,077
Increase in other noncurrent assets	(762,272)	2,411,847
Additional investment in a subsidiary (Note 10)	(84,456)	–
Net cash provided by (used in) investing activities	15,142,768	(53,802,740)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 27)	(49,042,547)	(45,829,488)
Interest paid	(2,377,980)	(3,733,470)
Increase in due to related parties	82,328	1,643,396
Payments of:		
Subscriptions	(42,808,835)	–
Short-term loans and borrowings (Note 15)	(35,437,500)	(12,000,000)
Long-term loans and borrowings (Note 15)	(14,285,715)	(14,285,714)
Net cash used in financing activities	(143,870,249)	(74,205,276)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(95,562)	(105,077)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(169,954,674)	39,731,762
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	296,843,220	257,111,458
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱126,888,546	₱296,843,220

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 in the Philippine Stock Exchange (PSE) on October 11, 1963.

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

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

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

Investment in Subsidiaries, Associates and Interest in Joint Ventures

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership	
				2015	2014
Subsidiaries					
Biohitech Philippines, Inc. (Biohitech) [a]	Philippines	Waste management	Philippine Peso	**50.00**	50.00
Gametime Sports and Technologies, Inc. (Gametime) [a]	Philippines	Gaming	Philippine Peso	**100.00**	100.00
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	**100.00**	100.00
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	100.00
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	100.00
San Lazaro Resources and Development Corporation (SLRDC) [a]	Philippines	Real estate	Philippine Peso	**100.00**	100.00
SLLP Holdings, Inc. (SLLPHI) [a]	Philippines	Holdings	Philippine Peso	**100.00**	100.00
Hi-Tech Harvest Limited [a]	Hong Kong	Marketing	Philippine Peso	**100.00**	–
Associates					
MJC Investments Corporation Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino (MIC) [b]	Philippines	Real estate and Gaming	Philippine Peso	**22.31**	28.32
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	**33.33**	33.00
Interest in Joint Ventures					
Gamespan, Inc. (Gamespan) [a]	Philippines	Gaming	Philippine Peso	**50.00**	50.00
San Lazaro BPO Complex (SLBPO)	Philippines	Real estate	Philippine Peso	[illegible]	30.00

[a] *Not yet started commercial operation as of December 31, 2015*
[b] *Formerly known as MJC Investments Corporation (MIC) and become an associate effective [illegible]*

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016 T318
RECEIVED
MA. GRACIA AURORA

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, 2015 and 2014 were authorized for issuance by the Board of Directors (BOD) on April 11, 2016.

2. Basis of Preparation and Statement of Compliance

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

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretation
The Company applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments did not have any significant impact on the financial statements.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*

Annual Improvements to PFRSs (2010-2012 Cycle)
- 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*;
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*; and
- PAS 24, *Related Party Disclosures - Key Management Personnel*.

Annual Improvements to PFRSs (2011-2013 Cycle)
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*;
- PFRS 13, *Fair Value Measurement - Portfolio Exception*; and
- PAS 40, *Investment Property*.

Future Changes in Accounting Policies
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the parent company financial statements are listed below. The Company intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the parent company financial statements.

No definite adoption date prescribed by the SEC and FRSC

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments);
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments);
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests* (Amendments);
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments);
- PFRS 14, *Regulatory Deferral Accounts*;
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments); and
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments).

Annual Improvements to PFRSs (2012-2014 Cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*;
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*;
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*;
- PAS 19, *Employee Benefits - regional market issue regarding discount rate*; and
- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

  In July 2014, the IASB issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

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

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

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

4. **Summary of Accounting and Financial Reporting Policies**

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in the Company's statements of financial position based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Company measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 30.

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

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

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

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

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

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

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

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

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

<u>Cash and Cash Equivalents</u>
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.

<u>Financial Assets and Financial Liabilities</u>
The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument.

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

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

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

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

As of December 31, 2015 and 2014, the Company has no financial assets or financial liabilities at FVPL and HTM investments.

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

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

Included in this category are the Company's cash in banks and cash equivalents, receivables and deposits (presented as part of "Other noncurrent assets" in the parent company statements of financial position) as of December 31, 2015 and 2014.

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

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

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

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

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

The Company's AFS financial assets consist of investments in quoted and unquoted equity securities, quoted debt securities, preferred shares and club membership shares as of December 31, 2015 and 2014.

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

   Included in this category are the Company's short-term and long-term loans and borrowings; accounts payable and other liabilities, due to related parties and subscription payable as of December 31, 2015 and 2014.

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

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

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

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

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

Impairment of Financial Assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of

debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

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

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

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

Offsetting Financial Instruments

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

Inventories

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

Real Estate Inventories

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

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

Investments in Associates and Joint Ventures

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

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

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

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

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

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

- Assets, including its share in any assets jointly held
- Liabilities, including its share of any liabilities jointly incurred
- Revenue from the sale of its share of the real estate inventories
- Share of the revenue from services rendered jointly
- Expenses, including its share of expenses incurred jointly

Property and Equipment

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

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

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company currently does not have potential dilutive common shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

Management has determined that arrangement for ventures with Avida, Alveo and CCC are classified as joint operations (see Note 9).

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. 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. As such, the lease agreement was accounted for as an operating lease (see Note 29).

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

There were no indicators of impairment present on movement of financial assets, as such, there were no impairment losses recognized in 2015 and 2014. Total carrying value of the Company's investment in subsidiaries, an associates and interest in joint venture, property and equipment, investment properties, and franchise fee of December 31, 2015 and 2014 are disclosed in Notes 10, 12, 13 and 14 to the parent company financial statements, respectively.

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

As of December 31, 2015 and 2014, recognized deferred tax assets are disclosed in Note 25 to the parent company financial statements.

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

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, 2015 and 2014, 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 2015 and 2014, provision for doubtful accounts are disclosed in Note 7 and 18 to the parent company financial statements, and written off receivable accounts without previous impairment allowance are disclosed in Notes 7 and 24 to the parent company financial statements.

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

As of December 31, 2015 and 2014, the cost of the real estate inventories, the amount written down to the cost and carrying value of the real estate inventories are disclosed in Note 8 to the parent company financial statements.

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

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

As of December 31, 2015 and 2014, the carrying value of the Company's AFS financial assets are disclosed in Note 11 to the parent company financial statements. No impairment loss was recognized in 2015 and 2014.

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

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

Provisions
The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed to the Company. No provisions were recognized as of December 31, 2015 and 2014.

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, 2015 and 2014, carrying value of accrued retirement benefits are disclosed in Note 21 to the parent company financial statement. Retirement benefits cost in 2015 and 2014 are disclosed in Note 21 to the parent company financial statements.

6. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	**₱8,125,270**	₱10,339,056
Cash in banks	**89,944,040**	238,958,445
Cash equivalents	**28,819,236**	47,545,719
	₱126,888,546	₱296,843,220

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

7. Receivables

This account consists of:

	2015	2014
Trade		
Real estate receivables - current portion	**₱168,468,704**	₱100,213,730
Rent receivables (see Notes 12 and 13)	**9,253,915**	10,596,918
Receivable from Philippine Amusement and Gaming Corporation (PAGCOR) (see Note 29)	**8,061,391**	6,995,045
Receivables from off-track betting (OTB) operators	**1,015,825**	1,965,943
Non-trade		
Due from related parties (see Note 26)	**31,956,232**	5,979,717
Advances and loans to officers and employees	**6,167,803**	7,795,769
Receivable from third parties	**4,123,951**	2,199,951
Dividends receivable (see Note 10)	**3,640,837**	29,792,491
Advances to suppliers	**2,296,102**	–
Claims for tax credit certificates (TCC)	**2,252,054**	2,252,054
Deposits and advances to contractors	**1,778,413**	1,778,413
Receivable from Metro Manila Turf Club (MMTC) (see Note 29)	**653,863**	16,360,723
Others	**8,635,730**	9,722,211
	248,304,820	195,652,965
Less: Allowance for doubtful accounts	**24,396,353**	11,664,616
	₱223,908,467	₱183,988,349

Real Estate Receivables

The real estate receivables of the Company are as follows:

	2015	2014
Current	**₱168,468,704**	₱100,213,730
Noncurrent	**45,121,918**	128,751,041
	₱213,590,622	₱228,964,771

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

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

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

Advances to Suppliers
Advances to suppliers are non-interest bearing payments and are capitalized to property, plant and equipment upon actual receipt of property and equipment, which is normally within twelve months or within the normal operating cycle.

Receivable from Third Parties
Receivable from third parties are non-interest bearing and are generally settled within 30-90 day term.

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

The Trial Court rendered a decision in favor of the Company on March 7, 1997 ordering the City of Manila to grant the Company a tax refund of ₱2.3 million and for which a *writ of execution* was already issued on May 12, 2003 by the Trial Court. Prior to the implementation of the *writ of execution*, the Company entered into a compromise agreement with the City of Manila for an out-of-court settlement. The *writ of execution* issued by the Trial Court has not been implemented as of April 11, 2016.

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

Allowance for Doubtful Accounts
The following table shows the rollforward of the allowance for doubtful accounts as of December 31, 2015 and 2014:

	2015	2014
Balance at beginning of year	**₱11,664,616**	₱8,696,776
Provision during the year (see Note 18)	**13,093,137**	3,278,413
Amounts written off during the year	**(324,890)**	(310,573)
Recovery of doubtful accounts	**(36,510)**	–
Balance at end of year	**₱24,396,353**	₱11,664,616

Allowance for doubtful accounts per class of receivable follows:

	2015	2014
Trade	**₱8,805,762**	₱1,197,798
Non-trade	**15,590,591**	10,466,818
Balance at end of year	**₱24,396,353**	₱11,664,616

Allowance for doubtful accounts as of December 31, 2015 and 2014 were based on specific and collective assessment made by the management.

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

8. Inventories

This account consists of:

	2015	2014
Real estate:		
Condominium units for sale - at cost	**₱42,771,653**	₱42,928,254
Land held for development - at cost	**38,189,898**	38,189,898
Memorial lots for sale - at net realizable value	**8,449,965**	8,870,166
Residential units for sale - at cost	**4,318,107**	4,749,383
	93,729,623	94,737,701
Food and beverages - at cost	**527,629**	564,020
	₱94,257,252	₱95,301,721

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

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

	2015	2014
Balance at beginning of year	**₱94,737,701**	₱99,060,293
Cost of real estate sold (see Note 17)	**1,008,078**	4,322,592
Balance at end of year	**₱93,729,623**	₱94,737,701

In 2015 and 2014, no impairment loss was recognized. The cost of memorial lots for sale as at December 31, 2015 and 2014 amounted to ₱9.8 million and ₱10.9 million, respectively.

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

Condominium units for sale
On February 26, 2005, the Company entered into Joint Development Agreements (JDAs) with Avida Land Corporation (Avida) and Alveo Land Corporation (Alveo) for the development of 5.2 hectares and 1.3 hectares (the "Project Areas"), respectively, of the Company's 11.6-hectare property located in Sta. Cruz, Manila, into a primary residential complex consisting of condominium buildings and townhouses (the "Project"). Under the JDAs, the Company agreed and contributed its rights, title and interest in the Project and the Project Areas, while Avida and

Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the Project, the Company, Avida and Alveo received their respective allocation as described in the JDAs.

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

Residential units for sale
On February 24, 2004, the Company entered into a Joint Venture Agreement (JVA) with Century Communities Corporation (CCC) for the development of 17.09 hectares of the Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2015, the project is completed.

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

9. Other Current Assets

This account consists of:

	2015	2014
Prepaid income tax	**₱4,893,082**	₱–
Prepaid expenses	**4,684,000**	1,983,650
Tickets and chemical supplies	**–**	2,456,455
Others	**111,521**	168,840
	₱9,688,603	₱4,608,945

Others include prepaid insurance.

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

This account consists of:

	2015		2014	
	% of Ownership	Cost	% of Ownership	Cost
Subsidiaries (see Note 1):				
SLLPHI	**100.00%**	**₱6,250,000**	100.00%	₱6,250,000
MFC	**100.00%**	**4,000,000**	100.00%	4,000,000
Biohitech	**50.00%**	**1,500,000**	50.00%	1,500,000
Gametime	**100.00%**	**625,000**	100.00%	625,000
MCI	**100.00%**	**625,000**	100.00%	625,000
SLRDC	**100.00%**	**156,500**	100.00%	156,500
Hi-tech Harvest	**100.00%**	**84,456**	–	–
		13,240,956		13,156,500

(Forward)

	2015		2014	
	% of Ownership	**Cost**	% of Ownership	Cost
Associates:				
MIC	**22.31%**	**₱708,160,137**	28.32%	₱708,160,137
Techsystems	**33.33%**	**1,000,000**	33.00%	1,000,000
		709,160,137		709,160,137
Investment in joint ventures:				
Gamespan, Inc.	**50.00%**	**10,000,000**	50.00%	10,000,000
		732,401,093		732,316,637
Less allowance for impairment of investment in associate		**1,000,000**		1,000,000
		₱731,401,093		₱731,316,637

Hi-Tech Harvest Limited

The investment in subsidiary, Hi-Tech Harvest, pertains to the acquisition cost of ₱0.1 million representing 100% ownership by the Company. Hi-tech Harvest Limited was incorporated in 2015 under the laws of Hong Kong for the purpose of marketing and advertising the cockfighting activities of MCC and the services provided by Gametime to the international setting and possible customers. As of December 31, 2015, Hi-tech Harvest has not yet started commercial operations.

Investment in associates

MIC. Investment in MIC pertains to the Company's 22.31% and 28.32% interest in MIC as of December 31, 2015 and 2014, respectively (see Note 1).

The summarized financial information of MIC are as follows:

	2015	2014
Current assets	**₱2,212,327,114**	₱745,912,332
Non-current assets	**3,854,328,316**	1,746,676,279
Current liabilities	**625,230,122**	209,906,893
Non-current liabilities	**2,475,451,860**	–
Equity	**2,965,973,448**	2,282,681,718
Income	**4,793,659**	10,178,114
Expenses	**58,733,468**	34,397,147
Net loss	**53,939,809**	24,219,033

Movement in equity pertains to subscription of MIC shares by the Strategic Investors amounting to ₱673.8 million with related transaction costs of ₱3.4 million and collection of subscription receivable from the Company and MIC's affiliate amounting to ₱42.8 million and ₱24.0 million, respectively in 2015 and 2014.

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

The summarized financial information of Techsystems are as follows:

	2015	2014
Total current liabilities	**₱5,167,650**	₱5,167,650
Capital deficiency	**(5,167,650)**	(5,167,650)

Investment in Joint Ventures

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2015, Gamespan has not yet started its commercial operations.

The summarized financial information of the Gamespan is as follows:

	2015	2014
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**629,824**	629,824
Equity	**19,584,322**	19,584,322

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

Dividend income from the JV amounted to ₱21.4 million in 2015 and 2014 and dividend receivable from the JV amounted to ₱3.6 million and ₱29.8 million, respectively (see Notes 7 and 24).

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

	2015	2014
Current assets	**₱170,004,540**	₱226,959,095
Noncurrent assets	**15,837,279**	6,916,636
Current liabilities	**107,827,582**	160,372,515
Noncurrent liabilities	**33,444,496**	39,426,738
Equity	**44,569,741**	34,076,478
Dividends	**71,213,336**	71,410,744
Income	**145,007,981**	90,205,228
Expenses	**63,301,382**	10,354,776
Net income	**81,706,599**	79,850,452

The Company has no share in any contingent liabilities or capital commitments of the JV as of December 31, 2015 and 2014. There are also no accumulated earnings that are restricted as of December 31, 2015 and 2014.

11. AFS Financial Assets

This account consists of:

	2015	2014
At fair value:		
Debt securities	**₱16,536,916**	₱8,621,690
Equity securities	**14,772,592**	12,812,778
At cost:		
Equity securities	**633,297**	633,297
	₱31,942,805	₱22,067,765

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

	2015	2014
Balance at beginning of year	**₱22,067,765**	₱21,242,951
Additions during the year	**21,297,900**	8,129,767
Disposal during the year	**(11,713,950)**	(8,987,827)
Unrealized mark-to-market gains during the year	**291,090**	1,682,874
Balance at end of year	**₱31,942,805**	₱22,067,765

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

	2015	2014
Balance at beginning of year	**₱5,216,306**	₱9,013,593
Unrealized mark-to-market gains during the year	**1,289,700**	(2,546,927)
Realized mark-to-market gains during the year	**(2,582,792)**	(1,250,360)
Balance at end of year	**₱3,923,214**	₱5,216,306

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

Gain on sale of AFS financial assets amounted to ₱2.6 million in 2015 and ₱1.3 million in 2014 (see Note 24).

Dividend income from these investments amounted ₱0.4 million in 2015 and ₱0.8 million in 2014 (see Note 24).

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

12. Property and Equipment

Movements in this account are as follows:

	2015				
	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,492,757	1,237,262	–	8,607,209	347,337,228
Building and improvements	655,548,788	1,407,286	–	–	656,956,074
Machinery and equipment	333,880,165	4,559,444	–	–	338,439,609
Transportation equipment	29,804,488	4,985,823	–	–	34,790,311
Furniture and fixtures	12,570,843	655,750	–	–	13,226,593
	1,674,166,424	12,845,565	–	8,607,209	1,695,619,198
Accumulated depreciation					
Land improvements	152,708,178	13,952,674	–	–	166,660,852
Building and improvements	284,140,795	27,538,184	–	–	311,678,979
Machinery and equipment	248,800,658	16,898,717	–	–	265,699,375
Transportation equipment	25,064,785	1,811,356	–	–	26,876,141
Furniture and fixtures	11,456,612	512,246	–	–	11,968,858
	722,171,028	60,713,177	–	–	782,884,205
Net book value	951,995,396	(47,867,612)	–	8,607,209	912,734,993
Construction in progress	13,565,091	14,883,332	–	(8,607,209)	19,841,214
	₱965,560,487	(₱32,984,280)	₱–	₱–	₱932,576,207

	2014				
	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,492,757	–	–	–	337,492,757
Building and improvements	647,281,808	740,992	–	7,525,988	655,548,788
Machinery and equipment	264,507,908	69,499,228	(126,971)	–	333,880,165
Transportation equipment	28,974,488	830,000	–	–	29,804,488
Furniture and fixtures	12,114,721	456,122	–	–	12,570,843
	1,595,241,065	71,526,342	(126,971)	7,525,988	1,674,166,424
Accumulated depreciation					
Land improvements	139,302,268	13,405,910	–	–	152,708,178
Building and improvements	256,332,182	27,808,613	–	–	284,140,795
Machinery and equipment	235,979,794	12,820,864	–	–	248,800,658
Transportation equipment	22,844,590	2,220,195	–	–	25,064,785
Furniture and fixtures	10,925,295	531,317	–	–	11,456,612
	665,384,129	56,786,899	–	–	722,171,028
Net book value	929,856,936	14,739,443	(126,971)	7,525,988	951,995,396
Construction in progress	17,435,483	3,655,596	–	(7,525,988)	13,565,091
	₱947,292,419	₱18,395,039	(₱126,971)	₱–	₱965,560,487

Depreciation Charges

The amount of depreciation is allocated as follows:

	2015	2014
Cost of club races (see Notes 17 and 19)	**₱38,200,787**	₱38,249,637
General and administrative expenses (see Notes 18 and 19)	**14,215,090**	14,850,958
Cost of rental services (see Notes 17 and 19)	**7,842,509**	3,221,974
Cost of food and beverages (see Notes 17 and 19)	**454,791**	464,330
	₱60,713,177	₱56,786,899

Capitalized Borrowing Costs
No interest on loans was capitalized in 2015 and 2014. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of December 31, 2015 and 2014 amounted to ₱38.3 million and ₱41.1 million, respectively.

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

Assets Under Operating Lease
The Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱28.3 million and ₱30.0 million as of December 31, 2015 and 2014, respectively. Rent income from stable rentals in 2015 and 2014 amounted to ₱44.3 million and ₱43.5 million, respectively.

The Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱0.5 million and ₱0.6 million in 2015 and 2014, respectively.

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

Rent income from PAGCOR amounted to ₱1.2 million in 2015 and 2014 (see Note 29).

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

13. Investment Properties

This account consists of:

	2015	2014
Land:		
Sta. Cruz property held for capital appreciation (see Note 15)	**₱359,631,580**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Carmona property (see Note 15)	**109,750,785**	109,750,785
Undivided interest in a parcel of land in Carmona	**56,723,976**	56,723,976
	764,275,033	764,275,033
Building:		
Developed office units (see Note 10)	**198,076,593**	208,501,675
Retail development area	**36,004,389**	38,005,932
	234,080,982	246,507,607
	₱998,356,015	₱1,010,782,640

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

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

		2014	
	Land	Building	Total
Cost	₱764,275,033	₱310,665,629	₱1,074,940,662
Accumulated Depreciation			
Balance at beginning of year	–	51,731,397	51,731,397
Depreciation (see Notes 17 and 19)	–	12,426,625	12,426,625
Balance at end of year	–	64,158,022	64,158,022
Net Book Value	₱764,275,033	₱246,507,607	₱1,010,782,640

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, 2015 and 2014 are used by the Company as collateral for its long-term loans obtained from a bank. These long term loans have already been paid in November 2015, thereby releasing the liens related to the properties (see Note 15).

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

Philippine Economic Zone Authority (PEZA) zones

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

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

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

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

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

Under the JDA, the Company agreed to contribute the necessary cash to fully finance the construction and development of the retail development area and its corresponding share (30%) of the development of the office units. In return for their respective contributions, the parties will distribute and allocate the developed units among themselves. As of December 31, 2015 and 2014, 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 Company statements of financial position.

On December 12, 2008, the Company and ALI executed a Deed of Partition for the distribution and allocation of the developed units. The entire retail development area and the appurtenant parking lots were allocated to the Company in return for its contribution for the construction and development of the said area. For the Company's contribution in the construction and development of the office building, the Company was allocated with developed office building with gross leasable area of 5,793 square meters located at various floors and the appurtenant parking lots. In 2015 and 2014, rental income amounted to ₱13.1 million and ₱14.7 million, respectively.

Undepreciated capitalized interest relating to the Building Complex as of December 31, 2015 and 2014 amounted to ₱6.1 million and ₱6.4 million, respectively.

Fair Market Values
As of December 31, 2015, the aggregate fair value of the Company's investment properties amounted to ₱3.3 billion. Fair values of the Carmona property and Sta. Cruz property have been determined based on valuation performed by independent professional appraisers using the sales comparison approach and income approach by land residual technique with reports dated January 18, 2012 and May 5, 2010, respectively. Management believes that there are no material changes in fair value on these investment properties as of December 31, 2015 from the most recent revaluations performed by independent appraisers.

Investment property was classified as Level 2 in 2015 and 2014 as to the qualification of fair value hierarchy.

14. Other Noncurrent Assets

This account consists of:

	2015	2014
Franchise fee (see Note 1)	**₱12,590,839**	₱14,384,839
Deferred input VAT	**9,512,949**	8,884,652
Deposits	**8,619,765**	8,485,789
Others	**236,428**	236,429
	₱30,959,981	₱31,991,709

Franchise Fee

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

	2015	2014
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**30,465,161**	28,671,161
Amortization for the year (see Note 17)	**1,794,000**	1,794,000
Balance at end of year	**32,259,161**	30,465,161
	₱12,590,839	₱14,384,839

Franchise fee has remaining amortization period of 7 years as of December 31, 2015.

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

Short-term Loans

As of December 30, 2015 and 2014, outstanding balance of short-term loans and borrowings amounted to ₱39.0 million and ₱74.4 million, respectively. These loans were obtained for working capital requirements and bear average interest of 3.5% and 3.25% in 2015 and 2014, 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 ₱1.9 million and ₱2.7 million in 2015 and 2014, respectively (see Note 23).

Short-term loans amounting to ₱35.4 million and ₱12.0 million were paid in 2015 and 2014, respectively.

Long-term Loans

	2015	2014
Bank loans	**₱–**	₱14,285,715
Less current portion	**–**	14,285,715
Noncurrent portion	**₱–**	₱–

These loans bear interest of 4.25% with maturity date of November 2015 and were settled accordingly. These loans were payable in equal quarterly installments and interest rates were subject to quarterly repricing. Loans amounting to ₱14.3 million were paid in 2015 and 2014.

The loans were secured by real estate mortgages on Carmona property and Sta. Cruz property with carrying values of ₱109.8 million as of December 31, 2015 and 2014 and ₱359.6 million as of December 31, 2015 and 2014, respectively.

Interest expense on bank loans amounted to ₱0.4 million and ₱0.9 million in 2015 and 2014, respectively (see Note 23).

16. Accounts Payable and Other Liabilities

This account consists of:

	2015	2014
Due to RALI (see Note 12)	**₱89,900,000**	₱89,900,000
Accounts payable	**76,665,700**	83,218,206
Cash bond on OTB operators	**30,398,961**	32,094,081
Documentary stamps payable	**22,354,124**	28,888,879
Provision for probable losses (see Note 29)	**13,135,947**	13,135,947
Accrued expenses	**11,150,044**	9,150,467
Due to concessionaires	**8,619,334**	7,961,441
Due to contractors	**7,083,538**	27,558,182
Taxes on winnings	**6,576,083**	8,458,554
Trade payable and buyers' deposits	**5,888,432**	5,687,887
Unclaimed winnings	**5,621,469**	3,340,275
Dividends payable (see Note 27)	**3,590,898**	2,825,382
Withholding taxes payable	**2,223,929**	1,523,730
Retention payable	**2,211,943**	1,775,464
Due to OTB operators	**1,983,749**	2,528,019
Due to horse owners	**1,238,769**	3,345,922
VAT payable	**1,095,862**	6,643,393
Due to Philracom	**963,909**	2,352,250
Due to MMTC	–	12,006,725
Others	**11,106,604**	9,419,645
	₱301,809,295	₱351,814,449

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

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

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

17. Cost of Sales and Services

Cost of club races consists of:

	2015	2014
Personnel costs (see Note 20)	**₱52,318,151**	₱50,120,651
Depreciation (see Notes 12 and 19)	**38,200,787**	38,249,637
Utilities	**21,127,337**	21,008,302
Commission	**21,043,268**	23,750,220
Transportation and travel	**7,308,208**	7,318,151
Contracted services	**4,703,036**	4,841,069
Rent	**4,142,214**	3,358,549
Supplies	**3,918,577**	3,145,157
Software license	**3,178,613**	2,640,815
Meetings and conferences	**2,953,576**	2,596,248
Repairs and maintenance	**2,446,007**	2,458,525
Amortization of franchise fee (see Note 14)	**1,794,000**	1,794,000
Security services	**1,790,698**	2,206,574
Taxes and licenses	**1,293,589**	789,978
Gas, fuel and oil	**1,286,808**	1,679,311
Others	**7,607,007**	2,698,861
	₱175,111,876	₱168,656,048

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

Cost of rental services consists of:

	2015	2014
Depreciation (see Notes 12, 13 and 19)	**₱20,269,134**	₱15,648,599
Utilities	**11,878,061**	13,390,309
Meetings and conferences	**6,129,034**	4,936,448
Contracted services	**4,181,523**	4,859,511
Personnel costs (see Note 20)	**2,923,951**	3,173,929
Repairs and maintenance	**2,183,892**	2,025,954
Security services	**1,714,771**	1,862,542
Franchise tax – gaming	**1,404,724**	1,302,495
Fuel and oil	**186,213**	145,101
Management fee	**85,352**	85,352
Travel and transportation	**54,141**	69,888
Semi-expendable equipment	**39,331**	57,073
Others	**2,662,535**	2,225,339
	₱53,712,662	₱49,782,540

Cost of food and beverages consists of:

	2015	2014
Purchased stocks	**₱6,561,429**	₱7,423,966
Contracted services	**4,048,458**	2,924,445
Utilities	**2,405,963**	1,460,291
Personnel cost (see Note 20)	**1,988,168**	2,288,610
Repairs	**1,119,074**	35,165
Meetings and conferences	**1,060,192**	517,763
Depreciation (see Notes 12 and 19)	**454,791**	464,330
Rent	**307,164**	108,443
Semi-expendable equipment	**256,241**	39,053
Communication	**172,190**	172,028
Supplies	**124,080**	140,853
Gas, fuel and oil	**49,129**	51,850
Transportation and travel	**1,763**	7,926
Others	**776,247**	1,032,915
	₱19,324,889	₱16,667,638

Others include individually insignificant items.

18. General and Administrative Expenses

This account consists of:

	2015	2014
Personnel costs (see Note 20)	**₱63,599,216**	₱63,215,631
Depreciation (see Notes 12 and 19)	**14,215,090**	14,850,958
Provision for doubtful accounts (see Note 7)	**13,093,137**	3,278,413
Professional fees	**12,637,684**	5,864,221
Contracted services	**12,399,938**	12,540,743
Utilities	**11,190,906**	12,523,289
Rent (see Note 29)	**7,910,445**	5,430,755
Gas, fuel and oil	**7,304,995**	8,479,734
Repairs and maintenance	**6,985,461**	6,835,805
Meetings and conferences	**6,861,926**	6,709,823
Security services	**4,099,370**	4,460,809
Transportation and travel	**3,421,543**	3,988,885
Entertainment, amusement and recreation	**1,976,390**	1,799,150
Taxes and licenses	**1,786,431**	1,378,359
Supplies	**1,529,603**	1,151,199
Advertising	**1,484,720**	1,901,184
Insurance	**1,326,651**	1,213,578
Membership dues	**1,058,473**	1,326,341
Directors' fee	**1,044,000**	965,500
Others	**8,228,085**	10,113,032
	₱182,154,064	₱168,027,409

19. Depreciation

This account consists of:

	2015	2014
Cost of club races (see Notes 12 and 17)	**₱38,200,787**	₱38,249,637
Cost of rental services (see Notes 12, 13 and 17)	**20,269,134**	15,648,599
General and administrative expenses (see Notes 12 and 18)	**14,215,090**	14,850,958
Cost of food and beverages (see Notes 12 and 17)	**454,791**	464,330
	₱73,139,802	₱69,213,524

20. Personnel Costs

This account consists of:

	2015	2014
Salaries and wages	**₱100,650,927**	₱99,106,227
Retirement benefits costs (see Note 21)	**8,646,931**	7,578,888
Other employee benefits	**11,531,628**	12,113,706
	₱120,829,486	₱118,798,821

21. Retirement Benefits Costs

The Company has four tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation reports are as of December 31, 2015.

The details of the retirement benefits costs are as follows:

	2015	2014
Current service costs	**₱6,189,686**	₱5,762,681
Interest costs – net of interest income	**2,457,245**	1,816,207
	₱8,646,931	₱7,578,888

The components of remeasurements, before tax effect, in the statements of comprehensive income are as follows:

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

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

	2015	2014
Defined benefit obligation	**₱77,267,484**	₱75,474,088
Fair value of plan assets	**(38,285,254)**	(32,961,194)
	₱38,982,230	₱42,512,894

Movements in the accrued retirement benefits are as follows:

	2015	2014
Balance at beginning of year	**₱42,512,894**	₱35,061,172
Net retirement benefits costs for the year	**8,646,931**	7,578,888
Contributions for the year	**(11,496,773)**	(5,456,989)
Defined benefit cost (income) recognized in OCI	**(680,822)**	5,329,823
Balance at end of year	**₱38,982,230**	₱42,512,894

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

	2015	2014
Defined benefit obligation at beginning of year	**₱75,474,088**	₱65,147,410
Current service costs	**6,189,686**	5,762,681
Interest costs	**4,362,402**	3,322,518
Actuarial loss (gain) due to:		
Change in financial assumptions	**(1,253,639)**	(1,726,512)
Experience adjustments	**(935,617)**	8,248,874
Change in demographic assumptions	**(1,068)**	1,277,551
Benefits paid	**(6,568,368)**	(6,558,434)
Defined benefit obligation at end of year	**₱77,267,484**	₱75,474,088

The movements in fair value of plan assets are as follows:

	2015	2014
Fair value of plan assets at beginning of year	**₱32,961,194**	₱30,086,238
Interest income	**1,905,157**	1,506,311
Contributions	**11,496,773**	5,456,989
Actuarial gain (loss)	**(1,509,502)**	2,470,090
Benefits paid	**(6,568,368)**	(6,558,434)
Fair value of plan assets at end of year	**₱38,285,254**	₱32,961,194
Actual return on plan assets	**₱395,655**	₱3,976,401

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

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

	2015	2014
Cash and cash equivalents	**₱4,025,980**	₱8,573,943
Investment in unit investment trust fund	**7,840,192**	11,627,783
Investment in government securities	**21,967,957**	12,981,968
Others	**4,932,186**	239,936
	38,766,315	33,423,630
Liabilities	**(481,061)**	(462,436)
	₱38,285,254	₱32,961,194

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

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears interest rates ranging from 2.5% to 8.5% and have maturities from 2016 to 2031; and
- Investments in government securities consist of AFS financial assets.

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

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

The principal assumptions used in determining retirement benefits costs of the Company as of December 31 are as follows:

	2015	2014
Discount rates	**6.25%**	5.78%
Expected rate of salary increase	**4.00%**	4.00%

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

	Effect on Net Retirement Liability		
	Increase (decrease)	2015	2014
Discount rate	+1.00%	**(₱2,467,679)**	(₱2,312,290)
	-1.00%	**2,745,803**	2,586,080
Salary increase rate	+1.00%	**2,444,585**	2,310,352
	-1.00%	**(2,249,893)**	(2,116,805)

The weighted average duration of the defined benefit obligation as of December 31, 2015 and 2014 are 5.7 and 4.5 years, respectively.

Shown below are the expected future benefit payments as of December 31, 2015 and 2014, respectively:

	2015	2014
Less than 1 year	**₱13,813,061**	₱13,859,679
More than 1 year to 5 years	**15,807,390**	15,112,834
More than 5 years to 10 years	**38,862,367**	34,765,812
Over 10 years	**114,269,065**	46,287,107

22. Interest Income

Interest income related to:

	2015	2014
Real estate receivables (see Note 7)	**₱2,598,375**	₱10,444,722
Cash and cash equivalents (see Note 6)	**1,989,376**	1,751,342
Loans and advances to officers and employees (see Note 7)	**211,148**	194,973
AFS financial assets (see Note 11)	**182,347**	428,750
	₱4,981,246	₱12,819,787

23. Finance Costs

Interest expense related to:

	2015	2014
Short-term loans (see Note 15)	**₱1,940,073**	₱2,679,558
Long-term loans (see Note 15)	**385,494**	928,296
Bank charges and others	**52,413**	125,616
	₱2,377,980	₱3,733,470

24. Other Income - net

	2015	2014
Dividend income from ALI (see Note 10)	**₱21,364,001**	₱21,423,223
Service income	**13,876,881**	18,018,089
Tenant's reimbursements	**2,788,823**	4,673,359
Gain on sale of AFS (see Note 11)	**2,582,792**	1,250,360
Income from advertisement campaign	**2,409,600**	1,937,560
Loss on receivable write-off (see Note 7)	**(1,436,242)**	(4,976,169)
Dividend income from AFS financial assets (see Note 11)	**350,485**	798,013
Foreign exchange loss - net	**(95,562)**	–

(Forward)

	2015	2014
Gain on reversal of liabilities	**₱–**	₱8,004,970
Gain on use of usufruct rights	**–**	14,196,429
Others - net	**6,111,210**	(1,229,756)
	₱47,951,988	₱64,096,078

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

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

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

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

Others include various individually insignificant items of income and expenses.

25. Income Tax

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

	2015	2014
Deferred tax assets on:		
Accrued retirement benefits	**₱11,694,669**	₱12,753,868
Allowance for doubtful accounts	**7,318,906**	3,499,385
Unrecognized MCIT	**3,952,823**	–
Unrecognized NOLCO	**3,506,815**	–
Unamortized past service cost	**2,288,622**	1,023,556
Unearned income	**635,233**	198,159
Provision for inventory write-down	**435,841**	619,218
Allowance for impairment on investment in associate	**300,000**	300,000
Rent receivable	**187,179**	415,034
Unrealized foreign exchange loss (gain) - net	**25,636**	(392)
	30,345,724	18,808,828
Deferred tax assets on:		
Unrealized gain from real estate transactions	**(51,845,496)**	(55,086,817)
Undepreciated capitalized borrowing costs	**(13,297,122)**	(14,232,588)
Rent receivable	**(1,037,494)**	(2,767,672)
Deferred tax liabilities on (recognized directly in other comprehensive income):		
Unrealized deemed cost adjustment on real estate properties*	**(192,790,473)**	(192,825,169)
	(258,970,585)	(264,912,246)
Net deferred tax liabilities	**(₱228,624,861)**	(₱246,103,418)

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

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

	2015	2014
MCIT	**₱3,952,823**	₱–
Final tax on interest income	**395,850**	430,303
RCIT	–	19,116,255
	₱4,348,673	₱19,546,558

c. The Company's NOLCO which is available for deduction against future taxable income are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2015	**₱–**	**₱11,689,383**	**₱–**	**₱11,689,383**	**2018**

d. The Company's MCIT which can be applied against future income tax due are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2015	**₱–**	**₱3,952,823**	**₱–**	**₱3,952,823**	**2018**

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

	2015	2014
Provision for (benefit from) income tax at statutory rate	**(₱9,806,350)**	₱6,419,447
Additions to (reductions in) income tax resulting from tax effects of:		
Nontaxable income	**(7,289,184)**	(7,169,832)
Nondeductible expenses	**3,960,341**	3,302,659
Interest income subjected to final tax	**(198,938)**	(95,099)
Provision for (benefit from) income tax	**(₱13,334,131)**	₱2,457,175

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 2015	Amount 2014	Receivable/(Payable) 2015	Receivable/(Payable) 2014	Terms	Conditions
Subsidiaries:							
NVTL	Advances[1]	**₱2,518,874**	₱–	**₱2,518,874**	₱–	Non-interest bearing	Unsecured, no impairment
	Payable	**492,889**	1,643,396	**(2,570,715)**	(3,063,604)	Non-interest bearing	Unsecured, no impairment

(Forward)

	Nature	Amount 2015	Amount 2014	Receivable/(Payable) 2015	Receivable/(Payable) 2014	Terms	Conditions
SLLPHI	Advances[1]	₱8,333	₱–	₱9,333	₱1,000	Non-interest bearing	Unsecured, no impairment
	Payable	–	–	–	(3,667,137)	Non-interest bearing	Unsecured, no impairment
MFC	Advances[1]	–	1,014	–	1,014	Non-interest bearing	Unsecured, no impairment
Biohitech	Advances[1]	8,333	–	9,333	1,000	Non-interest bearing	Unsecured, impaired
Manilacockers	Advances[1]	12,566,687	1,142,060	13,708,103	1,141,416	Non-interest bearing	Unsecured, impaired
	Receivables[1]	4,099,251	–	4,099,251	–	Non-interest bearing	Unsecured, impaired
	Payables	4,242,354	–	(4,242,354)	–	Non-interest bearing	Unsecured, impaired
Gametime	Advances[1]	4,529,993	1,380,303	7,286,119	2,756,126	Non-interest bearing	Unsecured, impaired
Hi-tech	Advances[1]	208,795	–	208,795	–	Non-interest bearing	Unsecured, impaired
Associates:							
Techsystems	Advances[1]	8,333	–	9,333	1,000	Non-interest bearing	Unsecured, no impairment
MIC	Advances[1]	2,028,930	1,135,080	4,107,091	2,078,161	Non-interest bearing	Unsecured, no impairment
Affiliate:							
Arco Management and Development Corporation (AMDC)	Lease of office space	6,884,042	6,667,610	–	–	Non-interest bearing	Unsecured, no impairment

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

b. Advances to NVTL were extended by the Company to finance the purchase of slot machines for use in the casino operations and for NVTL's operational requirements. The Company received the proceeds from casino operations from PAGCOR and remits the same to NVTL subsequently.

c. Advances from MCI pertain to cash advances extended by MJCI to the Company to finance the construction of the cockpit arena and other facilities. These are also used to fund the early stage of the operations of the Company.

d. Receivables from a related party pertain to winnings from Fastbet and Telebet accounts of wagers or bettors paid by MJCI on behalf of MCI.

e. Payables to a related party are cash received by MJCI on behalf of the Company from the bets of the wagers using Fastbet and Telebet accounts.

f. 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).

g. Compensation of key management personnel of the Company amounted to ₱65.3 million and ₱52.8 million in 2015 and 2014, respectively. The Company has no standard arrangement with regard to the remuneration of its directors. In 2015 and 2014, the BOD received a total of ₱9.8 million.

27. Equity

Capital Stock
The details of the Company's capital stock as of December 31, 2015 and 2014 are as follows:

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
Common shares - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding (held by 974 equity holders in 2015 and 2014)	996,170,748	₱996,170,748	948,734,898	₱948,734,898
Stock dividends issued during the year	–	–	47,435,850	47,435,850
	996,170,748	₱996,170,748	996,170,748	₱996,170,748

Declaration of Dividends
The following are the details of dividends declared in 2015 and 2014:

Type of dividend	Date of Declaration	Date of Record	Dividends per share
Cash			
	March 6, 2015	March 20, 2015	₱0.05
	April 8, 2014	May 20, 2014	0.05
Stock			
	April 8,2014	July 14, 2014	5.0%

As of December 31, 2015 and 2014, outstanding dividends payable amounted to ₱3.6 million and ₱2.8 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 as of December 31, 2015 and December 31, 2014.

Deemed Cost Adjustment
As of December 31, 2015 and 2014, the unappropriated retained earnings include the remaining balance of the deemed cost adjustment which arose when the Company transitioned to PFRS.

The components of the deemed cost adjustment are as follows:

	2015	2014
Real estate inventories	₱76,560,900	₱76,676,550
Investment properties	566,074,010	566,074,010
Revaluation increment	642,634,910	642,750,560
Deferred income tax liability	(192,790,473)	(192,825,169)
Deemed cost adjustment	₱449,844,437	₱449,925,391

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

28. Operating Segment Information

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

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

As of December 31, 2015 and 2014, the Company has no transactions between reportable segments. The Company measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Company's total comprehensive income.

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

Segment Revenue and Expenses
The segment results for the years ended December 31 are as follows:

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

	2014					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱223,888,768	₱45,833,650	₱107,488,710	₱17,520,185	₱45,047,920	₱439,779,233
Costs and expenses	(168,656,048)	(11,513,971)	(49,782,540)	(16,667,638)	(171,760,878)	(418,381,075)
Income (loss) before income tax	55,232,720	34,319,679	57,706,170	852,547	(126,712,958)	21,398,158
Provision for income tax	–	–	–	–	2,457,175	2,457,175
Net income (loss)	₱55,232,720	₱34,319,679	₱57,706,170	₱852,547	(₱129,170,133)	₱18,940,983

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 2015 and 2014.

Segment Assets and Liabilities and Other Information

The segment assets and liabilities as of December 31, 2015 and 2014 and capital expenditures for the years then ended are as follows:

2015

	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	**₱979,901,993**	**₱320,509,238**	**₱488,530,081**	**₱3,710,302**	**₱1,432,449,273**	**₱3,225,100,887**
Liabilities	**62,275,801**	**250,088,560**	**76,415,780**	–	**226,449,314**	**615,229,455**
Capital expenditures	**7,225,803**	–	–	**124,971**	**20,378,123**	**27,728,897**
Interest income	–	**2,598,375**	–	–	**2,382,871**	**4,981,246**
Finance cost	–	–	–	–	**2,377,980**	**2,377,980**
Depreciation	**38,200,787**	–	**20,269,133**	**454,791**	**14,215,091**	**73,139,802**

2014

	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱1,037,878,879	₱368,266,081	₱530,051,513	₱3,951,380	₱1,531,064,661	₱3,471,212,514
Liabilities	110,663,282	264,308,647	88,906,656	–	327,484,214	791,362,799
Capital expenditures	8,689,013	–	–	458,571	9,824,352	18,971,936
Interest income	–	10,444,722	–	–	2,375,065	12,819,787
Finance cost	–	–	–	–	3,733,470	3,733,470
Depreciation	38,249,637	–	15,648,599	464,330	14,850,958	69,213,524

29. Commitments and Contingencies

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

a. Operating Lease Commitment - the Company as Lessee

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

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

	2015	2014
Within one year	**₱5,939,308**	₱5,656,484
After one year but not more than five years	**6,236,274**	12,175,582
	₱12,175,582	₱17,832,066

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

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

	2015	2014
Within one year	**₱3,616,838**	₱2,127,536
After one year but not more than five years	**16,368,477**	–
	₱19,985,315	₱2,127,536

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

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

Rent income from PAGCOR amounted to ₱1.2 million in 2015 and 2014 (See Note 12).

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

	2015	2014
Within one year	**₱579,626**	₱1,159,252
After one year but not more than five years	–	579,626
	₱579,626	₱1,738,878

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

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

As of December 31, 2015 and 2014, receivables from MMTC amount to ₱0.7 million and ₱12.6 million, respectively, while payable to MMTC amounted to nil and ₱12.0 million, respectively.

e. Claims and Legal Actions

As of December 31, 2015 and 2014, there are pending claims and legal actions against or in favor of the Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these financial statements. In the opinion of the Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Company and any liability or loss arising therefrom would be taken up when the final resolution of the claims and actions are determined.

f. Unclaimed Dividends on Winnings

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

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

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

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

To resolve the foregoing issue, the Company filed a *Petition for Declaratory Relief* on November 6, 2013, As of April 11, 2016, the status is still pending before the Regional Trial Court of Bacoor, Cavite.

Provision for probable loss amounted to ₱13.1 million as of December 31, 2015 and 2014 (see Note 16).

30. Financial Instruments

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

2015

			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
AFS financial assets	**₱31,309,508**	**₱31,309,508**	**₱31,309,508**	**₱–**	**₱–**

2014

			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
AFS financial assets	₱22,067,765	₱22,067,765	₱21,434,468	₱–	₱633,297
Loans and borrowings	88,723,214	88,723,214	–	–	88,723,214
	₱110,790,979	₱110,790,979	₱21,434,468	₱–	₱89,356,511

As of December 31, 2015 and 2014, the Company's AFS financial assets measured at fair value under the Level 1 hierarchy totaled ₱31.3 million and ₱21.4 million, respectively. Fair value under Level 3 hierarchy includes PLDT preferred shares amounting to ₱0.4 million expected to be redeemed within 10 years effective January 19, 2012. There were no financial instruments measured at fair value under the Level 2 hierarchy.

Unquoted AFS shares amounted to ₱0.6 million as of December 31, 2015 and 2014. Carrying amount of these shares is equal to its fair value as at December 31, 2015 and 2014, respectively.

In 2015 and 2014, the carrying value of cash and cash equivalents (except cash on hand), receivables, deposits, accounts payable and other liabilities and due to related parties approximate their fair value due to the short-term nature of the accounts.

31. Financial Risk Management Objectives and Policies

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

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

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The 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, 2015 and 2014. There is no impact on the Company's equity other than those affecting the Company profit or loss.

	Increase (decrease) in basis points	Effect on income before income tax
2015	**+1%**	**₱–**
	-1%	**–**
2014	+1%	(887,232)
	-1%	887,232

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

The following table demonstrates the sensitivity of the Company's equity to a reasonably possible change in the PSE index (PSEi), with all other variables held constant, for the years ended December 31, 2015 and 2014:

	Increase (decrease) in PSEi	Effect on equity
2015	**+14%**	**₱4,309,074**
	-14%	**(4,309,074)**
2014	+14%	3,037,681
	-14%	(3,037,681)

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
2015	**US$6,329**	**₱297,843**
2014	5,074	226,909

As of December 31, 2015 and 2014, the applicable closing exchange rates were ₱47.06 to US$1 and ₱44.72 to US$1, respectively. Net foreign exchange loss amounted to ₱86,759 and ₱105,077 in 2015 and 2014, respectively.

The sensitivity of the Company's income before income tax to a reasonably possible change in the US Dollar exchange rate against the Peso, with all other variables held constant, has no significant effect in the financial statements for the years ended December 31, 2015 and 2014.

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, 2015 and 2014.

	2015	2014
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱89,944,040**	₱238,958,445
Cash equivalents	**28,819,236**	47,545,719
	118,763,276	286,504,164
Receivables:		
Real estate receivables**	**204,003,033**	228,964,771
Due from related parties	**31,956,232**	5,979,717
Receivable from PAGCOR	**8,061,391**	6,995,045
Rent receivables	**7,448,153**	9,399,120
Advances and loans to officers and employees	**6,167,803**	5,239,315
Dividends receivable	**3,640,837**	29,792,491
Advances to suppliers	**2,296,102**	–
Receivables from OTB operators	**1,015,825**	1,965,943
Receivable from MMTC	**653,863**	16,360,723
Interest receivable	**431,488**	238,321
Others	**3,355,659**	3,773,477
	269,030,386	308,708,923
Deposits*	**3,375,580**	3,375,580
	₱391,169,242	₱598,588,667

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

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

	2015			
	Standard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	₱89,944,040	₱–	₱–	₱89,944,040
Cash equivalents	28,819,236	–	–	28,819,236
	118,763,276	–		118,763,276

(Forward)

	2015			
	Standard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Receivables*				
Real estate receivables	₱204,003,033	₱–	₱9,587,589	₱213,590,622
Due from related parties	31,956,232	–	–	31,956,232
Receivable from PAGCOR	8,061,391	–	–	8,061,391
Rent receivables	7,448,153	–	1,805,762	9,253,915
Advances and loans to officers and employees	6,167,803	–	–	6,167,803
Dividends receivable	3,640,837	–	–	3,640,837
Advances for goods and services	2,296,102	–	–	2,296,102
Receivables from OTB operators	1,015,825	–	–	1,015,825
Receivable from MMTC	653,863	–	–	653,863
Interest Receivable	431,488	–	–	431,488
Others	3,355,659	–	8,972,534	12,328,193
	269,030,386	–	20,365,885	289,396,271
Deposits**	3,375,580	–	–	3,375,580
	₱391,169,242	₱–	₱20,365,885	₱411,535,127

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

	2014			
	Standard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	₱238,958,445	₱–	₱–	₱238,958,445
Cash equivalents	47,545,719	–	–	47,545,719
	286,504,164	–	–	286,504,164
Receivables*				
Real estate receivables	228,964,771	–	–	228,964,771
Due from related parties	5,979,717	–	–	5,979,717
Rent receivables	9,399,120	–	–	9,399,120
Receivable from PAGCOR	6,995,045	–	1,197,798	8,192,843
Advances and loans to officers and employees	5,239,315	–	–	5,239,315
Dividends receivable	29,792,491	–	–	29,792,491
Receivable from MMTC	16,360,723	–	–	16,360,723
Interest Receivable	238,321	–	–	238,321
Receivables from OTB operators	1,965,943	–	–	1,965,943
Others	3,773,477	–	10,466,818	14,240,295
	308,708,923	–	11,664,616	320,373,539
Deposits**	3,375,580	–	–	3,375,580
	₱598,588,667	₱–	₱11,664,616	₱610,253,283

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

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

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

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

An impairment analysis is performed at each reporting date. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are in different industries and none of which holds at least 5.0% of the total receivables.

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

Past due but not impaired loans and receivables amounted to nil as of December 31, 2015 and 2014.

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

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2015 and 2014 based on contractual undiscounted payments (principal and interest) and the profile of the financial assets used to manage the Company's liquidity risk.

December 31, 2015

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱40,365,000	₱–	₱–	₱–	₱40,365,000
Accounts payable and other liabilities**	230,975,041	–	–	–	230,975,041
Due to related parties	6,813,071	–	–	–	6,813,071
	₱278,153,112	₱–	₱–	₱–	₱278,153,112

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

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

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

December 31, 2014

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱88,723,214	₱–	₱–	₱–	₱88,723,214
Accounts payable and other liabilities**	287,214,163	–	–	–	287,214,163
Due to related parties	6,730,741	–	–	–	6,730,741
Subscription payable	42,808,835	–	–	–	42,808,835
	₱425,476,953	₱–	₱–	₱–	₱425,476,953

* 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 in banks	₱238,958,445	₱–	₱–	₱238,958,445
Cash equivalents	47,545,719	–	–	47,545,719
Receivables*	308,708,923	–	–	308,708,923
Deposits**	–	–	3,375,580	3,375,580
	595,213,087	–	3,375,580	598,588,667
AFS financial assets	–	–	22,067,765	22,067,765
	₱595,213,087	₱–	₱25,443,345	₱620,656,432

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

32. Capital Management

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

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

	2015	2014
Capital stock	**₱996,170,748**	₱996,170,748
Net cumulative changes in fair values of AFS financial assets	**3,923,214**	5,216,306
Remeasurement on retirement benefits	**21,621,047**	21,144,472
Retained earnings	**1,588,163,519**	1,657,325,285
Treasury shares	**(7,096)**	(7,096)
	₱2,609,871,432	₱2,679,849,715

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:

	2015	2014
Net income	**(₱19,353,703)**	₱18,940,983
Divided by weighted average number of outstanding common shares	**996,170,748**	996,170,748
Basic/diluted earnings (loss) per share	**(₱0.0194)**	₱0.0190

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

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

34. Other Matters

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

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

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

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

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes and license fees paid or accrued during the taxable year 2015.

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

	Gross Receipts	Output VAT
Taxable sales	₱314,698,196	₱37,763,784
Sales to government	174,118	23,983
Zero - rated sales	34,966,121	–
Exempt sales	3,378,690	–
	₱353,217,125	₱37,787,767

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

Balance at the beginning of the year	₱783,353
Current year's purchases:	
Domestic Purchases of Services	13,316,059
Domestic Purchases of Goods Other than Capital Goods not subject to amortization	2,780,298
Services Rendered by Non-residents	1,579,224
Purchase of Capital Goods not exceeding ₱1.0 million	463,660
Input tax used for the year	18,410,249
Balance at the end of the year	₱512,345

b. In 2015, the Company paid VAT amounting to ₱24,925,046 including 2014 VAT payable of ₱6,643,393.

c. The documentary stamp tax (DST) paid/accrued on loan instruments and documentary stamp tax on sale for races amounted to ₱243.8 million and ₱263.3 million, respectively. The ₱263.3 million includes accrual of ₱22.4 million for December 31, 2015.

d. Other taxes and licenses:

National:	
BIR annual registration	₱26,526
Local:	
Mayor's permit	692,323
Racing permit	402,990
Annual inspection fee	72,373
Barangay clearance	18,211
Community tax certificate	10,680
Others:	
Annual tote license	790,154
Annual listing fee (SEC)	258,050
GAB License for tellers/DST on bank loan renewal	243,796
Fire code realty tax	170,526

(Forward)

License of racing officials & GAB license for tellers	₱107,695
Registration of vehicles	82,095
Sanitary permit	33,500
Permit fee for firearms	32,930
Certificate of registration – Bureau of Customs	11,000
Annual water charges	10,018
Others	131,153
	₱3,094,020

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

Creditable withholding taxes on compensation	₱10,093,776
Expanded withholding taxes	6,773,217
Final withholding tax	4,141,856
Value-added tax and other percentage tax	1,579,224
Fringe benefit tax	283,950
	₱22,872,023

MANILA JOCKEY CLUB, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Supplementary Schedules

April 12, 2016

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, 2015 and 2014** and for the years ended **December 31, 2015, 2014 and 2013**, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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, 2015 and 2014**, 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.

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

SUBSCRIBED AND SWORN to before me this 14 day of APR 2016, affiants personally appeared before me, exhibiting to me their respective government issued identification cards with photographs as follows:

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

Doc. No. 19
Page No. 05
Book No. IV
Series of 2016

CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. M-142(2015-2016)
UNTIL DECEMBER 31, 2016
PTR NO. [illegible] 07-16/ PASIG CITY
IBP NO. [illegible] 07-16/MAKATI CITY
[illegible]S OF PASIG, TAGUIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

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 Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manila Jockey Club, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 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 April 30, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2015,
June 26, 2015, valid until June 25, 2018
PTR No. 5321627, January 4, 2016, Makati City

April 11, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016
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MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱134,470,762	₱302,978,624
Receivables (Note 8)	200,069,482	184,547,008
Inventories (Note 9)	94,804,252	95,301,721
Other current assets (Note 10)	11,331,636	4,723,557
Total Current Assets	440,676,132	587,550,910
Noncurrent Assets		
Real estate receivables - net of current portion (Note 8)	45,121,918	128,751,041
Investments in associates and joint ventures (Note 11)	2,301,262,044	2,310,148,036
Available-for-sale (AFS) financial assets (Note 12)	31,942,805	22,067,765
Property and equipment (Notes 13 and 31)	957,207,789	1,028,026,907
Investment properties (Notes 11, 14, 16 and 31)	998,356,015	1,010,782,640
Other noncurrent assets (Notes 1 and 15)	30,959,981	31,992,212
Total Noncurrent Assets	4,364,850,552	4,531,768,601
	₱4,805,526,684	₱5,119,319,511
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 16)	₱39,000,000	₱74,437,500
Accounts payable and other liabilities (Note 17)	301,126,960	354,327,222
Income tax payable	6,907	12,687,646
Current portion of long-term loans and borrowings (Notes 13, 14 and 16)	–	14,285,715
Due to related parties (Note 27)	–	38,640,000
Subscription payable (Note 27)	–	42,808,835
Total Current Liabilities	340,133,867	537,186,918
Noncurrent Liabilities		
Accrued retirement benefits (Note 22)	38,982,230	42,512,894
Deferred tax liabilities - net (Note 26)	228,578,560	246,103,418
Total Noncurrent Liabilities	267,560,790	288,616,312
	607,694,657	825,803,230
Equity		
Capital stock (Note 28)	996,170,748	996,170,748
Additional paid-in capital	27,594,539	27,594,539
Actuarial gains on accrued retirement benefits	21,621,047	21,144,472
Net cumulative changes in fair values of AFS financial assets (Note 12)	3,923,214	5,216,306
Retained earnings (Note 28)	3,150,149,222	3,245,679,278
Treasury shares (Note 28)	(7,096)	(7,096)
Equity attributable to equity holders of the parent company	4,199,451,674	4,295,798,247
Noncontrolling interests	(1,619,647)	(2,281,966)
Total Equity	4,197,832,027	4,293,516,281
	₱4,805,526,684	₱5,119,319,511

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
REVENUES			
Club races	**₱199,811,373**	₱223,888,768	₱216,425,501
Rent (Notes 13 and 14)	**87,163,618**	86,065,488	89,004,920
Real estate	**46,567,719**	35,388,928	148,533,687
Food and beverages	**18,972,040**	17,520,185	7,100,295
Others	**18,819,138**	19,686,768	33,885,440
	371,333,888	382,550,137	494,949,843
COST OF SALES AND SERVICES (Note 18)			
Club races	**175,111,876**	168,656,048	170,333,080
Rent	**62,600,842**	59,579,622	48,858,973
Real estate (Note 9)	**1,008,078**	4,322,592	46,508,923
Food and beverages	**19,324,889**	16,667,638	14,516,986
Others	**22,140,854**	19,595,144	33,713,947
	280,186,539	268,821,044	313,931,909
GROSS INCOME	**91,147,349**	113,729,093	181,017,934
General and administrative expenses (Note 19)	**(188,535,895)**	(171,849,961)	(191,777,220)
Selling expense (Note 9)	**(4,446,269)**	(7,191,379)	(14,049,256)
Interest income (Notes 7, 8, 12 and 23)	**5,018,290**	12,820,019	13,238,860
Finance costs (Notes 16 and 24)	**(2,385,464)**	(3,733,470)	(4,810,933)
Equity in net earnings of associates and joint ventures (Note 11)	**12,478,009**	17,098,728	10,568,704
Other income - net (Note 25)	**28,301,476**	43,355,394	2,123,278,411
INCOME (LOSS) BEFORE INCOME TAX	**(58,422,504)**	4,228,424	2,117,466,500
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)			
Current	**4,366,275**	19,564,964	12,114,936
Deferred	**(17,729,105)**	(17,090,907)	(3,835,437)
	(13,362,830)	2,474,057	8,279,499
NET INCOME (LOSS)	**(45,059,674)**	1,754,367	2,109,187,001
OTHER COMPREHENSIVE INCOME (LOSS)			
Items of other comprehensive loss to be reclassified to profit or loss in subsequent periods			
Net changes in fair values of AFS financial assets (Note 12)	**(1,293,092)**	(3,797,287)	(9,694,318)
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax (Note 22)	**476,575**	(3,730,876)	(3,554,152)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱45,876,191)**	(₱5,773,796)	₱2,095,938,531
Net income (loss) attributable to:			
Equity holders of the parent company	**(₱45,721,993)**	₱1,754,367	₱2,109,187,501
Noncontrolling interests	**662,319**	–	(500)
	(₱45,059,674)	₱1,754,367	₱2,109,187,001
Total comprehensive income (loss) attributable to:			
Equity holders of the parent company	**(₱46,538,510)**	(₱5,773,796)	₱2,095,939,031
Noncontrolling interests	**662,319**	–	(500)
	(₱45,876,191)	(₱5,773,796)	₱2,095,938,531
Basic/Diluted Earnings (Loss) Per Share (Note 29)	**(₱0.0459)**	₱0.0018	₱2.1173

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, 2015, 2014 AND 2013

	Capital Stock (Note 28)	Additional Paid-In Capital (Note 28)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 12)	Actuarial Gains on Accrued Retirement Benefits (Note 22)	Retained Earnings (Note 28) Appropriated	Retained Earnings (Note 28) Unappropriated	Treasury Shares (Note 28)	Subtotal	Noncontrolling Interests	T
BALANCES AT DECEMBER 31, 2014	₱996,170,748	₱27,594,539	₱5,216,306	₱21,144,472	₱–	₱3,245,679,278	(₱7,096)	₱4,295,798,247	(₱2,281,966)	₱4,293,516,
Total comprehensive loss for the year	–	–	(1,293,092)	476,575	–	(45,721,993)	–	(46,538,510)	662,319	(45,876,
Cash dividends declared (Note 28)	–	–	–	–	–	(49,808,063)	–	(49,808,063)	–	(49,808,
BALANCES AT DECEMBER 31, 2015	₱996,170,748	₱27,594,539	₱3,923,214	₱21,621,047	₱–	₱3,150,149,222	(₱7,096)	₱4,199,451,674	(₱1,619,647)	₱4,197,832,
BALANCES AT DECEMBER 31, 2013	₱948,734,898	₱27,594,539	₱9,013,593	₱24,875,348	₱17,180,917	₱3,321,616,115	(₱7,096)	₱4,349,008,314	(₱2,281,966)	₱4,346,726,
Total comprehensive loss for the year	–	–	(3,797,287)	(3,730,876)	–	1,754,367	–	(5,773,796)	–	(5,773,
Stock dividends declared (Note 28)	47,435,850	–	–	–	–	(47,435,850)	–	–	–	
Cash dividends declared and paid (Note 28)	–	–	–	–	–	(47,436,271)	–	(47,436,271)	–	(47,436,
Reversal of previous appropriation during the year (Note 28)	–	–	–	–	(17,180,917)	17,180,917	–	–	–	
BALANCES AT DECEMBER 31, 2014	₱996,170,748	₱27,594,539	₱5,216,306	₱21,144,472	₱–	₱3,245,679,278	(₱7,096)	₱4,295,798,247	(₱2,281,966)	₱4,293,516,
BALANCES AT DECEMBER 31, 2012	₱862,487,439	₱27,594,539	₱18,707,911	₱28,429,500	₱17,180,917	₱1,341,799,972	(₱7,096)	₱2,296,193,182	₱139,342,675	₱2,435,535,
Total comprehensive income for the year	–	–	(9,694,318)	(3,554,152)	–	2,109,187,501	–	2,095,939,031	(500)	2,095,938,
Stock dividends declared and paid (Note 28)	86,247,459		–	–	–	(86,247,459)	–	–	–	
Cash dividends declared and paid (Note 28)			–	–	–	(43,123,899)	–	(43,123,899)	–	(43,123,
Loss of control of MIC (Note 6)			–	–	–	–	–	–	(141,624,141)	(141,624,
BALANCES AT DECEMBER 31, 2013	₱948,734,898	₱27,594,539	₱9,013,593	₱24,875,348	₱17,180,917	₱3,321,616,115	(₱7,096)	₱4,349,008,314	(₱2,281,966)	₱4,346,726,

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱58,422,504)**	₱4,228,424	₱2,117,466,500
Adjustments for:			
Depreciation (Notes 13, 14 and 20)	**81,133,631**	77,779,448	85,535,827
Equity in net earnings of associates and joint ventures (Note 11)	**(12,478,009)**	(17,098,728)	(10,568,704)
Interest income (Note 23)	**(5,018,290)**	(12,820,019)	(13,238,860)
Gain on sale of:			
AFS financial assets (Note 12)	**(2,582,792)**	(1,250,360)	–
Investment property (Notes 14 and 25)	–	–	(13,351,064)
Finance costs (Note 24)	**2,385,464**	3,733,470	4,810,933
Amortization of franchise fee (Note 18)	**1,794,000**	1,794,000	1,794,000
Dividend income (Note 25)	**(350,485)**	(798,013)	–
Unrealized foreign exchange loss - net	**93,642**	106,752	92,405
Gain on reversal of liabilities (Note 25)	–	(8,004,970)	–
Remeasurement gain on retained interest (Notes 6 and 25)	–	–	(2,092,949,673)
Operating income before working capital changes	**6,554,657**	47,670,004	79,591,364
Decrease (increase) in:			
Receivables	**42,148,164**	84,274,223	(18,949,455)
Other current assets	**(1,654,902)**	62,109	12,835,811
Inventories	**497,469**	4,062,952	46,204,543
Increase (decrease) in:			
Accounts payable and other liabilities	**(55,408,133)**	45,297,846	(18,370,406)
Accrued retirement benefits (Note 22)	**(2,849,842)**	2,121,899	4,151,367
Cash generated from (used in) operations	**(10,712,587)**	183,489,033	105,463,224
Income taxes paid, including creditable withholding and final taxes	**(22,000,191)**	(9,699,056)	(14,295,861)
Net cash provided by (used in) operating activities	**(32,712,778)**	173,789,977	91,167,363
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received (Notes 11 and 25)	**47,866,140**	9,517,045	–
Acquisitions of property and equipment (Note 13)	**(35,085,533)**	(78,070,091)	(22,725,408)
Acquisitions of AFS financial assets (Note 12)	**(21,297,900)**	(8,129,767)	–
Proceeds from sale of:			
AFS financial assets (Note 12)	**12,712,560**	4,758,026	–
Investment property	–	–	8,392,857
Property and equipment	–	–	1,494,866
Interest received (Note 23)	**4,825,121**	12,695,310	–
Decrease (increase) in other noncurrent assets	**(761,769)**	617,846	(1,663,719)
Net cash provided by (used in) investing activities	**8,258,619**	(58,611,631)	(14,501,404)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid by the Parent Company (Note 28)	**(49,042,547)**	(45,829,488)	(43,123,899)
Proceeds from short-term loans and borrowings (Note 16)	–	–	30,000,000
Decrease in deposit for future stock subscription	–	–	(75,100,000)
Increase in subscription payable	–	–	42,808,835
Payments of:			
Subscriptions	**(42,808,835)**	–	–
Short-term loans and borrowings (Note 16)	**(35,437,500)**	(12,000,000)	(14,000,000)
Long-term loans and borrowings (Note 16)	**(14,285,715)**	(14,285,714)	(14,285,715)

(Forward)

	Years Ended December 31		
	2015	2014	2013
Interest paid	**(₱2,385,464)**	(₱3,733,470)	(₱4,810,933)
Advances from related parties		–	(17,310)
Net cash used in financing activities	**(143,960,061)**	(75,848,672)	(78,529,022)
EFFECT OF DECONSOLIDATION OF A SUBSIDIARY ON CASH AND CASH EQUIVALENTS	–	–	(8,892,026)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(93,642)**	(106,752)	(92,405)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(168,507,862)**	39,222,922	(10,847,494)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**302,978,624**	263,755,702	274,603,196
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱134,470,762**	₱302,978,624	₱263,755,702

See accompanying Notes to Consolidated Financial Statements

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 15 2016 TSIS
RECEIVED
M.A. GRACIA AURORA

1. Corporate Information

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

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

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

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

Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership 2015	2014
Subsidiaries					
Biohitech Philippines, Inc. (Biohitech) [a]	Philippines	Waste management	Philippine Peso	**50.00**	50.00
Gametime Sports and Technologies, Inc. (Gametime) [a]	Philippines	Gaming	Philippine Peso	**100.00**	100.00
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	**100.00**	100.00
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	100.00
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	100.00
San Lazaro Resources and Development Corporation (SLRDC) [a]	Philippines	Real estate	Philippine Peso	**100.00**	100.00
SLLP Holdings, Inc. (SLLPHI) [a]	Philippines	Holdings	Philippine Peso	**100.00**	100.00
Hi-Tech Harvest Limited [a]	Hong Kong	Marketing	Philippine Peso	**100.00**	–
Joint Ventures					
Gamespan, Inc. (Gamespan) [a]	Philippines	Gaming	Philippine Peso	**50.00**	50.00
San Lazaro BPO Complex (SLBPO)	Philippines	Real estate	Philippine Peso	**30.00**	30.00
Associates					
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC) [b]	Philippines	Real estate and Gaming	Philippine Peso	**22.31**	28.32
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	**33.00**	33.00

[a] *Not yet started commercial operation as of December 31, 2015*
[b] *Formerly MJC Investments Corporation. Became an associate effective January 18, 2013 (see Note 6)*

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

The consolidated financial statements as at and for the years ended December 31, 2015 was authorized for issuance by the Board of Directors (BOD) on April 11, 2016.

2. Basis of Preparation and Statement of Compliance

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

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations
The Group applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments did not have any significant impact on the financial statements.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*

Annual Improvements to PFRSs (2010-2012 cycle)
- 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*;
- PAS 16, *Property, Plant and Equipment, and* PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*; and
- PAS 24, *Related Party Disclosures - Key Management Personnel.*

Annual Improvements to PFRSs (2011-2013 cycle)
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*;
- PFRS 13, *Fair Value Measurement - Portfolio Exception*; and
- PAS 40, *Investment Property.*

Future Changes in Accounting Policies
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Group.

No definite adoption date prescribed by the SEC and FRSC

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments);
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments);
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests* (Amendments);
- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments);
- PFRS 14, *Regulatory Deferral Accounts*;
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments); and
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments).

Annual Improvements to PFRSs (2012-2014 cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*;
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*;
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*;
- PAS 19, *Employee Benefits - regional market issue regarding discount rate*; and
- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

  In July 2014, the IASB issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

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

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases,* which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

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

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

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

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4. **Summary of Significant Accounting and Financial Reporting Policies**.

Basis of Consolidation

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

Specifically, the Group controls an investee if and only if the Group has:

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- 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 2015 and 2014 that are not held by the Group and are presented separately in the consolidated statements of comprehensive income (loss) and consolidated statements of financial position separate from equity attributable to equity holders of the parent.

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the statement of financial position based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 32.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2015 and 2014, the Group has no financial assets or financial liabilities at FVPL and HTM investments.

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

a. Loans and receivables

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

Included in this category are the Group's cash in banks and cash equivalents, receivables and deposits (presented as part of "Other noncurrent assets" in the consolidated statements of financial position) as of December 31, 2015 and 2014.

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

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

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

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

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

The Group's AFS financial assets consist of investments in quoted and unquoted equity securities, quoted debt securities, preferred shares and club membership shares as of December 31, 2015 and 2014.

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

Included in this category are the Group's short-term and long-term loans and borrowings, accounts payable and other liabilities, due to related parties and subscription payable as of December 31, 2015 and 2014.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of Financial Assets

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

Assets carried at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the equity method, the cost of investment in associate and joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate and the joint venture. Goodwill, if any, relating to an associate or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The statements of comprehensive income (loss) reflect 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 statement of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate and joint venture.

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

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

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

- Assets, including its share in any assets jointly held
- Liabilities, including its share of any liabilities jointly incurred
- Revenue from the sale of its share of the real estate inventories
- Share of the revenue from services rendered jointly
- Expenses, including its share of expenses incurred jointly

Property and Equipment

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

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

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statements when the asset is derecognized.

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

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

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

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

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

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

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

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

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

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

Franchise Fee
The franchise fee, presented as part of "Other noncurrent assets" in the consolidated statements of financial position, is accounted for at cost less accumulated amortization and any accumulated impairment in value. Costs incurred for the renewal of the Parent Company's franchise for another 25 years starting November 23, 1997 have been capitalized and are amortized over the

period covered by the new franchise. The carrying value of the franchise is reviewed for impairment when there are indicators of impairment and any impairment loss is recognized in the profit or loss.

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

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

Capital Stock
Capital stock represents the portion of the paid in capital representing the total par value of the shares issued. When the 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

Management has determined that arrangement for ventures with Avida, Alveo and CCC are classified as joint operations (see Note 9).

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

a. *Operating lease commitments - the Group as a lessor*
The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, the lease agreements are accounted for as operating leases (see Notes 13, 14 and 31).

b. *Operating lease commitments - the Parent Company as lessee*
The Parent Company has entered into a lease agreement for the lease of office and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor. As such, the lease agreement was accounted for as an operating lease (see Note 31).

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

There were no indicators of impairment present on movement of financial assets, as such, there were no impairment losses recognized in 2015 and 2014. Total carrying value of the Group's interest in associates and joint ventures, property and equipment, investment properties and franchise fee as of December 31, 2015 and 2014 are disclosed in Notes 11, 13, 14 and 15 to the consolidated financial statements, respectively.

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

As of December 31, 2015 and 2014, the Parent Company's deferred tax assets and subsidiaries' unrecognized deferred tax assets are disclosed in Note 26 to the consolidated financial statements.

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

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, 2015 and 2014, the carrying value of receivables (including noncurrent portion of real estate receivables), net and allowance for doubtful accounts, are disclosed in Note 8 to the consolidated financial statements.

In 2015, 2014 and 2013, provision for doubtful accounts are disclosed in Notes 8 and 19 to the consolidated financial statements, and written off receivable accounts without previous impairment allowance are disclosed in Notes 8 and 25 to the consolidated financial statements.

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

As of December 31, 2015 and 2014, the cost of the real estate inventories, the amount written down to the cost and carrying value of the real estate inventories are disclosed in Note 9 to the consolidated financial statements.

Estimation of 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, 2015 and 2014, the carrying value of the Group's AFS financial assets are disclosed in Note 12 to the consolidated financial statements. No impairment loss was recognized in 2015, 2014 and 2013.

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

There were no changes in the useful lives of property and equipment and investment property in 2015, 2014 and 2013. As of December 31, 2015 and 2014 the carrying value of depreciable property and equipment are disclosed in Note 13 to the consolidated financial statements. The carrying value of depreciable investment property as of December 31, 2015 and 2014 are disclosed in Note 14 to the consolidated financial statements.

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

As of December 31, 2015 and 2014, carrying value of accrued retirement benefits are disclosed in Note 22 to the consolidated financial statements. Retirement benefits cost in 2015, 2014 and 2013 are disclosed in Note 22 to the consolidated financial statements.

6. Deconsolidation of MIC

In 2013, the Parent Company and a group of Strategic Investors entered into an agreement for the Strategic Investors to subscribe up to 70% of MIC's outstanding capital stock. As a result, the Parent Company owned less than controlling interest in MIC, which led to deconsolidation. Assets and liabilities aggregating ₱869.5 million and ₱13.0 million, respectively, together with the noncontrolling interest amounting to ₱141.6 million were derecognized.

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

7. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	**₱9,742,835**	₱10,704,469
Cash in banks	**95,908,691**	244,728,436
Cash equivalents	**28,819,236**	47,545,719
	₱134,470,762	₱302,978,624

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱2.0 million, ₱1.8 million and ₱2.7 million in 2015, 2014 and 2013, respectively (see Note 23).

8. Receivables

This account consists of:

	2015	2014
Trade		
Real estate receivables - current portion	**₱168,468,704**	₱100,213,730
Rent receivables (see Notes 13 and 14)	**9,253,915**	10,596,918
Receivable from Philippine Amusement and Gaming Corporation (PAGCOR) (see Note 31)	**8,061,391**	6,995,045
Receivables from off-track betting (OTB) operators	**1,150,427**	1,965,943
Non-trade		
Advances and loans to officers and employees	**6,171,609**	7,799,575
Due from related parties (see Note 27)	**4,116,424**	2,079,161
Dividends receivable (see Note 11)	**3,640,837**	29,792,491
Advances to suppliers	**2,296,102**	–
Claims for tax credit certificates (TCC)	**2,252,054**	2,252,054
Deposits and advances to contractors	**1,778,413**	1,778,413
Receivable from Metro Manila Turf Club (MMTC) (see Note 31)	**653,863**	16,360,723
Others	**16,778,356**	16,377,571
	224,622,095	196,211,624
Less allowance for doubtful accounts	**24,552,613**	11,664,616
	₱200,069,482	₱184,547,008

Real Estate Receivables

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

	2015	2014
Current	**₱168,468,704**	₱100,213,730
Noncurrent	**45,121,918**	128,751,041
	₱213,590,622	₱228,964,771

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

Interest income from accretion of real estate receivables amounted to ₱2.6 million, ₱10.4 million and ₱9.7 million in 2015, 2014 and 2013, respectively (see Note 23).

Advances and Loans to Officers and Employees

The Parent Company grants salary loans and advances to its officers, payable through salary deductions. The loans bear an average interest rate of 9% per annum. Interest income earned on advances and loans to officers and employees amounted to ₱0.2 million in 2015, 2014 and 2013 (see Note 23).

Advances to Suppliers

Advances to suppliers are non-interest bearing payments and are capitalized to property and equipment, upon actual receipt of the property and equipment, which is normally within twelve months or within the normal operating cycle.

Claims for TCC

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

The Trial Court rendered a decision in favor of the Parent Company on March 7, 1997 ordering the City of Manila to grant the Parent Company a tax refund of ₱2.3 million and for which a *writ of execution* was already issued on May 12, 2003 by the Trial Court. Prior to the implementation of the *writ of execution*, the Parent Company entered into a compromise agreement with the City of Manila for an out-of-court settlement. The *writ of execution* issued by the Trial Court has not been implemented as of April 11, 2016.

Other Non-trade Receivables

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

Allowance for Doubtful Accounts

The following table shows the rollforward of the allowance for doubtful accounts as of December 31, 2015 and 2014:

	2015	2014
Balance at beginning of year	**₱11,664,616**	₱8,696,776
Provision during the year (see Note 19)	**13,249,397**	3,278,413
Amounts written off during the year	**(324,890)**	(310,573)
Recovery of doubtful accounts	**(36,510)**	–
Balance at end of year	**₱24,552,613**	₱11,664,616

Allowance for doubtful accounts per class of receivable is as follows:

	2015	2014
Trade	**₱11,393,551**	₱1,197,798
Non-trade	**13,159,062**	10,466,818
Balance at end of year	**₱24,552,613**	₱11,664,616

Allowance for doubtful accounts as of December 31, 2015 and 2014 were based on specific and collective assessment made by the management.

The Parent Company directly wrote-off receivables amounting to ₱1.4 million, ₱5.0 million and ₱0.2 million in 2015, 2014 and 2013 respectively (see Note 25).

9. Inventories

This account consists of:

	2015	2014
Real estate:		
Condominium units for sale - at cost	**₱42,771,653**	₱42,928,254
Land held for development - at cost	**38,189,898**	38,189,898
Memorial lots for sale - at net realizable value	**8,449,965**	8,870,166
Residential units for sale - at cost	**4,318,107**	4,749,383
	93,729,623	94,737,701
Food and beverages - at cost	**527,629**	564,020
Gamefowls	**547,000**	–
	₱94,804,252	₱95,301,721

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

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

	2015	2014
Balance at beginning of year	**₱94,737,701**	₱99,060,293
Cost of real estate sold (see Note 18)	**1,008,078**	4,322,592
Balance at end of year	**₱93,729,623**	₱94,737,701

In 2015, 2014 and 2013, no impairment loss was recognized. The cost of memorial lots for sale as at December 31, 2015 and 2014 amounted to ₱9.8 million and ₱10.9 million, respectively.

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

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

Towers 1 to 5 of AVIDA and Towers 1 and 2 of Alveo are fully completed as of December 31, 2015 and 2014. The construction of Tower 3 of Alveo is 63.00%, 39.82% and 13.55% complete as of December 31, 2015, 2014 and 2013, respectively.

<u>Residential units for sale</u>
On February 24, 2004, the Parent Company entered into a Joint Venture Agreement (JVA) with Century Communities Corporation (CCC) for the development of 17.09 hectares of the Parent Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2015, the project is completed.

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost pertaining to real estate operations. The amount of marketing cost in 2015, 2014 and 2013 amounted to ₱4.4 million, ₱7.2 million and ₱14.0 million, respectively.

10. Other Current Assets

This account consists of:

	2015	2014
Prepaid expenses	**₱6,099,400**	₱2,023,689
Prepaid income tax	**4,968,118**	–
Tickets and chemical supplies	–	2,456,455
Others	**264,118**	243,413
	₱11,331,636	₱4,723,557

Others include prepaid insurance, input VAT and rental deposit.

11. Investment in Associates and Joint Ventures

Investment in associates and joint ventures consist of:

	2015	2014
Investment in associates		
MIC	**₱2,282,630,067**	₱2,294,664,038
Techsystems	–	–
	2,282,630,067	2,294,664,038
Investment in joint ventures		
Gamespan	**9,792,161**	9,792,161
SLLBPO	**8,839,816**	5,691,837
	18,631,977	15,483,998
	₱2,301,262,044	₱2,310,148,036

Investment in Associates

MIC. Investment in MIC pertains to the Group's 22.31% and 28.32% interest in MIC as of December 31, 2015 and 2014, respectively (see Note 6). The movements and details of the accounts are as follows:

	2015	2014
Investment in associate	**₱2,294,664,038**	₱2,301,520,445
Equity in net loss of associate	**(12,033,971)**	(6,856,407)
	₱2,282,630,067	₱2,294,664,038

The summarized financial information of MIC is as follows:

	2015	2014
Current assets	**₱2,212,327,114**	₱745,912,332
Noncurrent assets	**3,854,328,316**	1,746,676,279
Current liabilities	**625,230,122**	209,906,893
Noncurrent liabilities	**2,475,451,860**	–
Equity	**2,965,973,448**	2,282,681,718
Income	**4,793,659**	10,178,114
Expenses	**58,733,468**	34,397,147
Net loss	**53,939,809**	24,219,033

Movement in equity pertains to subscription of MIC shares by the strategic investors amounting to ₱673.8 million with related transaction costs of ₱3.4 million and collection of subscription receivable from the Parent Company and MIC's affiliate amounting to ₱42.8 million and ₱24.0 million, respectively in 2015.

The difference between the carrying values of investment in MIC against the share in net asset of MIC as of December 31, 2015 and December 31, 2014 represents goodwill amounting to ₱1.6 billion.

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million representing 33% ownership by the Parent Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. As of December 31, 2015 and 2014, investment in Techsystems is fully provided with allowance. As of December 31, 2015, Techsystems has not yet started commercial operation.

The summarized financial information of Techsystems is as follows:

	2015	2014
Total liabilities	**₱5,167,650**	₱5,167,650
Capital deficiency	**(5,167,650)**	(5,167,650)

Investment in Joint Ventures

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2015, Gamespan has not yet started its commercial operations.

The summarized financial information of the Gamespan is as follows:

	2015	2014
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**629,824**	629,824
Equity	**19,584,322**	19,584,322

The movement of the equity in joint venture in Gamespan is as follows:

	2015	2014
Balance at beginning of year	**₱9,792,161**	₱9,792,161
Equity in net earnings for the year	**–**	–
Balance at end of year	**₱9,792,161**	₱9,792,161

SLBPO. On December 12, 2008, the Parent Company entered into a JVA with Ayala Land, Inc. (ALI) to create SLBPO, an unincorporated taxable joint venture (JV), for the purpose of leasing, managing and administering the developed office units and retail development area in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was also constructed and developed under a JDA with ALI.

The movement of the equity in joint venture of the San Lazaro JV for period ended December 31, 2015 and 2014 is as follows:

	2015	2014
Balance at beginning of year	**₱5,691,837**	₱3,159,925
Equity in net earnings for the year	**24,511,980**	23,955,135
Share on dividends declared	**(21,364,001)**	(21,423,223)
Balance at end of year	**₱8,839,816**	₱5,691,837

Dividend receivable from the JV amounted to ₱3.6 million and ₱29.8 million in 2015 and 2014, respectively.

The summarized financial information of the San Lazaro JV are as follows:

	2015	2014
Current assets	**₱170,004,540**	₱226,959,095
Noncurrent assets	**15,837,279**	6,916,636
Current liabilities	**107,827,582**	160,372,515
Noncurrent liabilities	**33,444,496**	39,426,738
Equity	**44,569,741**	34,076,478
Dividends	**71,213,336**	71,410,744
Income	**95,060,877**	90,205,228
Expenses	**13,354,278**	10,354,776
Net income	**81,706,599**	79,850,452

Equity in net earnings (losses) of associates and joint ventures

	2015	2014	2013
SLBPO	**₱24,511,980**	₱23,955,135	₱21,905,981
MIC	**(12,033,971)**	(6,856,407)	(11,129,438)
Gamespan	**–**	–	(207,839)
	₱12,478,009	₱17,098,728	₱10,568,704

12. AFS Financial Assets

This account consists of:

	2015	2014
At fair value:		
Debt securities	**₱16,536,916**	₱8,621,690
Equity securities	**14,772,592**	12,812,778
At cost:		
Equity securities	**633,297**	633,297
	₱31,942,805	₱22,067,765

The reconciliation of the carrying amounts of AFS financial assets is as follows:

	2015	2014
Balance at beginning of year	**₱22,067,765**	₱21,242,951
Additions during the year	**21,297,900**	8,129,767
Disposal during the year	**(11,713,950)**	(8,987,827)
Unrealized mark-to-market gains during the year	**291,090**	1,682,874
Balance at end of year	**₱31,942,805**	₱22,067,765

The movements in net cumulative changes in fair values of AFS financial assets are as follows:

	2015	2014
Balance at beginning of year	**₱5,216,306**	₱9,013,593
Unrealized mark-to-market gains during the year	**1,289,700**	(2,546,927)
Realized mark-to-market gains during the year	**(2,582,792)**	(1,250,360)
Balance at end of year	**₱3,923,214**	₱5,216,306

The fair values of quoted AFS financial assets are determined based on published prices in an active market. AFS financial assets that are unquoted and do not have ready market prices are measured at cost, less allowance for impairment, if any, since their fair value cannot be reliably measured.

Gain on sale of AFS financial assets amounted to ₱2.6 million in 2015, ₱1.3 million in 2014, and nil in 2013 (see Note 25).

Dividend income from these investments amounted to ₱0.4 million in 2015, ₱0.8 million in 2014 and nil in 2013 (see Note 25). Interest income amounted to ₱0.2 million in 2015, ₱0.4 million in 2014, and ₱0.5 million in 2013 (see Note 23).

13. Property and Equipment

Movements in this account are as follows:

2015

	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,492,757	1,237,262	–	8,607,209	347,337,228
Building and improvements	661,605,396	1,407,286	–	5,434,693	668,447,375
Machinery and equipment	555,443,590	6,362,671	(37,197,645)	–	524,608,616
Transportation equipment	29,804,488	4,985,823	–	–	34,790,311
Furniture and fixtures	25,183,095	687,666	–	–	25,870,761
	1,914,398,709	14,680,708	(37,197,645)	14,041,902	1,905,923,674
Accumulated depreciation					
Land improvements	152,708,178	13,952,674	–	–	166,660,852
Building and improvements	284,186,659	27,603,418	–	–	311,790,077
Machinery and equipment	417,945,108	23,609,355	–	–	441,554,463
Transportation equipment	25,064,785	1,811,356	–	–	26,876,141
Furniture and fixtures	20,032,161	1,730,203	–	–	21,762,364
	899,936,891	68,707,006	–	–	968,643,897
Net book value	1,014,461,818	(54,026,298)	(37,197,645)	14,041,902	937,279,777
Construction in progress	13,565,089	20,404,825	–	(14,041,902)	19,928,012
	₱1,028,026,907	(₱33,621,473)	(₱37,197,645)	₱–	₱957,207,789

2014

	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,492,757	–	–	–	337,492,757
Building and improvements	653,338,416	740,992	–	7,525,988	661,605,396
Machinery and equipment	486,071,333	69,499,228	(126,971)	–	555,443,590
Transportation equipment	28,974,488	830,000	–	–	29,804,488
Furniture and fixtures	21,838,820	3,344,275	–	–	25,183,095
	1,832,585,197	74,414,495	(126,971)	7,525,988	1,914,398,709
Accumulated depreciation					
Land improvements	139,302,268	13,405,910	–	–	152,708,178
Building and improvements	256,367,159	27,819,500	–	–	284,186,659
Machinery and equipment	397,754,720	20,190,388	–	–	417,945,108
Transportation equipment	22,844,590	2,220,195	–	–	25,064,785
Furniture and fixtures	18,315,331	1,716,830	–	–	20,032,161
	834,584,068	65,352,823	–	–	899,936,891
Net book value	998,001,129	9,061,672	(126,971)	7,525,988	1,014,461,818
Construction in progress	17,435,481	3,655,596	–	(7,525,988)	13,565,089
	₱1,015,436,610	₱12,717,268	(₱126,971)	₱–	₱1,028,026,907

Depreciation Charges

The amount of depreciation is allocated as follows:

	2015	2014	2013
Cost of club races (see Notes 18 and 20)	**₱38,200,787**	₱38,249,637	₱39,170,853
General and administrative expenses (see Notes 19 and 20)	**15,648,673**	16,291,028	16,804,481
Cost of rental services (see Notes 18 and 20)	**14,256,668**	10,347,828	16,655,767
Cost of food and beverages (see Notes 18 and 20)	**454,791**	464,330	478,101
Cost of others (see Note 20)	**146,087**	–	–
	₱68,707,006	₱65,352,823	₱73,109,202

Capitalized Borrowing Costs
No interest on loans was capitalized in 2015 and 2014. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of December 31, 2015 and 2014 amounted to ₱38.3 million and ₱41.1 million, respectively.

Carmona Property
In 2001, the Parent Company acquired a parcel of land located in Carmona, Cavite from Royal Asia Land, Inc. (RALI), formerly known as KPPI Land Corporation, valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Parent Company amounted to ₱433.7 million. No payments were made in 2015 and 2014. The outstanding balance of ₱89.9 million as of December 31, 2015 and 2014 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position (see Note 17).

Assets Under Operating Lease
The Parent Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱28.3 million and ₱30.0 million as of December 31, 2015 and 2014, respectively. Rent income from stable rentals in 2015, 2014, and 2013 amounted to ₱44.3 million, ₱43.5 million and ₱46.8 million, respectively.

The Parent Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱0.5 million, ₱0.6 million and ₱1.7 million in 2015, 2014 and 2013, respectively.

Operating Lease Commitment with PAGCOR - the Parent Company as Lessor
In 2013, the Parent Company entered a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters (sqm.) for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities.

Rent income from PAGCOR amounted to ₱1.2 million in 2015, 2014, and 2013 (see Note 31).

Lease of Equipment with PAGCOR
In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease one thousand four hundred twenty seven (1,427) sqm. property, with modem slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement shall be effective until June 30, 2016. In 2015, 2014 and 2013, income from the lease agreement with PAGCOR amounted to ₱28.1 million, ₱26.1 million, and ₱27.9 million, respectively.

14. Investment Properties

This account consists of:

	2015	2014
Land:		
Sta. Cruz property held for capital appreciation (see Note 16)	**₱359,631,580**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Carmona property (see Note 16)	**109,750,785**	109,750,785
Undivided interest in a parcel of land in Carmona	**56,723,976**	56,723,976
	764,275,033	764,275,033
Building:		
Developed office units (see Note 11)	**198,076,593**	208,501,675
Retail development area (see Note 11)	**36,004,389**	38,005,932
	234,080,982	246,507,607
	₱998,356,015	₱1,010,782,640

The movements in the carrying amount of investment properties are shown below:

	2015		
	Land	**Building**	**Total**
Cost	**₱764,275,033**	**₱310,665,629**	**₱1,074,940,662**
Accumulated Depreciation			
Balance at beginning of year	–	**64,158,022**	**64,158,022**
Depreciation (see Notes 18 and 20)	–	**12,426,625**	**12,426,625**
Balance at end of year	–	**76,584,647**	**76,584,647**
Net Book Value	**₱764,275,033**	**₱234,080,982**	**₱998,356,015**

	2014		
	Land	Building	Total
Cost	₱764,275,033	₱310,665,629	₱1,074,940,662
Accumulated Depreciation			
Balance at beginning of year	–	51,731,397	51,731,397
Depreciation (see Notes 18 and 20)	–	12,426,625	12,426,625
Balance at end of year	–	64,158,022	64,158,022
Net Book Value	₱764,275,033	₱246,507,607	₱1,010,782,640

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, 2015 and 2014 are used by the Parent Company as collateral for its long-term loans obtained from a bank. These long term loans have already been paid in November 2015 thereby releasing the liens related to the properties (see Note16).

Depreciation amounting to ₱12.4 million for the period ended December 31, 2015 and 2014, are included as part of "Cost of rental services" (see Note 18). Direct operating expenses related to the investment properties amounted to ₱0.1 million in 2015, 2014 and 2013.

Philippine Economic Zone Authority (PEZA) zones

Carmona Property. Presidential Proclamation No. 1517, signed on May 26, 2008, created and designated several parcels of land of the private domain situated at Barangay Lantic, Municipality of Carmona, Province of Cavite as Tourism Economic Zone pursuant to R.A. No. 7916 as amended by R.A. No. 8748.

The registration as an Econozone Developer/Operator shall entitle the Parent Company to establish, develop, construct, administer, manage and operate a Special Economic Zone to be known as San Lazaro Leisure and Business Park (SLLBP) with an area of 542,294 square meters.

Sta. Cruz Property. Presidential Proclamation No. 1727, dated February 13, 2009, created and designated several parcels of land owned by the Parent Company at the site of the former San Lazaro race track in Sta. Cruz, Manila consisting of 74,244 square meters, as a tourism economic zone with information technology component and to be known as the San Lazaro Tourism and Business Park.

Pursuant to the proclamation, the Parent Company and the PEZA signed the Registration Agreement to entitle the Parent Company to develop and operate the aforementioned special economic zone on February 29, 2009. A certificate of registration was thereafter issued.

Sta. Cruz Property - Held for Lease

On March 26, 2007, the Parent Company entered into a JDA with ALI (amended and supplemented on July 18, 2007) for the construction, financing, development and operation of a building complex on the parcel of land located at Sta. Cruz, Manila. The Building Complex shall consist of two office buildings with a retail development area to primarily cater business process outsourcing companies.

Under the JDA, the Parent Company agreed to contribute the necessary cash to fully finance the construction and development of the retail development area and its corresponding share (30%) of the development of the office units. In return for their respective contributions, the parties will distribute and allocate the developed units among themselves. As of December 31, 2015 and 2014, the Parent Company's contribution to the JDA amounting to ₱310.7 million is presented as the cost of "Building" under "Investment properties" in the consolidated statements of financial position.

On December 12, 2008, the Parent Company and ALI executed a Deed of Partition for the distribution and allocation of the developed units. The entire retail development area and the appurtenant parking lots were allocated to the Parent Company in return for its contribution for the construction and development of the said area. For the Parent Company's contribution in the construction and development of the office building, the Parent Company was allocated with developed office building with gross leasable area of 5,793 square meters located at various floors and the appurtenant parking lots. In 2015, 2014 and 2013, rental income amounted to ₱13.1 million, ₱14.7 million and ₱11.4 million, respectively.

Undepreciated capitalized interest relating to the Building Complex as of December 31, 2015 and 2014 amounted to ₱6.1 million and ₱6.4 million, respectively.

Fair Market Values

As of December 31, 2015 and 2014, the aggregate fair value of the Parent Company's investment properties amounted to ₱3.3 billion. Fair values of the Carmona property and Sta. Cruz property have been determined based on valuation performed by independent professional appraisers using the sales comparison approach and income approach by land residual technique with reports dated January 18, 2012 and May 5, 2010, respectively. Management believes that there are no material changes in fair value on these investment properties as of December 31, 2015 and 2014 from the most recent revaluations performed by independent appraisers.

Investment property was classified as Level 2 in 2015 and 2014 as to the qualification of fair value hierarchy.

15. Other Noncurrent Assets

This account consists of:

	2015	2014
Franchise fee (see Note 1)	₱12,590,839	₱14,384,839
Deferred input VAT	9,512,949	8,884,652
Deposits	8,619,765	8,485,789
Others	236,428	236,932
	₱30,959,981	₱31,992,212

Franchise Fee
Movements in the carrying amounts of franchise fees are shown below:

	2015	2014
Acquisition cost	₱44,850,000	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	30,465,161	28,671,161
Amortization for the year (see Note 18)	1,794,000	1,794,000
Balance at end of year	32,259,161	30,465,161
	₱12,590,839	₱14,384,839

Franchise fee has a remaining amortization period of 7 years as of December 31, 2015.

16. Short-term and Long-term Loans and Borrowings

Short-term Loans
As of December 31, 2015 and 2014, outstanding balance of short-term loans and borrowings amounted to ₱39.0 million and ₱74.4 million, respectively. These loans were obtained for working capital requirements and bear average interest of 3.5% and 3.25% in 2015 and 2014, 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 ₱1.9 million, ₱2.7 million and ₱2.9 million in 2015, 2014 and 2013, respectively (see Note 24).

Short-term loans amounting to ₱35.4 million and ₱12.0 million were paid in 2015 and 2014, respectively.

Long-term Loans

	2015	2014
Bank loans	₱–	₱14,285,715
Less current portion	–	14,285,715
Noncurrent portion	₱–	₱–

These loans bear interest of 4.25% with maturity date of November 2015 and were settled accordingly. These loans are payable in equal quarterly installments and interest rates were subject to quarterly repricing. Loans amounting to ₱14.3 million were fully paid in 2015. The loans were secured by real estate mortgages on Carmona property and Sta. Cruz property with carrying values of ₱109.8 million as of December 31, 2015 and 2014 and ₱359.6 million as of December 31, 2015 and 2014, respectively.

Interest expense on bank loans amounted to ₱0.4 million, ₱0.9 million and ₱1.6 million in 2015, 2014 and 2013, respectively (see Note 24).

17. Accounts Payable and Other Liabilities

This account consists of:

	2015	2014
Due to RALI (see Note 13)	**₱89,900,000**	₱89,900,000
Accounts payable	**85,568,757**	91,757,028
Cash bond on OTB operators	**30,398,961**	32,094,081
Documentary stamps payable	**22,354,124**	28,888,879
Provision for probable losses (see Note 31)	**13,135,947**	13,135,947
Accrued expenses	**12,324,381**	10,056,537
Due to concessionaires	**8,619,334**	7,961,441
Due to contractors	**7,083,538**	27,558,182
Taxes on winnings	**6,576,083**	8,458,554
Trade payable and buyers' deposits	**5,888,432**	5,687,887
Unclaimed winnings	**5,642,733**	3,340,275
Dividends payable (see Note 28)	**3,590,898**	2,825,382
Retention payable	**2,211,943**	1,775,464
Due to OTB operators	**1,983,749**	2,528,019
Due to horse owners	**1,238,769**	3,345,922
VAT payable	**1,095,862**	6,643,393
Due to Philracom	**963,909**	2,352,250
Due to MMTC	**–**	12,006,725
Others	**2,549,540**	4,011,256
	₱301,126,960	₱354,327,222

Accounts payable are noninterest-bearing and are normally settled within the next financial year.

Trade payable and buyers' deposits represent cash received by the Parent Company from real estate sales where the criterion of full accrual method on revenue recognition is not satisfied as of reporting period.

Accrued expenses include normal and recurring expenses incurred by the Group and will be utilized in the next financial year.

18. Cost of Sales and Services

Cost of club races consists of:

	2015	2014	2013
Personnel costs (see Note 21)	**₱52,318,151**	₱50,120,651	₱52,238,163
Depreciation (see Notes 13 and 20)	**38,200,787**	38,249,637	39,170,853
Utilities	**21,127,337**	21,008,302	16,532,357
Commission	**21,043,268**	23,750,220	23,349,788
Transportation and travel	**7,308,208**	7,318,151	7,125,528
Contracted services	**4,703,036**	4,841,069	6,424,604
Rent	**4,142,214**	3,358,549	3,259,102
Supplies	**3,918,577**	3,145,157	3,921,892
Software license	**3,178,613**	2,640,815	571,948
Meetings and conferences	**2,953,576**	2,596,248	2,434,029
Repairs and maintenance	**2,446,007**	2,458,525	2,941,770
Amortization of franchise fee (see Note 15)	**1,794,000**	1,794,000	1,794,000
Security services	**1,790,698**	2,206,574	1,871,265
Taxes and licenses	**1,293,589**	789,978	1,658,288
Gas, fuel and oil	**1,286,808**	1,679,311	1,527,660
Others	**7,607,007**	2,698,861	5,511,833
	₱175,111,876	₱168,656,048	₱170,333,080

Cost of real estate sold amounted to ₱1.0 million, ₱4.3 million and ₱46.5 million in 2015, 2014 and 2013, respectively (see Note 9).

Cost of rental services consists of:

	2015	2014	2013
Depreciation (see Notes 13, 14 and 20)	**₱26,683,293**	₱22,774,453	₱29,082,392
Utilities	**11,878,061**	13,390,309	6,976,219
Meetings and conferences	**6,129,034**	4,936,448	1,421,717
Contracted services	**4,181,523**	4,859,511	2,925,905
Personnel costs (see Note 21)	**2,923,951**	3,173,929	2,612,785
Software license	**2,474,021**	1,609,638	1,203,722
Repairs and maintenance	**2,183,892**	2,025,954	1,174,902
Security services	**1,714,771**	1,862,542	1,612,933
Franchise tax - gaming	**1,404,724**	1,302,495	1,395,617
Fuel and oil	**186,213**	145,100	147,831
Travel and transportation	**54,141**	69,888	864
Others	**2,787,218**	3,429,355	304,086
	₱62,600,842	₱59,579,622	₱48,858,973

Cost of food and beverages consists of:

	2015	2014	2013
Purchased stocks	**₱6,561,429**	₱7,423,966	₱4,026,786
Contracted services	**4,048,458**	2,924,445	3,058,534
Utilities	**2,405,963**	1,460,291	2,537,702
Personnel cost (see Note 21)	**1,988,168**	2,288,610	1,533,536
Repairs	**1,119,074**	35,165	96,026
Meetings and conferences	**1,060,192**	517,763	1,888,425
Depreciation (see Notes 13 and 20)	**454,791**	464,330	478,101
Rent	**307,164**	108,443	52,429
Semi-expendable equipment	**256,241**	39,053	125,432
Communication	**172,190**	172,028	120,665
Supplies	**124,080**	140,853	41,963
Gas, fuel and oil	**49,129**	51,850	37,610
Transportation and travel	**1,763**	7,926	8,314
Others	**776,247**	1,032,915	511,463
	₱19,324,889	₱16,667,638	₱14,516,986

Others include individually insignificant items.

19. General and Administrative Expenses

This account consists of:

	2015	2014	2013
Personnel costs (see Note 21)	**₱64,642,134**	₱64,020,163	₱72,114,110
Depreciation (see Notes 13 and 20)	**15,648,673**	16,291,028	16,804,481
Provision for doubtful accounts (see Note 8)	**13,249,397**	3,278,413	7,188,405
Professional fees	**12,896,290**	6,464,221	8,396,583
Contracted services	**12,399,938**	12,540,743	16,115,429
Utilities	**11,374,415**	12,667,071	17,768,339
Repairs and maintenance	**7,060,877**	6,836,035	6,071,616
Rent (see Note 31)	**7,975,468**	5,868,550	5,999,014
Meetings and conferences	**7,063,883**	6,755,242	6,765,678
Gas, fuel and oil	**7,396,709**	8,554,734	8,290,788
Security services	**4,099,370**	4,460,809	5,382,463
Transportation and travel	**3,438,746**	3,993,268	3,743,090
Taxes and licenses	**2,253,275**	1,424,653	4,264,878
Entertainment, amusement and recreation	**1,976,390**	2,025,655	2,648,370
Licenses	**1,699,387**	1,015,177	–
Supplies	**1,544,309**	1,174,165	1,394,292
Insurance	**1,327,166**	1,213,943	1,190,813
Membership dues	**1,058,473**	1,326,341	883,809
Directors' fee	**1,044,000**	965,500	1,290,788

(Forward)

	2015	2014	2013
Advertising	**₱1,657,669**	₱1,945,147	₱952,334
Others	**8,729,326**	9,029,103	4,511,940
	₱188,535,895	₱171,849,961	₱191,777,220

20. Depreciation

This account consists of:

	2015	2014	2013
Cost of club races (see Notes 13 and 18)	**₱38,200,787**	₱38,249,637	₱39,170,853
Cost of rental services (see Notes 13, 14 and 18)	**26,683,293**	22,774,453	29,082,392
General and administrative expense (see Notes 13 and 19)	**15,648,673**	16,291,028	16,804,481
Cost of food and beverages (see Notes 13 and 18)	**454,791**	464,330	478,101
Cost of others (see Note 13)	**146,087**	–	–
	₱81,133,631	₱77,779,448	₱85,535,827

21. Personnel Costs

This account consists of:

	2015	2014	2013
Salaries and wages	**₱101,681,488**	₱99,106,227	₱105,510,049
Retirement benefits costs (see Note 22)	**8,646,931**	7,578,888	12,966,686
Other employee benefits	**11,543,985**	12,918,238	10,021,859
	₱121,872,404	₱119,603,353	₱128,498,594

22. Retirement Benefits Costs

The Parent Company has four tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation reports are as of December 31, 2015.

The details of the retirement benefits costs are as follows:

	2015	2014	2013
Current service costs	**₱6,189,686**	₱5,762,681	₱6,090,929
Interest costs – net of interest income	**2,457,245**	1,816,207	2,060,608
Past service costs	**–**	–	4,815,149
	₱8,646,931	₱7,578,888	₱12,966,686

The components of remeasurements, before tax effect, in the consolidated statements of comprehensive income are as follows:

	2015	2014	2013
Actuarial loss (gain) in defined benefit obligation	**(₱2,190,324)**	₱7,799,913	₱4,931,089
Remeasurement loss (gain) in plan assets	**1,509,502**	(2,470,090)	623,849
	(680,822)	5,329,823	5,554,938
Less tax effect	**(204,247)**	1,598,947	2,000,786
	(₱476,575)	₱3,730,876	₱3,554,152

The details of accrued retirement benefits as are as follows:

	2015	2014
Defined benefit obligation	**₱77,267,484**	₱75,474,088
Fair value of plan assets	**(38,285,254)**	(32,961,194)
	₱38,982,230	₱42,512,894

Movements in the accrued retirement benefits are as follows:

	2015	2014
Balance at beginning of year	**₱42,512,894**	₱35,061,172
Net retirement benefits costs for the year	**8,646,931**	7,578,888
Contributions for the year	**(11,496,773)**	(5,456,989)
Defined benefit cost (income) recognized in OCI	**(680,822)**	5,329,823
Balance at end of year	**₱38,982,230**	₱42,512,894

Changes in present value of defined benefit obligation are as follows:

	2015	2014
Defined benefit obligation at beginning of year	**₱75,474,088**	₱65,147,410
Current service costs	**6,189,686**	5,762,681
Interest costs	**4,362,402**	3,322,518
Actuarial loss (gain) due to:		
Change in financial assumptions	**(1,253,639)**	(1,726,512)
Experience adjustments	**(935,617)**	8,248,874
Change in demographic assumptions	**(1,068)**	1,277,551
Benefits paid	**(6,568,368)**	(6,558,434)
Defined benefit obligation at end of year	**₱77,267,484**	₱75,474,088

Changes in fair value of plan assets are as follows:

	2015	2014
Fair value of plan assets at beginning of year	**₱32,961,194**	₱30,086,238
Interest income	**1,905,157**	1,506,311
Contributions	**11,496,773**	5,456,989
Actuarial gain (loss)	**(1,509,502)**	2,470,090
Benefits paid	**(6,568,368)**	(6,558,434)
Fair value of plan assets at end of year	**₱38,285,254**	₱32,961,194
Actual return on plan assets	**₱395,655**	₱3,976,401

The plan assets of the Group are being held by its trustee banks. The investing decisions of the plan are made by the authorized officers of the Group. The following table presents the carrying amounts and fair values of the combined assets of the plan less liabilities:

	2015	2014
Cash and cash equivalents	**₱4,025,980**	₱8,573,943
Investment in unit investment trust fund	**7,840,192**	11,627,783
Investment in government securities	**21,967,957**	12,981,968
Others	**4,932,186**	239,936
	38,766,315	33,423,630
Liabilities	**(481,061)**	(462,436)
	₱38,285,254	₱32,961,194

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or mark-to-market.

The plan's assets consist of the following:
- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears variable interest rates ranging from 2.5% to 8.5% and have maturities from 2016 to 2031; and
- Investments in government securities consist of AFS financial assets.

The carrying amounts of investments in government securities also approximate their fair values since they are mark-to-market.
- Other financial assets held by the plan are primarily accrued interest income on cash deposits and debt securities held by the plan; and
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

The principal assumptions used in determining retirement benefits costs of the Parent Company as of December 31 are as follows:

	2015	2014	2013
Discount rates	**6.25%**	5.78%	5.10%
Expected rate of salary increase	**4.00%**	4.00%	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant. Established on historical data, the behavior in error of the standard deviation is within the range:

	Effect on Net Retirement Liability		
	Increase (decrease)	**2015**	2014
Discount rate	+1.0%	**(₱2,467,679)**	(₱2,312,290)
	-1.0%	**2,745,803**	2,586,080
Salary increase rate	+1.0%	**2,444,585**	2,310,352
	-1.0%	**(2,249,893)**	(2,116,805)

The weighted average duration of the defined benefit obligation as of December 31, 2015 and 2014 are 5.7 and 4.5 years, respectively.

Shown below are the expected future benefit payments as of December 31, 2015 and 2014, respectively:

	2015	2014
Less than 1 year	**₱13,813,061**	₱13,859,679
More than 1 year to 5 years	**15,807,390**	15,112,834
More than 5 years to 10 years	**38,862,367**	34,765,812
Over 10 years	**114,269,065**	46,287,107

23. Interest Income

Interest income related to:

	2015	2014	2013
Real estate receivables (see Note 8)	**₱2,598,375**	₱10,444,722	₱9,687,098
Cash and cash equivalents (see Note 7)	**2,026,420**	1,751,575	2,725,541
Loans and advances to officers and employees (see Note 8)	**211,148**	194,972	231,385
AFS quoted debt securities (see Note 12)	**182,347**	428,750	454,952
Due from related parties	–	–	139,884
	₱5,018,290	₱12,820,019	₱13,238,860

24. Finance Costs

Interest expense related to:

	2015	2014	2013
Short-term loans (see Note 16)	**₱1,940,073**	₱2,679,558	₱2,857,247
Long-term loans (see Note 16)	**385,494**	928,296	1,560,671
Bank charges and others	**59,897**	125,616	393,015
	₱2,385,464	₱3,733,470	₱4,810,933

25. Other Income - net

	2015	2014	2013
Service income	**₱15,484,115**	₱18,018,089	₱7,677,461
Tenant's reimbursement	**2,788,823**	4,673,359	–
Gain on sale of AFS (see Note 12)	**2,582,792**	1,250,360	–
Income from advertising campaign	**2,409,600**	1,937,560	1,955,514
Loss on receivable write-off (see Note 8)	**(1,436,242)**	(4,976,169)	(222,529)
Dividend income from AFS financial assets (see Note 12)	**350,485**	798,013	–
Foreign exchange loss - net	**(97,482)**	(1,675)	(95,690)
Gain on reversal of liabilities	**–**	8,004,970	–
Gain on use of usufruct rights	**–**	14,196,429	–
Remeasurement gain on retained interest (see Note 6)	**–**	–	2,092,949,673
Gain on sale of investment property	**–**	–	13,351,064
Others - net	**6,219,385**	(545,542)	7,662,918
	₱28,301,476	₱43,355,394	₱2,123,278,411

Service income pertains to technical services rendered by the Group to MMTC.

Tenant's reimbursements refer to the payment of utility charges by the tenants of the Building Complex at Sta. Cruz, Manila which the Parent Company recognizes as income when collected, net of remittances to SLBPO.

Income from advertising campaign pertains to advertising placement rights granted by the Group to third parties.

Gain on use of usufruct rights in 2014 pertain to payments for the use of the roads within the property of the Parent Company in Carmona, Cavite.

Others include various individually insignificant items of income and expenses.

26. Income Taxes

a. The components of the Group's net deferred tax liabilities are as follows:

	2015	2014
Deferred tax assets on:		
Accrued retirement benefits	**₱11,694,669**	₱12,753,868
Allowance for doubtful accounts	**7,365,784**	3,499,385
MCIT	**3,952,823**	–
NOLCO	**3,506,815**	–
Unamortized past service cost	**2,288,622**	1,023,556
Unearned income	**635,233**	198,159
Provision for inventory write-down	**435,841**	619,218
Allowance for impairment on investment in associate	**300,000**	300,000
Rent receivable	**187,179**	415,034
Unrealized foreign exchange loss (gain) - net	**25,059**	(392)
	30,392,025	18,808,828
Deferred tax liabilities on:		
Unrealized gain from real estate transactions	**(51,845,496)**	(55,086,817)
Undepreciated capitalized borrowing costs	**(13,297,122)**	(14,232,588)
Rent receivable	**(1,037,494)**	(2,767,672)
Deferred tax liabilities on (recognized directly in other comprehensive income):		
Unrealized deemed cost adjustment on real estate properties*	**(192,790,473)**	(192,825,169)
	(258,970,585)	(264,912,246)
Net deferred tax liabilities	**(₱228,578,560)**	(₱246,103,418)

** Reversal of deferred tax liabilities is through profit or loss, except for investment properties (see Note 28).*

b. The provision for current tax consists of the following:

	2015	2014	2013
MCIT	**₱3,952,823**	₱–	₱–
Final tax on interest income	**403,198**	430,310	627,781
RCIT	**10,254**	19,134,654	11,487,155
	₱4,366,275	₱19,564,964	₱12,114,936

c. The Group's NOLCO which is available for deduction against future taxable income are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2015	**₱–**	**₱11,689,383**	**₱–**	**₱11,689,383**	**2018**

d. The Group's MCIT which can be applied against future income tax due are as follows:

	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2015	**₱–**	**₱3,952,823**	**₱–**	**₱3,952,823**	**2018**

e. Biohitech and SLLPHI have no provision for income tax in 2015, 2014 and 2013. The unrecognized DTA on NOLCO for Biohitech as of December 31, 2015 and 2014 amounted to nil and ₱2.8 million, respectively. The unrecognized DTA on NOLCO for SLLPHI as of December 31, 2015 and 2014 amounted to nil and ₱20,000, respectively. Management believes that they may not have sufficient future taxable profits available to allow all or part of them to be utilized in the future.

f. The reconciliation of the Group's provision for (benefit from) income tax at statutory tax rate to the provision for (benefit from) income tax shown in the consolidated statements of comprehensive income (loss) is as follows:

	2015	2014	2013
Provision for (benefit from) income tax at statutory rate	**(₱17,526,751)**	₱1,268,527	₱635,239,950
Additions to (reductions in) income tax resulting from tax effects of:			
Nondeductible expenses	**11,640,825**	3,302,659	797,298,835
Nontaxable income	**(7,289,185)**	(2,001,960)	(1,437,278,564)
Interest income subjected to final tax	**(187,719)**	(95,169)	(189,498)
Movements in unrecognized deferred tax assets	–	–	13,208,776
Provision for (benefit from) income tax	**(₱13,362,830)**	₱2,474,057	₱8,279,499

27. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

		Amount		Receivable/(Payable)			
	Nature	2015	2014	2015	2014	Terms	Conditions
Subsidiaries:							
Biohitech Korea (BHK)	Advances	**₱–**	₱–	**₱–**	(₱38,640,000)	Noninterest-bearing	Unsecured, impaired
Arco Management Development Corporation (AMDC)	Lease of office space[a]	**6,884,042**	6,667,610	–	–	Noninterest-bearing	Unsecured, impaired
Associates:							
MIC	Advances[b]	**2,028,930**	1,133,990	4,107,091	2,078,161	Noninterest-bearing	Unsecured, impaired
	Subscription payable	–	–	–	(42,808,835)	Noninterest-bearing	Unsecured, impaired
Techsystems	Advances[b]	**8,333**	–	9,333	1,000	Noninterest-bearing	Unsecured, impaired

[a]*The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots (see Note 31).*

[b]*Included in the "Receivables" account (see Note 8)*

Compensation of key management personnel of the Parent Company amounted to ₱65.3 million, ₱52.8 million and ₱41.1 million in 2015, 2014 and 2013, respectively. The Parent Company has no standard arrangement with regard to the remuneration of its directors. The BOD received a total of ₱9.8 million in 2015 and 2014, and ₱8.1 million in 2013.

28. Equity

Capital Stock

The details of the Parent Company's capital stock as of December 31, 2015 and 2014 are as follows:

	2015		2014	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares - ₱1 par value Authorized - 1,000,000,000 shares Issued and outstanding (held by 974 equity holders in 2015 and 2014)	**996,170,748**	**₱996,170,748**	948,734,898	₱948,734,898
Stock dividend issued during the year	–	–	47,435,850	47,435,850
	996,170,748	**₱996,170,748**	996,170,748	₱996,170,748

Declaration of Dividends

The following are the details of the dividends declared in 2015 and 2014:

Type of Dividend	Date of Declaration	Date of Record	Dividends per Share
Cash			
	March 6, 2015	March 20, 2015	₱0.05
	April 8, 2014	May 20, 2014	0.05
Stock			
	April 8, 2014	July 14, 2014	5%

As of December 31, 2015 and 2014, outstanding dividends payable amounted to ₱3.6 million and ₱2.8 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 as of December 31, 2015 and December 31, 2014.

Deemed Cost Adjustment

As of December 31, 2015 and 2014, the unappropriated retained earnings include the remaining balance of the deemed cost adjustment which arose when the Parent Company transitioned to PFRS.

The components of the deemed cost adjustment are as follows:

	2015	2014
Real estate inventories	**₱76,560,900**	₱76,676,550
Investment properties	**566,074,010**	566,074,010
Revaluation increment	**642,634,910**	642,750,560
Deferred income tax liability	**(192,790,473)**	(192,825,169)
Deemed cost adjustment	**₱449,844,437**	₱449,925,391

The deemed cost adjustment will be realized through sales for both real estate inventories and land under investment properties. The amount of the deemed cost adjustment and undistributed earnings included in the balance of the unappropriated retained earnings are restricted and not available for dividend declaration.

29. Basic/Diluted EPS

Basic/diluted earnings (loss) per share were computed as follows:

	2015	2014	2013
Net income (loss) attributable to equity holders of the Parent Company	**(₱45,721,993)**	₱1,754,367	₱2,109,187,501
Divided by weighted average number of outstanding common shares	**996,170,748**	996,170,748	996,170,748
Basic/diluted earnings (loss) per share	**(₱0.0459)**	₱0.0018	₱2.1173

The Parent Company does not have potential dilutive common shares as of December 31, 2015, 2014 and 2013. Therefore, the basic and diluted earnings (loss) per share are the same as of those dates.

Weighted average number of outstanding common shares is restated to reflect the effect of stock dividends declared in 2014 (see Note 28).

30. Operating Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided. The Group's four reportable operating segments are the operation and maintenance of race tracks and holding of horse races, the development and sale of real estate properties, and rental of stables, building and other facilities and the food and beverage services provided in its casino and restaurant. No operating segments were aggregated to form these reportable operating segments. There have been no inter-segment sales and transfers. All sales and rendering of services are made to external customers and the Group does not have any major customers.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income in the consolidated financial statements.

As of December 31, 2015, 2014 and 2013, the Group has no transactions between reportable segments. The Group measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Group's total comprehensive income.

The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31 are as follows:

	2015					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱199,811,373	₱49,166,094	₱87,163,618	₱18,972,040	₱62,018,538	₱417,131,663
Cost and expenses	(175,111,876)	(12,454,347)	(62,600,842)	(19,324,889)	(206,062,213)	(475,554,167)
Income (loss) before income tax	24,699,497	36,711,747	24,562,776	(352,849)	(144,043,675)	(58,422,504)
Benefit from income tax	–	–	–	–	(13,362,830)	(13,362,830)
Net income (loss)	₱24,699,497	₱36,711,747	₱24,562,776	(₱352,849)	(₱130,680,845)	(₱45,059,674)

	2014					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱223,888,768	₱45,833,650	₱86,065,488	₱17,520,185	₱82,516,187	₱455,824,278
Cost and expenses	(168,656,048)	(11,513,971)	(59,579,622)	(16,667,638)	(195,178,575)	(451,595,854)
Income (loss) before income tax	55,232,720	34,319,679	26,485,866	852,547	(112,662,388)	4,228,424
Provision for income tax	–	–	–	–	2,474,057	2,474,057
Net income (loss)	₱55,232,720	₱34,319,679	₱26,485,866	₱852,547	(115,136,445)	(₱1,754,367)

	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	(170,333,080)	(60,558,179)	(48,858,973)	(14,516,986)	(230,302,100)	(524,569,318)
Income (loss) before income tax	46,092,421	97,662,606	40,145,947	(7,416,691)	1,940,982,217	2,117,466,500
Provision for income tax	–	–	–	–	8,279,499	8,279,499
Net income (loss)	₱46,092,421	₱97,662,606	₱40,145,947	(₱7,416,691)	₱1,932,702,718	₱2,109,187,001

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 2015, 2014 and 2013. Equity in net earnings of associate and joint ventures amounting to ₱12.5 million, ₱17.1 million and ₱10.6 million in 2015, 2014 and 2013, respectively, are included in the segment revenue of operating segment "Unallocated."

Segment Assets and Liabilities and Other Information

The segment assets and liabilities as of December 31, 2015 and 2014 and capital expenditures for the years then ended are as follows:

	2015					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱979,901,993	₱320,509,238	₱488,530,081	₱3,710,302	₱3,012,875,070	₱4,805,526,684
Liabilities	62,275,800	247,988,560	76,415,780	–	218,914,517	605,594,657
Capital expenditures	7,225,803	–	–	124,971	27,734,759	35,085,533
Interest income	–	2,598,375	–	–	2,419,915	5,018,290
Finance cost	–	–	–	–	2,385,464	2,385,464
Depreciation	38,200,787	–	26,683,293	454,791	15,794,760	81,133,631

	2014					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱1,037,878,879	₱368,266,081	₱530,051,513	₱3,951,380	₱3,179,171,658	₱5,119,319,511
Liabilities	110,663,282	264,308,647	88,906,656	–	361,924,645	825,803,230
Capital expenditures	8,689,013	–	–	458,571	68,922,507	78,070,091
Interest income	–	10,444,722	–	–	2,375,297	12,820,019
Finance cost	–	–	–	–	3,733,470	3,733,470
Depreciation	38,249,637	–	24,214,523	464,330	14,850,958	77,779,448

	2013					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱1,006,676,455	₱1,066,683,038	₱467,916,817	₱559,340	₱2,619,451,705	₱5,161,287,355
Liabilities	84,264,042	316,991,239	65,544,574	–	347,761,152	814,561,007
Capital expenditures	12,574,273	–	–	1,294,895	8,856,240	22,725,408
Interest income	–	9,687,098	–	–	3,551,762	13,238,860
Finance cost	–	–	–	–	4,810,933	4,810,933
Depreciation	39,170,853	–	29,082,392	478,101	16,804,481	85,535,827

31. Commitments and Contingencies

The following are the significant commitments and contingencies of the Group:

a. Operating Lease Commitment - the Parent Company as Lessee

On January 1, 2008, the Parent Company renewed its lease agreement with AMDC, an affiliate, for the lease of office space and four parking lots. The lease is for a period of five years starting 2008 and includes an annual escalation rate of 5.0%. The monthly rate of the lease for the year 2012 amounted to ₱385,923. The lease contract expired in December 2012 and the Parent Company renewed its lease agreement with AMDC on February 5, 2013 with a monthly rate of ₱427,550, subject to an annual escalation rate of 5.0%, and will expire on December 31, 2017.

The future minimum lease payments under this operating lease as of December 31 are as follows:

	2015	2014
Within one year	**₱5,939,308**	₱5,656,484
After one year but not more than five years	**6,236,274**	12,175,582
	₱12,175,582	₱17,832,066

On January 1, 2011, the Parent Company entered into another lease agreement with AMDC for another office space. The lease is for a period of five years starting 2011 and has ended on December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease for 2016 is ₱301,403, subject to an annual escalation rate of 5.0%.

The future minimum lease payments under this operating lease as of December 31 are as follows:

	2015	2014
Within one year	**₱3,616,838**	₱2,127,536
After one year but not more than five years	**16,368,477**	–
	₱19,985,315	₱2,127,536

b. Operating Lease Commitment with PAGCOR - the Parent Company as Lessor

In 2013, the Parent Company entered a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters (sqm.) for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities.

Rent income from PAGCOR amounted to ₱1.2 million in 2015 and 2014, respectively.

The future minimum lease receivables under this lease agreement as of December 31 are as follows:

	2015	2014
Within one year	**₱579,626**	₱1,159,252
After one year but not more than five years	–	579,626
	₱579,626	₱1,738,878

c. In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease one thousand four hundred twenty seven (1,427) sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement shall be effective until June 30, 2016. In 2015, 2014 and 2013, income from the lease agreement with PAGCOR amounted to ₱28.1 million, ₱26.1 million and ₱27.9 million, respectively.

d. In 2014, the Parent Company, together with MMTC, entered into an agreement that allows horse racing aficionados from both clubs to place bets on either clubs' race day using the telephone betting (TELEBET) account of the bettor from the other club, provided that the account has a balance upon placing of wagers.

   As of December 31, 2015 and 2014, receivables from MMTC amount to ₱0.7 million and ₱16.4 million, respectively, while payable to MMTC amounted to nil and ₱12.0 million, respectively (see Note 8).

e. Claims and Legal Actions

   As of December 31, 2015 and 2014, 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 therefrom would be taken up when the final resolution of the claims and actions are determined.

f. Unclaimed Dividends on Winnings

   Under PR58D of the *Rules and Regulations on Horse Racing* promulgated by the Philippine Racing Commission (PHILRACOM), the latter claims control over the disposition of unclaimed dividends.

   The Parent Company disputed the legality of PR58D in its letters to PHILRACOM dated June 14, 2012 and July 13, 2012. The Parent Company maintained that there is no law authorizing PHILRACOM to determine the proper use or disposition of the unclaimed dividends and PHILRACOM exceed its rule-making authority in issuing PR58D. The Parent Company likewise contended that unclaimed dividends are private funds as these funds are not included in the amounts that are supposed to be remitted to or held by the Parent Company for the government under its charter.

Furthermore, a *Notice* appears in the dorsal portion of the Parent Company's betting tickets which state that winning tickets must be claimed within thirty days from date of purchase, otherwise, the prize shall be forfeited in favor of the Parent Company. This provision is a valid agreement between the Parent Company and the bettor under the principle of autonomy of contracts.

As part of its audit of the PHILRACOM, the Commission on Audit (COA) issued an *Independent Auditor's Report* dated March 27, 2013 wherein COA opined that unclaimed dividends of winning bettors should be forfeited in favor of the government and should form part of the National Treasury. However, in the same report, COA acknowledged the absence of any legislative mandate as regards the disposition of unclaimed dividends. Thus, COA required the PHILRACOM to request for a Declaratory Relief from the Department of Justice to resolve the issue on the nature of unclaimed dividends.

To resolve the foregoing issue, the Parent Company filed a *Petition for Declaratory Relief* on November 6, 2013. As of April 11, 2016, the status is still pending before the Regional Trial Court of Bacoor, Cavite.

The Parent Company recognized provision for probable loss amounted to ₱13.1 million as of December 31, 2015 and 2014 (see Note 17).

32. Financial Instruments

The following tables provide the fair value hierarchy of the Group's AFS financial assets, and loans and borrowings:

			2015		
			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
AFS financial assets	₱31,309,508	₱31,309,508	₱31,309,508	₱–	₱–

			2014		
			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
AFS financial assets	₱22,067,765	₱22,067,765	₱21,434,468	₱–	₱633,297
Loans and borrowings	88,723,214	88,723,214	–	–	88,723,214
	₱110,790,979	₱110,790,979	₱21,434,468	₱–	₱89,356,511

As of December 31, 2015 and 2014, the Parent Company's AFS financial assets measured at fair value under the Level 1 hierarchy totaled ₱31.3 million and ₱21.4 million, respectively. Fair value under Level 3 hierarchy includes PLDT preferred shares amounting to ₱0.4 million expected to be redeemed within 10 years effective January 19, 2012. There were no financial instruments measured at fair value under the Level 2 hierarchy.

Unquoted AFS shares amounted to ₱0.6 million as of December 31, 2015 and 2014. Carrying amount of these shares is equal to its fair value as at December 31, 2015 and 2014, respectively.

In 2015 and 2014, the carrying values of cash and cash equivalents (except cash on hand), receivables, deposits, accounts payable and other liabilities and due to related parties approximate their fair value due to the short-term nature of the accounts.

33. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents (except cash on hand), receivables, AFS financial assets, deposits, accounts payable and other liabilities, interest-bearing loans and borrowings, due to related parties and subscriptions payable. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the use of these financial instruments include cash flow interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's interest-bearing loans and borrowings which carry floating interest rates (see Note 16).

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to changes in interest rates. Risk of changes in market interest rates is related primarily to the Group's interest on financial instruments classified as floating rate as it can cause a change in the amount of interest payments.

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The financial instruments of the Group that bear fixed interest rates or are noninterest-bearing are not included in the succeeding analyses. The Group invests excess funds in short-term investments in order to mitigate any increase in interest rate on borrowings.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates, with all other variables held constant, for the years ended December 31, 2015 and 2014. 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
2015	+1%	₱–
	-1%	–
2014	+1%	(887,232)
	-1%	887,232

Equity price risk
Equity price risk is the risk that the fair values of quoted equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Group is exposed to equity price risk because of quoted equity investments held by the Group, which are classified in the consolidated statements of financial position as held for trading investments and AFS financial assets.

The following table demonstrates the sensitivity of the Group's equity to a reasonably possible change in the PSE index (PSEi), with all other variables held constant, for the years ended December 31, 2015 and 2014:

	Increase (decrease) in PSEi	**Effect on equity**
2015	**+14%**	**₱4,309,074**
	-14%	**(4,309,074)**
2014	+14%	3,037,681
	-14%	(3,037,681)

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
2015	**US$9,287**	**₱437,046**
2014	5,609	250,834

As of December 31, 2015 and 2014, the applicable closing exchange rates were ₱47.06 and ₱44.72 to US$1, respectively. Net foreign exchange loss amounted to ₱97,482, ₱1,675 and ₱95,690 in 2015, 2014 and 2013, respectively.

The sensitivity of the Group's income before income tax to a reasonably possible change in the US Dollar exchange rate against the Peso, with all other variables held constant, has no significant effect in the financial statements for the years ended December 31, 2015 and 2014.

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, 2015 and 2014.

	2015	2014
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱95,908,691**	₱244,728,436
Cash equivalents	**28,819,236**	47,545,719
	124,727,927	292,274,155
Receivables:		
Real estate receivables*	**204,002,832**	228,964,771
Receivable from PAGCOR	**8,061,391**	6,995,045
Rent receivables	**7,448,153**	9,399,120
Advances and loans to officers and employees	**6,171,609**	7,799,575
Due from related parties	**4,116,424**	2,079,161
Dividends receivable	**3,640,837**	29,792,491
Advances to suppliers	**2,296,102**	–
Receivables from OTB operators	**1,150,427**	1,965,943
Receivable from MMTC	**653,863**	16,360,723
Others	**7,649,762**	5,910,753
	245,191,400	309,247,582
Deposits**	**3,375,580**	3,375,580
	₱373,294,907	₱604,897,317

**Includes non-current real estate receivables.*
***Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

The tables below show the credit quality of financial assets as of December 31, 2015 and 2014.

	2015			
	Standard Grade	**Past Due but not Individually Impaired**	**Individually Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents:				
Cash in banks	₱95,908,691	₱–	₱–	₱95,908,691
Cash equivalents	28,819,236	–	–	28,819,236
	124,727,927	–	–	124,727,927
Receivables:*				
Real estate receivable	204,002,832	–	9,587,790	213,590,622
Receivable from PAGCOR	8,061,391	–	–	8,061,391
Rent receivables	7,448,153	–	1,805,762	9,253,915
Advances and loans to officers and employees	6,171,609	–	–	6,171,609
Due from related parties	4,116,424	–	–	4,116,424
Dividends receivable	3,640,837	–	–	3,640,837
Advances to suppliers	2,296,102	–	–	2,296,102
Receivables from OTB operators	1,150,427	–	–	1,150,427
Receivable from MMTC	653,863	–	–	653,863
Others	7,649,762	–	9,128,594	16,778,356
	245,191,400	–	20,522,146	265,713,546
Deposits**	3,375,580	–	–	3,375,580
	₱373,294,907	₱–	₱20,522,146	₱393,817,053

**Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*
***Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

	2014			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents:				
Cash in banks	₱244,728,436	₱–	₱–	₱244,728,436
Cash equivalents	47,545,719	–	–	47,545,719
	292,274,155			292,274,155
Receivables:*				
Real estate receivable	228,964,771	–	–	228,964,771
Dividends receivable	29,792,491	–	–	29,792,491
Receivable from MMTC	16,360,723	–	–	16,360,723
Rent receivables	9,399,120	–	1,197,798	10,596,918
Receivable from PAGCOR	6,995,045	–	–	6,995,045
Advances and loans to officers and employees	7,799,575	–	–	7,799,575
Due from related parties	2,079,161	–	–	2,079,161
Receivables from OTB operators	1,965,943	–	–	1,965,943
Others	5,910,753	–	10,466,818	16,377,571
	309,267,582	–	11,664,616	320,932,198
Deposits**	3,375,580	–	–	3,375,580
	₱604,917,317	₱–	₱11,664,616	₱616,581,933

**Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*
***Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

The credit quality of the financial assets was determined as follows:

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Receivables
Credit risk from receivables is managed by the Group through an established policy, procedures and control relating to credit risk management of receivables from customers, OTB operators, lessees, related parties and other counterparties.

An impairment analysis is performed at each reporting date. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are in different industries and none of which holds at least 5% of the total receivables.

These receivables have no history of significant default or delinquency in collections but have a reasonable probability of non-collectability.

Past due but not impaired loans and receivables amounted to nil as of December 31, 2015 and 2014.

Liquidity risk
The Group monitors and maintains a certain level of cash and cash equivalents to finance the Group's operation, ensure continuity of funding and to mitigate the effect of fluctuations in cash flows. It maintains a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows through the use of bank loans and extension of suppliers' credit terms. The Group maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2015 and 2014 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, 2015

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱40,365,000	₱–	₱–	₱–	₱40,365,000
Accounts payable and other liabilities**	242,096,215	–	–	–	242,096,215
	₱282,461,215	₱–	₱–	₱–	₱282,461,215

** Amounts are inclusive of interest amounting to ₱1.4 million.*
*** Amounts are exclusive of nonfinancial liabilities amounting to ₱59.0 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and receivables:					
Cash in banks	₱95,908,691	₱–	₱–	₱–	₱95,908,691
Cash equivalents	28,819,236	–	–	–	28,819,236
Receivables*	245,191,400	–	–	–	245,191,400
Deposits**	–	–	3,375,580	–	3,375,580
	369,919,327	–	3,375,580	–	373,294,907
AFS financial assets	–	–	–	31,309,508	31,309,508
	₱369,919,327	₱–	₱3,375,580	₱31,309,508	₱404,604,415

** Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*
*** Included in the "Other non-current assets" in the consolidated statements of financial position.*

December 31, 2014

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱91,975,221	₱–	₱–	₱–	₱91,975,221
Accounts payable and other liabilities**	321,572,610	–	–	–	321,572,610
Due to related parties	38,640,000	–	–	–	38,640,000
Subscription payable	42,808,835	–	–	–	42,808,835
	₱494,996,666	₱–	₱–	₱–	₱494,996,666

** Amounts are inclusive of interest amounting to ₱3.0 million.*
*** Amounts are exclusive of nonfinancial liabilities amounting to ₱32.8 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Loans and receivables:				
Cash in banks	₱244,728,436	₱–	₱–	₱244,728,436
Cash equivalents	47,545,719	–	–	47,545,719
Receivables*	309,267,582	–	–	309,267,582
Deposits**	–	–	3,375,580	3,375,580
	601,541,737	–	3,375,580	604,917,317
AFS financial assets	–	–	22,067,765	22,067,765
	₱601,541,737	₱	₱25,443,345	₱626,985,082

** Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*
*** Included in the "Other non-current assets" in the consolidated statements of financial position.*

34. Capital Management

The Group considers the total equity as its capital. The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities.

The following table summarizes the total capital considered by the Group:

	2015	2014
Capital stock	**₱996,170,748**	₱996,170,748
Additional paid-in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of AFS financial assets	**3,923,214**	5,216,306
Remeasurement on retirement benefits	**21,621,047**	21,144,472
Retained earnings	**3,150,149,222**	3,245,679,278
Treasury shares	**(7,096)**	(7,096)
Noncontrolling interest	**(1,619,647)**	(2,281,966)
	₱4,197,832,027	₱4,293,516,281

No changes were made in the objectives, policies and processes from the previous years.

35. Other Matters

On April 4, 2014, a MOA was executed between the Parent Company and Philippine Football Federation, Inc. (PFF) to jointly develop a football complex on a portion of MJC's SLLBP in Carmona, Cavite. This is in consonance with MJC's over-all plan to develop SLLBP into a leisure, gaming and entertainment hub.

The football complex shall consist of a pitch of Federacion Internationale de Football Association (FIFA) two star international standards, a training center and other football support facilities. It is envisioned to be the site of national and international matches and friendlies sanctioned by the FIFA, ASEAN Football Federation (AFF) and Asian Football Confederation (AFC).

PFF is responsible for 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.

Building a better
working world

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December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Manila Jockey Club, Inc.
San Lazaro Leisure Park
Brgy. Lantic, Carmona, Cavite

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Manila Jockey Club, Inc. and Subsidiaries (the "Group") as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 included in this Form 17-A and have issued our report thereon dated April 11, 2016. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
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SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until April 30, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2015,
June 26, 2015, valid until June 25, 2018
PTR No. 5321627, January 4, 2016, Makati City

April 11, 2016

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule A. Marketable Securities
As of December 31, 2015

Financial Assets	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
AFS investments					
Quoted Equity Shares					
	Metropolitan Bank & Trust Company	14,000	1,127,000	1,127,000	
	Dizon Copper Silvermines, Inc.	82	592	592	
	Ayala Corporation (Class "B" Series 2 Perpetual Preferred Shares)	10,000	5,205,000	5,205,000	278,750
	PLDT	1,500	3,090,000	3,090,000	
	Manila Southwoods	1	1,100,000	1,100,000	–
	Sta. Elena Golf	1	3,000,000	3,000,000	–
	Tagaytay Highland	1	500,000	500,000	–
	Club Filipino	1	150,000	150,000	–
	Tower Club, Inc.	1	600,000	600,000	–
Unquoted Equity Shares (at cost)					
	PLDT (Subscriber's Plan)	1	370,047	370,047	–
	PLDT (10% Cumulative Convertible Preferred Stock)	6,975	69,750	69,750	–
	Banahaw Cable Car	1	5,000	5,000	–
	Metropolitan Theater - Membership	1	20,000	20,000	–
	PLDT (Subs. Investment Plan)	1	165,500	165,500	–
	Executive Suites Stocks - Membership	1	3,000	3,000	–
Debt Securities					
	Aboitiz Equity Ventures bonds, Series "A"	–	10,063,820	10,063,820	149,073
	SM Prime Bonds, Series "D"	–	6,473,096	6,473,096	24,426
Total			31,942,805	31,942,805	452,249

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
As of December 31, 2015

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. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

As of December 31, 2015

Name of Debtor	Designation of debtor	Balance at the Beginning of the Period	Additions	Deductions			Current	Not Current	Balance at En of Period
				Amounts Collected	Amounts Written Off	Others			
Biohitech Philippines, Inc	Subsidiary	1,000	8,333				9,333	–	9,33
SLLP Holdings, Inc.	Subsidiary	1,000	8,333				9,333	–	9,33
MJC Forex Corporation	Subsidiary	1,014	–	1,014			–	–	
Manilacockers Club, Inc.	Subsidiary	1,141,416	16,665,938				17,807,354	–	17,807,35
Gametime Sports & Technologies, Inc.	Subsidiary	2,756,126	4,529,993				7,286,119	–	7,286,11
Hi-Tech Harvest Limited	Subsidiary	–	208,795				208,795	–	208,79
New Victor Technology, Ltd.	Subsidiary	–	2,518,874				2,518,874	–	2,518,87
MJC Investments Corporation	Associate	2,078,161	2,028,930				4,107,091	–	4,107,09
Techsystems, Inc.	Associate	1,000	8,333				9,333	–	9,33
TOTAL		**5,979,717**	**25,977,529**	**1,014**	–	–	**31,956,232**	–	**31,956,23**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule D. Intangible Assets – Other Assets

As of December 31, 2015

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
					Additions / (Deductions)	

Not Applicable

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule E. Long-term Debt

As of December 31, 2015

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown Under Caption "Long-term Debt" in Related Balance Sheet

Not Applicable

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule F. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)

As of December 31, 2015

Name of Related Party	Balance at Beginning of Period	Balance at End of Period

Not Applicable

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule G. Guarantees of Securities of Other Issuers

As of December 31, 2015

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
		Not Applicable		

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule H. Capital Stock
As of December 31, 2015

Title of issue	Number of shares authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Treasury
Common Stock	1,000,000,000	996,170,748	–	–	83,192,370	9,462

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule I. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2015

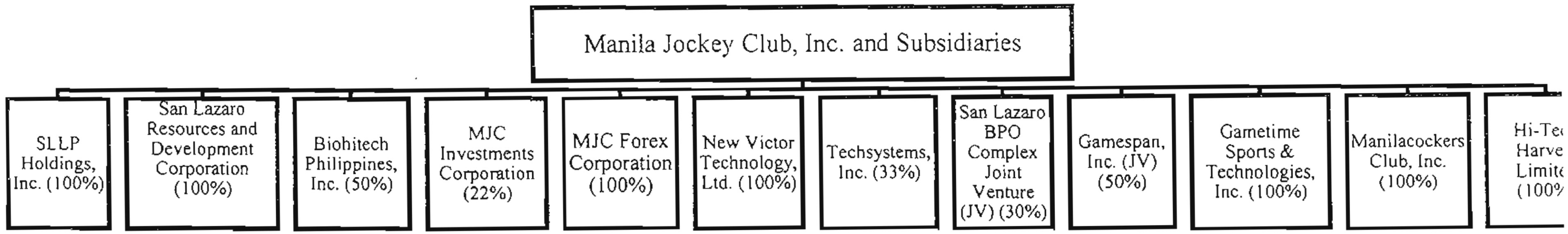
			Deductions				
Name and Designation of Creditor	Beginning Balance of Period	Additions	Amounts Paid	Others	Current	Not current	Balance at End of Period
SLLP Holdings, Inc.	3,667,137		3,667,137		–		–
New Victor Technology, Ltd.	3,063,604		492,889		2,570,715		2,570,715
Manilacockers Club, Inc.	–	4,242,354			4,242,354		4,242,354
Total	**6,730,741**	**4,242,354**	**4,160,026**	–	**6,813,069**	–	**6,813,069**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule J. **Parent Company Retained Earnings Available for Dividend Declaration**
As at and for the year ended December 31, 2015

Unappropriated retained earnings, beginning		**₱1,257,472,503**
Add (less):	Net loss actually earned/realized during the year:	(19,353,703)
	Deemed cost adjustment on real estate properties realized through sale, net of deferred income tax	80,954
	Treasury shares	(7,096)
Unappropriated retained earnings, as adjusted to amount available for dividend declaration		**1,238,192,658**
Less:	Cash dividends declared during the year	**49,808,063**
Unappropriated retained earnings available for dividend declaration, ending		**₱1,188,384,595**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule K. Map of Subsidiaries
As of December 31, 2015



MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework for Financial Reporting		✓		
PFRS Practice Statement Management Commentary				✓
PFRS				
PFRS 1	First-time Adoption of PFRS			✓
	PFRS 1 and Philippine Accounting Standards (PAS) 27 (Amendments) - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	PFRS 1 (Amendments) - *Additional Exemptions for First-time Adopters*			✓
	PFRS 1 (Amendments) - *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	PFRS 1 (Amendments) - *Severe Hyperinflation and Removal of Fixed Date of First-time Adopters*			✓
	PFRS 1 (Amendments) - *Government Loans*			✓
PFRS 2	Share-based Payment			✓
	PFRS 2 (Amendments) - *Vesting Conditions and Cancellations*			✓
	PFRS 2 (Amendments) - *Group Cash-settled Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	PAS 39 and PFRS 4 (Amendments) - *Financial Guarantee Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets - Effective Date and Transition*			✓
	PFRS 7 (Amendments) - *Improving Disclosures about Financial Instruments*	✓		
	PFRS 7 (Amendments) - *Disclosures - Transfers of Financial Assets*			✓
	PFRS 7 (Amendments) - *Offsetting Financial Assets and Financial Liabilities*			✓
	PFRS 7 (Amendments) - *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	NOT EARLY ADOPTED		
PFRS 8	Operating Segments	✓		
PFRS 9 (2014)	Financial Instruments	NOT EARLY ADOPTED		
PFRS 10	Consolidated Financial Statements	✓		
	PFRS 10 (Amendments) - *Investment Entities*			✓
	PFRS10 (Amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	NOT EARLY ADOPTED		
PFRS 11	Joint Arrangements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	PFRS 11 (Amendments) - *Accounting for Acquisitions of Interests in Joint Operations*	NOT EARLY ADOPTED		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	PFRS 12 (Amendments) - *Investment Entities*			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	PAS 32 and PAS 1 (Amendments) - *Puttable Financial Instruments and Obligations Arising from Liquidation*			✓
	PAS 1 (Amendments) - *Presentation of Items of Other Comprehensive Income*	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	PAS 12 (Amendments) - *Deferred Tax: Recovery of Underlying Assets*	✓		
PAS 16	Property, Plant and Equipment	✓		
	PAS 16 (Amendments) - *Clarification of Acceptable Methods of Depreciation and Amortization*	NOT EARLY ADOPTED		
	PAS 16 (Amendments) - *Bearer Plants*	NOT EARLY ADOPTED		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	PAS 19 (Amendments) - *Defined Benefit Plans: Employee Contributions*	NOT EARLY ADOPTED		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	PAS 21 (Amendments) - *Net Investment in a Foreign Operation*			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	PAS 27 (Amendments) - *Investment Entities*			✓
	PAS 27 (Amendments) - *Equity Method in Separate Financial Statements*	NOT EARLY ADOPTED		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	PAS 28 (Amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	NOT EARLY ADOPTED		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	PAS 32 and PAS 1 (Amendments) - *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	PAS 32 (Amendments) - *Classification of Rights Issues*			✓
	PAS 32 (Amendments) - *Offsetting Financial Assets and Financial Liabilities*			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	PAS 36 (Amendments) - *Recoverable Amount Disclosures for Non-financial Assets*			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	PAS 38 (Amendments) - *Clarification of Acceptable Methods of Depreciation and Amortization*	NOT EARLY ADOPTED		
PAS 39	Financial Instruments. Recognition and Measurement	✓		
	PAS 39 (Amendments) - *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	PAS 39 (Amendments) - *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	PAS 39 (Amendments) - *The Fair Value Option*			✓
	PAS 39 and PFRS 4 (Amendments) - *Financial Guarantee Contracts*			✓
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets*			✓
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets - Effective Date and Transition*			✓
	Philippine Interpretation IFRIC 9 and PAS 39 (Amendments) - *Embedded Derivatives*			✓
	PAS 39 (Amendments) - *Eligible Hedged Items*			✓
	PAS 39 (Amendments) - *Novation of Derivatives and Continuation of Hedge Accounting*			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	PAS 41 (Amendments) - *Bearer Plants*	NOT EARLY ADOPTED		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining whether an Arrangement Contains a Lease*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
IFRIC 15 [a]	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC 7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

[a] *The effective date of this interpretation was deferred until the final Revenue standard is issued.*

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule M. Financial Soundness Indicators
As of December 31, 2015

	As of and for the Year Ended December 31		
	2015	2014	2013
Liquidity ratios			
Current ratio[a]	**1.30**	1.09	1.20
Interest rate coverage ratio[b]	**11.56**	24.26	500.15
Solvency ratios			
Debt to equity ratio[c]	**0.01**	0.02	0.03
Asset to equity ratio[d]	**1.14**	1.19	1.19
Profitability ratio			
EBITDA margin[e]	**0.07**	0.23	4.46

[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*