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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

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

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

1. Corporate Information

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

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

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

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

Subsidiaries, Joint Venture and Associates

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

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

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

1. Corporate Information

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

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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.

<u>Subsidiaries, Joint Venture and Associates</u>

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

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

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

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

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

2. Basis of Preparation and Statement of Compliance

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

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

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

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

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

New and Amended Accounting Standards

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

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

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

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

Group. Disclosures on judgments on determination of control over subsidiaries and joint control over joint venture are provided in Note 5 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement

requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

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

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

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration (see Note 29).

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

Earnings Per Share

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

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

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

Revenue Recognition

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

Commission Income from Club Races

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

Real Estate Sales

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

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

Rental Income from Stables, Building and Other Facilities

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

Interest Income

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

Dividend Income

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

Cost of Sales and Services and Expenses

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

The Group as a lessee

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

The Group as a lessor

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

Borrowing Costs

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

Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

Determination if joint control exists in a jointly venture
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The strategic financial and operating decisions of the San Lazaro BPO Complex Joint Venture (San Lazaro JV) are being managed by a Tenant Review Committee, which is composed of representatives from the venturers. Management has determined that it has joint control since the strategic financial and operating decisions of the San Lazaro JV are made jointly by the venturers through the said committee.

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

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

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

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

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

Impairment of noncurrent nonfinancial assets, except goodwill
The Group assesses at each balance sheet date whether there is any indication that its interest in associate and joint venture, property and equipment, investment properties and franchise fee may be impaired. Indication of impairment include: (a) decline in the asset's market value that is significantly higher than would be expected from normal use; (b) evidence of obsolescence or physical damage; (c) internal reports indicate that the economic performance of the asset will be

worse than expected; etc. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Business Combination, Goodwill and Property for Share Exchange

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

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

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

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

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

i. MIC shall cause the payment of its existing liabilities in the amount of ₱14.2 million;
ii. MIC shall cause the assignment of its marketable securities and receivables to the previous stockholders;
iii. MIC shall spin off its 5-hectare property in Tanza, Cavite to a new corporation (NEWCO) to be organized by MIC and assign the shares of the capital stock of NEWCO to the previous stockholders of MIC.

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

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

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

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

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

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

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

On October 29, 2012, the Parent Company transferred 7,510 square meters of the unused portion of the Sta. Cruz property in exchange for 600.8 million common shares of MIC. The property transferred has a carrying value of ₱112.3 million and with a fair value of ₱600.8 million or ₱80,000 per square meter. The transaction is considered as a tax-free exchange in accordance with a BIR certification issued in accordance with the National Internal Revenue Code Section 40 (c) (2).

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

<u>Entry of a New Investors Group</u>
In 2013, the Parent Company allowed a group of Strategic Investors to subscribe to MIC's shares of stock. The Board of Directors of MIC approved the subscription by the Strategic Investors to 1.325 billion shares of stock of MIC at ₱1 per share for an aggregate consideration of ₱1.325 billion. The subscription was taken from the increase in the authorized capital stock of MIC. The

subscription was made in two tranches. The first tranche amounting to ₱450.0 million was subscribed and issued on January 18, 2013 while the second tranche amounting to ₱875.0 million was subscribed and issued on October 3, 2013.

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

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

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

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

7. Cash and Cash Equivalents

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

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

8. Held for Trading Investments

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

9. Receivables

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

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

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

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

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

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

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

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

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

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

10. Inventories

This account consists of:

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

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

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

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

Carmona Property

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

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

11. Other Current Assets

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

12. Investment in Associates and Joint Ventures

Investment in associates and joint ventures consist of:

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

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

Investment in associates

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

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

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

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

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

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

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

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

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

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

Investment in joint ventures

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

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