COVER SHEET

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SEC Registration Number

LEISURE & RESORTS WORLD CORPORATION & SUBSIDIARIES

(Company's Full Name)

26th Floor, West Tower, PSE Center Exchange Road Ortigas Center Pasig City

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

Mr. Geoffrey L. Uymatiao

(Contract Person)

687-0370

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Fiscal Year)

2 0 - I S

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [/] Definitive Information Statement

2. Name of Registrant as specified in its Charter: LEISURE & RESORTS WORLD CORPORATION

3. Province, country or other jurisdiction of incorporation or organization: MAKATI CITY, PHILIPPINES

4. SEC Identification Number: 13174

5. BIR Tax Identification Code: 321-000-108-278-000

6. Address of Principal Office: 26F, West Tower, PSE Center, Exchange Road, Ortigas, Pasig City, 1605

7. Registrant's telephone number, including area code: (632) 687-03-70

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

Date	-	27 July 2012
Time	-	2:00 p.m.
Place	-	Astoria Plaza, Escriva Drive, Ortigas, Pasig City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: 06 July 2012

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

Title of Each Class	Number of Shares of Common Stock Outstanding and amount of Debt Outstanding
Common Stock	999,877,094/ Not applicable (includes 18,330,500 shares acquired by AB Leisure Exponent, Inc., a wholly-owned subsidiary of the registrant)

11. Are any of the registrant's securities listed in the Philippine Stock Exchange?

    ___/___ Yes   ______ No

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    PHILIPPINE STOCK EXCHANGE, Common shares

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of Leisure & Resorts World Corporation (the "Corporation") will be held on July 27, 2012 at 2:00 p.m., Astoria Plaza, Escriva Drive, Ortigas, Pasig City. Registration will start at 1:00 p.m. The agenda of the meeting will be as follows:

1. Call to Order
2. Proof of Notice
3. Determination of Quorum
4. Approval of the Minutes of the Annual Meeting held on July 29, 2011
5. Management Report

6 Approval of Annual Report and Audited Financial Statement for the fiscal year 2011 and Ratification of actions taken by the Board of Directors and Officers since the last annual meeting held on July 29, 2011

7. Nomination and Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

For the purpose of the meeting, only stockholders of record at the close of business on June 27, 2012 will be entitled to vote thereat.

Stockholders who cannot attend the meeting in person may designate their authorized representative by submitting a Proxy instrument in accordance with Sec. 58 of the Corporation Code. Validation of the proxies shall be held on July 20, 2012 at the office of the Corporation's transfer agent, Stock Transfer Services, Inc., Unit 34-D Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

To facilitate your registration of attendance, please have available some form of identification such as company I.D., passport or driver's license.

Thank you.

Pasig City. June 25, 2012.

FOR THE BOARD

RAUL G. GERODIAS
Corporate Secretary

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

(a) Date - July 27, 2012
Time - 2:00 p.m.
Place - Astoria Plaza, Escriva Drive, Ortigas, Pasig City
Principal Office - 26F West Tower, PSE Center, Exchange Road, Ortigas, Pasig City

(b) Approximate date on which the Information Statement is first to be sent or given to security holders: July 6, 2012

Item 2. Dissenter's Right of Appraisal: The appraisal right is generally available in the instances stated in Section 81 of the Corporation Code as follows:

(1) In any case amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence.

(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;

(3) In case of merger or consolidation.

In the foregoing instances, any stockholder of the registrant may exercise his right of appraisal right in the manner provided below:

(a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.

(b) The dissenting stockholder shall make a written demand on the registrant for payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken. The failure of the stockholder to make the demand within such period shall be deemed a waiver of the appraisal right.

(c) If the proposed corporate action is implemented or effected, the registrant shall pay to such dissenting stockholder upon surrender of the certificate(s) of stock representing his shares within ten (10) days after demand thereof, provided the registrant has unrestricted retained earnings; and

(d) Upon payment of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the registrant.

. In the present meeting, there are no matters to be acted upon which may give rise to any stockholder's exercise of his right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon: There are no matters to be acted upon which a director, or officer of the registrant, each nominee for election as a director or each associate of any of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders thereof

(a) Number of Shares Outstanding and entitled to be voted at the meeting: 981,546,594 common stock (as of July 6, 2012), net of 18,330,500 shares acquired by AB Leisure Exponent, Inc., a wholly-owned subsidiary of the registrant.

Number of votes to which each share is entitled: One (1) vote per share

(b) All stockholders of record as of June 27, 2012 are entitled to notice and to vote at the Annual Stockholders' Meeting.

(c) Manner of Voting: Each stockholder of record as of June 27, 2012 shall have the right to vote in person or by proxy the number of shares of stock held in his name. In the election of directors, each stockholder entitled to vote, may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%)

Title of Class (As of May 31, 2012)	**Name and address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Holder**	**Citizenship**	**No. of Shares Held**	**Percent-age Held**
Common	PCD Nominee Corp. (Filipino) 37/F Tower I, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Stockholder	*	Filipino	® 732,494,275	73.26%
Common	Zoraymee Holdings, Inc. 21/F Wynsum Corporate Plaza, Emerald Avenue, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 86,977,358	8.70%
Common	Alfredo Abelardo Benitez 26/F West Tower, PSE Center, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 68,319,999	6.83%

** PCIB Securities, Inc., a beneficial owner under PCD Nominee Corporation holds 150,006,336 shares representing 15.00%. Said beneficial owner will be asked to appoint and authorize a representative who will vote in behalf of the corporation.*

Except for the above mentioned *beneficial owner, none of the common shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's common stock. PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Central Depository and is the registered owner of the shares in the books of the Stock Transfer Service, Inc., the transfer agent of the registrant, and holds the shares in behalf of the beneficial owners.

Mr. Alfredo Abelardo Benitez, one of the major shareholders of the registrant owns 93.9% of the total issued and outstanding capital stock of Zoraymee Holdings, Inc. He has been authorized to exercise voting power over the shares of Zoraymee Holdings, Inc.

(2) Security Ownership of Management (other than as Nominees)

Title of Class (As of May 31, 2012)	Name and address of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percentage of Ownership
Common	Willy N. Ocier 32 Wilson Street, Greenhills, San Juan	1,771,000 (direct) 860,000 (indirect)	Filipino	0.27%
Common	Geoffrey L. Uymatiao 2703 West Tower, Phil. Stock Exchange Bldg. Exchange Road Cor Pearl Drive, Ortigas Center, Pasig City	1,100 (direct) 844,801 (indirect)	Filipino	0.08%
Common	Wilson L. Sy 2703 Philippine Stock Exchange Center, Exchange Road, Ortigas, Pasig City	1,905,500 (direct)	Filipino	0.19%
Common	Eusebio H. Tanco 543 Fordham Street, Wack-Wack Village, Mandaluyong City	1 (direct) 6,400 (indirect)	Filipino	nil
Common	Clarita T. Zarraga 26 Santan Street, Tahanan Village, Parañaque City	1 (direct) 5,500 (indirect)	Filipino	nil
Common	Ignatius F. Yenko 7 Bahamas Street, Loyola Grand Villas, Quezon City	1 (direct) 1,000 (indirect)	Filipino	nil
Common	All Other Directors and Officers as a group	12 (direct)	Filipino	nil

Aggregate ownership of all directors and officers as a group unnamed: 5,395,318

(3) Voting Trust Holders of 5% or More

No person holds more than five percent (5%) of a class under voting trust or similar arrangement.

(4) Change in Control

There are no arrangements, which may result in a change in control of the registrant. The following former shareholders of AB Leisure Exponent, Inc., as a group, own 18.42% of the registrant, namely:

1. Alfredo Abelardo B. Benitez
2. Zoraymee Holdings, Inc.
3. Paul Luis Alejandrino
4. Dominique L. Benitez
5. Henry T. Sy, Jr.

Item 5. Directors and Executive Officers

(a) Legal Proceedings

The registrant has no knowledge of any material pending legal proceedings in any court of administrative agency of the Government to which any of the directors and executive officers of the registrant is a party.

b) Directors and Executive Officers

1. Directors and Executive Officers

		Directorships	***Citizenship***	**Business Experience**
Name	**Age**	**in Other Companies**		**For the Past Five Years**

Reynaldo P. Bantug *(Director, April 19, 2002 to present)*	62	AB Leisure Exponent, Inc. First Cagayan Leisure and Resort Corp. LR Land Developers, Inc. AB Leisure Global, Inc. BAPA Realty Development Corp. BAPA Holdings & Management Green Future Innovations, Inc. ***(All-Director)***	*Filipino*	Bacolod Real Estate Development *(Vice Chairman)* Green Future Innovations, Inc. *(CEO)* BAPA Realty Development Corp. BAPA Holdings & Management *(President)*
Jose Conrado Benitez *(Director, December 8, 1999 to present)*	68	Benitez Investments, Inc. The Philippine Women's University AB Leisure Exponent, Inc. Tropical Disease Foundation Zoomak RPC, Inc. Gailand & Property Holdings, Inc. Mango Orchard Resource Development, Inc. Manila Building and Loan Association ***(All-Director)***	*Filipino*	J-Afra Development Corp. Zoomark RPC, Inc. *(Chairman)* Mango Orchard Resource Development Corp. Manila Building Loan Asociation Gaialand & Property Holdings Corporation International Mineral Water Resources, Inc. Humanitarian Sciences Foundation Nirvana & Samsara Development, Inc. *(President)*
Renato G. Nuñez *(Director, September 30, 2005 to February 16, 2012)*	42	First Cagayan Leisure & Resort Corp. AB Leisure Global, Inc. Arwen Gaming Consultancy, Inc. Javi Philfoods, Inc. Lia Philfoods, Inc. Everland Estate Development Corporation Buildworth Development Corporation ***(All-Director)***	*Filipino*	AB Leisure Exponent, Inc. *(VP-Administration)* First Cagayan Leisure & Resort Corp. *(Vice President & General Manager)* Arwen Gaming Consultancy, Inc. Javi Philfoods, Inc. Lia Philfoods, Inc. Everland Estate Development Corporation *(President/Director)* Buildworth Development Corporation (*EVP)*
Edgardo S. Lopez *(Director, August 18, 2006 to present)*	70	LS Finance & Management Corp. Heerco Philippines, Inc. Kings Cross Development Corp. ***(All-Director)***	*Filipino*	LS Finance & Management Corp. *(President)* Heerco Philippines, Inc. *(President)* Kings Cross Development Corp. *(Vice-Chairman)*
Anthony L. Almeda ** (*Director, June 30, 2004 to present)* ***(Independent Director, September 15, 2006 to present)***	46	Landision Corp. Alalmeda Land, Inc. Filipinas Gaming Corp. Enet Corp. ALA Inc. Alalameda Acquisitions Inc. Blue Ocean Acquisitions Inc. BB21 Remit Inc. Pacifica21 Holdings Inc. National Grid Corp. of the Philippines Calaca High Power Corp. Terra Firma Resources Inc. ***(All - Director)***	*Filipino*	Landision Corp. (*Chairman, President)* Filipinas Gaming Corp. (*EVP)* ALA Inc. Alalmeda Land, Inc. Alalameda Acquisitions Inc. (*Chairman & CEO)* Blue Ocean Acquisitions Inc. *(CEO)* BB21 Remit Inc. Pacifica21 Holdings Inc. *(Managing Director)* National Grid Corp. of the Philippines Calaca High Power Corp. Enet Corp. Terra Firma Resources Inc. *(Director)*

Geoffrey L. Uymatiao *(Treasurer, Director; December 8, 1999 to present)*	63	AB Leisure Exponent, Inc. Longview Holdings Corporation First Cagayan Leisure and Resort Corp. LR Land Developers, Inc. AB Leisure Global, Inc. ***(All-Director)***	*Filipino*	Grafika Distributors, Inc. *(President)*
Willy N. Ocier *(Director, July 31, 2009 to present)*	54	Highlands Prime, Inc. Tagaytay Midlands Golf Club, Inc. Philippine Global Communications, Inc. Pacific Online Systems Corporation Belle Corporation APC Group, Inc. Sinophil Corporation Tagaytay Highlands International Golf Club, Inc. Vantage Equities ***(All-Director)***	*Filipino*	Highlands Prime, Inc. *(Co-Vice Chairman)* Tagaytay Midlands Golf Club, Inc. *(Chairman)* Philippine Global Communications, Inc. *(Chairman)* Pacific Online Systems Corporation *(Chairman and President)* Belle Corporation Co-Vice *(Chairman)* APC Group, Inc. *(Chairman)* Sinophil Corporation *(Chairman)* Tagaytay Highlands International Golf Club, Inc. *(Vice Chairman)* Vantage Equities *(Director)*
Wilson L. Sy * *(Director; July 29, 2011 to present)*	59	Philequity Management, Inc. Asian Alliance Holdings Corporation Xcell Property Ventures, Inc. Monte Oro Resources & Energy, Inc. Monte Oro Grid Resources Corporation Vantage Equities, Inc. Yehey! Corporation Manila Stock Exchange Foundation Inc. ***(All-Director)*** Pacific Online Systems Corporation Tagaytay Highlands Country Club, Inc. Tagaytay Highlands Int'l Golf Club, Inc. Tagaytay Midlands Golf Club, Inc. Tagaytay Highlands Spa & Lodge ***(All-Independent Director)***	*Filipino*	Asian Alliance Holdings Corporation *(Vice Chairman/Director)* Philequity Management, Inc. Vantage Equities, Inc. Basic Petroleum & Minerals Basic Diversified Ind. A. Brown Corporation Jollibee Foods Corporation Belle Corporation Saniwares Manufacturing *(Director)* Philippine Stock Exchange *(Chairman)* Manila Stock Exchange *(Chairman)* PSE Foundation, Inc. *(Trustee)* National Grid Corp. of the Phils. *(Director)*

Eusebio H. Tanco * *(Director; July 29, 2011 to present)*	62	Asian Terminals, Inc. Advent Capital & Finance Corp. PhilPlans First, Inc. Philhealthcare, Inc. STI, Inc. Philippines First Insurance Co., Inc. Global Resource for Outsourced Workers, Inc. Mactan Electric Company United Coconut Chemicals, Inc. J & P Coats Manila Bay Mindanao Energy Inc. M.B. Paseo Philippine Health Educators, Inc. Ascent/STI Banawe Healthcare, Inc. Philippine Racing Club PhilPlans First, Inc. Asian Life Financial Assurance Mactan Electric Company Rescom Developers Inc. First Optima Realty Corp. Marbay Homes Inc. Insurance Builders Inc. Banclife Insurance Classic Finance, Inc. STMI Logistics, Inc. MBS Development Corp. Amina, Inc. Philippine Women's University (Vice-Chairman) Delos Santos – STI College PhilhealthCare Inc. Delos Santos – STI Medical Center Delos Santos – STI Megaclinic JTH Davies Holdings, Inc. Philippines First Insurance Co., Inc. Total Consolidated Asset Management, Inc. Eujo Phils., Inc. Venture Securities, Inc. Global Resource for Outsourced Workers, Inc. ***(All-Director)***	*Filipino*	Asian Terminals, Inc. *(Vice Chairman and President)* PhilPlans First, Inc. Philhealthcare, Inc. STI, Inc. Mactan Electric Company *(Chairman)* Philippines First Insurance Co., Inc. Global Resource for Outsourced Workers, Inc. *(President)* United Coconut Chemicals, Inc. *(Director)* J & P Coats Manila Bay *(Director)*

Bienvenido M. Santiago *(Director; November 28, 2003 to present)*	66	AB Leisure Exponent, Inc. AB Leisure Global, Inc. The Print Gallery, Inc. Image Dimension, Inc. Corporate Image Dimensions, Inc. Market Light Realty & Construction, Inc. St. James Holding Corporation LR Land Developers, Inc. One Boutique Amusement & Recreation Corp. Worldwide Links Leisure & Gaming Corp. North Luzon Gaming & Amusement Corp. One Bingo Pavilion, Inc. 516 Games and Technology Corporation Big Time Gaming Corporation SG Amusement and Recreation Corporation Zoraymee Holdings, Inc. ***(All-Director)***	*Filipino*	AB Leisure Exponent, Inc. (VP for Administration) The Print Gallery, Inc. *(Treasurer)* Zoraymee Holdings, Inc. (Vice-President) Corporate Image Dimensions, Inc. (Corporate Secretary) Market Light Realty & Construction, Inc. *(Director & Corporate Secretary)* St. James Holding Corporation (Corporate Secretary) LR Land Developers, Inc. (Corporate Secretary)
Clarita T. Zarraga ** (*Director, July 30, 2010 to present)* ***(Independent Director, August 25, 2010 to present)***	72	Abacus Consolidated Resources and Holdings, Inc. Lucky Circle Corporation Philippine Regional Investment Development Corporation Blue Stock Development Farms, Inc. Pride Star Development Bank Batangan Plaza, Inc. Montemayor Aggregates and Mining Corporation Alpha Asia Hotels and Resorts, Inc. Saturnina Estate & Dev't Complex Corp. Defending Family Values Foundation, Inc. Batangas Social Dev't Foundation, Inc. ARMCI Solutions & Consultancy, Inc. Expolanka Freight, Inc. ***(All-Director)*** Digi Software Phils, Inc. ***(Independent Director)***	*Filipino*	C.T. Zarraga and Associates *(Managing Partner)* Abacus Consolidated Resources & Holdings Inc. *(Director/Chairman-Audit Committee)* Lucky Circle Corporation Philippine Regional Investment Development Corporation Blue Stock Development Farms, Inc. Batangan Plaza, Inc. Montemayor Aggregates and Mining Corp. Alpha Asia Hotels and Resorts, Inc. Defending Family Values Foundation, Inc. Batangas Social Dev't Foundation, Inc. *(Director)* Digi Software Phils, Inc. *(Independent Director)* Saturnina Estate & Dev't Complex Corp. *(Director/Treasurer)* Pride Star Development Bank *(Director/Credit Committee Chair)* Carlos J. Valdes & Co. CPAs (Senior Audit Staff) Marianas, Inc. (Internal Auditor) Sylvanna Tobacco Corp. (Asst. to the President) PGH Foundation, Inc. (Treasurer)
Ignatius F. Yenko *** *(Director, April 19, 2012 to present)*	59	TKC Steel Corporation Sterling Bank of Asia Zoraymee Holdings, Inc. ***(All-Director)***	*Filipino*	TKC Steel Corporation *(Vice Chairman)* Sterling Bank of Asia *(Director)* Cyan Management Corporation *(Consultant)* PLDT *(First Vice President)* Primetown Property Group, Inc. *(Consultant)* Piltel *(Director/CFO)*

* *Newly elected directors in July 29, 2011 annual stockholders' meeting.*
** *Re-elected as Independent directors in July 29, 2011 annual stockholders' meeting.*

All of the independent directors, possess all the qualifications and none of the disqualifications as independent directors under SRC Rule 38 from the time of their election as such independent directors.

*** *Elected as director during BOD meeting held on April 19, 2012, to fill-up the vacancy arising from the resignation of Mr. Nuñez.*

The following are the executive officers:

Mr. Reynaldo P. Bantug – President (please see discussion on directors)

Mr. Renato G. Nuñez – Vice-President (please see discussion on directors)

Mr. Alejandro P. Alonte – Vice-President

Mr. Alonte is also the Vice-President for Operations and Marketing of AB Leisure Exponent, Inc., a wholly owned subsidiary of the registrant, since 1998. He served as Branch Manager of Bingo Bonanza at Sta. Lucia Branch from 1996 to 1998. He was the Executive Assistant to the Vice-President at Dolphin Environmental Control Systems, Inc. from 1987 to 1992. He also worked as Executive Assistant to the Vice-President at Manila Paper Mills and at Union Industries, Inc. and as Partner at Rastro Bookstore.

Atty. Raul G. Gerodias – Corporate Secretary/Compliance Officer

Atty. Gerodias is the Managing Partner of Gerodias Suchianco Estrella Law Firm. He is also the Corporate Secretary of AB Leisure Exponent, Inc. He is the President GSE Management Services, Inc. and sits in the board of directors of the following companies: Zoraymee Holdings, Inc., Fritz & Macziol Asia, Inc., AB Leisure Exponent, Inc., AB Food and Beverages Phils., Inc., Parex Group, Inc., ASC Phils., Inc., and Bank of Commerce.

Mr. Geoffrey L. Uymatiao – Treasurer (please see discussion on directors)

Nominees for Directorship: All incumbent directors, as well as independent directors, were re-nominated. However, Mr. Geoffrey L. Uymatiao declined the re-nomination as director for the ensuing year 2012. The Nomination Committee of the Board of Directors of the registrant has determined that the following nominees for the Board of Directors, including the independent directors, to be elected at this Annual Meeting, possess all the qualifications and have none of the disqualifications for directorship set out in the registrant's Manual on Corporate Governance as well as the Guidelines on the Nomination and Election of Independent Directors set forth in SRC Rule 38 as provided in Article II Section 6 of Registrant's Amended By-Laws dated November 28, 2003. The Chairman of the Nomination Committee is Mr. Willy N. Ocier and the members are Mr. Wilson L. Sy and Mr. Anthony L. Almeda.

1. Reynaldo P. Bantug
2. Anthony L. Almeda - Independent Director
3. Jose Conrado B. Benitez
4. Ignatius F. Yenko
5. Edgardo S. Lopez
6. Willy N. Ocier
7. Bienvenido M. Santiago
8. Wilson L. Sy
9. Eusebio H. Tanco
10. Clarita T. Zarraga - Independent Director
11. Jose Francisco B. Benitez

Nomination of Independent Directors: Mr. Anthony L. Almeda was nominated by Mr. Geoffrey L. Uymatiao, an incumbent director of the registrant, while Ms. Clarita T. Zarraga was nominated by Mr.

Anthony L. Almeda. All of the persons recommending the nomination of the independent directors have no relationship to their respective nominees. Mr. Anthony L. Almeda is not a director in any other reporting companies.

The curriculum vitae of the directors nominated for re-election are described in the discussion on “Directors and Executive Officers.” Mr. Jose Francisco Benitez, newly nominated for the current directorship, is the son of Mr. Jose Conrado Benitez and nephew of Mr. Reynaldo P. Bantug. His brief bio-data is provided below:

Name	**Age**	**Directorships in Other Companies**	**Business Experience for the Past Five Years**
Jose Francisco B. Benitez	43	Philippine Women's University (PWU) J-Alfra Development Corporation BBB (Betty Bantug Benitez) Foundation ***(All Director)***	Philippine Women's University (PWU) *(President)* Philippine Women's University (PWU) *(Board of Trustees)* J-Alfra Development Corporation *(Vice President)* BBB (Betty Bantug Benitez) Foundation *(Trustee)*

2. Significant Employees

   No person, who is not a director or an executive officer, is expected to make a significant contribution to the business of the Company. Neither is the business highly dependent on the services of key personnel.

3. Family Relationships

   Mr. Jose Conrado B. Benitez is a brother-in-law of Reynaldo P. Bantug. Mr. Jose Francisco Benitez, newly nominated for the current directorship, is the son of Mr. Jose Conrado Benitez and nephew of Mr. Reynaldo P. Bantug. Except for the said relationships, there are no other family relationships known to the registrant.

4. Involvement in Certain Legal Proceedings

   The Company's directors and executive officers were not involved in any of the following events during the past five years that are material to an evaluation of their ability or integrity:

   (a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

   (b) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

   (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

   (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

5. Certain Relationships and Related Transactions:

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market. There were no transactions or proposed transactions during the last two (2) years to which the registrant or its subsidiaries, in which a director, executive officer, or stockholders owning ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

For transactions with related parties pertaining to those consummated with its subsidiaries and other related parties, please refer to Notes 22 and 28 of Notes to the Consolidated Financial Statements for the year 2011 and 2010.

6. Director's Disagreement with Registrant Leading to Directors' Resignation or Declining to stand for re-election: No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of a disagreement with the registrant on any matter relating to the registrant's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

Data as to all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly during the last two completed calendar years and the ensuing calendar year to the Company's President and five other most highly compensated executive officers.

Name and Principal Position	Year	Compensation	Bonuses	Other Annual Compensation
	2012	Estimated	Estimated	Estimated
Reynaldo P. Bantug, *President and CEO*				
Geoffrey L. Uymatiao, *Treasurer*				
Renato G. Nuñez, *Vice-President up to Feb. 15, 2012*				
Alejandro P. Alonte, *Vice-President*				
All above-named Officers as a group	2012	₱ 7,085,000	₱ 800,000	₱ 600,000
All other officers as a group unnamed	2012	None	None	None

Reynaldo P. Bantug, *President and CEO*				
Bienvenido M. Santiago, *(Corporate Secretary up to 8/18/2011)*				
Geoffrey L. Uymatiao, *Treasurer*				
Renato G. Nuñez, *Vice-President*				
Alejandro P. Alonte, *Vice-President*				
All above-named Officers as a group	2011	₱ 6,143,191	₱ 800,000	₱ 600,000
All other officers as a group unnamed	2011	None	None	None

Reynaldo P. Bantug, *(President and CEO from 7/1/2010)*				
Alfredo Abelardo B. Benitez, *(President and CEO up to 6/30/2010)*				
Bienvenido M. Santiago, *Corporate Secretary*				
Geoffrey L. Uymatiao, *Treasurer*				
Renato G. Nuñez, *Vice-President*				
Alejandro P. Alonte, *Vice-President*				
All above-named Officers as a group	2010	₱ 3,318,448	₱ 600,000	₱ 440,000
All other officers as a group unnamed	2010	None	None	None

**Other annual compensation consists of director's fees of salaried directors.*

(2) Compensation of Directors

Members of the Board of Directors are elected for a term of one year. Except for the Company's President, Treasurer, Corporate Secretary and one Vice-President, all other directors receive no compensation except director's per diem of ₱ 10,000.00 per meeting and per diem of ₱ 5,000.00 in audit, compensation and nominating committees. In 2011 and 2010, a cash bonus of ₱ 200,000 and ₱ 150,000 was given to each director respectively.

Total payments to non-salaried directors amounted to ₱3,150,000.00 in 2011 and ₱1,610,000.00 in 2010.

(3) Employment Contracts and Termination of Employment and Change in Control Arrangements

There are no agreements or employment contract existing between the Company and any of its directors or executive officers.

(4) Outstanding Warrants and Options

The Company has no outstanding warrants and options.

Item 7. Independent Public Accountants

KPMG Manabat Sanagustin & Co., served as Company's external auditors for the December 31, 2011 and 2010 Financial Statements. Their re-appointment was approved during the Company's annual stockholders' meeting held on July 29, 2011. The same auditing firm shall be recommended for appointment as the Company's external auditors for the ensuing year and Mr. Jose P. Javier Jr. is the recommended partner-in-charge.

Mr. Jose P. Javier Jr. was the partner in charge of the Company's 2011, 2010, 2009 and 2008 audit while Mr. Wilfredo Z. Palad was the partner in charge during 2007 and 2006 audit. In compliance with SRC Rule 68 as Amended, Paragraph 3(b)(ix), the handling audit partner is rotated every five (5) years and in case there will be a re-engagement of the same signing partner, a two-year cooling off period shall be observed.

There was no event in the past where KPMG Manabat Sanagustin & Co. had any disagreement with the Company with regard to any matter relating to accounting principles or practices or financial statement disclosure or auditing scope or procedure.

Representatives of the Independent Public Accountant (KPMG Manabat Sanagustin & Co., CPA's) are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Chairman of the Audit Committee is Ms. Clarita T. Zarraga and the members are Mr. Reynaldo P. Bantug and Mr. Geoffrey L. Uymatiao.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

On March 21, 2011, the Registrant's Board of Directors (BOD) approved the issuance of One Hundred Fifty Million shares from the unissued portion of its capital stock through private placement. By virtue of Subscription Agreements all dated March 24, 2011, the following companies subscribed to a total of 150,000,000 shares at the stipulated subscription price of ₱ 7.50 per share:

Name of Subscriber/Investor	Number of Shares	Subscription Amount (₱)
Grandshares Inc. (Grandshares)	100,000,000	750,000,000.00
Pacific Online Systems Corporation (Pacific Online)	25,000,000	187,500,000.00
Vantage Equities, Inc. (Vantage Equities)	25,000,000	187,500,000.00

Twenty-Five percent (25%) of the subscription amount was paid upon the execution of the Subscription Agreements, while the remaining Seventy-Five percent (75%) was paid on May 15, 2011, as follows:

Name of Subscriber/Investor	Subscription Amount (₱)	Paid Upon Execution of the Subscription Agreements (₱)	Paid on May 15, 2011 (₱)
Grandshares	750,000,000	187,500,000	562,500,000
Pacific Online	187,500,000	46,875,000	140,625,000
Vantage Equities	187,500,000	46,875,000	140,625,000

The approval of the shareholders on these private placement transactions was obtained during the annual stockholders' meeting held on July 29, 2011.

Upon full payment of the total subscription amount and after filing of the notice of exempt transaction with the Securities and Exchange Commission (SEC) and the filing of additional listing of shares with the Philippine Stock Exchange (PSE), share certificates shall be issued to the respective subscribers.

On November 23, 2011, PSE approved the application to list additional 150,000,000 million shares with a par value of ₱1.00 per share to cover the said private placement transactions. Upon execution of the Escrow Agreement on April 3, 2012 to implement the required lock-up of the private placement shares, the PSE in its Memorandum dated May 3, 2012, set the listing of the additional 150,000,000 shares on May 7, 2012.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The minutes of the previous Annual Stockholders' Meeting dated July 29, 2011 shall be submitted to the stockholders for approval. Also to be submitted for approval/ratification is the Annual Report and the Audited Financial Statements for fiscal year 2011 and the actions taken by the Board of Directors and Officers since the last annual meeting of the stockholders as follows:

1. Approval of list of nominees for election to the Board of Directors including the independent directors as submitted by the Nomination Committee.
2. Approval of audit reports and financial statements as presented by the Audit Committee.

Item 18. Other Proposed Actions

There are no other proposed actions to be taken on matters other than those provided in the preceding items.

Item 19. Voting Procedures

(a) Vote required for Approval or Election

With respect to the election of directors, candidates who receive the highest number of affirmative votes will be declared elected.

With respect to: (i) the approval of the reports stated in Item 15 above; (ii) approval of appointment of KPMG Manabat Sanagustin & Co., as external auditor of the Corporation; and (iii) all other matters subject to vote, except in cases when the law provides otherwise, the affirmative vote of majority of the outstanding capital stock entitled to vote is required to approve such matters.

(b) Method by which votes will be counted

Except as otherwise provided by law, each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share of stock standing in his name on the stock books of the registrant, which vote may be given personally or by attorney authorized in writing. The instrument authorizing as attorney or proxy to act shall be exhibited to the Secretary if he shall so request. In the election of directors, each stockholder entitled to vote may cumulate and distribute his votes in accordance with the provisions of the Corporation Code.

Unless required by law, or demanded by a stockholder present in person or proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, in his name or by his proxy if there be such proxy, and shall state the number of shares voted by him. In any and all matters requiring the vote of the stockholders, it is the Company's Corporate Secretary who shall be authorized to count the votes to be cast.

The Company's 18,330,500 LR shares acquired by AB Leisure Exponent, Inc., a wholly-owned subsidiary of LRWC will not be voted on as these are deemed treasury shares.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on June 25, 2012.

LEISURE & RESORTS WORLD CORPORATION
Issuer

By:

RAUL G. GERODIAS
Corporate Secretary

MANAGEMENT REPORT

PART I - BUSINESS AND GENERAL INFORMATION

Business

Business Development

Primary Purpose

Leisure and Resorts World Corporation (hereinafter referred to as "Company/LRWC" or the "Registrant") was incorporated on October 10, 1957. As part of the corporate restructuring of the Company in 1996, the Company's primary purpose was amended in 1999 to engage in realty development focusing on leisure business. However, for several years, it had minimal operations and functioned as a holding company.

Share Swap

In October 1999, the Board of Directors of the Company approved the Share Exchange Agreements (Agreements) with the shareholders of AB Leisure Exponent, Inc. (ABLE), operator of a number of bingo parlors, for the acquisition of the entire outstanding capital stock of ABLE in exchange for 750 million new shares of the Company valued at ₱750 million. By virtue of the Agreements, ABLE became a wholly owned subsidiary of the Company.

On September 19, 2000, the Securities and Exchange Commission (SEC) approved the Company's increase in authorized capital stock to ₱2.5 billion. Out of the aforementioned increase which consists of a total 2.5 billion common shares at ₱ 1 par value, a total of 750 million common shares with aggregate par value of ₱750 million have been subscribed and fully paid for through the assignment in favor of the Company of 500,000 common shares of ABLE representing the entire outstanding capital stock thereof by ABLE shareholders. This subscription and payment in ABLE shares was an implementation of the duly executed Agreements. These shares were principally held in escrow with a local commercial bank. In 2007 and 2008, SEC approved the release of shares totaling 131,237,048 out of the shares held in escrow. The remaining shares totaling 5,942,597 were finally approved for release on October 10, 2011.

AB Leisure Exponent, Inc.

On March 31, 1995, ABLE was registered with the SEC. The primary purpose of ABLE and its subsidiaries is to provide amusement and recreation to the public in such forms as, but not limited to, traditional, electronic, pulltabs and rapid bingo games. Doing business as Bingo Bonanza Corporation, ABLE has established itself as the pioneer in professional bingo gaming in the Philippines. ABLE has twenty-five (25) wholly/majority owned subsidiaries. The Group operates 60 bingo parlors nationwide, six (6) of which are owned by ABLE. There are two (2) dormant subsidiaries/bingo parlors and two (2) bingo parlors operated by minority owned affiliates. Philippine Amusement and Gaming Corporation (PAGCOR) granted ABLE and subsidiaries/affiliates the authority to operate bingo games pursuant to PD 1869.

First Cagayan Leisure & Resort Corporation (FCLRC)

On April 26, 2000, FCLRC was incorporated. The Company acquired 35% of the outstanding capital stock of FCLRC by purchasing 43,750 shares with a Par value of ₱100 last September 20, 2005. FCLRC has an existing License Agreement with the Cagayan Economic Zone Authority (CEZA), to develop, operate and conduct internet and gaming enterprises and facilities in the Cagayan Special Economic Zone Free Port (CSEZFP). Pursuant to the License Agreement, FCLRC was issued the "CEZA Master Licensor Certificate" certifying that FCLRC is duly authorized to regulate and monitor on behalf of CEZA all activities pertaining to the licensing and operation of interactive games. On March 3, 2006, the Board of Directors (BOD) approved the additional investment of 40,000 shares in FCLRC for an aggregate amount of ₱32.0 million. This additional subscription to FCLRC's shares brought the registrant's total investment to 83,750 shares representing 50.75% of the issued and outstanding capital stock. On April 3, 2006, the BOD approved the acquisition of 31,250 shares, representing 25% of the issued shares (prior to issuance of the additional subscription) of FCLRC, from one of its shareholders, Joanna Heights, Inc. for an aggregate amount of ₱25.0 million on the same terms as the earlier additional subscription. The acquisition was completed upon execution of the Deed of Assignment of Rights on September 27, 2006. With this acquisition, the registrant now holds 115,000 shares representing 69.68% of the issued and outstanding capital stock of FCLRC.

LR Land Developers, Inc. (LRLDI)

On December 11, 2007, the SEC approved the incorporation of a wholly owned subsidiary, Northern Philippines Land and Property Development Inc. (NPLPDI), whose primary purpose is to engage in the business of purchasing, leasing, owning, using, improving, developing, subdividing, selling, mortgaging exchanging, leasing and holding for investment or otherwise, real estates of all kinds and build or cause to be built on any such land owned, held or occupied for management or disposition buildings, houses, or other structures with their appurtenances. On March 3, 2008, SEC approved the amendment to the Articles of Incorporation changing its name to LRLDI.

Binondo Leisure Resources, Inc. (BLRI)

On February 11, 2003 BLRI was incorporated and subsequently amended last July 2, 2003. On July 25, 2003, the

Company signed a Memorandum of Agreement (MOA) with BLRI. In accordance with the MOA, the Company acquired a 30% interest in BLRI through the assignment of shares. The MOA also indicated that the Company would subscribe to 200,000 preferred shares of BLRI with a Par value of ₱100.00 (after SEC approval on BLRI's application of increase in capital stock). The preferred shares are cumulative and shall be entitled to dividends at the rate of 14% per annum. On May 13, 2004, the SEC approved the BLRI's application for the increase in its capital stock. The Company will also acquire additional shares of BLRI representing 21% amounting to ₱2.1 million from BLRI's existing shareholders subject to completion of certain requirements.

AB Leisure Global, Inc. (ABLGI)

On October 20, 2009, SEC approved the incorporation of another wholly owned subsidiary, AB Leisure Global Inc. (ABLGI), whose primary purpose is to purchase, acquire, own, use, improve, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises, such as but not limited to resorts, golf courses, clubhouses and sports facilities, hotels and gaming facilities, with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith. The authorized capital stock of ABLGI is Five Million (₱ 5,000,000.00), divided into Fifty Thousand shares (50,000) with par value of One Hundred Pesos (₱ 100.00), of which, One Million Two Hundred Fifty Thousand (₱1,250,000.00) has been actually subscribed and Three Hundred Twelve Thousand Five Hundred (₱ 312,500.00) of the subscribed shares has been paid up. On May 3, 2011, the Company's BOD approved the increase in the authorized capital stock from Five Million Pesos (₱5,000,000) to Four Hundred Million Pesos (₱400,000,000) divided into Four Million Shares (4,000,000) with par value of One Hundred Pesos (₱100). Relative to this, deposits were made by LRWC for future stock subscriptions totaling to Ninety Eight Million Seven Hundred Fifty Thousand Pesos (₱98,750,000.00) as of December 31, 2011.

As of this date, however, ABLGI has not yet filed its application for the increase in its authorized capital stock with the SEC.

Blue Chip Gaming and Leisure Corporation (BCGLC)

On October 9, 2009, BCGLC was registered with SEC. Its primary purpose is to provide investment, management, counsel and to act as agent or representative for business enterprises engaged in gaming, recreation and leisure activities. On October 20, 2009, BCGLC as lessor and as the authorized representative of Munich Management Limited – a foreign corporation duly organized and registered in British Virgin Islands entered into a contract of lease with PAGCOR as lessee for the use of slot machines and gaming facilities. On April 27, 2011, LRWC purchased 26,250 shares of BCGLC representing 70% of BCGLC's outstanding capital stock. The purchase was ratified by LRWC's BOD on May 24, 2011.

Bingo Bonanza (HK) Limited (BBL)

On March 15, 2010, LRWC incorporated BBL, as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hongkong. BBL has not started its operations as of December 31, 2011.

The 2010 consolidated financial statements did not include the balances of BBL as these were immaterial to the Group. In 2011, however, BBL's balances are already included in LRWC's consolidated financial statements.

LRWC Articles of Incorporation and By-Laws

The stockholders of LRWC approved various amendments to the Company's Articles of Incorporation. The more relevant amendments relating to the current operations are as follows:

1) On September 30, 2005, the extension of the registrant's corporate existence until the year 2055. SEC approved this amendment on November 6, 2006; and

2) On November 28, 2003, change in the date of the annual meeting of stockholders from the third Tuesday of April to the last week of June. On September 30, 2005, it was again amended from the last week of June of each year to the last week of July. This was further amended on August 18, 2006 from the last week of July of each year to the last Friday of July. SEC approved this amendment on May 25, 2007.

Cash Dividends

On July 31, 2009, the BOD approved the declaration of cash dividend equivalent to ₱0.03 per share payable to all common stockholders of record as of August 28, 2009 and another cash dividend of ₱ 0.03 per share payable to all common stockholders of record as of November 27, 2009. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of One Hundred Thousand (₱ 100,000.00) each. On the same date, stockholders present in person or by proxy in the annual meeting, representing 586,717,106 shares or 75.94% of the outstanding capital stock of the registrant, approved the declaration of a 10% stock dividend or 77,262,310 shares which was issued out of the authorized and unissued capital stock of the Corporation to all stockholders of record as of August 28, 2009.

On July 30, 2010, the BOD approved the declaration of cash dividend equivalent to ₱ 0.03 per share payable to all common stockholders of record as of August 27, 2010, another cash dividend of ₱ 0.03 per share payable to all common stockholders of record as of November 26, 2010 and another cash dividend of ₱ 0.02 per share payable to all common stockholders of record as of January 28, 2011. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of One Hundred Fifty Thousand (₱ 150,000.00) each.

On July 29, 2011, the BOD approved the declaration of cash dividend equivalent to ₱ 0.030 per share payable to all common stockholders of record as of September 28, 2011, another cash dividend of ₱ 0.025 per share payable to all common stockholders of record as of January 30, 2012 and another cash dividend of ₱ 0.020 per share payable to all common stockholders of record as of February 29, 2012. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of Two Hundred Thousand (₱ 200,000.00) each.

Others

On February 19, 2008, the BOD of ABLE approved the acquisition of LRWC shares of up to 15,000,000 shares as a temporary investment in marketable securities in consideration that ABLE has excess funds for investments. Thereafter, ABLE started to acquire LRWC shares at the prevailing market price. As of December 31, 2011, ABLE has a total of 18,330,500 LRWC shares (at a market value of ₱166,624,245) held as temporary investments in marketable securities.

On March 17, 2009, the BOD approved a resolution recalling the resolution to issue 37,000,000 shares out of the unissued portion of its authorized capital stock in favor of Asianlogic Limited at the subscription price of ₱3.10 per share or an aggregate amount of One Hundred Fourteen Million Seven Hundred Thousand Pesos (₱114,700,000), in accommodation of Asianlogic's preference to defer indefinitely the subscription to said shares in view of the worldwide adverse market conditions. The Corporation and Asianlogic have agreed to revisit this planned subscription to such time when the market conditions are more stable.

On March 11, 2011, the BOD authorized the issuance, through private placement, of ₱150 million shares from its unissued capital stock at a price of ₱7.50 per share. The newly issued shares were subscribed by third parties. Twenty-Five percent (25%) of the subscription amount was paid upon the execution of the Subscription Agreements on March 24, 2011, while the remaining Seventy-Five percent (75%) was settled on May 15, 2011. The issuance of these shares was filed with SEC on May 2011 and was approved and ratified by the Stockholders in the Annual Stockholders' Meeting held on July 29, 2011. As a result of this issuance, the total issued and outstanding stocks of the registrant as of December 31, 2011 increased to 999,877,094 shares.

On May 24, 2011, the BOD approved a resolution for the adoption of a Management Incentive Stock Option Plan to be administered and implemented by a Committee composed of five members, two of whom must be independent directors, and allocating five percent (5%) of the authorized capital stock for the stock option plan which will be made available to the members of the Board of Directors, except independent directors, executive officers occupying the positions of President, Vice-President and Assistant Vice-President of the Corporation and its subsidiaries. The purchase price for the shares under the stock option plan shall be the 45 trading day moving average of the market price or such lower price as may be allowed by the Securities Regulation Code and the Philippine Stock Exchange minus any discount that may be approved by the Committee which shall not exceed twenty percent (20%) of the purchase price.

Products, Games and Distribution Methods

ABLE

ABLE (popularly known as Bingo Bonanza Corporation), the pioneer in professional bingo gaming in the Philippines, is a 100% subsidiary of the Company. ABLE bingo parlors have become community and entertainment centers, a source of revenue for the government, and a sponsor for fund-raising activities relating to social and educational programs.

The traditional bingo game remains the principal product line. ABLE is trying to lead the way, not only through profitable business partnerships, but also through sound business strategy that combines technological innovation and continuous variations of the traditional bingo game in terms of number combinations, payouts and game mechanics. Such variations include among others Quick Shot, Circle 8, Instant Bingo Bonanza, Player's Choice, and X Game. In addition to these variations, ABLE also introduced the Video Link Bingo, which enables bingo players in one parlor to play simultaneously same game with players in other parlors for bigger payouts. The majority of the Metro Manila bingo parlors have been linked for the metro-wide bingo game. Likewise, the Visayas' bingo parlors have been linked to form their own cluster.

ABLE also launched the E-bingo games (EBG) in 2002 with 20 machines. As of December 31, 2011, around 2,162 machines were installed in 44 affiliated bingo parlors.

In August 2005, ABLE introduced Rapid Bingo with 14 terminals in 14 bingo parlors. By end of 2011, a total of 86 Rapid Bingo terminals were installed in 66 bingo parlors, 20 of which are located in non-affiliated bingo parlors and casinos. ABLE also introduced Pull Tabs in the latter part of 2005 and continues to market said product to all its operational bingo parlors and other non-affiliated establishments.

ABLE and its subsidiaries/affiliates operate a total of 60 bingo parlors, 6 of which are owned by ABLE, 52 sites are owned through subsidiaries and two (2) are minority owned affiliates. There are 2 dormant subsidiaries/bingo parlors for relocation as of December 31, 2011. Most of these bingo parlors are located in major shopping malls in Metro Manila and in key provincial cities. Enumerated below is a list of bingo branches, subsidiaries/affiliates, its locations, date of organization and ABLE's equity interest.

Company-Owned Bingo Parlors:			**Location**
		1.	SM Mega Mall, EDSA, Mandaluyong City
		2.	Sta. Lucia East Mall, Cainta, Rizal
		3.	SM City, North EDSA, EDSA, Quezon City
		4.	New Farmers Plaza, EDSA, Quezon City
		5.	Makati Cinema Square, Pasong Tamo, Makati City
		6.	SM Southmall, Almanza, Las Pinas City
Bingo Parlors Owned Through Subsidiaries/Equity	***Date of Organization***		**Location**
Alabang Numbers & Gaming Corp., 100%	*11/18/97*	1.	Festival Supermall, Alabang, Muntinlupa City
All Point Leisure Corporation, 100%	*07/16/97*	2.	SM Centerpoint, Quezon City
		3.	Harrison Plaza, Manila
Big Time Gaming Corporation, 100%	*03/27/06*	4.	Sunshine Blvd. Plaza, Quezon Ave. Corner Sct Santiago & Panay Ave., Quezon City
		5.	2/F Intrepid Plaza Bldg., E. Rodriguez Ave. Bgry

			Bagumbayan, Quezon City
		6.	G/F QY Plaza, 233 Tomas Morato Ave., South Triangle 4, Quezon City
Bingo Dinero Corporation, 95%	*08/19/98*	7.	SM City, North Reclamation Area, Cebu City
Bingo Extravaganza, Inc., 100%	*01/11/99*	8.	SM Sucat, Sucat Road, Paranaque City
		9.	SM City Bicutan, Don Bosco, Paranaque City
		10.	Tonie's Mart, Puerto Princesa, Palawan
		11.	BLC Bldg, Rizal Ave., Puerto Prinsesa, Palawan
Bingo Gallery, Inc., 100%	*10/16/98*	12.	Liana's Mutya ng Pasig Mall, Caruncho, Pasig City
		13.	SM City Mastersons Ave., Canitoan, Cagayan de Oro City
		14.	Armal Centre Bldg., Bgry. Malinao, Pasig City
		15.	Robinsons Metro East, Santolan, Pasig City
Bingo Palace Corporation, 100%	*08/19/98*	16.	Robinson's Place, Ermita, Manila
		17.	SM Mall of Asia, Pasay City
		18.	New Public Market, Urdaneta City, Pangasinan (closed 12/21/11)
Bingo Zone, Inc., 95%	*05/13/99*	19.	*Dormant*
Cebu Entertainment Gallery, Inc., 100%	*09/07/98*	20.	Elizabeth Mall, Leon Kilat St., Cebu City
Fiesta Gaming & Entertainment Corp, 100%	*11/07/97*	21.	*Dormant*
First Leisure and Game Co., Inc., 100%	*12/09/97*	22.	Robinson's Place, Mandalagan, Bacolod City
		23.	G/F Lopue's Mandalagan Bldg, Lacson St, Mandalagan, Bacolod City
Galleria Bingo Corporation, 100%	*10/27/98*	24.	Robinson's Galleria, EDSA, Quezon City
G-One Gaming and Technology, Inc., 100%	*04/06/98*	25.	SM City Bacoor, Tirona Highway, Cavite
Highland Gaming Corporation, 100%	*06/06/00*	26.	Baguio Centermall, Baguio City
		27.	SM City Baguio, Luneta Hill, Baguio City
Iloilo Bingo Corporation, 100%	*12/01/99*	28.	SM City Iloilo, Manduriao, Iloilo City
Isarog Gaming Corporation, 90%	*04/24/98*	29.	SM City Naga, CBD2, Bgry Trianggulo, Naga City
		30.	B3, Unit 1,2,3,544, 55 & 56 ALDP Mall, Roxas Ave Triangulo, Naga City
Manila Bingo Corporation, 95%	*09/24/97*	31.	SM City Fairview, Regalado, Fairview, Q.C.
Metro Gaming Entertainment Gallery, Inc., 100%	*06/24/98*	32.	M-Star, CV Star Ave., Pamplona, Las Pinas City
		33.	SM Supercenter, Molino Rd., Bacoor, Cavite
		34.	5/F 168 Divisoria Mall, Soler St. Binondo, Manila
		35.	Unit GF, ANS-08 Pasay City Mall Ave cor Arnaiz, Pasay City
One Bingo Place, Inc., 80%	*05/03/00*	36.	SM City Manila, Arroceros St., Manila
Rizal Gaming Corporation, 100%	*11/12/98*	37.	Robinson's Place, Cainta, Rizal
		38.	Robinson's Pioneer, Edsa, Mandaluyong City
		39.	UGF 101, 102 SM City Masinag, Brgy Mayamot, Antipolo City
SG Amusement and Recreation Corp., 100%	*08/24/05*	40.	Greenhills Shopping Center, San Juan City
		41.	Villa Bldg. Jupiter St., Makati City
		42.	Wilson Square, P.Guevarra, San Juan City
		43.	Unit # M5 Hobbies of Asia, #8 Pres. Diosdado Macapagal Blvd, Pasay Ctiy
South Bingo Corporation, 100%	*12/10/97*	44.	SM City Davao, Quimpo Blvd., Davao City
South Entertainment Gallery, Inc., 100%	*12/13/00*	45.	SM City, San Fernando City, Pampanga
		46.	SM City Lucena, Dalahican, Dupay, Lucena City
		47.	SM Supercenter, Muntinlupa City
		48.	Pacific Mall, Tagarao St., Lucena City
		49.	SM City Tarlac, San Roque, Tarlac City

Summit Bingo, Inc., 60%	*01/19/99*	50.	Savers' Mall, Balibago, Angeles City, Pampanga
Topmost Gaming, Corp. 100%	*01/13/98*	51.	5th Flr., Nova Plaza Mall, Quirino Highway, Novaliches, Quezon City
		52.	3/F Star J Plaza, F. Sevilla Blvd, Brgy. Tañong, Malabon City
Bingo Parlor Owned Through An <u>Affiliate/Equity:</u>	***Date of <u>Organization</u>***		**Location**
Insular Gaming Corporation, 40%	*12/13/00*	1.	G/F, Berds Bldg., Iligan City
Vinta Gaming Corporation, 50%	*04/28/03*	2.	Gaisano Mall, Koronadal, South Cotabato (temporary closed)

ABLGI

On January 14, 2011, ABLGI entered into an agreement to act as an operator and manager of the casino with Premium Leisure and Amusement, Inc. (PLAI), a subsidiary of Belle Corporation. PLAI is a member of consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation and SM Commercial Properties. On the same date, an Operating Agreement was signed by PLAI and ABLGI, wherein as operator and manager of the casino, ABLGI shall exercise supervision, direction and responsibility for the operation of the casino in behalf of PLAI pursuant to the Provisional License issued by PAGCOR.

On March 14, 2011, ABLGI entered into an agreement (in conjunction with the Operating Agreement) with Asia Pacific Gaming Consultancy Ltd., a corporation established in Macau SAR, China for professional services in the management of the casino.

LRLDI

In 2010, LRLDI entered into an agreement with Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC), both third parties and corporations incorporated in the Philippines, to finance the construction of the airport at Lal-lo, Cagayan. The terms and conditions of the agreement include the following: (1) LRLDI agrees to invest funds or make advances into the Lal-lo Airport Project of CPVDC through a convertible loan in favor of CLPDC of a maximum of ₱ 700 million. CPVDC shall only use the advances to finance its capital expenditures and working capital requirements related to the construction development of the airport; (2) LRLDI shall have the right to convert, in whole or in part, the outstanding amount of the advances at the time of the conversion, into new, unissued common shares of CLPDC subject to mutually agreed conversion price per conversion share; (3) CLPDC acknowledges and agrees that the advances will be directly received by CPVDC and (4) CLPDC shall execute a separate agreement with LRLDI which provides for the specific procedures and details of borrowing, execution of the conversion and or repayment.

The construction of the airport is in line with the Master Development Plan with CEZA within the CSEZFP. LRLDI and FCLRC have significant operations within the CSEZFP, which will benefit from the construction of the airport. The construction of the airport is ongoing as of April 19, 2012.

FCLRC

On February 3, 2001, FCLRC and CEZA entered into a License Agreement authorizing FCLRC to set up a network operation/hub with its internet server including web sites, gaming software, application programs, administrative software, hardware, internet, as well as telecommunication connections, collection and payment system and toll-free telephone operations, all in connection with the development, operation and conduct of internet and gaming enterprises and facilities in CSEZFP. In line this mandate, FCLRC was also authorized and licensed to conduct interactive games as defined in the License Agreement.

Subsequent to the signing of the License Agreement, FCLRC and CEZA signed a Supplemental Agreement which provides authority for FCLRC in the following capacity: (1) Appointment as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive gamines in CSEZFP; (2) Assist CEZA in its functions as regulator for interactive gaming activities on behalf of CEZA in accordance with CSEZFP Interactive Gaming Rules and Regulations; (3) The authorization as Master Licensor shall be exclusive for twenty-five (25) years starting from 2006 until 2031; (4) Authorized to collect a sub-license fee to two (2) percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, the Company is authorized to collect from sub-licenses, an annual fixed amount equivalent to $48,000 for the first year of operations and $60,000 thereafter, from sportsbook operators and (5) The Company must pay CEZA, on a monthly basis to commence upon the start of actual operations , an amount equivalent to one (1) percent of the monthly gross winnings payable not later than the seventh (7th) day of the subsequent month. Starting on the sixth (6th) year after the start of the Company's operation, it shall pay a minimum guaranteed amount of $250,000 each month.

FCLRC proposed a Master Development Plan in keeping its authority under the License Agreement. The Master Development Plan will accordingly create a self-sustaining industrial zone and mixed-use new township in the CSEZFP with tourism and leisure as the lead sector to be developed.

The Master Development Plan as envisaged by FCLRC shall comprise of the three (3) phases with time frame of completion as follows:

Phase I: which shall be completed one (1) year after authorization of the CEZA BOD, includes telecommunication connectivity via microwave radio, upgrading of the existing internet data center, conversion of the CEZA Complex into a gaming facility, upgrading of the San Vicente naval Airport and construction of a new CEZA Administration Office;

Phase II: which shall be completed three (3) years from completion of Phase I, shall include the telecommunication connectivity via fiver optic, redundant telecommunication connectivity and construction of a leisure and resort complex;

Phase III: which shall be completed three (3) years from completion of Phase II, shall include the implementation of the Comprehensive Feasibility Study that will provide a complete telecommunication infrastructure for the whole of the CSEZFP and development of a beach front property into a leisure and gaming facility.

As of December 31, 2011, there were 60 licensed locators, 52 of which are operational. Last year, FCLRC had 45 licensed locators, of which 36 were operational then.

First Cagayan Converge Data Center, Inc. (FCCDC)

FCLRC and IP Converge Data Center Corporation (a wholly-owned subsidiary of listed firm IPVG Corp.) formed a joint venture corporation with the name First Cagayan Converge Data Center, Inc which was incorporated on November 14, 2007. FCLRC owns 60% of the outstanding capital stock of FCCDC. This joint venture corporation was formed to engage in the business of information technology such as IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution, premium dial up access, voice over internet protocol (VOIP), IP-wide arera network services and other value added services. Presently, FCCDC provides a range of services to Internet Gaming Operators at the CSEZFP for a fee. These revenue streams include but are not limited to the following:

- Connectivity using wide bandwidth capabilities
- Physical housing of the server to host the Internet site, in a high security site
- High quality monitoring and maintenance services for the Internet infrastructure
- Hosting services which include connection of servers and data networking equipment to the same monitoring and management system
- A range of call center services
- A range of value added services for ongoing operation of the Internet Site and management of the Internet Casino Site
- Office space
- Administration services which includes facilities management, server management and network monitoring
- Payment and receipt of gaming funds services
- Telecommunication services
- Physical security and monitored access
- Off-site storage of back up materials in secure premises

- Second level help desk service that includes provision of a single answering point for operational, performance, reporting and commercial issues
- Value added services, such as website monitoring, traffic analysis. Marketing analysis, telemarketing, and customer relationship management among others.

FCCDC commenced its commercial operations on January 1, 2008; thus FCLRC's statement of income includes its 60% equity in net earnings from FCCDC.

In 2009, FCLRC and FCCDCI agreed to apply ₱ 3.75 million of FCLRC's cash dividend against the subscription payable to FCCDCI.

IPVG Corp. acquired IP Converge Data Center Corporation's ownership interest in FCCDCI and entered into a Deed of Assignment of Subscription Rights with IP E-Games Ventures, Inc. (IP E-Games), whereby IPVG Corp. assigned 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1. The assignment was made effective January 1, 2009. However, on April 13, 2011, the Board of Directors of both IP E-Games and IPCDCC jointly approved the sale of IP E-Games 40% equity stake in FCCDCI to IPCDCC for a total consideration of ₱120 million.

Competition

ABLE

ABLE manages to stay on top of competition with its extensive network of bingo parlors, and by continuing the development of new parlors and game products. Consolidated sales grew by ₱22.8 million or 0.63% from ₱3,606.9 million in 2010 to ₱3,629.7 million in 2011.

Ever mindful of the growing major competitors such as Bingo Mania, Bigshot Bingo, Bingo Amusement Corporation, as well as small players and new entrants, ABLE sustains its market presence by aggressively offering huge jackpot payouts and launching new products to attract more players. Based on informal surveys, ABLE estimates its market share of the traditional bingo to be 33% to 40% in the last 3 years.

FCLRC

Being the master licensor of Internet gaming in Southeast Asia, FCLRC is in the forefront in leading the Cagayan Free Port as the premier i-Gaming licensing jurisdiction. FCLRC virtually has no competition in the industry in the Southeast Asia region. However there are around 80 gaming jurisdictions around the globe.

Major Supplier

ABLE

Currently, ABLE sources its bingo cards and supplies mainly from BK Systems Philippines, exclusive distributor of Bingo King, USA, one of the world's largest manufacturers and suppliers of bingo cards and bingo related products.

In 2002, ABLE entered into a Lease and Technical Assistance Agreement with FBM Gaming Arizona, Inc., to provide the necessary equipment, systems, facilities and technical support for the conduct and operation of Electronic Bingo Games.

In 2007, ABLE entered into a Lease and Services Agreement with Dingo Systems, Inc. to supply and lease gaming equipment and systems for the operation of the "Dingo Thunder Series System and Games".

In 2005, ABLE entered into a Memorandum of Understanding with Intralot S.A. Integrated Lottery Systems and Services to supply state-of-the-art hardware/software machines, equipment and accessories for the operation and conduct of computerized "on-line" bingo system known as the Rapid Bingo.

In 2011, ABLE and Intralot S.A. Integrated Lottery Systems and Services amended its Equipment Lease and Services Agreement which includes: (1) Assignment of parent company Intralot S.A. Integrated Lottery Systems and Services to Intralot, Inc. and (2) Extension of Equipment lease and Services Agreement from its original scheduled expiration in August 2010 to September 2015.

FCLRC

Major suppliers of FCLRC for IT and telecom equipment and supplies are B87 Technologies, Inc., CAMJ Construction, Inc. and ERS Telecoms among others.

Dependence if any to Major Customers

The Company and its subsidiaries are not dependent upon a single customer or a few customers, the loss of any or more of which would not have a material adverse effect on the company and its subsidiaries taken as a whole.

Patents, trademarks & licenses

ABLE

PAGCOR granted ABLE and its subsidiaries/affiliates (the Group), the authority to operate bingo halls pursuant to Presidential Decree No. 1869 (P.D. 1869). In consideration for the Grants, the Group shall pay PAGCOR 20% of its gross cards sales, representing franchise fees and taxes, which shall be remitted to PAGCOR on weekly basis. Pursuant to P.D. 1869, the BIR Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial or national government authority. The Group deposited cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants.

In 2008, PAGCOR approved and issued to its bingo grantees the Bingo Regulatory Order No. 2008-01 entitled "Modified Computation of the Five Percent (5%) Franchise Tax". The regulation modified the basis for the computation of the BIR Franchise Tax being remitted to PAGCOR by the bingo grantees for their Traditional Bingo operations as follows: fifteen percent (15%) of its gross receipts from bingo card sales (representing PAGCOR share), and five percent (5%) of its gross revenue (i.e. gross sales less payouts), representing BIR franchise tax retroactive to January 1, 2008.

On June 13, 2000, PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) cards to complement its existing bingo game operations pursuant to Presidential Decree No. 1869. In consideration for the Grant, ABLE shall pay PAGCOR, upon withdrawal of Instant Charity Bingo Game II cards, the regulatory fee of 12.5% of the gross sales value of the cards sold/purchased. However, because of the poor sales performance, ABLE discontinued the distribution of the cards during 2005 and wrote off the unsold cards amounting to ₱10,197,124.00 million in 2005. On February 2, 2007, ABLE received a letter from PAGCOR stating the conditions to continue the operations of ICBG2. On December 12, 2008, ABLE resumed commercial operations of ICBG2 scratch cards.

On May 8, 2001, PAGCOR granted the Group the authority to operate and conduct Electronic Bingo Games (E-bingo). In consideration for the Grants, ABLE shall pay PAGCOR 60% (representing 5% BIR franchise tax and 55% PAGCOR franchise fee) of their gross revenues from E-bingo operations. Starting May 1, 2010, ABLE shall remit to PAGCOR 52.5% of the gross revenues from E-bingo games to be distributed as follows: 5% representing BIR franchise tax and 47.5% as PAGCOR franchise fee.

On August 3, 2005, PAGCOR granted ABLE, the authority to distribute and sell pull-tabs or break-open cards in all branches and subsidiaries of ABLE. Distribution and sales of pull-tabs or break-open cards followed thereafter. In consideration of the Grant, ABLE shall pay PAGCOR 15% of gross card price, which will be remitted to PAGCOR upon draw-down of cards from the supplier regardless of quantity of cards sold.

On September 27, 2005, PAGCOR granted the Group, the authority to operate and conduct rapid bingo games, subject to the approved terms and conditions of the New Rapid Bingo System (NRBS) operations and the use of the prescribed NRBS card format. In consideration of the Grant, the Group shall pay PAGCOR 15%, representing franchise fees and taxes, of its gross sales from its conduct and operations.

On June 20, 2007, Philippine Congress passed Republic Act No. 9487, an act further amending P.D. 1869, otherwise known as the PAGCOR Charter. PAGCOR was granted from the expiration of its original term on July 11, 2008, another period of twenty-five (25) years, renewable for another twenty-five (25) years.

For all bingo sites, the Group has secured all other necessary licenses and permits at the local government level.

FCLRC

By virtue of CEZA Board Resolution No.05-003-01, dated 30 May 2001, FCLRC was granted by CEZA the exclusive authority as Master Licensor of internet gaming games and facilities in the CSEZFP for a renewable period of 2 years. CEZA also authorized FCLRC to assist CEZA in its functions as a Regulator of interactive gaming activities. Said appointment of FCLRC as Master Licensor was extended for 25 years by CEZA under Board Resolution No.09-002-06, dated 15 September 2006. The same resolution also granted FCLRC the authority to manage and operate the telecommunication facility in CSEZFP.

Government Regulations

ABLE

Effective November 1, 2005, Republic Act No. 9337, "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features" particularly Section 27 (c) excluded PAGCOR from the list of government-owned or controlled corporations or agencies not subjected to the thirty five (35%) percent corporate income tax.

The Group believes that the payment of 5% Franchise Tax to the Bureau of Internal Revenue (BIR) is effectively equivalent to the corporate income tax for the taxable year 2011. Bases on consultations with tax advisers, the management also believes that collection of income tax in addition to the 5% Franchise Tax has no legal basis.

Pursuant to P.D. 1869, also known as PAGCOR Charter and amended by R.A. 9487, the 5% Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

In accordance with PAGCOR's directives, the Group continues to abide by the provisions of P.D. 1869 (as amended by R.A. 9487) whereby it pays the 5% Franchise Tax.

Except for RA No. 9337 cited above and the local government regulations on the business of gaming as discussed under the item "Major Risks Involved in the Business" below, the Company is not aware of any other government regulation, which would materially affect its operations.

FCLRC

As exclusive Master Licensor for interactive operations in the CSEZFP, FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local and national shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the National Government 5% of their gross income less allowable deductions. Gross income shall refer to gross sales or gross revenues derived from business activity within the CSEZFP, net of sales discounts, sales returns and allowances and minus costs of sales or direct costs but before any deduction is made for administrative, marketing, selling and/or operating expenses or incidental losses during a given taxable period.

Transactions with and/or Dependence on Related Parties

The Company's transaction with ABLE consists mainly of non-interest bearing advances, while ABLE's related party transactions with its subsidiaries and/or affiliates including FCLRC consist mainly of non-interest bearing advances to and from subsidiaries and/or affiliates, officers and employees and supply of bingo cards and supplies. FCLRC related party transactions also consist mainly of non-interest bearing advances to its officers and employees which are subject to liquidation within 12 months from date granted or collectible in cash upon demand.

Research and Development

ABLE

Development of other bingo games/variants does not require that much expenditure since most are only ideas developed by ABLE's marketing people. ABLE also participates in Bingo and related gaming trade shows to evaluate if new games offered may be introduced to its own operations. The expenses in attending these trade shows are not significant.

FCLRC

Telecommunication facilities and services of FCLRC are continuously updated to the latest advances in hardware and software technology to ensure that FCLRC's locators are provided with quality broadband and high-speed data services.

Cost and effects of compliance with environmental laws

All ABLE and affiliate bingo parlors have complied with the provisions of Smoking Ordinances issued by most local government units. All bingo parlors have made provisions in its playing area to accommodate smokers and non-smokers alike. Future expansions and parlor upgrades will incorporate enclosures and advanced air-purifying systems.

FCLRC also complies with environmental laws being enforced by CEZA in the Cagayan Special Economic Zone and Free Port (CSEZFP).

Employees

LRWC has 7 and 6 employees in 2011 and 2010 respectively, while ABLE and its subsidiaries have a total headcount (including personnel provided by manpower agencies) of 1,035 and 1,033 in 2011 and 2010 respectively. On the other hand, FCLRC has 67 and 68 employees in 2011 and 2010 respectively, while LRLDI has 2 employees for 2011 and 1 employee for 2010. BCGLC, a recently acquired company has 26 employees by the end of 2011. For the year 2011, the Company and its subsidiaries, ABLE, FCLRC, LRLDI and BCGLC are not expected to have major changes in their employment portfolios. Their employees are not subject to a collective bargaining agreement. The Company does not have a stock option plan as part of its remuneration to all directors and senior management.

Major Risks Involved in the Business

ABLE

ABLE and its subsidiaries operate bingo parlors. By the nature of the business (gaming), there is a risk of possible non-renewal of business permits by the local governments. To counter this risk ABLE and subsidiaries obtained ordinances to do business from the respective local Sanggunian Mangbabatas. The business is located in high traffic areas, specifically in SM and Robinson malls, thus there is also risk of difficulty in finding similar high traffic areas should the lease contracts not be renewed upon expiration. ABLE has expanded to other locations so the effect of non-renewal of one or two leases will not have significant effect on ABLE's results of operations.

FCLRC

As revenues are dependent to locators whose business is internet gaming operations outside the Philippines, potential or future government regulations in countries where internet gaming operations is presently allowed, can be considered as a major business concern for FCLRC.

Properties

The major assets of the Company and its subsidiaries are: building, furniture & fixtures, leasehold improvements, bingo equipments and paraphernalia. There are no real estate properties owned. In the next 12 months, the Company through its subsidiary LR Land Developers, Inc. (LRLDI) is considering acquiring other properties in the vicinity of Cagayan Special Economic Zone Free Port for the purpose of making facilities available to FCLRC's future locators.

ABLE and its subsidiaries lease bingo parlors ranging in size from 90 to 2,000 square meters located in major shopping malls in Metro Manila and in key provincial cities. Lease term ranges from one (1) to five (5) years. All lease agreements have provisions for renewal subject to terms and conditions mutually agreed upon by all parties. All lease payment computations are based on a fixed rate per square meter of occupied space or on a certain percentage of bingo cards sales. Total lease payments amounted to ₱ 213.5 million in 2011 and ₱ 197.5 million in 2010.

Legal Proceedings

Except for the following, there are no other legal proceedings to which the Company or ABLE or its subsidiaries is a party:

(1.) "People of the Philippines vs. Ryan Baltazar,"
Criminal Case No. 135459,
Branch 67, Pasig City

Case Summary:

This is a complaint for violation of Article 315, paragraph 3(b) of the Revised Penal code for estafa committed by resorting to some fraudulent practice to ensure success in a gambling game. On September 2, 2006, a glitch occurred in the generation of winning numbers for New Rapid Bingo Game - Bingo Draw No. 18652. The winning numbers flashed on the television screens were different from those transmitted to the cashiers' terminals. At such time, respondent Baltazar was the Application Operator on duty and the one manning the bingo generator machine. Because of the ensuing confusion, respondent Baltazar advised the cashiers to pay the prizes of all winning tickets and cash shortages shall be reimbursed. The following day, accused Baltazar sent text messages to co-employees, apologizing and admitting responsibility for the incident.

Status:

On November 21, 2011, we presented ABLE's Treasury Section Head as a witness to testify to the damages incurred by the company and presented photocopies of documents with the purpose of proving the actual damages sustained. Continuation of the trial for further presentation of our evidence was set to March 16, 2012.

(2.) "Bingo Palace Corporation vs. Ana Santos,"
XV-13-INQ-10J-01412,
OCP, Pasay City

Case Summary:

This is a complaint for Falsification of Private Documents filed by Bingo Palace Corporation against Ms. Ana Santos before the Office of the City Prosecutor of Pasay.

Status:

On November 23, 2010, respondent Ms. Ana Santos filed her Counter-Affidavit before Assistant City Prosecutor, Teresa P. Purzuelo. On December 7, 2010, Bingo Palace Corporation filed its Reply-Affidavit. On December 17, 2010, Bingo Palace Corporation filed its Supplemental Reply-Affidavit. On January 13, 2011, respondent filed her Rejoinder Affidavit. This case is now pending resolution by the Office of the City Prosecutor of Pasay.

(3.) "Roan Bakingkito vs. Bingo Bonanza Corporation, Direct Sales Support & Personnel Services, Inc., et al." NLRC Case No. 02-02338-10

Case Summary:

This is a complaint for constructive dismissal and alleged non-payment of rest day premium service incentive leave and damages filed by Ms. Roan Bakingkito against Bingo Bonanza Corporation and Direct Sales Support & Personnel Services, Inc.

Status:

In a decision dated September 20, 2010, the Labor Arbiter declared that complainant was an employee of Direct Sales Support & Personnel Services, Inc., and not of the Company. Thus Direct Sales Support & Personnel Services, Inc. was found liable for illegally dismissing complainant and ordered to pay complainant salaries corresponding to the unexpired term of her employment contract. Bingo Bonanza, Inc. has not received any notice of appeal or any other pleading from the other parties. Therefore, the case may now be considered closed.

(4.) "Roy K. Gervacio vs. Bingo Bonanza Corporation, Alfredo B. Benitez" NLRC G.R. No. 198482

Case Summary:

This is an illegal dismissal case filed by Roy K. Gervacio (Gervacio) against Bingo Bonanza Corporation and/or Alfredo B. Benitez with claims for underpayment of salaries, 13^{th} month pay and other money claims. The Labor Arbiter dismissed the complaint for lack of merit. On appeal, the National Labor Relations Commission (NLRC) reversed its earlier ruling and upheld the validity of the dismissal of the complaint assailing the ruling of the NLRC. However, the CA finding no grave abuse of discretion on the part of the NLRC upheld the questioned ruling. Gervacio appealed the decision before the Supreme Court. In its Resolution dated October 19, 2011, the Supreme Court Third Division held the dismissal of Gervacio was valid.

Status:

On December 21, 2011, Gervacio timely filed a Motion for Reconsideration (MR) of the said October 19, 2011 Supreme Court Resolution. The said MR is now pending resolution.

(5.) "South Entertainment Gallery, Inc. vs. Commissioner of Internal Revenue"
CTA Case No. 8257

Case Summary:

This is an appeal by way of Petition for Review (with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction) filed on March 31, 2011 with the Court of Tax Appeals (CTA) contesting the validity of the Warrant of Distraint and/or Levy (WDL) issued by the Commissioner of Internal Revenue, through its Revenue District Office No. 21B, South Pamapanga, for collection of alleged deficiency income tax and value –added tax for taxable year 2009 in the aggregate amount of ₱4,024,393.51. The Company assails the validity of the WDL for failure to receive any Formal Assessment Notice covering alleged deficiency taxes for taxable year 2005 in violation of the due process requirements under Section 228 of the 1997 National Internal Revenue Code and Revenue Regulations No. 12-99.

Status:

The Company has terminated its presentation of evidence and filed its Formal Offer of Evidence on December 16, 2011. The next hearing for responder BIR's turn to present evidence is set on March 28, 2012.

(6.) "South Entertainment Gallery, Inc. vs. Commissioner of Internal Revenue"
CTA Case No. 8286

Case Summary:

This is an appeal by way of Petition for Review (with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction) filed on May 11, 2011 with the Court of Tax Appeals (CTA) contesting the validity of the Warrant of Distraint and/or Levy (WDL) issued by the Commissioner of Internal Revenue, through its Revenue District Office No. 21B, South Pamapanga, for collection of alleged deficiency income tax and value –added tax for taxable year 2009 in the aggregate amount of ₱39,788,105.55. The Company assails the validity of the WDL for failure to receive any Formal Assessment Notice covering alleged deficiency taxes for taxable year 2007 in violation of the due process requirements under Section 228 of the 1997 National Internal Revenue Code and Revenue Regulations No. 12-99.

Status:

Trial of this case on ongoing. The next hearing for the presentation of evidence for the Company is on April 12, 2012.

Submission of Matters to a Vote of Security Holders

(a) An annual meeting of stockholders of the registrant was held on July 29, 2011.

(b) During the said annual meeting the following persons were elected as directors of the registrant:

1. Reynaldo P. Bantug
2. Jose Conrado Benitez
3. Edgardo S. Lopez
4. Renato G. Nuñez
5. Willy N. Ocier
6. Bienvenido M. Santiago
7. Wilson L. Sy
8. Eusebio H. Tanco
9. Geoffrey L. Uymatiao

with the following as independent directors under Section 38 of the Security Regulation Code (RA 87):

10. Anthony A. Almeda

11. Clarita T. Zarraga

Except for Mr. Wilson L. Sy and Mr. Eusebio H. Tanco, newly elected directors, all other directors were re-elected to registrant's Board of Directors.

(c) During the annual meeting of stockholders of the registrant last 29 July 2011, the following matters were submitted to a vote of and duly approved by the stockholders of the registrant: (i) issuance of One Hundred Fifty Million Shares (150,000,000) from the unissued capital stock of the Corporation to Grandshares Inc. (100M shares), Pacific Online System Corporation (25M shares), Vantage Equities Inc. (25M shares); (ii) the waiver of the Philippine Stock Exchange requirement for the Corporation to conduct a rights or public offering of the subscribed shares for related party transactions as the private placement of the subscribers to the said shares; (iii) the adoption of Management Incentive Stock Option Plan; (iv) the appointment of KPMG Manabat Sanagustin & Co., CPA's as the external auditor; (v) the resolution authorizing the Corporation to act as surety of its wholly owned subsidiary, AB Leisure Global, Inc., for an Omnibus Loan and Security Agreement (OLSA) to be executed among AB Leisure Global, Inc., as borrower and Banco De Oro Unibank, Inc. as Lender, and Banco De Oro Unibank, Inc.-Trust and Investments Group as Collateral Trustee; and (vi) the delegation of authority to the Board of Directors to approve the terms and conditions of this OLSA.

(d) No other matter has been submitted to a vote of security holders otherwise than at a meeting of such security holders.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

Principal market where the equity is traded – Philippine Stock Exchange

The table shows the high & low prices of the company's share within the last two fiscal years and for the first recent quarter of the current year, including the volume of transactions for each quarter.

QUARTER ENDING	IN PHILIPPINE PESO		VOLUME*
	HIGH	LOW	
JAN-MAR 2010	2.16	1.10	35,251,000
APR-JUN 2010	2.06	1.46	18,310,000
JUL-SEP 2010	2.09	1.52	28,012,000
OCT-DEC 2010	3.90	1.86	85,062,000
JAN-MAR 2011	10.32	3.50	553,491,100
APR-JUN 2011	12.18	8.96	357,743,200
JUL-SEP 2011	11.12	5.90	202,728,500
OCT-DEC 2011	10.30	6.11	247,973,100
JAN-MAR 2012	9.77	6.28	184,999,100

**Total main board volume for the quarter*

Closing Market Price as of December 31, 2011 is ₱9.09 per share. While the Closing Market Price as of May 31, 2012 is ₱6.80 per share.

The Company's earnings (loss) per share are: (₱0.0383) per share in 2011 and ₱0.2472 in 2010.

(2) Holders

The stock transfer agent reported 1,881 holders of common shares of the registrant as of May 31, 2012.

As of May 31, 2012, the top 20 shareholders, the number of common shares held and the percentage of common shares held by each are as follows:

	Name	No. Of Shares Held	% To Total
1.	PCD Nominee Corporation (Filipino)	732,494,275	73.26
2.	Zoraymee Holdings, Inc.	86,977,358	8.70
3.	Alfredo Abelardo B. Benitez	68,319,999	6.83
4.	Dominique L. Benitez	26,400,000	2.64
5.	AB Leisure Exponent, Inc.	17,972,500	1.80
6.	PCD Nominee Corporation (Non-Filipino)	17,621,566	1.76
7.	Zoraymee Holdings, Inc.	14,600,000	1.46
8.	Zoraymee Holdings, Inc.	9,451,900	.95
9.	Wilson L. Sy	1,905,500	.19
10.	Willy Ng Ocier	1,771,000	.18
11.	Henry T. Sy Jr.	1,274,687	.13
12.	Paul Luis Paul P. Alejandrino	1,188,520	.12
13.	OCX Development Corporation	860,000	.09
14.	Liberty Farms, Inc.	674,274	.07
15.	Provident Insurance Corporation	492,519	.05
16.	Brisot Economic Development Corporation	426,670	.04
17.	Visayan Surety & Insurance Corporation	405,245	.04
18.	Allen Cham	289,978	.03
19.	Oliver V. Amorin	259,350	.03

20.	Zoraymee Holdings, Inc.	238,400	.02

(3) Dividends

The Company does not have any restrictions which limit the ability to pay dividends on common equity or that are likely to do so except in cases where the Company does not have enough retained earnings or is in a deficit position. For five consecutive years, the Company was able to distribute cash dividend to its shareholders. During the annual stockholders' meeting held on July 29, 2011, the Board of Directors (BOD) declared cash dividend thrice, ₱0.03 per share with record date of September 28, 2011, another ₱0.025 per share with record date of January 30, 2012, and another ₱0.02 with record date of February 29, 2012. BOD also declared cash dividends equivalent to ₱0.03 per share in 2007, ₱0.06 per share in 2008, ₱0.06 per share in 2009 and ₱0.08 per share in 2010.

(4) Recent Sale of Unregistered Securities

On July 2, 2008, the Company approved the issuance of 37,000,000 shares out of the unissued portion of its authorized capital stock in favor of Asianlogic Limited (ALOG) at the subscription price of ₱3.10 per share or an aggregate amount of One Hundred Fourteen Million Seven Hundred Thousand Pesos (₱114,700,000). Asianlogic Limited deferred this subscription indefinitely in view of the worldwide adverse market conditions. The Corporation and Asianlogic have agreed to revisit this planned subscription to such time when the market conditions are more stable.

On March 21, 2011, the Registrant's Board of Directors (BOD) approved the issuance of One Hundred Fifty Million shares from the unissued portion of its capital stock through private placement. By virtue of Subscription Agreements all dated March 24, 2011, the following companies subscribed to a total of 150,000,000 shares at the stipulated subscription price of ₱ 7.50 per share:

Name of Subscriber/Investor	Number of Shares	Subscription Amount (₱)
Grandshares Inc.	100,000,000	750,000,000.00
Pacific Online Systems Corporation	25,000,000	187,500,000.00
Vantage Equities, Inc.	25,000,000	187,500,000.00

Twenty-Five percent (25%) of the subscription amount was paid upon the execution of the Subscription Agreements, while the remaining Seventy-Five percent (75%) was paid on May 15, 2011.

Except for these issuances, the Company has not sold any unregistered securities within the last three (3) years.

Management's Discussion and Analysis or Plan of Operation

LRWC Operations

As mentioned, LRWC is functioning basically as a holding company with minimal operations. The Company is focusing its endeavor in supporting the productivity programs of its subsidiaries as follows: (1) AB Leisure Exponent, Inc. (ABLE – 100% owned); (2) LR Land Developers, Inc. (LRLDI – 100% owned); (3) AB Leisure Global, Inc. (ABLGI – 100% owned); (4) First Cagayan Leisure and Resort Corporation (FCLRC – 69.68% owned); (5) Bingo Bonanza (HK) Ltd. (BBL - 60% owned); and (6) Blue Chip Gaming and Leisure Corporation (BCGLC – 70% owned).

Based on PFRS 3, Business Combination, LRWC and subsidiaries are required to perform an annual test for goodwill impairment. As a result of the annual test, there is no need to provide for allowance for impairment of goodwill in 2011.

Starting in 2009, LRWC did not recognize any losses from BLRI, a 30% owned affiliate, as its investment balance has already been consumed.

2011 vs. 2010

ABLE Operations

ABLE posted a total sales of ₱3,629.7 million for 2011, a ₱72.8 million or 2.0% growth from the ₱3,556.9 million total sales for 2010. Sales from Electronic Bingo operations contributed to the increase in sales partly offset by decreases in the sales of Traditional Bingo, Rapid Bingo, Pull Tabs and Instant Charity Bingo.

The traditional bingo remains the Company's principal product line with annual sales of ₱2,005.9 million or 55.3% contribution to total sales. Annual sales for 2011 decreased by ₱189.1 million or 8.6% from 2010 sales of ₱2,194.9 million. ABLE currently operates 56 bingo parlors; an increase of 11 bingo parlors from last year's number of bingo parlors. The total number of bingo parlors does not include two (2) dormant bingo parlors, which are to be relocated and two (2) minority owned affiliates.

Sales increase faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. Thus, ABLE expanded its game offerings to a variety of gaming products that could be played simultaneously with the programmed bingo games. These products include Electronic Bingo, Rapid Bingo, Pull Tabs and Instant Charity Bingo.

The sales of Electronic Bingo for 2011 of ₱1,151.8 million increased by ₱292.2 million or 34.0% from the ₱859.6 million sales in 2010. At the end of December 31, 2011, there were a total of 2,985 E-bingo machines in 53 bingo parlors compared with 2,162 E-bingo machines in 44 bingo parlors as of December 31, 2010. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The sales of Rapid bingo for 2011 of ₱450.8 million decreased by ₱15.9 million or 3.4% from the ₱466.7 million sales in 2010. ABLE launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of December 2011, there were a total of 81 Rapid Bingo terminals in 66 bingo parlors installed as compared to 86 terminals in 66 bingo parlors in 2010.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs contributed ₱12.8 million or 0.4% to 2011 total sales as compared to 2010 sales of ₱19.1 million.

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) on June 13, 2000. However, because of the poor sales performance, ABLE discontinued the distribution of the cards in 2005. On December 12, 2008, ABLE resumed commercial operations of the ICBG2 scratch cards. It contributed ₱ 8.5 million or 0.2% to total sales of 2011 as compared to ₱ 16.5 million last year.

There was an slight increase in ABLE's consolidated operating expenses for 2011, amounting to ₱2,394.1 million or about 1.2% from ₱2,335.1 million in 2010. This is mainly due to the acquisition of a new subsidiary as well as the opening of new bingo parlors and other reasons as stated: (1) Rent of ₱16.1 million or 8.1%; (2) Contracted Services of ₱10.0 million or 12.0%; (3) Employees Benefits of ₱6.2 million or 10.6%; (4) Depreciation and Amortization of ₱8.0 million or 16.7%; (5) Bingo cards and supplies of ₱1.9 million or 7.9%; (6) Taxes and Licenses of ₱1.8 million or 8.7%; and (7) "Others" Expenses of ₱9.2 million or 11.1% due to the volume of programmed bingo games operations (Rapid Bingo and E-Bingo) in 2011 coupled with enhanced marketing activities for programmed bingo games. In 2011, ABLE's management decided to recognize an impairment loss on its receivables amounting to ₱64.6 million as a conservative measure in its effort to present a reasonable results of operations.

The resulting net expense in the "Other Income (Expense) account" in 2011 of ₱ 2.4 million decreased by ₱17.7 million from ₱20.1 million in 2010 mainly due to income derived from sales of LRWC shares coupled with lower interest expense payments arising from substantial payment of loan principal.

ABLE posted a consolidated net income (exclusive of minority interest) of ₱51.7 million in 2011, after impairment loss on receivables of ₱64.6 million, a decrease of ₱86.2 million or 62.5% from the ₱137.9 million consolidated net income in 2010.

FCLRC Operations

For the year 2011, FCLRC posted total revenues (exclusive of CEZA fees) of ₱355.8 million. These were generated from hosting and service fees amounting to ₱278.0 million and from license application and renewal fees, amounting to

₱77.7 million. Total revenues in 2011 were higher than the revenues in 2010 at ₱295.7 million. CEZA fees in 2011 increased to ₱139.0 million versus ₱117.3 million in 2010, or an increase of ₱21.8 million or 18.6% than last year's fees. Net revenues increased by ₱38.3 million or 21.5% as compared to last year.

FCLRC generated gross revenues from foreign sales amounting to ₱355.8 million in 2011; ₱295.7 million in 2010 and ₱301.9 million in 2009 respectively. Revenues from foreign sales comprise 100% of total gross revenues for the years 2011, 2010 and 2009.

Cost and operating expenses increased by ₱14.4 million or 14.4% from last year's ₱99.7 million. Increases in expenses were attributable to the following: (1) Depreciation and Amortization by ₱6.0 million or 43.0% due to the accelerated depreciation of the airstrip improvements and (2) Rent by ₱1.1 million or 7.5% owing to the change in expense recognition method. These afore-mentioned increases in expenses were offset by the following decreases: (1) Salaries, wages and benefits by ₱2.9 million or 7.7%; (2) Transportation and Travel by ₱0.4 million or 6.6%; (3) Representation by ₱0.3 million or 15.2%; (4) Taxes and licenses by ₱0.3 million or 43.4% and (5)"Others" Expenses by ₱0.6 million or 44.7% primarily due to the Company's efforts to reduce cost by implementing its cost saving measures and exercising over-all financial prudence while still maintaining its top-notch and efficient service to its locators operating in the Cagayan Special Economic Zone Free Port (CSEZFP). In 2011, FCLRC's management decided to recognize an impairment loss on its receivables amounting to ₱11.7 million as a conservative measure in its effort to present a reasonable results of operations.

The resulting net income in the "Other Income (Expense) - Net" account of ₱63.5 million in 2011, grew by ₱18.5 million or 41.1% as compared to ₱45.0 million in 2010. The growth is principally attributable to the increase in other income derived from rental of gaming facility and equipment to locators.

Thus, FCLRC posted a net income of ₱156.5 million in 2011, an increase of ₱40.0 million or 34.3% than last year's ₱116.5 million. The growth in net income is mainly attributable to the increase in the resulting income from the "Other Income (Expense) – Net" account in addition to the increase in revenues.

Net income generated from foreign revenues amounted to ₱146.6 million or 93.7% of ₱156.5 million in 2011; ₱109.1 million or 93.6% of ₱116.5 million in 2010 and ₱95.0 million or 80.0% of ₱118.6 million in 2009 respectively.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱40.4 million in 2011 and ₱51.6 million in 2010; a ₱11.2 million or 21.6% decrease due to the decrease in its revenues and recognition of foreign exchange loss in its books.

LRLDI Operations

LRLDI posted total rent income of ₱15.0 million in 2011 as compared to ₱3.9 million in 2010. The growth of ₱11.1 million is due to a lease agreement entered by LRLDI last November 2010, thus providing for the substantial increase in rental income. Total operating expenses of ₱1.4 million in 2011, increased by ₱0.6 million as compared to ₱0.8 million in 2010. The increase in expenses is mainly attributable to the hiring of an additional employee to provide an effective and well-organized service to its increasing number of lessees. Hence, LRLDI posted a net income of ₱4.5 million in 2011, as compared to a net loss of ₱1.7 million last year.

ABLGI Operations

ABLGI has not started its commercial operations as of December 31, 2011. Total comprehensive loss amounted to ₱169.0 million in 2011 and ₱0.5 million in 2010. The 2011 comprehensive loss pertains mainly to pre-operating expenses consisting of rent expense on the land leased from Belle Corporation, consultancy fees and other expenses intended for the casino project.

BCGLC Operations

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC generated gross revenues from slot machines totaling ₱64.7 million in 2011. Total operating expenses amounted to ₱66.7 million. Thus, net loss of BCGLC in 2011 amounted to ₱2.1 million.

BBL Operations

As of December 31, 2011, BBL, a 60% owned subsidiary of LRWC, has not started its commercial operations. BBL, however, incurred expenses amounting to ₱14.8 million in 2011.

LRWC

The Group's core businesses realized, excluding minority interest, consolidated net income of ₱205.7 million in 2011, as compared with consolidated net income of the same Group's core businesses of ₱205.0 million in 2010.

However, LRWC posted instead a consolidated net loss (exclusive of minority interest) of ₱36.4 million in 2011 due to net losses (pre-opening expenses) contributed to the Group by ABLGI (₱168.6 million) and BBL (₱8.9 million). Further, there was impairment recognized on ABLE's advances to Royal Highland Leisure and Resort Corporation (RHLRC) amounting to ₱64.6 million in 2011.

RHLRC has existing contract with CJH Development Corporation (CJHDC) relating to a project situated at Camp John Hay, Baguio City. CJHDC is currently involved in a legal controversy with Bases Conversion Development Corporation. Consequently, the Group deemed it prudent to make partial impairment on the advances.

Consolidated Financial Condition

The changes in total assets of LRWC and subsidiaries are accounted as follows: (1) Increase in Cash and Cash Equivalents of ₱842.7 million attributable to LRWC's proceeds from issuance of stocks; (2) Increase in Prepaid expenses and other current assets of ₱206.3 million owing to ABLGI's prepaid rent, advances to contractors and suppliers; (3) Due from Related Parties of ₱22.6 million mainly due to FCLRC's short term advances to an affiliate for working capital and construction projects requirements; (4) Increase in Property and Equipment – Net of ₱ 133.3 million mainly attributable to ABLGI's on-going construction, improvements and outfitting of the casino and ABLE's opening of several new bingo parlors; (5) Goodwill – Net of ₱15.3 million attributable to LRWC's acquisition of BCGLC and ABLE's acquisition of Big Time Gaming; (6) Deferred Tax Assets of ₱ 64.5 million due to ABLGI's income tax benefit and (7) Other Assets – Net of ₱110.1 million due to LRLDI's advances to CPVDC and CLPDC to finance the construction and development of CSEZFP International Airport in Cagayan. These increases in total assets were partly offset by the following: (1) Decrease in Receivables - Net of ₱113.3 million due mainly to ABLE's substantial collection of its advances from RHLRC and BCGLC in addition to its recognition of impairment losses from its receivables and (2) Decrease in Investments and Advances - Net of ₱18.1 million mainly due to BLRI's partial payment of its advances. Thus, the total assets of LRWC and subsidiaries as of December 31, 2011 of ₱3,702.4 million increased by ₱1,272.8 million or 52.4% from ₱2,429.6 million as of December 31, 2010.

The following are the changes in the total liabilities of LRWC: (1) Increase in Trade and Other Payables of ₱230.2 million is mainly due to FCLRC's liability to CEZA and ABLGI's liability to various suppliers and rent & tax accruals; (2) Increase in Short Term Loans Payable of ₱15.5 million owing to ABLE's short term borrowings to finance its working capital requirements; (3) Increase in Income Tax Payable of ₱3.2 million due to FCLRC's increase in net income; (4) Increase in Retirement Benefits Liability of ₱4.8 million principally owing to ABLE's accrual of retirement obligation and (5) Increase in Rent Deposit of ₱1.2 million because of LRLDI's renewal of lease agreement. The afore-mentioned increases were partially offset by the following decreases in liabilities principally due to ABLE's substantial settlement of its obligations and other reasons as stated: (1) Long Term Loans Payable (inclusive of current portion) of ₱42.2 million also due to FCLRC's considerable payment of its obligation and (2) Decrease in Obligations under finance lease (inclusive of current portion) of ₱5.2 million.

Cash as of December 31, 2011 of ₱944.3 million grew by ₱842.7 million or 829.7% from ₱101.6 million for the same period last year. The improvement is mainly attributable to cash generated from financing activities arising from the proceeds from issuance of LRWC share of stocks.

The Company and its subsidiaries:

a) Have no known trends or any demands, commitments, events or uncertainties that will result in or that are likely to result in the liquidity increasing or decreasing in any material way;
b) Have no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
c) Have no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
d) Have not breached any loans, leases or other indebtedness or financing agreement; and
e) Have no material commitment for capital expenditure, aside from those already discussed as continuous development of new bingo parlors.

Key Performance Indicators

The Company monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	As Of	
	Dec 31, 2011	Dec 31, 2010
Liquidity		
Current Ratio	180.9%	96.0%
Leverage Ratio		
Debt to Equity	34.4%	43.7%
	For the Year Ended	
	Dec 31, 2011	Dec 31, 2010
Activity Ratio		
Rate of Payout to Net Revenues	55.4%	57.7%
Profitability Ratio		
Return on Average Equity	0.2%	14.9%
Return on Average Assets	0.1%	10.3%
Solvency Ratio	9.9%	41.6%
Interest Coverage Ratio	-0.08	6.7
Net Book Value Per Share	2.90	2.04
Earnings (Loss) Per Share	(0.0383)	0.2472

The manner by which the Company calculates the above indicators is as follows:

Key Performance Indicator	Formula	2011	2010
Current Ratio	Current Assets / Current Liabilities	1,581,038,642 / 873,744,107	621,953,680 / 647,918,678
Debt to Equity Ratio	Total Liability / Stockholders' Equity	946,824,337 / 2,755,534,069	739,328,093 / 1,690,260,922
Rate of Payout to Net Revenues	Payout / Net Revenues	1,476,666,169 / 2,665,389,969	1,542,705,228 / 2,672,193,322
Return on Average Equity	Net Income / Average Equity	4,334,694 / 2,222,897,495	241,015,716 / 1,612,455,037
Return on Average Assets	Net Income / Average Total Assets	4,334,694 / 3,065,973,710	241,015,716 / 2,345,394,596
Solvency Ratio	Net Income + Depreciation / Total Liabilities	93,937,777 / 946,824,337	307,261,713 / 739,328,093
Interest Coverage Ratio	Income(Loss) Before Interest & Tax / Interest Expense	(3,574,742) / 46,256,285	291,465,520 / 43,195,354
Earnings per Share	Average Total Assets / Weighted average number of shares outstanding	3,065,973,710 / 950,040,344	2,345,394,596 / 829,496,594
Net Book Value	Total Equity / Weighted average number of shares outstanding	2,755,534,069 / 950,040,344	1,690,260,922 / 829,496,594

The Company believes that the measure of its Liquidity through the Current Ratio is indicative of its ability to convert its asset resources into cash in order to pay current obligations. Generally, the higher the ratio, the better is the liquidity of the Company. As of the year ended 2011, the Company posted a current ratio of 180.9%; a 84.9% decrease from 96% in 2010.

The Leverage Ratio measures the effectiveness of the Company's financing decisions and risk taking as shown in the Debt to Equity Ratio. It is the relationship between the total debts of the Company and its total stockholders' equity. It measures the total riskiness of the firm in terms of its ability to service both interest and principal payment commitments. The higher the ratio, the higher is the Company's leverage. As of the year ended 2011, the Company reported a debt to equity ratio of 34.4% or a 9.3% decrease from 43.7% in 2010.

The Rate of Payout to Net Revenues (Payout Turn-over) is a measure of the Company's efficiency by which it uses its resources to attain its objectives. It determines the effectiveness of the Company's programmed games to generate revenues. As of the year ended 2011, the Payout Turn-over is at 55.4%, a slight decrease of 2.3% as compared to 57.7% in 2010.

The Company measures its profitability in two-ways: (1) Return on Average Equity and (2) Return on Average Assets. The Return on Average Equity measures the residual income that accrues to the stockholders of the Company, while the Return on Average Assets measures the effectiveness of the management of asset resources to produce income. As of the year ended 2011, the Company's Return on Average Equity is 0.2% while the Return on Average Assets is at 0.1% as compared to 14.9% and 10.3% respectively in 2010.

The solvency ratio is used to measure the Company's ability to meet its debt obligations. Also, it provides a measurement of how likely the company will be to continue meeting its obligations. At the end of 2011, the solvency ratio is 9.9% as compared to 41.6% during the same period in 2010.

The interest coverage ratio is used to determine how easily the Company can pay interest expenses on outstanding debts. As of the year ended December 31, 2011, the Company's interest coverage ratio is (0.08) as compared to 6.7 during the same period in 2010.

The Company also considers the Earnings per Share and Net Book Value as a useful tool for its stockholders. The Earnings per Share is considered as an important variable in determining a share's price. It is the portion of the Company's profit to each outstanding share, while the Net Book Value is a measure of the Company's net value scaled by the number of shares outstanding. As of the year ended 2011, the Company's Loss per Share is 0.0383 while the Net Book Value per Share is 2.90 as compared to 0.2472 and 2.04 respectively in 2010.

2010 vs. 2009

ABLE Operations

ABLE posted a total sales of ₱3,606.9 million for 2010, a ₱1.3 million or 0.04% growth from the ₱3,605.6 million total sales for 2009. Sales from Electronic Bingo operations contributed to the increase in sales partly offset by decreases in the sales of Traditional Bingo, Rapid Bingo, Pull Tabs and Instant Charity Bingo.

The traditional bingo remains the Company's principal product line with annual sales of ₱2,245.0 million or 62.2% contribution to total sales. Annual sales for 2010 decreased by ₱49.1 million or 2.1% from 2009 sales of ₱2,294.2 million. ABLE currently operates 45 bingo parlors; an increase of 5 bingo parlors from last year's number of bingo parlors. The total number of bingo parlors does not include two (2) dormant bingo parlors, which are to be relocated and two(2) minority owned affiliates.

Sales increase faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. Thus, ABLE expanded its game offerings to a variety of gaming products that could be played simultaneously with the programmed bingo games. These products include Electronic Bingo, Rapid Bingo, Pull Tabs and Instant Charity Bingo.

The sales of Electronic Bingo for 2010 of ₱859.6 million increased by ₱85.8 million or 11.1% from the ₱773.9 million sales in 2009. At the end of December 31, 2010, there were a total of 2,162 E-bingo machines in 44 bingo parlors compared with 1,891 E-bingo machines in 36 bingo parlors as of December 31, 2009. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The sales of Rapid bingo for 2010 of ₱466.7 million decreased by ₱17.5 million or 3.6% from the ₱484.2 million sales in 2009. ABLE launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of December 2010, there were a total of 86 Rapid Bingo terminals in 66 bingo parlors installed as compared to 76 terminals in 59 bingo parlors in 2009.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs contributed ₱19.1 million to 2010 total sales or a decrease of ₱5.9 million or 23.5% from 2009 sales of ₱25.0 million.

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) on June 13, 2000. However, because of the poor sales performance, ABLE discontinued the distribution of the cards in 2005. On December 12, 2008, ABLE resumed commercial operations of the ICBG2 scratch cards. It contributed ₱ 16.5 million or 0.5% to total sales of 2010 as compared to ₱ 28.5 million last year.

There was a minimal increase in ABLE's consolidated operating expenses for 2010, amounting to ₱2,385.2 million or about 0.02% increase from ₱2,385.7 million in 2009. This is mainly due to ABLE's continuous cost reduction schemes as well as over-all financial prudence. The following operating expenses increased in 2010 mainly due to the opening of new bingo parlors and other reasons as stated: (1) Salaries and Wages of ₱8.6 million or 7.0%; (2) Taxes and

Licenses of ₱1.8 million or 9.8% and (3) “Others” Expenses of ₱72.1 million or 118.8% due to the volume of programmed bingo games operations (Rapid Bingo and E-Bingo) in 2010 coupled with enhanced marketing activities for programmed bingo games. These increases were offset by the following decreases: (1) Employee Benefits of ₱ 3.9 million or 6.3% owing to the improved employee incentives scheme and (2) Bingo Cards of ₱ 19.0 million or 44.5% owing to the decrease in the sales of Traditional Bingo.

The resulting net expense in the “Other Income (Expense) account” in 2010 of ₱ 20.1 million increased by ₱3.3 million from ₱16.8 million in 2009 mainly due to higher interest expense payments from bank loans coupled with a lower accrual of other income booked in 2010 than in 2009 .

ABLE posted a consolidated net income (exclusive of minority interest) of ₱137.9 million in 2010, an increase of ₱10.1 million or 7.9% from the ₱127.7 million consolidated net income in 2009.

FCLRC Operations

For the year 2010, FCLRC posted a net income of ₱116.5 million; a slight decrease of ₱2.1 million or 1.8% from ₱118.6 million in 2009. The slight decline is principally attributable to the increase in cost and operating expenses coupled with a decrease in other income derived from rental of gaming facility to locators and pre-termination of interactive hosting fee license.

Total revenues (net of CEZA share) of ₱178.5 million for the year 2010 was generated from hosting and service fees amounting to ₱234.5 million and from license application and renewal fees, amounting to ₱61.2 million. Total revenues in 2010 were higher than the revenues in 2009 at ₱175.7 million. CEZA fees in 2010 decreased to ₱117.3 million versus ₱126.1 million in 2009, or a decrease of ₱8.8 million or 7.0% than last year’s fees.

Thus, FCLRC posted a net income of ₱116.5 million in 2010, a slight decrease of ₱2.1 million or 1.8% than last year’s ₱118.6 million. The decline in net income is mainly attributable to the resulting income from the “Other Income (Expense) – Net” account amounting to ₱45.0 million as compared to last year’s resulting net income of ₱ 48.9 million coupled with a slight increase in the total cost and operating expenses by ₱1.3 million or 1.3% from last year’s total expenses of ₱98.4 million. In line with the Company’s over-all financial prudence and other cost saving measures, the following expenses decreased: (1) Transportation and Travel by ₱1.0 million or 13.7%; (2) Representation by ₱0.1 million or 5.3%; and (3) Taxes and Licenses by ₱0.06 million or 8.7%. However, these expenses were partly offset by the increases in the following expenses: (1) Professional Fees by ₱0.8 million or 5.9% due to hiring of additional consultants; (2) Depreciation and Amortization by ₱1.0 million or 7.4% due to the purchase of additional transportation equipment; and (3) “Others” Expenses by ₱0.6 million or 68.3% primarily due to the Company’s efforts to provide a more efficient service to its locators operating in the Cagayan Special Economic Zone Free Port (CSEZFP).

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱51.6 million in 2010 and ₱48.3 million in 2009; a ₱3.3 million or 6.8% increase due to the increase in its revenues and minimal increase in operating expenses.

LRLDI Operations

In 2010, LRLDI entered into various lease agreements as lessor, with lease terms ranging from monthly to five (5) years. As of December 31, 2010, total rental income amounted to ₱3.9 million. Total operating expenses amounted to ₱0.8 million and ₱1.2 million for the years ended 2010 and 2009 respectively.

ABLGI Operations

As of December 31, 2010, ABLGI has not started its commercial operations. The Company, however, incurred expenses amounting to ₱0.5 million in 2010.

LRWC

LRWC posted a consolidated net income (exclusive of minority interest) of ₱205.0 million in 2010; a ₱3.8 million or 1.9% increase from ₱201.2 million in 2009. The growth is mainly attributable to ABLE’s increase in net income partly offset by FCLRC’s decrease in net income.

Consolidated Financial Condition

The changes in total assets of LRWC and subsidiaries are accounted as follows: (1) Increase in Due from Related Parties of ₱ 5.2 million mainly due to ABLE's short term advances to an affiliate, Insular Gaming, which was collected in the first quarter of 2011; (2) Increase in Property and Equipment – Net of ₱ 199.4 million mainly attributable to ABLE's opening of several new bingo parlors and FCLRC's acquisition of transportation equipment to augment the efficiency of their operations and (3) Investment Property of ₱45.2 million attributable to FCLRC's reclassification of facility improvements from Other Assets. These increases in total assets was partly offset by the following: (4) Decrease in Receivables - Net of ₱48.8 million due mainly to ABLE's partial collection of its Advances to RHLRC as well as FCLRC's partial collection of its trade receivables; (5) Decrease in Bingo Cards of ₱1.3 million due to reduction of inventory level; (6) Decrease in Prepaid Expenses and Other Current Assets of ₱9.4 million mainly due to FCLRC's amortization of expired prepayments and (7) Decrease in Investments and Advances - Net of ₱18.1 million mainly due to BLRI's partial payment of its advances. Thus, the total assets of LRWC and subsidiaries as of December 31, 2010 of ₱2,429.6 million increased by ₱168.4 million or 7.4% from ₱2,261.2 million as of December 31, 2009.

The following are the changes in the total liabilities of LRWC: (1) Increase in Long Term Loans Payable (inclusive of current portion) of ₱65.6 million attributable to ABLE's increased bank borrowings to support its expansion plans; (2) Increase in Rent Deposit of ₱2.9 million owing to LRLDI's operating lease agreements effective 2010 and (3) Increase in Retirement Benefits Liability of ₱2.8 million which represents the current service cost and amortization of transitional liability charged to operations in 2010. The afore-mentioned increases were partially offset by decreases in the following liabilities due to ABLE's and FCLRC's settlement of its obligation and other reasons as stated: (4) Trade and Other Payables of ₱ 40.6 million; (5) Short-term Loans Payable of ₱13.9 million; (6) Long term obligation under finance lease (inclusive of current portion) of ₱2.2 million and (7) Income Tax Payable of ₱1.9 million due to the decrease in FCLRC's taxable income.

Cash as of December 31, 2010 of ₱101.6 million slightly decreased by ₱0.8 million or 0.8% from ₱102.3 million for the same period last year. The decline is attributable to the following: (1) Cash used in investing activities mainly due to the opening of several bingo parlors, as well as partial collection of advances from affiliates and (2) Cash used in financing activities as payments to trade and other payables, bank loans and financial lease. These increases were partially offset by an increase in Cash provided by operating activities due to a higher posted net income for 2010.

Key Performance Indicators

The Company monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	As Of	
	Dec 31, 2010	Dec 31, 2009
Liquidity		
Current Ratio	96.0%	100.3%
Leverage Ratio		
Debt to Equity	43.7%	47.3%
	For the Year Ended	
	Dec 31, 2010	Dec 31, 2009
Activity Ratio		
Rate of Payout to Net Revenues	57.7%	59.4%
Profitability Ratio		
Return on Average Equity	14.9%	16.4%
Return on Average Assets	10.3%	10.8%
Solvency Ratio	41.6%	41.5%
Interest Coverage Ratio	6.7	6.7

Net Book Value Per Share	2.04	1.83
Earnings Per Share	0.2472	0.2398

The manner by which the Company calculates the above indicators is as follows:

Key Performance Indicator	Formula	2010	2009
Current Ratio	Current Assets / Current Liabilities	621,953,680 / 647,918,678	676,944,489 / 674,975,983
Debt to Equity Ratio	Total Liability / Stockholders' Equity	739,328,093 / 1,690,260,922	726,551,026 / 1,534,649,151
Rate of Payout to Net Revenues	Payout / Net Revenues	1,542,705,228 / 2,672,193,322	1,607,457,261 / 2,707,152,636
Return on Average Equity	Net Income / Average Equity	241,015,716 / 1,612,455,037	238,374,354 / 1,455,330,436
Return on Average Assets	Net Income / Average Total Assets	241,015,716 / 2,345,394,596	238,374,354 / 2,205,916,843
Solvency Ratio	Net Income + Depreciation / Total Liabilities	307,261,713 / 739,328,093	301,439,602 / 726,551,026
Interest Coverage Ratio	Income(Loss) Before Interest & Tax / Interest Expense	291,465,520 / 43,195,354	289,295,718 / 43,352,481
Earnings per Share	Net Income (Net of Minority) / Weighted average number of shares outstanding	2,345,394,596 / 829,496,594	201,237,953 / 839,190,796
Net Book Value	Total Equity / Weighted average number of shares outstanding	1,690,260,922 / 829,496,594	1,534,649,151 / 839,190,796

The Company believes that the measure of its Liquidity through the Current Ratio is indicative of its ability to convert its asset resources into cash in order to pay current obligations. Generally, the higher the ratio, the better is the liquidity of the Company. As of the year ended 2010, the Company posted a current ratio of 96%; a 4.3% decrease from 100.3% in 2009.

The Leverage Ratio measures the effectiveness of the Company's financing decisions and risk taking as shown in the Debt to Equity Ratio. It is the relationship between the total debts of the Company and its total stockholders' equity. It measures the total riskiness of the firm in terms of its ability to service both interest and principal payment commitments. The higher the ratio, the higher is the Company's leverage. As of the year ended 2010, the Company reported a debt to equity ratio of 43.7% or a 3.6% decrease from 47.3% in 2009.

The Rate of Payout to Net Revenues (Payout Turn-over) is a measure of the Company's efficiency by which it uses its resources to attain its objectives. It determines the effectiveness of the Company's programmed games to generate revenues. As of the year ended 2010, the Payout Turn-over is at 57.7%, a slight decrease of 1.7% as compared to 59.4% in 2009.

The Company measures its profitability in two-ways: (1) Return on Average Equity and (2) Return on Average Assets. The Return on Average Equity measures the residual income that accrues to the stockholders of the Company, while the Return on Average Assets measures the effectiveness of the management of asset resources to produce income. As of the year ended 2010, the Company's Return on Average Equity is 14.9% while the Return on Average Assets is at 10.3% as compared to 16.4% and 10.8% respectively in 2009.

The solvency ratio is used to measure the Company's ability to meet its debt obligations. Also, it provides a measurement of how likely the company will be to continue meeting its obligations. At the end of 2010, the solvency ratio is 41.6% as compared to 41.5% during the same period in 2009.

The interest coverage ratio is used to determine how easily the Company can pay interest expenses on outstanding debts. As of the year ended December 31, 2010 and 2009, the Company's interest coverage ratio is both 6.7.

The Company also considers the Earnings per Share and Net Book Value as a useful tool for its stockholders. The Earnings per Share is considered as an important variable in determining a share's price. It is the portion of the Company's profit to each outstanding share, while the Net Book Value is a measure of the Company's net value scaled by the number of shares outstanding. As of the year ended 2010, the Company's Earnings per Share is 0.2472 while the Net Book Value per Share is 2.04 as compared to is 0.2398 and 1.83 respectively in 2009.

First Quarter 2012 vs. First Quarter 2011

LRWC Operations

LRWC is functioning basically as a holding company with minimal operations. The company is still focusing its endeavor in supporting the productivity programs of its subsidiaries as follows: (1) AB Leisure Exponent, Inc. (ABLE – 100% owned); (2) LR Land Developers, Inc. (LRLDI – 100% owned); (3) AB Leisure Global, Inc. (ABLGI – 100%); (4) First Cagayan Leisure and Resort Corporation (FCLRC – 69.68% owned); (5) Bingo Bonanza (HK) Ltd. (BBL – 60% owned); and (6) Blue Chip Gaming and Leisure Corporation (BCGLC – 70% owned). Based on PFRS 3, Business Combination, LRWC has not amortized the goodwill on its investments in its subsidiaries. Instead, PFRS 3 requires for an annual test for goodwill impairment. On the basis of the test for impairment of goodwill, there is no need to provide for allowance for impairment for the first quarter of 2012.

LRWC's total operating expenses amounted to ₱6.8 million and ₱7.5 million during the first quarter of 2012 and 2011, respectively. The decrease of ₱0.7 million is mainly attributable to the overall financial prudence implemented by the Group. The Company is concentrating its efforts towards the expansion of the Group's operations, thereby necessarily implementing its cost cutting measures to its own operations.

Starting 2009, LRWC discontinued recording its 30% share in losses from Binondo Leisure Resources, Inc. as its investment balance has already been consumed.

ABLE Operations

Revenues

ABLE generated total sales of ₱972.1 million for the first quarter of 2012, which is a ₱93.5 million or 10.6% growth from the ₱878.7 million total sales for the same period in 2011. The increase in total sales is due to the increase in sales of Electronic Bingo and Rapid Bingo, partly offset by the decrease in the sales of Traditional Bingo, Pull Tabs and Instant Charity Bingo.

The traditional bingo remains the Company's principal product line with a sales contribution in the first quarter of 49.9% to total sales. Sales for the first quarter of 2012 was ₱485.1 million, a decrease of ₱33.1 million or 6.4% from ₱518.3 million during the same period in 2011.

E-bingo total sales for the first quarter of 2012 amounted to ₱ 371.2 million, an increase of ₱129.4 million or 53.5% from ₱241.9 million sales during the same period in 2011. The growth in sales was due to the opening of several new bingo outlets during the last quarter of 2012 and first quarter of 2011. As of March 31, 2012, there were a total of 3,146 E-bingo machines in 54 bingo parlors as compared to 2,287 E-bingo machines in 43 bingo parlors in the first quarter of 2011.

Rapid bingo total sales contributed ₱113.2 million or 11.6% to total sales for the first quarter of 2012 as compared to ₱110.9 million or 12.6% contribution to total sales for the same period last year. There was an increase of ₱2.3 million or 2.1% due to the higher sales generated per terminal. As of March 31, 2012, there were a total of 78 Rapid bingo terminals in 63 bingo parlors as compared to 82 Rapid bingo terminals in 68 bingo parlors for the first quarter of last year.

During the first quarter of 2012, Pull Tabs contributed ₱2.2 million as compared to ₱ 4.4 million for the same period last year.

Sales from the ICBG2 scratch cards contributed ₱0.4 million to total sales during the first quarter of 2012 as compared to ₱3.2 million for the same period last year.

Expenses

ABLE's consolidated costs and operating expenses for the first quarter of 2012 of ₱582.0 million decreased by ₱4.0 million or 0.7% from ₱586.0 million in 2011. The decrease in expenses can be attributed to the following: (1) Payout of ₱20.7 million or 5.5% due to lower Traditional Bingo sales, (2) Employees' Benefit of ₱3.2 million or 11.4% due to management's continuous implementation of ABLE's cost reduction program and (3) Cards and Supplies of ₱0.9 million or 9.4% owing to the decrease in sales of Traditional Bingo. These decreases were offset by the following increases in expenses mainly due to the opening of several bingo outlets: (1) Rentals of ₱4.5 million or 8.9%; (2) Depreciation of ₱5.3 million or 42.5%; (3) Taxes and Licenses of ₱2.0 million or 34.0%; (4) Communication and Utilities of ₱4.0 million or 10.8% and (5) Others – Net account of ₱4.1 million or 44.8%.

"Interest expense & others – net" decreased by ₱0.7 million or 17.9% mainly due to lower bank loan balances.

Corporate Income Tax

Effective November 1, 2005, Republic Act No. (R.A.) 9337, "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features," particularly Section 27 (c) , excluded PAGCOR from the provision which identifies government-owned or controlled corporations or agencies exempted from the thirty five percent (35%) corporate income tax.

The management believes that ABLE's payment of 5% Franchise Tax to the Bureau of Internal Revenue (BIR) is effectively equivalent to the payment of corporate income tax. Based on consultations with tax advisers, the management also believes that the collection of income tax in addition to the 5% Franchise Tax has no legal basis.
Pursuant to P.D. 1869, also known as PAGCOR Charter and as amended by R.A. 9487, the 5% Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

In accordance with PAGCOR's directives, the Company continues to abide by the provisions of P.D. 1869 (as amended by R.A. 9487) whereby it pays the 5% Franchise Tax.

In view of the above, management has not provided for provision for income tax for the first quarters of 2012 and 2011.

Net Income

ABLE posted a consolidated net income (net of minority interest) of ₱36.2 million for the first quarter of 2012, an increase of ₱17.3 million or 91.5% from the ₱18.9 million net income for the same period in 2011. The increase in net income is due mainly to the growth in revenues coupled with a decrease in operating expenses.

FCLRC Operations

The Cagayan Economic Zone Authority (CEZA), mandated by law to manage Cagayan Special Economic Zone and Free Port (CSEZFP), has authorized FCLRC to license, regulate and supervise the operations of registered online gaming enterprise in CSEZFP. FCLRC, on behalf of CEZA, can issue two types of licenses: (1) interactive gaming licenses which cover all types of online gaming including casinos, lotteries, bingo, sportsbooks; and (2) restrictive licenses which limit the offerings to sports betting only. As the master licensor, FCLRC is entitled to half of the gaming levy imposed by CEZA on the gaming operators in the CSEZFP.

FCLRC generated ₱129.2 million gross revenues for the first quarter of 2012, representing a ₱59.5 or 85.4% increase from last year's first quarter of ₱69.7 million. The increase in revenues is attributable to the increase in the locators' revenues in addition to the increase in the number of operating locators. For the period ending March 31, 2012, there were 64 licensed locators – 54 of which are operational and 10 are non-operational while for the period ending March 31, 2011, there were 90 licensed locators – 49 of which are operational and 41 non-operational. During the first quarter of 2011, hosting fees from restrictive and interactive gaming locators contributed 83.0% to total revenues or ₱ 107.2 million, while license application and renewal fees accounted for ₱22.0 million or 17.0%, as compared to the first quarter of 2010, wherein hosting fees contributed 80.2% to total sales or ₱ 55.9 million while application fees contributed 19.8% to total sales or ₱ 13.8 million for the same period effecting a growth of ₱ 51.3 million or 91.8% and ₱ 8.2 million or 59.3% for hosting fees and application fees respectively.

FCLRC posted a net income of ₱ 52.4 million for the first quarter of 2012, a ₱ 23.0 million or 78.2% increase versus last year's ₱29.4 million. Total cost and operating expenses of ₱ 32.9 million increased by ₱ 14.7 million or 81.0% from last year's ₱18.2 million. The increase is mainly due to the Company's efforts to provide a more efficient service to its locators operating in the CSEZFP and other reasons as stated: (1) Administrative salaries and benefits of ₱ 4.4 million or 79.0%, (2) Rent of ₱0.6 million or 19.6% owing to the straight line method accrual; (3) Professional Fees of ₱ 1.3 million or 37.7%; (4) Depreciation of ₱0.8 million or 22.4% attributable to accelerated depreciation of the airstrip; (5) Communication of ₱ 0.5 million or 24.9%; (6) Taxes and Licenses of ₱ 0.1 million or 63.9% and (7) Others Expenses of ₱ 7.0 million or 4,422.4% mainly due to the enhanced marketing programs implemented to attract more locators. The growth of ₱5.9 million or 85.5% in the resulting net income in the "Other Income (Expense) account" is mainly due to the increase in the net income of First Cagayan Converge Data Center, Inc. (FCCDCI) as well as an increase in the Other Income attributable to the rental income derived from gaming facility as agreed upon with locators.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱ 14.0 million and ₱7.3 million during the first quarters of 2012 and 2011, respectively; a ₱ 6.7 million or 91.3% improvement due to higher posted revenues partially offset by an increase in direct costs and operating expenses.

LRLDI Operations

In 2010, LRLDI has completed its construction of the CyberPark building intended for lease. Accordingly in the same year, LRLDI entered into various lease agreements as lessor, with lease terms ranging from monthly to five (5) years.

LRLDI is also committed in supporting the development of CSEZFP. In executing an agreement with Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC), LRLDI has established its support by investing funds into the Lal-Lo Airport Project, CEZFP International Airport Project and other facilities within the CSEZFP. These projects aim to improve and further advance CSEZFP into a self-sustaining industrial zone.

During the first quarter of 2012, total rental income amounted to ₱2.3 million as compared to ₱4.3 million during the same period last year. The decline of ₱2.0 million or 46.5% is attributable to the rental discounts given to certain lessees. Total operating expenses amounted to ₱ 0.5 million and ₱0.4 million for first quarters of 2012 and 2011, respectively.

ABLGI Operations

ABLGI has been engaged by Belle Corporation, through its subsidiary, Premium Leisure and Amusement, Inc. (PLAI), to act as operator and manager of its casino under the license issued by PAGCOR. As operator and manager of the casino, ABLGI, shall exercise supervision, direction and responsibility for the operation of the casino operations in behalf of PLAI pursuant tot the Provisional License issued by PAGCOR. Also under the Operating Agreement, the Company shall ensure the acquisition or construction of additional gaming, hotel and theater facilities and equipment.

ABLGI started its business operations at the end of the first quarter of 2011, thus, it incurred minimal pre-operating expenses of ₱0.4 million. In the same quarter of 2012, however, the operations of the casino have not yet started. ABLGI's pre-operating expenses amounted to ₱43.2 million. These expenses mainly pertains to the following: (1) Rental of ₱24.8 million for land in which the construction of the building is still on-going; (2) Salaries and Wages and Employees' Benefits of ₱1.3 million; (3) Contracted Services of ₱5.2 million which mainly pertains to professional fees due to hiring of several consultants to facilitate the outfitting and furnishing of the casino; (4) Communication and Utilities of ₱0.08 million; (5) Taxes and Licenses of ₱0.02 million and (6) Other Expenses of ₱11.8 million consisting of related expenses to create the necessary build-ups in line with the Company's objective to establish a world class gaming facility.

BCGLC Operations

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC operates a Slot Arcade at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacle, Bacolor, Pampanga under a license issued by the Philippine Amusement and Gaming Corporation (PAGCOR).

BCGLC generated gross revenues from slot machines totaling ₱12.0 million during the first quarter of 2012. Total operating expenses amounted to ₱8.6 million as follows: (1) Rental of ₱1.9 million; (2) Salaries and Wages and Employees' Benefits of ₱0.8 million; (3) Contracted Services of ₱0.9 million; (4) Depreciation of ₱1.3 million; (5) Communication and Utilities of ₱1.6 million; (5) Taxes and Licenses of ₱0.09 million and (6) Other Expenses of ₱2.1 million which mainly pertains to marketing expenses necessary to increase foot traffic in the establishment. It contributed net income of ₱1.6 million to the Group (70% of BCGLC's net income of ₱2.3 million for the first quarter of 2012).

BBL Operations

BBL was incorporated under the Companies Ordinance of Hongkong. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. It started its commercial operations last March 5, 2012.

BBL generated gross revenues from its electronic bingo club operations amounting to ₱ 0.06 million during the first quarter of 2012. Total operating expenses amounted to ₱9.6 million. Thus, it posted a net loss of ₱9.5 million during the first quarter of 2012.

LRWC Consolidated Net Income

As a result of the foregoing developments, LRWC posted a consolidated net income of ₱21.0 million for the first quarter of 2012, a ₱13.3 million or 38.8% decrease from the ₱34.3 million consolidated net income of the same period last year. The decrease is mainly due to the pre-operating expenses incurred by ABLGI. Excluding the said expenses, the consolidated net income of LRWC would have amounted to ₱64.2 million in the first quarter of 2012 and ₱34.7 million during the same period in 2011.

Financial Condition – March 31, 2012 vs. December 31, 2011

On a consolidated basis, the Balance Sheet of Leisure & Resorts World Corporation (LRWC) and its subsidiaries, ABLE, FCLRC, LRLDI, ABLGI, BCGLC and BBL remain strong. Total assets as of March 31, 2012 amounted to ₱3,670.0 million which decreased by ₱32.4 million or 0.9% from ₱3,702.4 million as of December 31, 2011. Decreases in assets are attributable to the following: (1) Cash of ₱59.0 million mainly due to ABLGI's pre-operating expenses; (2) Due from Related Parties – Net of ₱22.5 million mainly due to reclassification of accounts. These decreases were partly offset by the following increases: (1) Bingo cards and Supplies of ₱1.2 million due to ABLE's increase in level of inventory to support their new gaming dynamics and (2) Investment and Advances – Net of ₱37.7 million due to on-going projects which will benefit the Group in the future.

Total Liabilities decreased by ₱66.0 million primarily due to FCLRC and ABLE's partial settlement of trade and other payables in addition to ABLE's loan principal payments.

Cash Flows – Three Months Ended March 31, 2012 vs. March 31, 2011

Cash balance as of March 31, 2012 of ₱885.7 million increased by ₱ 688.8 million or 350.4% from ₱196.6 million for the same period last year. The improvement is mainly due to the higher beginning balance of cash provided by financing activities due to the deposit for future subscription by third parties made last year.

Key Performance Indicators

The Company monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	As Of	
	March 31, 2012	December 31, 2011
Liquidity		
Current	186%	181%
Leverage Ratio		
Debt to Equity Ratio	32%	34%

	For the Three Months Ended	
	March 31, 2012	March 31, 2011
Activity Ratio		
Rate of Payout to Net Revenue	50.0%	57.3%
Profitability Ratio		
Return on Average Equity	0.8%	1.9%
Return on Average Assets	0.6%	1.4%
Solvency Ratio	5.7%	5.3%
Interest Coverage Ratio	4.4	28.1
Net Book Value Per Share	2.79	3.24
Earnings Per Share	0.0210	0.0404

The manner by which the Company calculates the above indicators is as follows:

Key Performance Indicator	Formula	2012	2011
Current Ratio	Current Assets / Current Liabilities	1,508,437,695 / 812,138,403	1,581,038,642 / 873,744,107
Debt to Equity Ratio	Total Liability / Stockholders' Equity	880,804,255 / 2,789,152,146	946,824,337 / 2,755,534,069
Rate of Payout to Net Revenues	Payout / Net Revenues	353,844,252 / 707,945,561	374,563,741 / 653,545,771
Return on Average Equity	Net Income / Average Equity	20,985,238 / 2,772,343,107	34,313,472 / 1,764,869,305
Return on Average Assets	Net Income / Average Total Assets	20,985,238 / 3,686,157,403	34,313,472 / 2,490,826,263
Solvency Ratio	Net Income + Depreciation / Total Liabilities	50,250,811 / 880,804,255	50,410,967 / 946,824,337
Interest Coverage Ratio	Income Before Interest & Tax / Interest Expense	31,187,756 / 7,037,708	36,713,453 / 1,305,088
Earnings per Share	Net Income (Net of Minority) / Weighted average number of shares outstanding	20,985,238 / 999,877,094	34,313,472 / 849,877,094
Net Book Value	Total Equity / Weighted average number of shares outstanding	2,789,152,146 / 999,877,094	2,755,534,069 / 849,877,094

The Company believes that the measure of its Liquidity through the Current Ratio is indicative of its ability to convert its asset resources into cash in order to pay current obligations. Generally, the higher the ratio, the better is the liquidity of the Company. As of the first quarter ended in 2012, the Company posted a current ratio of 186%; an increase of 5% from 181% as of the year ended December 31, 2011.

The Leverage Ratio measures the effectiveness of the Company's financing decisions and risk taking as shown in the Debt to Equity Ratio. It is the relationship between the total debts of the Company and its total stockholders' equity. It measures the total riskiness of the firm in terms of its ability to service both interest and principal payment commitments. The higher the ratio, the higher is the Company's leverage. As of the first quarter ended in 2012, the Company reported a debt to equity ratio of 32% or a decline of 2% from 34% during the year ended December 31, 2011.

The Rate of Payout to Net Revenues (Payout Turn-over) is a measure of the Company's efficiency by which it uses its resources to attain its objectives. It determines the effectiveness of the Company's programmed games to generate revenues. As of the first quarter ended in 2012, the Payout Turn-over is at 50%, a decrease of 7.3% as compared to 57.3% during the same period last year.

The Company measures its profitability in two-ways: (1) Return on Average Equity and (2) Return on Average Assets. The Return on Average Equity measures the residual income that accrues to the stockholders of the Company, while the Return on Average Assets measures the effectiveness of the management of asset resources to produce income. As of the first quarter ended in 2012, the Company's Return on Average Equity is 0.8% while the Return on Average

Assets is at 0.6% as compared to 1.9% and 1.4% respectively during the same period in 2011.

The solvency ratio is used to measure the Company's ability to meet its debt obligations. Also, it provides a measurement of how likely the company will be to continue meeting its obligations. At the end of March 2012, the solvency ratio is 5.7% as compared to 5.3% during the same period in 2011.

The interest coverage ratio is used to determine how easily the Company can pay interest expenses on outstanding debts. As of the period ended March 31, 2012, the Company's interest coverage ratio is 4.4 as compared to 28.1 during the same period in 2011.

The Company also considers the Earnings per Share and Net Book Value as a useful tool for its stockholders. The Earnings per Share is considered as an important variable in determining a share's price. It is the portion of the Company's profit to each outstanding share, while the Net Book Value is a measure of the Company's net value scaled by the number of shares outstanding. As of the first quarter ended in 2012, the Company's Earnings per Share is 0.0210 while the Net Book Value per Share is 2.79 as compared to is 0.0404 and 3.24 respectively in 2011.

The Company and its subsidiaries:

f) Have no known trends or any demands, commitments, events or uncertainties that will result in or that are likely to result in the liquidity increasing or decreasing in any material way;
g) Have no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
h) Have no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
i) Have not breached any loans, leases or other indebtedness or financing agreement; and
j) Have no material commitment for capital expenditure, aside from those already discussed as continuous development of new bingo parlors.

Plans for 2012

As in previous years, ABLE plans to expand by applying for permits to open new bingo parlors in high traffic areas, specifically in new SM and Robinson's Malls/Supercenters and several bingo outlets with smaller area in Metro Manila.

FCLRC plans to invite and qualify more licensed and operating locators by the end of the year. Major capital expenditures shall mainly be pertaining to the development of the information technology (IT) and telecommunications facilities of CSEZFP and the development of Cagayan Business Park.

LRLDI plans to continue investing into the Lallo Airport Project of CPVDC for the following year in keeping with their commitment to support the development of CSEZFP.

BCGLC intends to intensify their marketing campaign to increase foot traffic in the casino as well as extend their operating hours.

ABLGI plans to execute the necessary build-ups leading to the anticipated soft opening of the casino by the third quarter of 2012.

BBL has initiated sales and marketing projects to boost membership sign-ups and sales.

Financial Statements

The Annual Audited Consolidated Financial Statements for 2011 and the Interim Consolidated Financial Statements for the first quarter of 2012 are presented separately to form part of this information package.

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The aggregate fees billed and paid by registrant in favor of its External Auditors for Audit and Audit Related Fees is Pesos: Four Million Three Hundred Sixty Two Thousand and Sixty Four (₱4,362,064.00) for the fiscal year 2011 and Three Million Three Hundred Thousand (₱3,300,000.00) for the fiscal year 2010. These fees comprise the audit and audit related services rendered in favor of registrant and its subsidiaries.

Except for the fees indicated above, there were no tax fees or all other fees billed or paid to registrant's External Auditors for the last two (2) fiscal years.

The audit plan, including the corresponding audit fees, is submitted by the external auditors to the Company's Audit Committee for review. The Audit Committee evaluates and approves the audit fees on the basis of reasonableness, scope of work, inflationary increase and the prevailing market price for such services in the audit industry. If the Audit Committee finds the audit plan and audit fees are in order, these are presented and recommended for final approval of the Board of Directors. As regards to services that may be rendered by the external auditor other than the audit of financial statements, the scope of and payment for the same are subject to review, evaluation and approval by the Board of Directors.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

KMPG Manabat Sanagustin & Co., CPA's served as Company's external auditors for the December 31, 2011 and 2010 Financial Statements. Their re-appointment was approved during the Company's annual stockholders' meeting held on July 29, 2011.

There were no disagreements with independent accountants on accounting and financial disclosures.

Compliance with Leading Practice on Corporate Governance

The Board of Directors of LRWC and its subsidiaries declares that:

(a) The evaluation system established by the company measures and determines the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance. All directors, officers and employees complied with all the leading practices and principles on good corporate governance embodied in this manual.

(b) There are measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance. All members of the Board of Directors including officers have completed and were duly certified to have attended a seminar on Corporate Governance.

(c) There is no significant undisclosed deviation from the company's Manual of Corporate Governance.

(d) The current manual on corporate governance is addressing critical areas affecting the company's operations;

In as much as the Company's business presently primarily pertain to the gaming operations of its wholly-owned subsidiary, AB Leisure and Exponent, Inc., the Company deems that the management of the various Bingo halls all over the country from which it derives its cash revenues from customers, is the more critical area of concern for the Company. In view of the same, in addition to the Anti-Fraud Procedures adopted by ABLE, the Company's Audit Committee conducts regular meetings with the Internal Audit of ABLE to discuss any significant findings and deviations from the established procedures. No such significant finding and deviations have been reported so far.

The Company shall provide to the stockholders, without charge, on written request, the Annual Report of the company on SEC Form 17-A. All such requests for a copy of the Annual Report shall be directed to:

The Corporate Secretary
Leisure & Resorts World Corporation
26/F West Tower, PSE Center, Exchange Road
Ortigas, Pasig City

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LEISURE & RESORTS WORLD CORPORATION
Issuer

By:

RAUL G. GERODIAS
Corporate Secretary

LRWC
LEISURE & RESORTS WORLD CORPORATION
STOCK SYMBOL: LR

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of **Leisure & Resorts World Corporation and its Subsidiaries** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

KPMG Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed Under Oath By:

Reynaldo P. Bantug
Chairman and President

Geoffrey L. Uymatiao
Treasurer

April 19, 2012

SUBSCRIBED AND SWORN before me this 24 day of MAY 2012 affiants exhibiting to me their Community Tax Certificates as follow:

Names	Community Tax No.	Date of Issue	Place of Issue
Reynaldo P. Bantug	05483724	January 3, 2012	Victorias, Negros Occidental
Geoffrey L. Uymatiao	11162197	January 24, 2012	Pasig City

Doc. No.: 354
Page No. 71
Book No. 133
Series of 2012

ATTY. TOMAS F. DULAY, JR.
Notary Public
Until December 31, 2014
Roll No. 16583 / 03-13-61
IBP No. [illegible] / cy 2012 - Q.C.
PTR No. [illegible] / 01-02-12 - Q.C.
TIN No. [illegible]
92 Legaspi [illegible] 4, Q.C.
MCLE EXEMPTED

AB LEISURE EXPONENT, INC. First Cagayan LAND BINONDO SUITES MANILA

COVER SHEET

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S.E.C. Registration Number

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

(Company's Full Name)

26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City

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

Mr. Geoffrey L. Uymatiao

Contact Person

687-0370

Company Telephone Number

12 31

Month *Day*

AAFS

FORM TYPE

Month *Day*

Annual Meeting

Not applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011, 2010 and 2009

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Leisure & Resorts World Corporation and Subsidiaries
26th Floor, West Tower, PSE Center
Exchange Road, Ortigas Center
Pasig City

We have audited the accompanying consolidated financial statements of Leisure & Resorts World Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Leisure & Resorts World Corporation and Subsidiaries as at December 31, 2011 and 2010, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

JOSE P. JAVIER, JR.
Partner
CPA License No. 0070807
SEC Accreditation No. 0678-AR-1, Group A, valid until March 30, 2014
Tax Identification No. 112-071-224
BIR Accreditation No. 08-001987-16-2011
Issued February 4, 2011; valid until February 3, 2014
PTR No. 3174013MA
Issued January 2, 2012 at Makati City

April 19, 2012
Makati City, Metro Manila

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2011**	2010
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 28*	**P944,275,312**	P101,562,325
Receivables - net	*5, 28*	**366,538,712**	479,866,818
Bingo cards	*6*	**17,707,392**	16,928,727
Prepaid expenses and other current assets	*7*	**218,092,976**	11,767,350
Due from related parties	*22, 28*	**34,424,250**	11,828,460
Total Current Assets		**1,581,038,642**	621,953,680
Noncurrent Assets			
Property and equipment - net	*8, 14*	**403,903,285**	270,627,039
Investment property - net	*9*	**128,655,680**	122,578,249
Investments and advances - net	*10*	**200,613,926**	216,264,847
Goodwill - net	*11*	**546,318,689**	530,988,731
Deferred tax assets	*23*	**64,536,733**	-
Other assets - net	*12, 17, 19, 28*	**777,291,451**	667,176,469
Total Noncurrent Assets		**2,121,319,764**	1,807,635,335
		P3,702,358,406	P2,429,589,015
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*15, 16, 28*	**P733,376,679**	P503,171,422
Short-term loans payable	*13, 21, 28*	**99,677,716**	84,146,970
Current portion of long-term loans payable	*13, 21, 28*	**24,255,696**	43,391,995
Current portion of obligations under finance lease	*14 ,21, 28*	**1,300,698**	5,297,863
Due to a related party	*22, 28*	**9,070,691**	9,070,691
Income tax payable		**6,062,627**	2,839,737
Total Current Liabilities		**873,744,107**	647,918,678
Noncurrent Liabilities			
Long-term loans payable - net of current portion	*13, 21, 28*	**31,710,900**	54,758,005
Retirement benefits liability	*20*	**36,632,288**	31,862,288
Rent deposit	*19*	**4,111,800**	2,932,800
Obligations under finance lease - net of current portion	*14, 21, 28*	**625,242**	1,856,322
Total Noncurrent Liabilities		**73,080,230**	91,409,415
		946,824,337	739,328,093

Forward

		December 31	
	Note	**2011**	2010
Equity			
Equity Attributable to Equity Holders of the Parent Company	*16*		
Capital stock		**P999,877,094**	P849,877,094
Additional paid-in capital		**1,114,028,555**	128,881,859
Retained earnings		**516,381,581**	625,861,621
Functional currency translation reserve		**11,839**	-
Treasury shares		**(18,694,937)**	(20,785,694)
		2,611,604,132	1,583,834,880
Non-controlling Interest		**143,929,937**	106,426,042
Total Equity		**2,755,534,069**	1,690,260,922
		P3,702,358,406	P2,429,589,015

See Notes to the Consolidated Financial Statements.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2011	2010	2009
REVENUES				
Traditional bingo	*17*	**P2,005,895,171**	P2,194,947,483	P2,294,157,211
Electronic bingo - net	*17, 27*	**1,151,800,791**	859,634,341	773,873,672
Rapid bingo - net	*17, 27*	**450,796,017**	466,715,875	484,200,110
Service and hosting fees	*18*	**216,751,180**	295,712,890	301,850,830
Pull tabs	*17*	**12,755,800**	19,086,824	24,955,570
Instant charity bingo	*12, 17*	**8,452,080**	16,484,396	28,462,200
		3,846,451,039	3,852,581,809	3,907,499,593
FRANCHISE FEES AND TAXES	*17, 18*	**1,181,061,070**	1,180,388,487	1,200,346,957
NET REVENUES		**2,665,389,969**	2,672,193,322	2,707,152,636
COST AND OPERATING EXPENSES				
Payouts		**1,476,666,169**	1,542,705,228	1,607,457,261
Rent	*19*	**371,485,759**	212,013,872	209,337,836
Contracted services		**225,030,587**	101,082,318	100,011,088
Salaries and wages		**167,416,724**	160,703,924	157,377,453
Communications and utilities		**166,329,597**	155,698,931	151,407,185
Depreciation and amortization	*8, 9, 12*	**89,603,083**	66,245,997	63,065,248
Employee benefits	*20*	**84,031,687**	73,457,905	70,552,306
Impairment losses on receivables		**76,197,992**	-	-
Taxes and licenses		**34,039,394**	21,378,853	19,601,629
Bingo cards and supplies	*6*	**26,401,412**	31,832,632	43,238,966
Transportation and travel		**24,064,448**	12,164,412	7,264,580
Marketing supplies and materials		**10,079,227**	13,186,724	18,625,303
Others		**102,994,417**	61,741,203	45,338,304
		2,854,340,496	2,452,211,999	2,493,277,159
OPERATING INCOME (LOSS)		**(188,950,527)**	219,981,323	213,875,477
OTHER INCOME (EXPENSE)				
Equity in net earnings of a joint venture	*10*	**24,263,436**	30,962,180	29,007,533
Finance income	*21*	**16,063,681**	1,598,803	1,137,508
Foreign exchange gain (loss) - net	*28*	**4,962,019**	6,706,490	(3,712,419)
Finance expense	*21*	**(46,256,285)**	(43,195,354)	(43,352,481)
Other income - net	*19,21*	**140,086,649**	32,216,724	48,987,619
		139,119,500	28,288,843	32,067,760

Forward

	Note	2011	2010	2009
				Years Ended December 31
	Note	**2011**	2010	2009
INCOME (LOSS) BEFORE INCOME TAX		**(P49,831,027)**	P248,270,166	P245,943,237
INCOME TAX EXPENSE (BENEFIT)	*23*	**(54,165,721)**	7,254,450	7,568,883
NET INCOME		**4,334,694**	241,015,716	238,374,354
OTHER COMPREHENSIVE INCOME				
Foreign currency translation gain		**11,839**	-	-
TOTAL COMPREHENSIVE INCOME		**P4,346,533**	P241,015,716	P238,374,354
Attributable to:				
Owners of the Parent Company		**(P36,372,794)**	P205,036,499	P201,237,953
Non-controlling interest		**40,719,327**	35,979,217	37,136,401
		P4,346,533	P241,015,716	P238,374,354
Basic/Diluted Earnings (Loss) Per Share	*24*	**(P0.0383)**	P0.2472	P0.2398

See Notes to the Consolidated Financial Statements.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	2011 Number of Shares	2011 Amount	2010 Number of Shares	2010 Amount	2009 Number of Shares	2009 Amount
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY							
CAPITAL STOCK	*16*						
Authorized							
Common shares - P1 par value		1,600,000,000	P1,600,000,000	1,600,000,000	P1,600,000,000	1,600,000,000	P1,600,000,000
Issued							
Balance at beginning of year		849,877,094	849,877,094	849,877,094	849,877,094	772,614,784	772,614,784
Issuances during the year	*16*	150,000,000	150,000,000	-	-	77,262,310	77,262,310
Balance at end of year		999,877,094	999,877,094	849,877,094	849,877,094	849,877,094	849,877,094
ADDITIONAL PAID-IN CAPITAL							
Balance at beginning of year			128,881,859		128,881,859		128,881,859
Issuances during the year			975,000,000		-		-
Surplus on sale of treasury shares			10,146,696		-		-
Balance at end of year			1,114,028,555		128,881,859		128,881,859
RETAINED EARNINGS							
Balance at beginning of year			625,861,621		488,815,290		413,514,404
Net income (loss) for the year			(36,384,633)		205,036,499		201,237,953
Cash dividends declared	*16*		(73,095,407)		(67,990,168)		(48,674,757)
Stock dividends declared	*16*		-		-		(77,262,310)
Balance at end of year			516,381,581		625,861,621		488,815,290
FUNCTIONAL CURRENCY TRANSLATION RESERVE			11,839		-		-

Forward

Years Ended December 31

	Note	2011 Number of Shares	2011 Amount	2010 Number of Shares	2010 Amount	2009 Number of Shares	2009 Amount
COST OF TREASURY SHARES							
Balance at beginning of year		(20,380,500)	(P20,785,694)	(19,680,500)	(P19,780,317)	(9,245,000)	(P10,880,051)
Acquisitions during the year	*16*	-	-	(700,000)	(1,005,377)	(8,938,000)	(8,900,266)
Disposal during the year	*16*	2,050,000	2,090,757	-	-	-	-
Effect of stock dividends declared		-	-	-	-	(1,497,500)	-
Balance at end of year		(18,330,500)	(18,694,937)	(20,380,500)	(20,785,694)	(19,680,500)	(19,780,317)
			2,611,604,132		1,583,834,880		1,447,793,926
NON-CONTROLLING INTEREST							
Balance at beginning of year			106,426,042		86,855,225		71,880,724
Deductions during the year			(2,165,432)		-		-
Net income for the year			40,719,327		35,979,217		37,136,401
Dividends received			(1,050,000)		(16,408,400)		(22,161,900)
Balance at end of year			143,929,937		106,426,042		86,855,225
			P2,755,534,069		P1,690,260,922		P1,534,649,151

See Notes to the Consolidated Financial Statements.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2011**	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(P49,831,027)**	P248,270,166	P245,943,236
Adjustments for:				
Depreciation and amortization	*8, 9, 12*	**89,603,083**	66,245,997	63,065,248
Finance expense	*21*	**46,256,285**	43,195,354	43,352,481
Impairment losses on receivables		**76,197,992**		
Retirement benefits liability		**4,770,000**	2,810,000	3,665,969
Loss on write-off of property and equipment		**313,871**	-	-
Equity in net earnings of a joint venture	*10*	**(24,263,436)**	(30,962,180)	(29,007,533)
Finance income	*21*	**(15,383,681)**	(191,748)	(171,653)
Unrealized foreign exchange loss (gain)		**(1,574,158)**	(2,862,438)	3,725,435
Dividend income	*21*	**(680,000)**	(1,407,055)	(965,855)
Operating income before working capital changes		**125,408,929**	325,098,096	329,607,328
Decrease (increase) in:				
Receivables		**42,032,306**	53,789,128	(57,394,538)
Bingo cards		**(666,864)**	1,277,312	541,766
Prepaid expenses and other current assets		**(206,151,339)**	9,361,318	(14,559,153)
Increase (decrease) in:				
Trade and other payables		**197,888,660**	(41,160,062)	6,070,296
Due to a related party		**(39,231,829)**	-	(7,062,529)
Rent deposit		**1,179,000**	2,932,800	-
Cash generated from operations		**120,458,863**	351,298,592	257,203,170
Interest received		**15,383,681**	191,748	171,653
Interest paid		**(46,785,208)**	(43,195,354)	(43,352,481)
Income taxes paid		**(7,148,122)**	(9,137,622)	(4,598,387)
Net cash provided by operating activities		**81,909,214**	299,157,364	209,423,955
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	*8*	**(191,260,434)**	(156,200,214)	(53,409,020)
Acquisitions of investment property	*9*	**(13,200,333)**	(2,595,515)	(17,463,494)
Acquisition of subsidiaries		**(1,153,125)**	-	-
Proceeds from disposal of property and equipment		**1,077,070**	-	-
Dividends received	*21*	**680,000**	1,407,055	965,855
Decrease (increase) in:				
Due from related parties		**(22,583,951)**	(5,238,563)	(34,292,012)
Other assets		**(114,360,794)**	(148,557,568)	(14,838,222)
Investments and advances	*10*	**43,789,357**	49,084,025	43,748,135
Net cash used in investing activities		**(297,012,210)**	(262,100,780)	(75,288,758)

Forward

	Note	2011	2010	2009
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of stocks		**P1,125,000,000**	P -	P -
Proceeds from loans payable		**349,700,179**	163,096,970	38,250,000
Proceeds from sale of treasury shares		**12,237,453**	-	-
Payments of loans payable		**(376,870,854)**	(111,457,099)	(86,095,122)
Dividends paid	*16*	**(48,413,993)**	(67,990,168)	(48,674,757)
Payments of obligations under finance lease		**(5,228,245)**	(2,156,562)	(4,605,496)
Dividends paid to non-controlling interest		**(1,050,000)**	(16,408,400)	(22,161,900)
Acquisitions of treasury shares		**-**	(1,005,377)	(8,900,265)
Net cash provided by (used in) financing activities		**1,055,374,540**	(35,920,636)	(132,187,540)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**2,441,443**	(1,922,026)	(348,633)
NET INCREASE (DECREASE) IN CASH		**842,712,987**	(786,078)	1,599,024
CASH AT BEGINNING OF YEAR		**101,562,325**	102,348,403	100,749,379
CASH AT END OF YEAR	*4*	**P944,275,312**	P101,562,325	P102,348,403

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Leisure & Resorts World Corporation (the "Parent Company" or "LRWC") was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in an associate and in a joint venture. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange, Inc. (PSE). The Group's primary purpose is to engage in leisure business which includes management and operation of the activities conducted therein pertaining to general amusement and recreation enterprise, hotel and gaming facilities, including but not limited to bingo parlors.

The Parent Company's registered office address is at 26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City.

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

The accompanying consolidated financial statements of the Group as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 were approved and authorized for issue by the Board of Directors (BOD) on April 19, 2012.

Basis of Measurement
The consolidated financial statements have been prepared on a historical cost basis.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as of December 31, 2011 and 2010:

Subsidiaries	Percentage of Ownership
AB Leisure Exponent, Inc. (ABLE)	100
LR Land Developers, Inc. (LRLDI)	100
AB Leisure Global, Inc. (ABLGI)	100
Blue Chip Gaming and Leisure Corporation (BCGLC)*	70
First Cagayan Leisure and Resort Corporation (FCLRC)	69.68
Bingo Bonanza (HK) Limited (BBL)**	60

** Consolidated effective May 1, 2011*
*** Consolidated effective January 1, 2011*

ABLE

ABLE was registered with the SEC on March 31, 1995. Its primary purpose is to provide amusement and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games.

In October 1999, the BOD of the Parent Company approved the Share Exchange Agreements (Agreements) with the shareholders of ABLE, an operator of a number of bingo parlors, for the acquisition of the entire outstanding capital stock of ABLE in exchange for 750 million new shares of the Parent Company valued at P750 million. By virtue of the Agreements, ABLE became a wholly-owned subsidiary of the Parent Company. Further discussion on this matter is included in Note 16 to the consolidated financial statements.

The consolidated financial statements also include the following indirect subsidiaries owned through ABLE:

	Percentage of Ownership	
Subsidiaries	**2011**	2010
Alabang Numbers & Gaming Corporation	**100**	100
Allpoint Leisure Corporation	**100**	100
Big Time Gaming Corporation (BGC)**	**100**	-
Bingo Extravaganza, Inc.	**100**	100
Bingo Gallery, Inc.	**100**	100
Bingo Palace Corporation	**100**	100
Cebu Entertainment Gallery, Inc.	**100**	100
Fiesta Gaming and Entertainment Corporation*	**100**	100
First Leisure & Game Co., Inc.	**100**	100
Galleria Bingo Corporation	**100**	100
G-One Gaming & Technology, Inc.	**100**	100
Highland Gaming Corporation	**100**	100
Iloilo Bingo Corporation	**100**	100
Metro Gaming Entertainment Gallery, Inc.	**100**	100
Rizal Gaming Corporation	**100**	100
SG Amusement and Recreation Corp.	**100**	100
South Bingo Corporation	**100**	100
South Entertainment Gallery Incorporated (SEGI)	**100**	100
Topmost Gaming Corp.	**100**	100
Bingo Dinero Corporation	**95**	95
Bingo Zone, Inc.*	**95**	95
Manila Bingo Corporation	**95**	95
Isarog Gaming Corporation	**90**	90
One Bingo Place, Incorporated	**80**	80
Summit Bingo, Inc.	**60**	60

** Non-operating subsidiaries.*

*** Consolidated effective August 1, 2011 (see Note 10).*

LRLDI

On December 10, 2007, the Parent Company incorporated LRLDI as its wholly-owned subsidiary. It is engaged in realty development and tourism. LRLDI started commercial operations in 2010.

ABLGI

ABLGI was registered with the SEC on October 20, 2009. Its primary purpose is to acquire, own, use, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises such as but not limited to resorts, golf courses, clubhouses and sports facilities, hotels and gaming facilities, with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith. ABLGI has not started commercial operation as of December 31, 2011.

FCLRC

FCLRC was incorporated on April 26, 2000 and is a Cagayan Special Economic Zone and Freeport (CSEZFP) registered enterprise. FCLRC has an existing License Agreement with the Cagayan Economic Zone Authority (CEZA) to develop, operate and conduct internet and gaming enterprises and facilities in the CSEZFP. Pursuant to the License Agreement, FCLRC was issued the "CEZA Master Licensor Certificate" certifying that FCLRC is duly authorized to regulate and monitor, on behalf of CEZA, all activities pertaining to the licensing and operation of interactive games.

BCGLC

BCGLC was registered with the SEC on October 9, 2009. Its primary purpose is to provide investment, management counsel and to act as agent or representative for business enterprises engaged in gaming, recreation and leisure activities. On October 20, 2009, BCGLC (lessor), as the authorized representative of Munich Management Limited - a foreign corporation duly organized and registered in British Virgin Islands, entered into a contract of lease with the Philippine Amusement and Gaming Corporation (PAGCOR; lessee) for the use of slot machines and gaming facilties. On April 27, 2011, the Parent Company acquired 70% of BCGLC's outstanding capital stock (see Note 10).

BBL

On March 15, 2010, the Parent Company incorporated BBL as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hong Kong. BBL has not started operations as of December 31, 2011.

The 2010 consolidated financial statements did not include the balances of BBL as these were immaterial to the Group.

The above companies, except for BBL, are all incorporated in the Philippines. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests represent the portion of profit or loss and net assets or liabilities not held by the Group and are presented separately in the consolidated statements of comprehensive income and within stockholders' equity in the consolidated statements of financial position, separately from equity attributable to owners of the Group. Losses applicable to the non-controlling interests in a subsidiary (including components of other comprehensive income) are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions Eliminated on Consolidation
All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency, and all financial information is rounded to the nearest peso, except when otherwise stated.

Use of Estimates and Judgments
The preparation of the consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

Operating Leases - As a Lessee and As a Lessor
The Group entered into various lease agreements as lessee and as lessor. For lease agreements where the Group is the lessee, the Group determined that the lessors retain all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements. For lease agreements where the Group is the lessor, the Group assessed that it retains substantially all the risks and rewards of ownership of the leased assets.

Rent expense recognized in profit or loss for the years ended December 31, 2011, 2010, and 2009 amounted to P371,485,759, P212,013,872 and P209,337,836, respectively, while rent income recognized in profit or loss for the years ended December 31, 2011, 2010 and 2009 amounted to P137,211,891, P28,514,676 and P46,298,842, respectively (see Notes 19 and 21).

Finance Leases - As a Lessee
The Group entered into various lease agreements as lessee where the Group will assume all significant risks and rewards of ownership of the assets which are leased out under finance lease agreements (see Note 14).

As of December 31, 2011 and 2010, the carrying amounts of leased vehicles and equipment, included under "Property and equipment" account in the consolidated statements of financial position amounted to P3,001,400 and P15,237,962, respectively (see Notes 8 and 14).

Estimating Allowance for Impairment Losses on Receivables, Advances to Related and Non-related Parties and Due from Related Parties

The Group performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Group. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies.

As of December 31, 2011 and 2010, the carrying amount of receivables, advances to related and non-related parties and due from related parties of the Group amounted to P913,704,771 and P1,010,923,901, respectively. As of December 31, 2011 and 2010, the related allowance for impairment loss amounted to P51,654,284 and P40,000,000, respectively (see Notes 5, 10, 12 and 22).

Estimating Net Realizable Value of Bingo Cards

In determining the net realizable value (NRV) of bingo cards, the Group considers inventory obsolescence, damages, physical deterioration, changes in price levels, changes in consumer demands, introduction of new bingo games or other causes to identify bingo cards which are to be written down to NRV. The Group adjusts the cost of bingo cards to recoverable amount at a level considered adequate to reflect market decline in the amount of the bingo cards.

No bingo cards were written down to their net realizable values in 2011 and 2010. As of December 31, 2011 and 2010, the bingo cards were valued at cost amounting to P17,707,392 and P16,928,727, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment, Investment Property and Intangible Asset with Definite Useful Life

The Group annually reviews the estimated useful lives of property and equipment, investment property and intangible asset with definite useful life based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear and technical and commercial obsolescence.

In addition, estimation of the useful lives of property and equipment, investment property and intangible asset with definite useful life is based on collective assessment of industry practice, internal technical evaluation and experience with similar asset. It is possible however, that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property and equipment, investment property and intangible asset with definite useful life would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

The estimated useful lives are as follows:

	Number of Years
Leasehold improvements	5 years or lease term, whichever is shorter
Aircraft and transportation equipment	5-25 years
Bingo equipment and paraphernalia	5 years
Office furniture, fixtures and equipment	5 years
Condominium unit	25 years

The estimated useful life of the Group's investment property is 25 years.

In 2011, the Group reduced the estimated useful life of its intangible asset with definite useful life classified under the "Airstrip improvements" account, presented as part of "Other assets - net" in the statements financial of position, from 25 years to 14 years and 3 months. The reduction was due to the effects of commercial obsolescence brought about by the construction of a domestic airport in Cagayan. The change in estimate reduced the remaining useful life of "Airstrip improvements" to 10 years from 20 years and 9 months. Moreover, amortization expense in 2011 on the Airstrip improvements increased by P4,580,928 and would continue to have the same effect in prospective periods.

The Group's accumulated depreciation and amortization of property and equipment amounted to P350,560,998 and P295,163,258 as of December 31, 2011 and 2010, respectively. The carrying amount of the Group's property and equipment amounted to P403,903,285 and P270,627,039 as of December 31, 2011 and 2010, respectively (see Note 8).

The Group's accumulated depreciation of investment property amounted to P10,313,662 and P3,190,760 as of December 31, 2011 and 2010, respectively. The carrying amount of the Group's investment property amounted to P128,655,680 and P122,578,249 as of December 31, 2011 and 2010, respectively (see Note 9).

Impairment Losses of Non-financial Assets
PFRS requires that an impairment review be performed on property and equipment, investment property, investments and intangible asset with definite useful life when events or changes in circumstances indicate that the carrying amount may not be recoverable. Operating licenses, land rights and goodwill are tested for impairment at least annually. Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

As of December 31, 2011 and 2010, the following are the carrying amounts of non-financial assets:

	Note	**2011**	2010
Property and equipment	*8*	**P403,903,285**	P270,627,039
Investment property	*9*	**128,655,680**	122,578,249
Investments	*10*	**66,434,531**	40,671,095
Goodwill	*11*	**546,318,689**	530,988,731
Airstrip improvements	*12*	**78,070,465**	86,744,962
Operating licenses	*12*	**4,253,690**	4,253,690
Land rights	*12*	**101,567,814**	101,567,814

As of December 31, 2011 and 2010, there was no indication of impairment on the Group's property and equipment, investment property, investments, goodwill, airstrip improvements, operating licenses and land rights (see Notes 8, 9, 10, 11 and 12).

Estimating Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2011, the Group recognized deferred tax assets amounting to P64,536,733. The Group has temporary differences where no deferred tax was recognized amounting to P46,351,746 and P28,669,920 as of December 31, 2011 and 2010, respectively (see Note 23).

Estimating Retirement Cost
The determination of the obligation and cost of retirement is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rates and salary increase rates. In accordance with PFRS, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future period.

The Group has unrecognized actuarial loss amounting to P858,312 as of December 31, 2011 and unrecognized actuarial gain amounting to P8,773,388 as of December 31, 2010 (see Note 20).

Asset Retirement Obligation
Determining asset retirement obligation requires estimation of the cost of dismantling property and equipment and other costs of restoring the leased properties to their original condition.

The Group determined that there is no significant asset retirement obligation as of December 31, 2011 and 2010.

Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

A subsidiary of ABLE currently has pending tax cases at the Court of Tax Appeals. The Group's estimate of the probable costs for the resolution of this case has been developed in consultation with outside legal counsel handling the prosecution and defense of this matter and is based on an analysis of potential results. The Group currently does not believe that the cases will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to its proceeding.

As of December 31, 2011 and 2010, no accruals were made in relation to this proceeding (see Note 27).

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the changes in accounting policies as explained below:

<u>Adoption of New or Revised Standards and Amendments to Standards and Interpretations</u>

The FRSC approved the adoption of a number of new or revised standards, amendments to standards, and interpretations (based on IFRIC Interpretations) as part of PFRS.

Adopted Effective January 1, 2011

The Group has adopted the following PFRS starting January 1, 2011 and accordingly, changed its accounting policies in the following areas:

- Revised PAS 24, *Related Party Disclosures* (2009) amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011. The adoption of this revised standard did not have any significant impact on the Group's consolidated financial statements.

- *Improvements to PFRSs 2010* contain 11 amendments to six standards and to one interpretation. The following are the said improvements or amendments to PFRS, none of which has a significant effect on the consolidated financial statements of the Group:

  - PFRS 3, *Business Combinations*. The amendments: (i) clarify that contingent consideration arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (ii) limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (iii) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendments are effective for annual periods beginning on or after July 1, 2010.

  - PAS 27, *Consolidated and Separate Financial Statements*. The amendments clarify that the consequential amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010.

- PFRS 7, *Financial Instruments: Disclosures.* The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standards Board (IASB) amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011.

- PAS 1, *Presentation of Financial Statements.* The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011.

- PAS 34, *Interim Financial Reporting.* The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011.

Additional disclosures required by the amendments to standards were included in the consolidated financial statements, where applicable.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except for PFRS 9, *Financial Instruments,* which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to early adopt this standard and the extent of the impact has not been determined.

The Group will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7),* require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011.

- Presentation of Items of Other Comprehensive Income (Amendments to PAS 1). The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and, (c) change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard. The effective date of the amendment is for periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008). The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*. PFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures; and always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. PFRS 11 supersedes PAS 31 and Philippine Interpretation SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*. PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The new standard is effective for annual periods beginning on or after January 1, 2013. Early application is permitted and is required to be disclosed.

- PAS 19, *Employee Benefits* (amended 2011). The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Adoption of the amendment is required for annual periods beginning on or after January 1, 2013.

- *PFRS 9, Financial Instruments.* PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1, 2012. PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation - IFRIC 9, *Reassessment of Embedded Derivatives.* The adoption of the amendment is required for annual periods beginning on or after January 1, 2015.

Financial Instruments

Financial assets comprise cash and cash equivalents, receivables, due from related parties, advances to related and non-related parties, venue rental and other deposits and cash and performance bonds. Financial liabilities consist of trade and other payables, due to related parties, rent deposit and short-term and long-term loans payable.

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes directly attributable transaction costs.

Subsequent to initial recognition, the Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. The Group classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities. The classification depends on the purpose for which the financial assets are acquired or the financial liabilities are incurred, and whether the instruments are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no HTM investments, AFS financial assets, and FVPL financial assets and liabilities as of December 31, 2011 and 2010.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

The measurement of non-derivative financial instruments subsequent to initial recognition is described below:

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized in profit or loss on an accrual basis. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Cash includes cash in banks which is stated at face value. 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 which are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, receivables, due from related parties, venue rental and other deposits, cash and performance bonds, advances to related and non-related parties included under "Investments and advances" and "Other assets" are included in this category (see Notes 4, 5, 10, 12, 22 and 28).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Other financial liabilities are measured initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and directly attributable transaction costs. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Group's trade and other payables, due to a related party, rent deposit, and short-term and long-term loans are included in this category (see Notes 13, 15, 22 and 28).

Derecognition of Financial Instruments

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

- the rights to receive cash flows from the asset have expired;

- 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.

When 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 the 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. When 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.

<u>Impairment of Financial Assets</u>
The Group assesses at reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a significant financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group 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.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, 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) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be 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. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position 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 at gross in the consolidated statements of financial position.

Bingo Cards
Bingo cards are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost.

Investments and Advances
The Group's investments in an associate and a joint venture are accounted for under the equity method in the consolidated financial statements. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. A joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Under the equity method, investments in an associate and a joint venture are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the share of net assets, less any impairment in value. When the Group's share of losses exceeds the cost of the investments in an associate and a joint venture, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and the joint venture.

The Group normally contributes cash or other resources to the associate and a joint venture. These contributions are included in the accounting records of the Group and recognized in its consolidated financial statements as part of its investments in an associate and a joint venture.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditures that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and equipment and other direct costs. Borrowing costs that are directly attributed to the construction are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the property and equipment. Leasehold improvements are amortized over the estimated useful life of the improvements or the term of the lease, whichever is shorter.

The estimated useful lives, and depreciation and amortization methods are reviewed periodically to ensure that the period, and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Investment Property

Investment property consists of land improvements, building, or part of a building or both held to earn long-term rental yields or for capital appreciation or both, and is not occupied by the Group or held for sale in the ordinary course of business.

The building is stated at cost less accumulated depreciation and any accumulated impairment, if any. The initial cost of the building comprises its construction cost or purchase price, including taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of the building only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Investment property also includes property that is being constructed or developed for future use as investment property and is stated at cost. The cost includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation is computed using the straight-line method over the estimated useful life of the investment property.

The estimated useful lives, and depreciation and amortization methods are reviewed periodically to ensure that the period, and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the assets.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from their disposal. Any gains and losses on the derecognition of investment property is recognized in profit or loss in the year of derecognition.

Operating Licenses

Operating licenses acquired separately are measured on initial recognition at cost. The cost of operating licenses acquired in a business combination is its fair value as at the date of acquisition. Subsequently, operating licenses are measured at cost less impairment losses, if any.

The Group assesses the useful life of the operating license to be indefinite because based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Operating licenses are tested for impairment annually either individually or at the cash-generating unit level. Such are not amortized. The useful life of the operating licenses with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from disposition of operating licenses are measured as the difference between the disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill acquired is initially measured as the excess of the cost of the acquisition over the Parent Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the resulting amount is negative (bargain purchase gain), it is recognized immediately in profit or loss. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Bargain purchase gain, which is the excess of the net fair values of acquired identifiable nonmonetary assets of subsidiaries and associates over the cost of acquisition, is charged directly to profit or loss.

When subsidiaries are sold, the difference between the selling price and the subsidiary's net asset plus goodwill associated with the investment are recognized in profit or loss.

Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets such as property and equipment, investment property, investments in an associate and a joint venture and intangible asset with definite useful life are reviewed at each reporting date to determine whether there is any indication of impairment. Operating licenses, land rights and goodwill are tested annually. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction less costs to sell while value in use is the present value of estimated future cash flows expected to be generated from its disposal at the end of its useful life. 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. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. Reversals of impairment are recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 assessments 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Capital Stock

Common stock is classified as equity. Incremental costs directly attributable to the issuance of shares of common stock are recognized as a deduction from equity, net of any tax effects.

Treasury Shares

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus on the transaction is transferred to additional paid-in capital, while the resulting deficit is transferred to additional paid-in capital and retained earnings, for any excess of deficit over the additional paid-in capital arising from treasury shares transactions.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Traditional Bingo
Gross revenue is recognized as revenue upon sale of bingo cards.

Electronic Bingo
Net revenue (gross sales less payouts) is recognized as revenue upon conclusion of the game.

Rapid Bingo
Gross sales (total amount wagered or bets) is recognized as revenue upon conclusion of the game.

Pull Tabs
Pull tabs receipts are recognized as revenue upon the sale of the cards.

Instant Charity Bingo Game 2(ICBG2)
ICBG2 games are referred to as "scratch card" sales. Scratch cards receipts are recognized as revenue upon the sale of cards.

Service and Hosting Fees
Service fees are recognized as revenue upon processing of locators' application for a franchise. Hosting fees are recognized as revenue upon accrual of the gaming levy to locators, which is equivalent to 1% of locators' revenue less payouts.

Cost and Expense Recognition
Costs and expenses are recognized when they are incurred and are reported in the consolidated financial statements in the periods to which they relate.

Payouts representing payments to winners of bingo games, are recognized as expense upon conclusion of the game.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance Leases
Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Leases
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, unless other systematic basis is more representative of the time pattern of the Group's benefit.

Retirement Obligation
The Group's net obligation in respect of its retirement plan is calculated separately by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods and the benefits are discounted to determine its present value. The discount rate is the yield at the reporting date of long-term government bonds that have maturity dates approximating the terms of the Group's liabilities. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

In calculating the Group's obligation in respect to the plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10 percent of the present value of the defined benefit obligation of the prior year, that portion is recognized in profit or loss in the current year over the expected average remaining working lives of the employees in the subsequent years. Otherwise, the actuarial gain or loss is not recognized.

Transitional liability as of January 1, 2005, the date of the adoption of PAS 19, *Employee Benefits*, is recognized as an expense over five years from the date of adoption.

Finance and Other Income and Finance Expenses
Finance income comprises interest income on bank deposits and short-term investments, dividend income, and gains on the disposal of financial assets that are recognized in profit or loss.

- *Interest Income* is recognized as it accrues in profit or loss using the effective interest method, net of final tax.

- *Dividend Income* is recognized in profit or loss on the date that the Group's right to receive payment is established.

Other income comprises rental of gaming facility and office spaces, fees for management services and miscellaneous income from operations.

- *Rental of Gaming Facility and Office Space* is recognized based on the agreement with the locators and lessees.

- *Commission Income* is recognized when services are rendered.

Finance expenses comprise interest expense on borrowings and loss on disposal of financial assets that are recognized in profit or loss.

- *Interest Expense* is recognized as it accrues in profit or loss using the effective interest method.

- *Foreign Currency Gains and Losses* are reported on a net basis.

Income Taxes
Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current Tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carryforward tax benefits of the net operating loss carry-over (NOLCO). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Foreign Currency
Foreign Currency Translations
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Foreign Operations
The assets and liabilities of foreign operations are translated to Philippine peso at exchange rates at the reporting date.

Foreign currency difference are recognized in other comprehensive income, and presented in the foreign currency translation gain ("Foreign currency translation reserve") in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in other comprehensive income related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in "Foreign currency translation reserve" in equity.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Earnings Per Share

Basic Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted Earnings Per Share

Diluted earnings per share is consistent with the computation of the basic earnings per share while giving effect to all dilutive potential common shares that were outstanding during the period. Net income attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Land Rights

The Group recognizes land rights as intangible assets with indefinite useful lives. The land rights are measured on initial recognition at cost. Subsequent to initial recognition, the land rights are measured at cost less impairment losses, if any.

The Group assesses the useful lives of the land rights to be indefinite because of the nature of these assets and there is reasonable certainty that legal ownership will be transferred to the Group in the future, hence there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Land rights are tested for impairment annually either individually or at the cash-generating unit level. Such are not amortized. The useful lives of the land rights are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful lives assessment from indefinite to definite is made on a prospective basis.

Gains or losses arising from disposition of land rights are measured as the difference between the disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Improvements in CSEZFP
The Group recognizes the airstrip improvements within the CSEZFP as intangible asset with definite useful life. Intangible asset is measured on initial recognition at cost. Subsequent to initial recognition, intangible asset is measured at cost less accumulated amortization and impairment losses, if any.

Intangible asset with definite useful life is amortized using the straight-line method over the period covered by the contract with CSEZFP or economic life of the airstrip improvement, whichever is shorter. The period and method of amortization are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Gain or loss arising from derecognition of an intangible asset is recognized in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

Related Party Transactions and Relationships
Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting entity, or between/or among the reporting entity and its key management personnel, directors, or its stockholders. Transactions between the related parties are accounted for at arm's length prices or on terms similar to those offered to nonrelated entities in an economically comparable market.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements 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 in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

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

4. Cash

This account consists of:

	2011	2010
Cash in banks	**P323,958,518**	P92,455,359
Cash on hand and payout fund	**20,972,573**	9,106,966
Short-term investments	**599,344,221**	-
	P944,275,312	P101,562,325

Cash in banks and short-term investments earn interest at the respective bank deposit rates and short-term investment rates.

Payout fund pertains to the cash held by the cashier which is intended to pay for the prizes of the winners of each bingo game. This is replenished on a daily basis.

The Group's exposure to credit risk relating to cash is disclosed in Note 28.

5. Receivables

This account consists of:

	Note	2011	2010
Trade receivables		**P167,676,134**	P202,915,735
Advances to officers and employees	22	**100,698,422**	38,182,186
Advances to Royal Highland Leisure and Resort Corporation (RHLRC)		**39,087,416**	124,234,097
Receivables from concessionaires		**16,808,290**	13,460,584
Advances to BCGLC	10	**-**	32,722,523
Other receivables:			
Flexytech, Inc.		**22,654,310**	24,069,308
AB Fiber Corp.		**7,500,000**	-
Topnotch Bingo Trend Inc.		**4,367,121**	14,572,121
Kingloc Asia Limited		**3,956,209**	6,756,460
BGC	10	**-**	11,825,969
BBL		**-**	3,573,614
Others		**9,594,102**	7,554,221
		372,342,004	479,866,818
Less allowance for impairment losses		**5,803,292**	-
	28	**P366,538,712**	P479,866,818

Trade receivables are non-interest bearing and collectible within 30 days The allowance for impairment losses pertains to trade receivables.

Advances to RHLRC

Advances to RHLRC represent interest-bearing advances used by RHLRC for the construction of recreational and leisure facilities on the premises leased from CJH Development Corporation in John Hay Special Economic Zone at Camp John Hay, Baguio City by virtue of Executive Order No. 103 and Proclamation No. 420, for the eventual use by RHLRC. These advances earn annual interest of 12.0% to 14.5% with no definite repayment terms.

In 2011, the Group collected advances to RHLRC amounting to P20,200,000 and has written-off its advances to RHLRC amounting to P64,543,708.

Advances to Officers and Employees

The Group, in the regular course of business, grants non-interest bearing advances to its officers and employees. These advances are generally settled within one year from the date granted.

Advances to Flexytech, Inc., AB Fiber Corp., Topnotch Bingo Trend Inc., Kingloc Asia Limited

These represent cash advances to third party companies engaged in gaming and amusement activities. The Group intends to take over these companies in the future. These advances are settled upon demand.

Other Receivables

Other receivables represent cash advances made to third party companies which are engaged in similar gaming and amusement activities as the Group. Receivables from these companies represent non-interest bearing advances for working capital purposes that are due within one year.

In 2010, the Group has written-off other receivables amounting to P1,450,000. The receivables were fully provided by allowance for impairment loss.

The Group's exposure to credit risk relating to receivables is disclosed in Note 28.

6. Bingo Cards

This account consists of:

	Note	**2011**	2010
Bingo cards - at cost	*12, 17*	**P16,942,491**	P15,268,502
Others - at cost		**764,901**	1,660,225
		P17,707,392	P16,928,727

The consolidated cost of bingo cards charged to profit or loss in 2011, 2010 and 2009 amounted to P25,874,143, P23,986,414 and P43,238,966, respectively.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	**2011**	2010
Prepaid expenses	*26*	**P45,843,791**	P6,768,261
Advances to contractors	*26*	**120,182,614**	-
Input value-added tax		**30,568,790**	-
Advances to suppliers	*26*	**19,811,688**	-
Other current assets		**1,686,093**	4,999,089
		P218,092,976	P11,767,350

Prepaid expenses consist of prepaid rent, prepaid insurance on property and equipment, health care benefits of employees and advances for consultancy and professional services.

Advances to contractors and suppliers were made in relation to the acquisition and construction of additional gaming, hotel and theater facilities pursuant to the Operating Agreement with Belle Corporation (see Note 26).

Other current assets consist of office supplies and other miscellaneous supplies.

8. Property and Equipment

The movements in this account are as follows:

	Leasehold Improvements	Aircraft and Transportation Equipment	Bingo Equipment and Paraphernalia	Office Furniture, Fixtures and Equipment	Condominium Unit	Construction in Progress	Total
Cost:							
January 1, 2010	P214,850,414	P39,888,436	P68,321,560	P86,392,059	P -	P -	P409,452,469
Additions	60,146,344	73,691,000	5,786,772	11,784,350	4,791,748	-	156,200,214
Transfers	(67,133)	-	(264,927)	926,252	-	101,567,814	102,162,006
Reclassification	-	14,445,297	-	(14,445,297)	-	(101,567,814)	(101,567,814)
Write-off	(331,889)	-	(74,203)	(50,486)	-	-	(456,578)
December 31, 2010	274,597,736	128,024,733	73,769,202	84,606,878	4,791,748	-	565,790,297
Assets acquired through business combination	14,091,638	1,398,000	-	8,011,606	-	-	23,501,244
Additions	72,561,794	1,534,658	6,447,607	35,749,901	-	74,966,474	191,260,434
Write-off	(20,482,007)	(2,010,615)	(997,198)	(1,088,107)	-	-	(24,577,927)
Disposal	-	-	(1,095,257)	(414,508)	-	-	(1,509,765)
December 31, 2011	**340,769,161**	**128,946,776**	**78,124,354**	**126,865,770**	**4,791,748**	**74,966,474**	**754,464,283**
Accumulated depreciation and amortization:							
January 1, 2010	109,383,785	15,799,999	51,329,941	60,144,443	-	-	236,658,168
Depreciation and amortization	31,844,913	9,052,643	4,752,768	13,215,509	95,835	-	58,961,668
Write-off	(331,889)	-	(74,203)	(50,486)	-	-	(456,578)
Reclassification	-	4,995,266	-	(4,995,266)	-	-	-
December 31, 2010	140,896,809	29,847,908	56,008,506	68,314,200	95,835	-	295,163,258
Assets acquired through business combination	3,447,377	160,867	-	2,193,098	-	-	5,801,342
Depreciation and amortization	41,471,672	12,019,857	5,928,673	14,633,360	239,587	-	74,293,149
Write-off	(20,475,438)	(1,761,448)	(997,198)	(1,029,972)	-	-	(24,264,056)
Disposal	-	-	(330,965)	(101,730)	-	-	(432,695)
December 31, 2011	**165,340,420**	**40,267,184**	**60,609,016**	**84,008,956**	**335,422**	**-**	**350,560,998**
Carrying amount:							
December 31, 2010	P133,700,927	P98,176,825	P17,760,696	P16,292,678	P4,695,913	P -	P270,627,039
December 31, 2011	**P175,428,741**	**P88,679,592**	**P17,515,338**	**P42,856,814**	**P4,456,326**	**P74,966,474**	**P403,903,285**

ABLE leases motor vehicles under a number of finance lease agreements. At the end of the term of each of the leases, the ownership of the leased assets will be transferred to ABLE. As of December 31, 2011 and 2010, the carrying amounts of leased vehicles included under "Property and equipment" account in the consolidated statements of financial position amounted to P3,001,400 and P14,362,962, respectively (see Note 14).

LRLDI leases generator set equipment under a finance lease agreement. As of December 31, 2011 and 2010, the carrying amount of leased equipment included under "Property and equipment" account in the consolidated statements of financial position amounted to Nil and P875,000, respectively (see Note 14).

9. Investment Property

The movements in this account are as follows:

	Land Improvements	Building	Construction in Progress	Total
Gross carrying amount:				
January 1, 2010	P200,000	P -	P77,173,494	P77,373,494
Additions	-	-	2,595,515	2,595,515
Reclassifications	-	79,769,009	(79,769,009)	-
Transfers	(200,000)	-	46,000,000	45,800,000
December 31, 2010	-	79,769,009	46,000,000	125,769,009
Additions	-	-	13,200,333	13,200,333
Reclassifications	46,000,000	-	(46,000,000)	-
December 31, 2011	**46,000,000**	**79,769,009**	**13,200,333**	**138,969,342**
Accumulated depreciation:				
January 1 and December 31, 2010	-	3,190,760	-	3,190,760
Depreciation	2,300,000	4,822,902	-	7,122,902
December 31, 2011	**2,300,000**	**8,013,662**	-	**10,313,662**
Carrying amount:				
December 31, 2010	P -	P76,578,249	P46,000,000	P122,578,249
December 31, 2011	**P43,700,000**	**P71,755,347**	**P13,200,333**	**P128,655,680**

Management believes that the cost of investment property still approximates its fair value because these are very recent transactions.

10. Investments and Advances

This account consists of:

	Percentage of Ownership	2011	Percentage of Ownership	2010
Investments - at equity				
Associate				
Binondo Leisure Resources, Inc. (BLRI)				
Costs:				
Preferred shares		P20,000,000		P20,000,000
Common shares	30%	1,200,000	30%	1,200,000
		21,200,000		21,200,000
Accumulated equity in net losses of an associate:				
Balance at beginning and end of year		(26,303,101)		(26,303,101)
		(5,103,101)		(5,103,101)
Joint venture				
First Cagayan Converge (FCCDCI)				
Cost	60%	15,000,000	60%	15,000,000
Subscriptions payable		-		(7,500,000)
		15,000,000		7,500,000
Accumulated equity in net income of a joint venture:				
Balance at beginning of year		37,517,696		29,355,516
Equity in net income of a joint venture		24,263,436		30,962,180
Dividends declared		(6,000,000)		(22,800,000)
Balance at end of year		55,781,132		37,517,696
		70,781,132		45,017,696
Advances:				
BLRI		159,372,824		173,736,189
FCCDCI		20,657,563		41,857,563
		180,030,387		215,593,752
Allowance for impairment loss on advances to BLRI		(45,850,992)		(40,000,000)
		134,179,395		175,593,752
		199,857,426		215,508,347
Investments - at cost		756,500		756,500
		P200,613,926		P216,264,847

BLRI

BLRI was incorporated in the Philippines and is engaged in the hotel and recreation business. It started commercial operations in August 2003.

On January 31, 2008, a provisional Grant of Authority (GOA) was received by BLRI from the Philippine Amusement and Gaming Corporation (PAGCOR) to operate a Bingo Boutique to cover traditional, electronic and new rapid bingo operations and distribution/selling of pull tabs or break-open cards at the Binondo Suites Manila. On October 24, 2008, BLRI's bingo boutique started its commercial operations. In 2010, BLRI ceased its bingo boutique operations and entered into an operating lease agreement with PAGCOR as a lessor for the use of its gaming facilities.

The summarized financial information of BLRI follows:

	2011	2010
Current assets	**P4,180,346**	P10,631,412
Noncurrent assets	**121,444,508**	136,680,698
Current liabilities	**1,448,420**	244,543,361
Gross revenues	**32,695,419**	26,293,704
Gross profit	**3,833,606**	2,493,249
Net loss/Total comprehensive loss	**20,161,695**	18,043,413

On March 30, 2012, the Group and BLRI entered into a restructuring agreement for the payment of its advances as of December 31, 2011. The agreement provides for, among others, the commitment of BLRI to pay the carrying amount in five annual installments. The agreement also provides for the assignment of future rent income of BLRI from PAGCOR to the Group.

FCCDCI

On March 1, 2007, FCLRC and IP Converge Data Center Corp. (IPCDCC), a subsidiary of IPVG Corp., entered into a Shareholders Agreement (Joint Venture) to engage in the business of information technology such as, but not limited to IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution to the licensed locators of FCLRC, as well as the CEZA. The Joint Venture shall likewise invest in building, upgrading and maintaining the IP communications infrastructure that connects CEZA to the global internet. This includes fiber optic networks, wireless radio stations, telco-grade internet data center, network operations center, and network hubs/access points. This investment is made by FCLRC in relation to the Master Development Plan for Tourism Area in CSEZFP and the Development of Information Technology (IT) Facilities and Telecommunications (Master Development Plan) (see Note 18).

On November 14, 2007, FCCDCI, was incorporated and registered with the SEC. The principal office address of FCCDCI is Barangay Centro, Municipality of Sta. Ana, Cagayan Economic Zone, Cagayan Province, Philippines. FCLRC owns 60% of FCCDCI and the remaining 40% is owned by IPCDCC. In accordance with the Agreement, the shareholders will jointly operate FCCDCI and agreed to allocate \$3,000,000 for short-term capital expenditures which shall be financed by a combination of debt and equity. FCLRC shall source its capital for FCCDCI from internally-generated funds and bank or institutional financing. FCCDCI started commercial operations on January 1, 2008.

On January 1, 2009, IPVG Corp. acquired IPCDCC's ownership interest in FCCDCI and entered into a Deed of Assignment of Subscription Rights with IP E-Games Ventures, Inc. (IP E-Games), whereby IPVG Corp. assigned 9,999,998 shares of stock in FCCDCI with a par and issue value of P1 to IP E-Games for a consideration of P2,499,998 and assumes a subscription liability of P7,500,000 as well as taxes arising from the deed of assignment. In 2009, FCLRC and FCCDCI agreed to apply P3,750,000 of FCLRC's dividend receivable against the subscription payable to FCCDCI.

On April 13, 2011, the BODs of IP E-Games and IPCDCC jointly approved the sale of the former's 40% equity stake in FCCDCI to the latter for a total consideration of $2,779,064 (P120 million). The effectivity dates of the transfer are as follows:

Date	Number of Shares Transferred
June 30, 2011	3,333,332
September 30, 2011	3,333,333
December 31, 2011	3,333,333

The summarized financial information of FCCDCI follows:

	2011	2010
Current assets	**P151,173,951**	P153,595,314
Noncurrent assets	**66,620,897**	66,865,809
Current liabilities	**99,896,357**	145,489,095
Service fees	**239,405,494**	266,762,551
Net income/Total comprehensive income	**40,439,059**	51,603,633

<u>BCGLC</u>
On April 27, 2011, the Parent Company purchased 26,250 shares of BCGLC representing 70% ownership for a price of P2,625,000. The purchase was ratified by the Parent Company's BOD on May 24, 2011. The acquisition is in line with the Group's goal to expand and venture in other forms of gaming.

The Group has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

	Note	
Consideration transferred		**P2,625,000**
Assets		
Cash		462,445
Receivables		3,793,943
Inventories		86,577
Prepaid expenses and other current assets		115,251
Property and equipment		16,307,425
Other assets		3,092,525
Liabilities		
Trade and other payables		(5,346,557)
Due to related parties		(28,724,023)
Long-term loans payable		(518,017)
Total identifiable net liabilities at fair value		**(10,730,431)**
Non-controlling interest measured at proportionate interest in identifiable net liabilities		**(3,219,129)**
		(7,511,302)
Goodwill	*11*	**P10,136,302**

BGC

On July 15, 2011, the BOD of ABLE approved the purchase of the 100% outstanding capital stock of BGC. On July 29, 2011, the purchase price of P1,250,000 was paid by ABLE thereby making BGC a wholly-owned subsidiary by ABLE.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

	Note	
Consideration transferred		**P1,250,000**
Assets		
Cash		2,242,520
Receivables		2,298
Inventories		25,224
Prepaid expenses and other current assets		59,036
Property and equipment		3,743,225
Other assets		1,336,160
Liabilities		
Trade and other payables		(844,313)
Due to related parties		(10,507,806)
Total identifiable net liabilities at fair value		**(3,943,656)**
Goodwill	*11*	**P5,193,656**

11. Goodwill

The movements in this account are as follows:

	Note	**2011**	2010
Beginning balance		**P563,067,183**	P563,067,183
Acquisitions during the year	*10*	**15,329,958**	-
		578,397,141	563,067,183
Less accumulated impairment losses		**32,078,452**	32,078,452
		P546,318,689	P530,988,731

Key Assumptions on Impairment Testing of Goodwill
The Group performs impairment testing annually or more frequently when there are indicators of impairment for goodwill. The Group performed impairment testing of goodwill at December 31, 2011.

Following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross Revenues. Gross revenues of the subsidiaries over the next five years were projected to grow in line with the economy or with the nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective territories will be flat on the assumption that it will also grow at par with the economy.

Operating Expenses. Operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.

Gross Margins. Increased efficiencies over the next five years are expected to result in margin improvements.

Discount Rate. Discount rates were derived from the Group's Weighted Average Cost of Capital (WACC) and reflected management's estimate of risks within the bingo parlors. This is the benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including, but not limited to, five-year government bond yield, bank lending rates and market risk premium.

Growth Rate Estimates - The long-term rate used to extrapolate the budget for the investee companies excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the budget.

In testing impairment of goodwill, the recoverable amount is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ABLE subsidiaries and BCGLC. The anticipated growth rate included in the cash flow projections were 1.50% for Traditional Bingo, 5% for Electronic Bingo, 6% for Rapid Bingo, 1% for Pulltabs, 0.50% for Scratch Cards and 15% on rent income for the years 2012 to 2016 which are consistent with the long-term average growth rate for the industry. The discount rate applied to cash flow projections is 27% in 2011. Management believes that no reasonably possible change in the key assumptions would cause the carrying value of the investment in ABLE subsidiaries and BCGLC to which the goodwill relates to materially exceed its recoverable amount.

Sensitivity to Changes in Assumptions
The estimated recoverable amount of ABLE subsidiaries and BCGLC exceeded its carrying amount by approximately P108,035,389 million in 2011. Management has identified that earnings before interest and tax and discount rates are the key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount.

12. Other Assets

This account consists of:

	Note	**2011**	2010
Advances to Cagayan Premium Ventures Development, Corporation (CPVDC)		**P399,033,305**	P343,839,422
Land rights		**101,567,814**	101,567,814
Cash and performance bonds	*17*	**22,000,000**	16,600,000
Advanced regulatory fee on instant games	*17*	**12,920,708**	15,790,970
Deposits for future stock subscriptions		**9,000,000**	-
Operating licenses		**4,253,690**	4,253,690
Airstrip improvements - net of accumulated amortization of P25,029,269 in 2011 and P16,354,772 in 2010	*18*	**78,070,465**	86,744,962
Venue rental and other deposits	*19*	**129,556,100**	81,162,075
Advances to Cagayan Land Property Development Corporation (CLPDC)		**13,953,359**	11,623,909
Others		**6,936,010**	5,593,627
		P777,291,451	P667,176,469

Advances to CPVDC and CLPDC
This account pertains to the non-interest bearing, demandable advances made by LRLDI to CPVDC and CLPDC to finance the construction and development of the Cagayan Special Economic Zone and Freeport (CSEZFP) Airport in Cagayan. CPVDC is a joint venture company formed by CLPDC and Cagayan Economic Zone Authority (CEZA). CPVDC and CLPDC are incorporated in the Philippines.

The agreement among LRLDI, CPVDC and CLPDC provides for the following terms and conditions:

a. LRLDI agrees to invest funds or make advances into the Lallo Airport Project of CPVDC through a convertible loan in favor of CLPDC of a maximum amount of P700 million. CPVDC shall only use the advances to finance its capital expenditures and working capital requirements related to the construction, development of the airport;

b. LRLDI shall have the right to convert, in whole or in part, the outstanding amount of the advances at the time of the conversion, into new, unissued common shares of CLPDC subject to mutually agreed conversion price per conversion share;

c. CLPDC acknowledges and agrees that the advances will be directly received by CPVDC; and

d. CLPDC shall execute a separate agreement with LRLDI which provides for the specific procedures and details of borrowing, execution of the conversion and or repayment.

The construction of the airport is in line with the Master Development Plan with CEZA within the CSEZFP. LRLDI and FCLRC have significant operations within the CSEZFP which will benefit from the construction of the airport.

The construction of the airport is ongoing as of April 19, 2012.

As of December 31, 2011, CLPDC and LRLDI have not executed the separate agreement mentioned above. However, a stockholder of LRWC executed a letter of undertaking on April 3, 2012 that guarantees the amounts owed by CPVDC and CLPDC as of December 31, 2011 in favor of LRLDI.

<u>Land Rights</u>
These pertain to the exclusive right of use and eventual transfer of legal ownership over parcels of land (the "Properties") in favor of FCLRC. In 2010, FCLRC entered into a Memorandum of Agreement (MOA) with titleholders of the Properties with the following terms and conditions:

- The titleholders accept and understand that they merely hold the Properties for the benefit of and in trust for FCLRC, to whom the beneficial ownership belongs;

- As long as the legal ownership of the Properties remains with the titleholders, the titleholders bind themselves not to exercise any acts of ownership without prior written consent by FCLRC. Accordingly, all cost and expense in connection with or arising out of the use, possession and ownership of the Properties shall be borne by FCLRC;

- The titleholders undertake a special power of attorney authorizing and empowering FCLRC, to sell, transfer, and convey the legal ownership over the Properties to any person chosen by FCLRC;

- The possession of the titles, deeds of sale, tax declarations and all other documents in connection with the Properties shall be surrendered to FCLRC;

- Upon the lapse of prohibitive period to sell or transfer legal ownership over the parcels of land, the titleholders undertake to assign, convey, or otherwise transfer the legal ownership over the Properties; and

- In consideration for the Properties, FCLRC shall pay the amount of P101,567,814 to the titleholders.

The prohibitive period is five (5) years from the purchase of these Properties. This is in accordance with Republic Act 10023, also known as the Free Patent Act.

<u>Cash and Performance Bonds</u>
Cash and performance bonds pertain to surety bonds deposited with PAGCOR which are refundable at the end of the period covered by the Grant of Authority (see Note 17).

<u>Advanced Regulatory Fee on ICBG2</u>
Advanced regulatory fee on ICBG2 pertains to the 12.5% of the gross value of purchased 8,000,000 ICBG2 scratch cards, paid by ABLE upon the withdrawal of the ICBG2 cards from PAGCOR. The cards were sold by ABLE in relation to the Instant Charity Bingo (ICB) operations. The distribution of ICBG2 cards was discontinued in 2005.

On February 2, 2007, ABLE received a letter from PAGCOR stating the conditions to resume the operations of ICBG2. PAGCOR is to consider ABLE's proposal for PAGCOR to reprint replacement for the 8,000,000 ICBG2 cards and for ABLE to offer the unsold cards of PAGCOR. In consideration, ABLE shall pay PAGCOR a regulatory fee equivalent to 12.5% of the gross value of the reprinted cards in excess of the 8,000,000 in ABLE's inventory (see Notes 15 and 17).

Subsequently, on November 27, 2007, PAGCOR approved the request of ABLE to reprint the unsold ICBG2 cards within the same terms and conditions above. ABLE will also shoulder the total cost of the 10,000,000 ICBG2 cards, including the replacement for the 8,000,000 cards, amounting to P12,849,000 (see Note 17).

On December 12, 2008, ABLE resumed commercial operations of ICBG2 scratch cards. In 2011, 2010 and 2009, the related revenue recognized amounted to P8,452,080, P16,484,396 and P28,462,200, respectively.

Deposits for Future Stock Subscriptions
On December 8, 2011, FCLRC entered into an agreement with AB Fiber Corp., a third party, for the subscription of 90,000 shares. In relation to this, deposits for future stock subscriptions were made by the FCLRC amounting to P9,000,000.

Operating Licenses
The operating licenses represent Grants issued by PAGCOR, which were acquired in relation to the acquisitions of bingo parlors by ABLE's subsidiaries as follows:

- Metro Gaming Entertainment Gallery, Inc., a subsidiary, acquired a bingo parlor located at 2L, SM Supercenter Molino, Molino, Bacoor, Cavite for P7,500,000. A portion of the purchase price amounting to P2,280,568 was paid for the Grant of Authority from PAGCOR and the balance of P5,219,432 represents the purchase price for the acquisition of the related leasehold improvements, bingo equipment and paraphernalia, fixtures, rental and all other deposits with SM Prime Holdings, Inc.

- South Entertainment Gallery Incorporated, a subsidiary, acquired a bingo parlor located at 3rd Floor M.L. Tagarao St., Pacific Mall, Brgy. 003, Lucena City for P5,000,000. A portion of the purchase price amounting to P1,973,122 was paid for the Grant of Authority from PAGCOR and the balance of P3,026,878 represents the purchase price for the acquisition of the related leasehold improvements, bingo equipment and paraphernalia, fixtures, rental and all other deposits with Pacific Mall.

13. Loans Payable

a. Short-term loans of ABLE have maturity dates of up to June 30, 2012. The interest rates of short-term and long-term loans are repriced monthly based on negotiated rates or prevailing market rates.

   The short-term and long-term loans are included in the credit facility with Banco de Oro (BDO) and Philippine Bank of Commerce (PBCOM) that are available to ABLE and are secured by LRWC's shares of stock and real property owned by an individual stockholder of LRWC.

Terms and conditions of outstanding loans payable are as follows:

	2011		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Short term:			
PBCOM	**9.5% - 10%**	**January - June 2012**	**P32,177,716**
BDO	**9.0% - 10%**	**February - April 2012**	**67,500,000**
			P99,677,716
Long term:			
BDO	**9.0% - 10%**	**April 2012 - March 2013**	**P20,833,334**
Less current portion			**16,666,667**
			P4,166,667

	2010		
	Interest Rate	Maturity Date	Carrying Amount
Short term:			
PBCOM	9.5% - 10%	February - June 2011	P39,646,970
BDO	10% - 12%	February - April 2011	44,500,000
			P84,146,970
Long term:			
BDO	10.5%	February 2011 - March 2013	P58,150,000
Less current portion			37,317,000
			P20,833,000

As of December 31, 2011, the carrying amount of shares of stock used as collateral for the loan amounted to P57,000,000. The loan from Philippine Bank of Commerce (PBCOM) is unsecured.

In March 2011 and upon substantial payment, ABLE received a letter from BDO releasing the real property owned by an individual stockholder of LRWC as collateral.

b. On December 30, 2010, FCLRC entered into a loan agreement with BDO. Terms and conditions of the outstanding loan payable are as follows:

	2011		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Long term:			
BDO	**13%**	**December 2010 - December 2015**	**P33,925,005**
Less current portion			**6,913,542**
			P27,011,463

	2010		
	Interest Rate	Maturity Date	Carrying Amount
Long term:			
BDO	13%	December 2010 - December 2015	P40,000,000
Less current portion			6,074,995
			P33,925,005

The loan is payable in sixty (60) monthly installments starting January 2011 and is secured by a chattel mortgage over an aircraft owned by FCLRC. The carrying amount of aircraft included under "Property and equipment" in the consolidated statements of financial position as of December 31, 2011 and 2010 amounted to P65,280,000 and P68,000,000, respectively.

c. On September 15, 2011, ABLGI entered into a loan agreement with a local bank. The loan is payable in 24 equal monthly installments starting on September 15, 2011 up to September 15, 2013 with an interest equivalent to 9.37% per annum. Contractual maturities of the loan as of December 31, 2011 are as follows:

Less than 1 year	**P464,000**
More than 1 year but less than 3 years	**348,000**
	P812,000

d. In October 2010, BCGLC entered into a loan agreement with a local bank. The loan is payable in 36 equal monthly installments starting in October 2010 up to September 2013 with an interest equivalent to 17.64% per annum. Contractural maturities of the loan as of December 31, 2011 are as follows:

Less than 1 year	**P211,487**
More than 1 year but less than 3 years	**184,770**
	P396,257

Interest expense recognized in profit or loss amounted to P19,820,762 and P19,364,955 in 2011 and 2010, respectively.

14. Obligations Under Finance Lease

a. In 2010, ABLE entered into vehicle financing agreements with BDO, which are payable in monthly installments on their respective repayment dates up to September 16, 2013. Annual interest rates approximate 10%, which are subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso. The vehicles serve as lien on the financing agreements.

Obligations under finance lease for vehicles are payable as follows:

	2011		
	Principal	**Interest**	**Minimum Lease Payments**
Less than one year	**P1,300,698**	**P129,392**	**P1,430,090**
Between one and five years	**625,242**	**19,531**	**644,773**
	P1,925,940	**P148,923**	**P2,074,863**

	2010		
	Principal	Interest	Minimum Lease Payments
Less than one year	P4,638,301	P384,657	P5,022,958
Between one and five years	1,856,322	211,008	2,067,330
	P6,494,623	P595,665	P7,090,288

As of December 31, 2011 and 2010, the carrying amount of leased vehicles, included under "Property and equipment" account in the consolidated statements of financial position amounted to P3,001,400 and P14,362,962, respectively.

b. LRLDI entered into an equipment financing agreement with a third party, which is payable in monthly installments on its respective repayment dates up to September 11, 2011. Interest rate of 11.83% is subject to annual repricing based on market rates or the lessor's one-year average borrowing rate, whichever is higher, plus reasonable spread.

Obligations under finance lease for the said equipment as of December 31, 2010 are payable as follows:

	Principal	Interest	Minimum Lease Payments
Less than one year	P659,562	P79,932	P739,494

As of December 31, 2011 and 2010 the carrying amount of leased equipment, included under "Property and equipment" account in the consolidated statements of financial position amounted to Nil and P875,000, respectively.

Interest expense recognized in profit or loss amounted to P464,589 and P3,428,202 in 2011 and 2010, respectively (see Note 21).

15. Trade and Other Payables

This account consists of:

	Note	**2011**	2010
Payable to CEZA	*18*	**P300,007,556**	P192,980,907
Rent payable	*19*	**78,458,637**	20,860,576
Unearned hosting fees		**66,233,014**	58,566,746
Payout fund payable	*17*	**57,086,334**	40,654,167
Payable to PAGCOR	*17*	**31,600,558**	19,969,465
Accrued expenses and other payables:			
Dividends payable	*16*	**47,663,169**	22,981,755
Contracted services		**46,465,883**	23,060,694
Payable to machine suppliers		**23,558,165**	18,405,167
Capital expenditures		**17,591,906**	24,903,642
Salaries, wages and employee benefits		**12,324,863**	9,822,773
Various taxes		**8,266,527**	5,772,882
Cards and supplies		**8,157,169**	13,073,160
General and administrative		**6,838,340**	13,796,526
Payout payable		**6,575,727**	10,969,758
Interest		**-**	528,923
Others		**22,548,831**	26,824,281
		P733,376,679	P503,171,422

In February 2012, the Group made subsequent payments to CEZA amounting to P117 million.

Payout fund payable represents bets placed for a special game conducted by the Group, which is accumulated and recognized as an obligation until such time that a winner is determined and the prize is awarded.

Payable to PAGCOR includes the accrual for the cost of the 10,000,000 unsold ICBG2 cards (see Note 12).

16. Equity

Increase in Authorized Capital Stock
On September 19, 2000, the SEC approved the increase in the Parent Company's authorized capital stock from 500 million to 2.5 billion common shares, both at P1 par value per share. Out of the aforementioned increase in authorized capital stock, a total of 750 million common shares with aggregate par value of P750 million have been subscribed and fully paid for through the assignment in favor of the Parent Company of common shares of ABLE representing the entire outstanding capital stock thereof by the previous ABLE shareholders. The subscription and payment in ABLE shares was the result of the implementation of duly executed Agreements (see Note 1) between the Parent Company and ABLE's shareholders. Initially, 236,626,466 shares of the Parent Company were approved by the SEC for release to the previous ABLE shareholders. The remaining shares corresponding to 513,373,534 in 2003 (subsequently reduced to 328,559,059 shares after equity restructuring) were placed under escrow with BDO and the release of which is subject to the approval of SEC.

In the years subsequent to 2003, the SEC approved the release of 322,616,462 shares from escrow. On October 10, 2011, the SEC approved the release of the remaining 5,942,597 shares from escrow.

Registration of Securities under the Securities Regulation Code
Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of LRWC were registered and may be offered for sale at an offer price of P1.33 per common share. As of December 31, 2011 the Parent Company has a total of 999,877,094 issued and outstanding common shares and 1,880 stockholders.

Issuance of New Shares
On March 21, 2011, the BOD of LRWC authorized the issuance, through a private placement, of 150,000,000 shares from its unissued capital stock. On March 24, 2011, the new shares were subscribed at P7.5 per share by virtue of the subscription agreements entered by LRWC with the investors. On the same date, 25% of the amount subscribed was collected amounting to P281,250,000. On May 15, 2011, the remaining balance of subscription receivable amounting P843,750,000 was collected.

On July 29, 2011, the stockholders of LRWC approved the issuance of new shares to the said investors after waiver to conduct a rights or public offering was obtained.

Declaration of Dividends
Cash dividends declared by the BOD of the Parent Company in 2011 and 2010 were as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
July 29, 2011	February 29, 2012	P19,997,542	P0.020
July 29, 2011	January 30, 2012	24,996,927	P0.025
July 29, 2011	September 18, 2011	29,996,313	P0.030
July 30, 2010	January 28, 2011	16,997,542	P0.020
July 30, 2010	November 26, 2010	25,496,313	P0.030
July 30, 2010	August 27, 2010	25,496,313	P0.030

As of December 31, 2011 and 2010, unpaid dividends, included under "Trade and other payables" account in the consolidated statements of financial position, amounted to P47,663,169 and P22,981,755, respectively (see Note 15).

Acquisition of LRWC Shares by ABLE

On February 9 and June 2, 2008, the BOD of ABLE approved the acquisition of up to 30,000,000 shares of the Parent Company.

As of December 31, 2011 and 2010, ABLE has a total of 18,330,500 shares (at cost of P18,694,937) and 20,380,500 shares (at cost of P20,785,694), respectively, of the Parent Company, which were accounted as treasury shares in the consolidated financial statements. The additional 10,435,500 shares in 2009 include the effect of stock dividends declared by the Parent Company during the year on the shares held by ABLE.

In 2011, the Group disposed 2,050,000 treasury shares at transaction price of P12,237,453. The surplus on the disposal amounting to P10,146,696 was transferred to additional paid-in capital in the consolidated financial statements. The market value of LRWC shares amounted to P9.09 and P3.80 per share as of December 31, 2011 and 2010, respectively.

17. Grants of Authorities to Operate Bingo Games ("Grant")

a. Operation of Traditional Bingo Games

PAGCOR granted ABLE and its subsidiaries the sole authority to operate bingo halls and conduct bingo games, as well as the betting aspect thereof, within the confines of the game sites for various periods ranging from January 2009 to January 2015. In consideration of the Grants, ABLE and its subsidiaries shall pay PAGCOR 20% of its gross bingo card sales, which shall be remitted to PAGCOR on a weekly basis. Such consideration to PAGCOR is distributed as follows: 5 percentage points as the Bureau of Internal Revenue (BIR) Franchise Tax and 15 percentage points as the PAGCOR Franchise Fee. Pursuant to Presidential Decree No. 1869 (P.D. 1869), the BIR Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. ABLE and its subsidiaries deposited a total of P9,450,000 and P7,950,000 as of December 31, 2011 and 2010, respectively, representing cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants (see Note 12). The Grants are subject to renewal upon mutual agreement of both parties.

On March 26, 2008, Bingo Regulatory Order No. 2008-01 entitled "Modified Computation of the Five Percent (5%) Franchise Tax," was passed into law effective April 1, 2008. The regulation modified the basis for the computation of the BIR Franchise Tax being remitted to PAGCOR by the bingo grantees for their Traditional Bingo operations from gross sales to gross revenue (gross sales less pay-outs) retroactive to January 1, 2008. However, the basis for the computation of the PAGCOR Franchise Fee shall still be the gross sales.

b. Distribution of ICBG2 Cards

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the ICBG2 cards to complement its existing bingo game operations pursuant to PD 1869. In consideration of the Grant, ABLE shall pay PAGCOR, upon withdrawal of ICBG2 cards, the regulatory fee of 12.5% of the gross value of cards sold.

c. Operation of Electronic Bingo Games

PAGCOR authorized ABLE and its subsidiaries to operate and conduct electronic bingo games (e-bingo) for various periods from January 2009 to January 2015. In consideration of the Grants, ABLE and its subsidiaries shall pay PAGCOR 60% of the gross revenues from e-bingo operations, which shall be remitted twice weekly to PAGCOR (distributed as follows: 5 percentage points as the BIR Franchise Tax and 55 percentage points as the PAGCOR Franchise Fee). ABLE and its subsidiaries deposited a total of P12,350,000 and P8,450,000 as of December 31, 2011 and 2010, respectively, representing cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants (see Note 12). The Grants are subject to renewal upon mutual agreement of both parties.

Starting May 1, 2010, ABLE and its subsidiaries shall remit to PAGCOR 52.5% of the gross revenues from e-bingo games distributed as follows: 5 percentage points as the BIR Franchise Tax and 47.5 percentage points as the PAGCOR Franchise Fee.

d. Distribution and Sale of Pull-tabs or Break-Open Cards

On August 3, 2005, PAGCOR granted ABLE, the authority to distribute and sell pull-tabs or break-open cards in all of the branches of the Group. In consideration of the grant, ABLE shall pay PAGCOR 15% of gross card price which shall be remitted to PAGCOR by ABLE upon draw-down of cards from the supplier, regardless of quantity of cards sold.

e. Operation of New Rapid Bingo System (NRBS)

On September 27, 2005, PAGCOR granted ABLE, the authority to operate and conduct rapid bingo games, subject to the approved terms and conditions of NRBS operations and the use of the prescribed NRBS card format. In consideration of the Grant for NRBS, ABLE shall pay PAGCOR 15% of its gross sales (total amount wagered or bets) from the NRBS operations, which shall be remitted twice weekly.

As of December 31, 2011 and 2010, ABLE deposited P200,000 cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grant.

Effective November 1, 2005, Republic Act (R.A.) No. 9337, "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features," particularly Section 27 (c), excluded the PAGCOR from the provision of government-owned or controlled corporations or agencies not subjected to the thirty five (35%) corporate income tax.

The management believes that ABLE's payment of 5% Franchise Tax to the Bureau of Internal Revenue is effectively equivalent to the corporate income tax for the taxable year 2011. Based on consultations with tax advisers, the management also believes that collection of income tax in addition to the 5% Franchise Tax has no legal basis.

Pursuant to P.D. 1869, also known as PAGCOR Charter and as amended by R.A. 9487, the 5% Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

In accordance with PAGCOR's directives, ABLE continues to abide by the provisions of P.D. 1869 (as amended by R.A. 9487) whereby it pays the 5% Franchise Tax.

In view of the above, management has not provided for provision for income tax for 2011.

18. License Agreement

CEZA is authorized under Section 6f of R.A 7922, "An Act Establishing a Special Economic Zone and Free Port in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefore, and for Other Purposes" to "operate on its own, either directly or through a subsidiary entity, or license to others, tourism-related activities, including games, amusements, recreational and sport facilities, such as horse racing, gambling casinos, golf courses, and others, under priorities and standards set by CEZA" in CSEZFP.

On February 3, 2001, FCLRC and CEZA entered into a License Agreement (LA) authorizing FCLRC to set up a network operation/hub with its internet server including web sites, gaming software, application programs, administrative software, hardware, internet, as well as telecommunication connections, collection and payment system and toll-free telephone operations, all in connection with the development, operation and conduct of internet and gaming enterprises and facilities in CSEZFP. In line with this mandate, FCLRC was also authorized and licensed to conduct interactive games as defined in the LA.

Subsequent to the signing of the LA, FCLRC and CEZA signed a Supplemental Agreement (SA). The SA provides for the following:

1. Appointment of FCLRC as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP;

2. FCLRC is authorized to assist CEZA in its functions as a regulator for interactive gaming activities on behalf of CEZA in accordance with Part 5 of CSEZFP Interactive Gaming Rules and Regulations;

3. The authorization of FCLRC as Master Licensor shall be exclusive for twenty-five years starting from November 7, 2006 or until 2031;

4. FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, FCLRC is authorized to collect from sub-licenses an annual fixed amount equivalent to $48,000 for the first year of operations and $60,000 thereafter, from sportsbook operators;

5. FCLRC must pay CEZA, on a monthly basis to commence upon the start of actual operations of FCLRC, an amount equivalent to one percent (1%) of the monthly gross winnings payable not later than the seventh (7^{th}) day of the subsequent month. Starting on the sixth (6^{th}) year after the start of FCLRC's operation, FCLRC shall pay a minimum guaranteed amount of $250,000 each month. Unpaid CEZA fees are charged with interest of 12% per annum.

FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local, and national, shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the national government five percent (5%) of locators' gross income less allowable deductions. In 2011, 2010 and 2009, this is included as income tax expense, which amounted to P9,684,485, P7,254,450 and P7,568,883, respectively (see Note 23).

FCLRC proposed a Master Development Plan in keeping its authority under the LA. The Master Development Plan proposed by FCLRC will accordingly create a self-sustaining industrial zone and mixed-use new township in the CSEZFP with tourism and leisure as the lead sector to be developed. The Master Development Plan envisaged by FCLRC shall comprise of the three (3) phases with time frame of completion as follows:

Phase I supposedly completed in 2009 after authorization of the CEZA BOD which includes telecommunication connectivity via microwave radio; upgrading of the existing internet data center; conversion of the CEZA Complex into a gaming facility; upgrading of the San Vicente Naval Airport; and Construction of a new CEZA Administration Office. Phase 1 was completed in January 2011.

Phase II shall be completed after three (3) years of completion of Phase I and shall include the telecommunication connectivity via fiber optic; redundant telecommunication connectivity; and construction of a leisure and resort complex.

Phase III shall be completed three (3) years after completion of Phase II and shall include the implementation of the Comprehensive Feasibility Study that will provide a complete telecommunication infrastructure for the whole of the CSEZFP; and development of a beach front property into a leisure and gaming facility.

On September 15, 2006, the parties have extended the LA term from two (2) years to twenty five (25) years from the date of approval by the CEZA BOD of the Master Development Plan. The 25 years extension of the authority of FCLRC as Master Licensor commenced on November 7, 2006 and will end on November 7, 2031.

In August 2007, FCLRC and CEZA entered into an agreement with A.G. Pazon & Associates and CAMJ Construction Corporation, both third parties, to start the development of the Cagayan Business Park (CBP), part of Phase I of the Master Development Plan. The proposed CBP has a total lot area development of 90,005 square meters. The site development plan includes the construction of buildings with a total floor area of 2,400 sqm. The project also includes the construction of an administration building, commercial center, cable center, sub-station and parking spaces. It also includes the installation of an underground power/communication cabling system and an overhead water tank. The development of the CBP was completed in January 2011.

Another infrastructure required in Phase I of the Master Development Plan is the rehabilitation of the San Vicente Naval Airport (the Airport). On September 1, 2006, FCLRC entered into a contract for the airstrip rehabilitation with the same contractors for the CBP to undertake the expansion, paving and overlaying of the runway of the airport and the provision of basic airport amenities. The rehabilitation of the San Vicente Naval Airport was completed on December 8, 2006 (see Note 12).

As an initial project to establish the internet and telecommunication infrastructure, FCLRC entered into an Agreement with IPCDCC on March 1, 2007, incorporating FCCDCI. The parties shall infuse the necessary capital to fund the required infrastructure requirements of the Master Development Plan (see Note 10).

19. Lease Agreements

Group as Lessee

i The Group leases the spaces where the Group entities conduct their bingo operations. The term of the lease agreements with various lessors varies from one (1) to five (5) years. The lease amounts are computed based on certain percentages of gross revenues or on a fixed rate per square meter which are generally determined on an annual basis.

ii In December 2006, FCLRC entered into a 25-year lease contract with the municipality of Cagayan up to December 7, 2031 or until FCLRC serves as its Master Licensor for the lease of a parcel of lot with an area of 178,728 square meters. Monthly rent is fixed at P357,456, subject to a 5% escalation every three years.

iii In March 2007, FCLRC entered into a 25-year lease contract with CEZA up to June 30, 2031 or until FCLRC serves as its Master Licensor, for the lease of a parcel of lot and improvements with an area of 23,758 square meters. Monthly rent is fixed at P600,527, subject to a 5% escalation every five years.

iv The Group entered into the following lease agreements in relation to their Operating Agreement with Belle Corporation (see Note 26):

a. <u>Casino Land Lease</u>
On January 14, 2011, ABGLI entered into a contract of lease over parcels of land. The terms and conditions of the contract, among others, provided that the lease shall commence upon the execution of the contract and shall expire ten (10) years after the casino building lease commencement date ("Commencement Date"). The Commencement Date is the earlier between the soft opening and the complete turnover date of the casino area. The soft-opening of the casino is expected to be in September 2012.

b. <u>Casino Building Lease</u>
On January 14, 2011, ABLGI entered into a contract of lease of a casino building. The lease period shall commence on the "Commencement Date" described in the Casino Land Lease Agreement and shall expire 10 years after the "Commence Date."

c. <u>Office Space Leases</u>
In May 2011, ABLGI entered into a lease contract for its office space. The lease is for a period of nine (9) months until February 2012.

In June 2011, ABLGI entered into a lease contract for additional office space. The lease is for a period of one year until June 15, 2012.

Rent expense recognized in profit or loss for the years ended December 31, 2011, 2010, and 2009 amounted to P371,485,759, P212,013,872 and P209,337,836, respectively.

Minimum lease payments are as follows:

	2011	2010	2009
Less than one year	**P184,415,893**	P106,013,664	P92,037,987
Between one and five years	**433,645,103**	176,184,963	80,634,337
More than five years	**1,128,547,435**	210,684,223	212,618,667
	P1,746,608,431	P492,882,850	P385,290,991

Group as Lessor

a. The Group leases its investment property under an operating lease agreement. Lease term is as follows:

   The lease is for a period of 5 years until October 31, 2015. The lease agreement provides for, among others, rent deposit returnable to the lessee upon termination of the lease. Rent deposit amounted to P4,111,800 and P2,932,800 as of December 31, 2011 and 2010, respectively. Minimum lease receivables as of December 31 are as follows:

	2011	2010
Within one year	**P15,481,600**	P12,449,684
Between one and five years	**52,332,394**	65,651,187
	P67,813,994	P78,100,871

b. The Group has several lease agreements, renewable annually, with the locators for the use of the FCLRC's gaming facility and equipment in the CSEZFP.

c. On October 20, 2009, BCLGC, as the authorized representative of Munich Management Limited - a foreign corporation duly organized and registered in British Virgin Islands, entered into a contract of lease with the PAGCOR for the use slot machines. The lease is for a period of 5 years until October 19, 2014. The lease is equivalent to 40% of gross revenues of slot machines after deducting player's winnings and taxes.

Rent income recognized in profit or loss for the years ended December 31, 2011, 2010 and 2009 amounted to P137,211,891, P28,514,676 and P46,298,842, respectively.

20. Retirement Benefits

The Group has an unfunded, noncontributory, defined benefit retirement plan covering all regular employees. The benefits are primarily based on the number of years of service of covered employees, as well as their fixed monthly salary. Under the provisions of the retirement plan, the normal retirement age is sixty (60), with at least five (5) years of service and the retirement benefit is equal to eighty five percent (85%) of the fixed monthly basic salary per year of service. The latest actuarial valuation report is as of December 31, 2011.

The reconciliation of the present value of the defined benefit obligation to the recognized liability presented as "Retirement benefits liability" in the consolidated statements of financial position is as follows:

	2011	2010
Present value of unfunded obligations	**P37,490,600**	P23,088,900
Unrecognized actuarial gain (loss)	**(858,312)**	8,773,388
Recognized liability for defined benefit obligations	**P36,632,288**	P31,862,288

The movements in the present value of obligation are shown below:

	2011	2010
Balance at beginning of year	**P23,088,900**	P16,120,400
Current service cost	**2,981,100**	1,653,100
Interest cost	**2,082,700**	1,695,900
Actuarial losses	**9,337,900**	3,619,500
Balance at end of year	**P37,490,600**	P23,088,900

The recognized expense included under "Employee benefits" in profit or loss consists of:

	2011	2010	2009
Current service cost	**P2,981,100**	P1,653,100	P1,393,182
Interest cost	**2,082,700**	1,695,900	2,158,000
Actuarial gains recognized	**(293,800)**	(539,000)	(1,474,306)
Recognized transitional liability	**-**	-	1,589,092
	P4,770,000	P2,810,000	P3,665,968

The principal actuarial assumptions used to determine retirement benefits (expressed as weighted averages) are as follows:

	2011	2010
Discount rate	**6.76%**	9.20%
Future salary increases	**3%**	3%

The historical information of the amounts for the current and previous four annual periods is as follows:

	2011	2010	2009	2008	2007
Present value of the defined benefit obligation	**P37,490,600**	P23,088,900	P16,120,400	P26,975,411	P24,898,535

21. Finance Income/Finance Expense/Other Income

Finance income consists of:

	Note	2011	2010	2009
Interest income on cash and cash equivalents	4	**P15,383,681**	P191,748	P171,653
Dividend income		**680,000**	1,407,055	965,855
		P16,063,681	P1,598,803	P1,137,508

Finance expense consists of:

	Note	2011	2010	2009
Interest expense on loans payable and unpaid CEZA fees	13, 18	**P45,791,696**	P39,767,152	P42,088,078
Interest expense on obligations under finance lease	14	**464,589**	3,428,202	1,264,403
		P46,256,285	P43,195,354	P43,352,481

Other income - net consists of:

	Note	2011	2010	2009
Rent income	19	**P137,211,891**	P28,514,676	P46,298,842
Gain on insurance proceeds		**544,511**	-	-
Loss on write-off of property and equipment		**(313,871)**	-	-
Others		**2,644,118**	3,702,048	2,688,777
		P140,086,649	P32,216,724	P48,987,619

22. Related Party Disclosures

In the normal course of business, the Group entities transactions with related parties are as follows:

a. As of December 31, 2011 and 2010, the outstanding balances of related party receivables and payables are as follows:

Name of Related Party	Relationship	2011	2010
Amounts due from:			
Insular Gaming Corp.	Investee	**P4,462,415**	P5,071,360
Vinta Gaming, Inc.	Investee	**2,620,385**	4,110,076
FCCCDCI	Joint venture	**473,684**	1,710,000
BLRI - current portion	Investee	**25,183,883**	-
Others	Investee	**1,683,883**	937,024
		P34,424,250	P11,828,460
Amount due to:			
Longview Holdings Corporation	Stockholder	**P9,070,691**	P9,070,691

Advances to related parties represent non-interest bearing advances used to finance capital requirements, including purchases of inventory and supplies, payments of major prizes and other capital expenditures.

Investee represents entities where the Parent Company has minimal ownership interests.

b. For each of the years in the period ended December 31, the details of key management compensation representing short-term benefits are as follows:

	2011	2010	2009
Salaries and employee benefits	**P44,066,947**	P42,185,178	P36,593,865
Directors' fees	**4,487,222**	1,910,000	1,945,000

Unliquidated advances to officers and employees, principally for the acquisition of land rights, amounted to P100,698,422 and P38,182,186 as of December 31, 2011 and 2010, respectively. These advances are subject to liquidation within 12 months from the date granted or collectible in cash upon demand (see Note 5).

In April 2011, the Group obtained interest-bearing advances from a major stockholder of LRWC for a period of one (1) month at 1% per month. The advances including interest of P1,166,667 were fully paid in May 2011.

c. Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in 2011 and 2010. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

23. Income Taxes

The components of the Group's income tax expense (benefit) are as follows:

	2011	2010	2009
Current tax	**P10,371,012**	P7,254,450	P7,568,883
Deferred tax	**(64,536,733)**	-	-
	(P54,165,721)	P7,254,450	P7,568,883

The Group's income tax expense (benefit) is attributable to the Group's licensing operations with CSEZFP at a special rate of 5% and regular income tax rate of 30% on rent and other income (see Note 18).

Reconciliation between income tax expense (benefit) in the Group's profit or loss and the income tax computed at special and regular corporate income tax rate follows:

	2011	2010	2009
Income (loss) before income tax	**(P49,831,027)**	P248,270,166	P245,943,237
Income tax using statutory tax rate of 30%	**(P14,949,308)**	P74,481,050	P73,782,971
Additions to (reductions in) income taxes resulting from tax effects of:			
Change in unrecognized deferred tax assets	**7,075,942**	3,850,155	2,169,012
Nondeductible operating expenses	**1,102,793,684**	2,733,526	2,525,961
Non taxable income	**(1,088,909,958)**	(41,096,790)	(38,343,651)
Gross income on service fees subject to 5%	**(47,605,658)**	(20,341,754)	(30,688,109)
Dividend income exempt from tax	**(204,001)**	(10,769,597)	(577,113)
Equity in net earnings of a joint venture	**(7,279,031)**	(1,548,109)	(1,450,377)
Interest income subject to final tax	**(4,615,144)**	(38,925)	(36,083)
Net unrealized foreign exchange gain (loss) - net	**(472,247)**	(15,106)	186,272
	(P54,165,721)	P7,254,450	P7,568,883

The Group's entities, as grantees of PAGCOR's authority to operate bingo halls, are subject to the 5% franchise tax in lieu of all kinds of taxes (see Note 17). Franchise fees and taxes are presented as reduction of revenues in the consolidated statements of comprehensive income.

As of December 31, 2011, the Group recognized deferred tax assets amounting to P64,536,733.

The composition of recognized deferred tax assets of ABGLI as of December 31, 2011 is as follows:

NOLCO	**P48,033,244**
Accrued rent	**16,503,489**
	P64,536,733

The Group has NOLCO where no deferred tax was recognized amounting to P46,351,746 and P28,669,920 as of December 31, 2011 and 2010, respectively, because management believes that it is not probable that future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The unrecognized deferred tax asset pertains to the NOLCO of the following Group entities as of December 31:

	2011	2010
LRWC	**P44,294,106**	P25,215,235
BCGLC	**2,057,640**	-
LRDLDI	-	2,978,492
ABLGI	-	476,193
	P46,351,746	P28,669,920

As at December 31, 2011 and 2010, the Group has NOLCO which can be claimed as deduction from future taxable income as follows:

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Year of Expiration
2011	P186,675,778	P -	P -	P186,675,778	2014
2010	12,980,469	1,381,581	-	11,598,888	2013
2009	9,374,212	1,186,318	-	8,187,894	2012
2008	6,315,239	410,593	5,904,646	-	2011
	P215,345,698	P2,978,492	P5,904,646	P206,462,560	

24. Earnings (Loss) Per Share

Earnings (loss) per share (EPS) is computed as follows:

	2011	2010	2009
Income (loss) attributable to the equity holders of the Parent Company (a)	**(P36,384,633)**	P205,036,499	P201,237,953
Adjusted weighted average number of shares outstanding (b)	**950,040,344**	829,496,594	839,276,427
Basic and diluted earnings (loss) per share (a/b)	**(P0.0383)**	P0.2472	P0.2398

There are no dilutive potential common shares as of December 31, 2011, 2010 and 2009. Accordingly, diluted EPS is the same as basic EPS.

25. Segment Information

The Group operates in two (2) reportable business segments, the professional bingo gaming and interactive games licensing, and only one (1) reportable geographical segment which is the Philippines.

Professional bingo gaming provides amusements and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games. Interactive games licensing engages in developing a network operation/hub with an internet server including web sites, gaming software, application program, administrative software, hardware, internet, as well as telecommunications connections, collection and payment system and toll free telephone operations, all in connection with the development, operation and conduct of an internet and gaming enterprises and facilities; and regulates and monitors on behalf of CEZA all activities pertaining to the licensing and operation of interactive games.

Analysis of financial information by business segment in 2011 is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,629,699,859	P216,751,180	P -	P -	P3,846,451,039
Results					
Segment results	(26,887,979)	102,687,493	-	-	75,799,514
Unallocated corporate expenses					(264,750,041)
Results from operating activities	-	-	-	-	(188,950,527)
Finance income	796,770	294,989	14,971,922	-	16,063,681
Finance expense	(15,347,939)	(26,372,110)	(4,536,236)	-	(46,256,285)
Foreign exchange gain - net	-	4,962,019	-	-	4,962,019
Rent/other income	64,724,955	60,378,674	14,983,020	-	140,086,649
Equity in income of a venturer	-	24,263,436	-	-	24,263,436
Foreign currency translation gain	-	-	11,839	-	11,839
Income taxes	-	(9,684,485)	63,850,206	-	54,165,721
Non-controlling interest	6,740,574	(47,459,901)	-	-	(40,719,327)
Net Income					(P36,372,794)
Other Information					
Segment assets	P1,156,651,405	P1,065,921,846	P -	(P1,384,051,759)	P838,521,492
Investment in associate at cost	756,500	-	-	-	756,500
Unallocated corporate assets					2,863,080,414
Total assets					P3,702,358,406
Segment liabilities	P464,630,882	P558,349,504	P -	(P224,964,721)	P798,015,665
Unallocated corporate liabilities					148,937,216
Total liabilities					P946,952,881
Capital expenditures	P94,914,631	P147,431	P96,198,372	P -	P191,260,434
Depreciation and amortization	61,005,380	19,882,274	8,715,429	-	89,603,083

Analysis of financial information by business segment in 2010 is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,556,868,919	P295,712,890	P -	P -	P3,852,581,809
Results					
Segment results	158,620,252	78,761,057	-	-	237,381,309
Unallocated corporate expenses					(17,399,986)
Results from operating activities					219,981,323
Finance income	1,513,439	74,398	10,966	-	1,598,803
Finance expense	(21,628,477)	(21,074,825)	(492,052)	-	(43,195,354)
Foreign exchange gain - net	(2,474)	6,708,964	-	-	6,706,490
Rent/other income	-	28,354,028	3,862,696	-	32,216,724
Equity in income of a venturer	-	30,962,180	-	-	30,962,180
Income taxes	-	(7,254,450)	-	-	(7,254,450)
Non-controlling interest	(646,911)	(35,332,306)	-	-	(35,979,217)
Net Income					P205,036,499
Other Information					
Segment assets	P1,033,075,929	P852,382,812	P -	(P402,228,819)	P1,483,229,922
Investment in associate at cost	756,500	-	-	-	756,500
Unallocated corporate assets					945,602,593
Total assets					P2,429,589,015
Segment liabilities	P456,598,737	P501,340,486	P -	(P713,528,049)	P244,411,174
Unallocated corporate liabilities					494,916,919
Total liabilities					P739,328,093
Capital expenditures	P81,730,456	P148,567,866	P -	P -	P230,298,322
Depreciation and amortization	48,023,811	13,904,716	4,317,470	-	66,245,997

Analysis of financial information by business segment in 2009 is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,605,648,763	P301,850,830	P -	P -	P3,907,499,593
Results					
Segment results	145,674,254	77,348,184	-	-	223,022,438
Unallocated corporate expenses					(9,146,961)
Results from operating activities	-	-			213,875,477
Finance income	1,074,014	61,649	1,845	-	1,137,508
Finance expense	(20,553,168)	(22,799,313)	-	-	(43,352,481)
Foreign exchange gain - net	2,306	(3,714,725)	-	-	(3,712,419)
Rent/other income	-	46,298,842	2,688,777	-	48,987,619
Equity in income of a venturer	-	29,007,533	-	-	29,007,533
Income taxes	-	(7,568,883)	-	-	(7,568,883)
Non-controlling interest	(1,166,788)	(35,969,613)	-	-	(37,136,401)
Net Income					P201,237,953
Other Information					
Segment assets	P1,073,313,362	P850,482,729	P -	(P384,516,185)	P1,539,279,906
Investment in associate at cost	756,500	-	-	-	756,500
Unallocated corporate assets					721,163,771
Total assets					P2,261,200,177
Segment liabilities	P686,263,164	P566,471,755	P -	(P646,466,114)	P606,268,805
Unallocated corporate liabilities					120,282,221
Total liabilities					P726,551,026
Capital expenditures	P47,265,399	P3,183,723	P -	P -	P50,449,122
Depreciation and amortization	P50,094,163	P12,945,752	P25,333	P -	P63,065,248

There were no intersegment sales recognized between the two reportable segments in 2011, 2010 and 2009. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement obligation, and due to related parties. Capital expenditures on noncurrent assets represent additions to property and equipment and investment property. Noncash expenses pertain to depreciation and amortization expense attributable to the two reportable segments.

26. Operating Agreement

On January 14, 2011, ABLGI was engaged by Belle Corporation, through its subsidiary, Premium Leisure and Amusement, Inc. (PLAI), to act as operator and manager of its casino in behalf of PLAI pursuant to the provisional license issued by PAGCOR. The terms of the agreement are contained in the Operating Agreement signed by both parties on the same date.

PLAI is a member of a consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation, SM Commercial Properties, Inc. and PLAI (all third parties), which was granted a Provisional License by PAGCOR to establish and operate a casino to be located within the Manila Bay Reclamation Area.

As operator and manager of the casino, ABLGI shall exercise supervision, direction, and responsibility for the casino operations. In consideration, PLAI shall pay ABLGI monthly management fees based on the casino's earnings before interest, tax, depreciation and amortization (EBITDA) under certain conditions. These conditions, among others, include the following:

- The income of PLAI shall be higher between the fifty percent (50%) of EBITDA or fifteen percent (15%) of Net Win (Gross Win less License Fees to PAGCOR).

- The determination of EBITDA and Net Win is based on the audited financial statements of the casino.

Also under the Operating Agreement, ABGLI shall ensure the acquisition or construction of additional gaming, hotel, and theater facilities and equipment.

The operations of the casino is expected to commence in September 2012.

In 2011, Belle Corporation made advance payments in behalf of ABLGI for the construction of leasehold improvements. The advances bear an interest of 12% per annum.

As of December 31, 2011, the amounts owed to Belle Corporation in relation to the above, were fully paid including interest. Interest expense recognized in profit or loss in 2011 amounted to P3,278,767.

Notes to the Statements of Cash Flows
The principal noncash investing activities pertain to the acquisitions through finance lease agreements of property and equipment with a cost of P4,051,000 as at December 31, 2010. The obligations under finance lease amounted to P1,925,940 and P7,154,185 as at December 31, 2011 and 2010, respectively (see Note 14).

27. Other Matters

Rapid Bingo and Electronic Bingo
To better reflect the revenues from rapid bingo, revenues presented by the Group are net of the supplier's share amounting to P10,247,793 in 2011, P11,864,430 in 2010, and P13,263,483 in 2009.

Likewise, the Group's revenues from e-bingo are as follows:

	2011	2010	2009
Gross receipts from e-bingo	**P1,476,667,877**	P1,101,656,556	P994,573,362
Less share of owners of e-bingo machines	**324,867,086**	242,022,215	220,699,690
Net revenues	**P1,151,800,791**	P859,634,341	P773,873,672

Tax Cases

- In 2008, the Commissioner of Internal Revenue issued a Letter of Authority (LOA) to examine/audit SEGI's internal revenue taxes filed for taxable year December 31, 2005.

In 2010, the SEGI received a Final Decision on Disputed Assessment. SEGI filed an appeal on the Final Decision on Disputed Assessment to the Office of the Commissioner of Internal Revenue. On March 31, 2011, a Petition for Review was filed before the Court of Tax Appeals under CTA Case No. 8257.

- In 2008, the Commissioner of Internal Revenue issued a LOA to examine/audit SEGI's internal revenue taxes filed for taxable year December 31, 2007.

  In 2010, SEGI received a Final Decision on Disputed Assessment. SEGI filed an appeal on the Final Decision on Disputed Assessment to the Office of the Commissioner of Internal Revenue. On May 11, 2011, a Petition for Review was filed before the Court of Tax Appeals under CTA Case No. 8286.

The outcome of the lawsuits cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from the lawsuits, if any, will not have a material effect on the consolidated financial statements.

28. Financial Risk Management

Financial Risk Management Objectives and Policies
The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The main purpose of the Group's dealings in financial instruments is to fund their respective operations and capital expenditures. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee performs oversight role over financial reporting functions, specifically in the areas of managing credit, liquidity, market and other risks of the Group. The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial reporting system of the Group. The results of procedures performed by Internal Audit are reported to the Audit Committee. On the other hand, the Audit Committee reports all issues identified relating to the financial reporting of the Group to the BOD on a regular basis.

Credit Risk

Credit risk represents the risk of loss the Group would incur if customers and counterparties fail to perform their contractual obligations.

Financial information on the Group's maximum exposure to credit risk as of December 31, 2011 and 2010, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	Note	2011	2010
Cash in banks	*4*	**P323,958,518**	P92,455,359
Short-term investments	*4*	**599,344,221**	-
Receivables	*5*	**366,538,712**	479,866,818
Advances to CPVDC	*12*	**399,033,305**	343,839,422
Advances to BLRI	*10*	**113,521,832**	133,736,189
Advances to CLPDC	*12*	**13,953,359**	11,623,909
Due from related parties	*22*	**34,424,250**	11,828,460
Advances to FCCDCI	*10*	**20,657,563**	41,857,563
Other assets:			
Venue rental and other deposits	*12*	**129,556,100**	81,162,075
Cash and performance bonds	*12*	**22,000,000**	16,600,000
		P2,022,987,860	P1,212,969,795

Cash in Banks/Short-term Investments

The management evaluates the financial condition of the banking industry and bank deposits/investments are maintained with reputable banks only.

Receivables

Majority of the Group's credit risk on receivables is attributed to its internet gaming licensing activities influenced mainly by the individual characteristics of each customer and non-interest bearing advances made to entities with similar operations. The demographics of the Group's customer base, including the default risk of the industry and regions in which customers operate, has an influence on credit risk.

The Executive Committee has established a credit policy under which each new advanced amount requested by customer/counterparties within the same gaming industry is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The Group's review includes the requirements of updated credit application documents, credit verifications through the use of no negative record requests and list of blacklisted accounts, and analyses of financial performance to ensure credit capacity. The status of each account is first checked before advances are approved.

Most of the Group's customers have been transacting with the Group for several years, and losses have occurred from time to time. Results of credit reviews are grouped and summarized according to credit characteristics, such as aging profiles and credit violations.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of receivables and advances. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The aging of receivables is as follows:

	2011		2010	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P215,947,643**	**P -**	P85,261,680	P -
Past due 1-30 days	**25,287,183**	**-**	16,971,933	-
Past due 31-60 days	**15,171,230**	**-**	127,507,240	-
More than 60 days	**115,935,948**	**5,803,292**	250,125,965	-
	P372,342,004	**P5,803,292**	P479,866,818	P -

As of reporting date, there were no significant concentrations of credit risk.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days. Impairment losses on receivables recognized in profit or loss amounted to P76,197,992 in 2011.

Venue Rental and Other Deposits
The management prefers well known business establishments in the selection of location for bingo operations to ensure profitable operations and recovery of the venue rental and other deposits upon termination of the lease agreements.

Cash and Performance Bonds
The Group's exposure to credit risk is negligible as PAGCOR has sufficient funds to settle cash and performance bonds upon the expiration of the Grants.

Advances to Non-related Parties
The Group's exposure to credit risk is through financing the operations of non-related parties that have viable operations and likewise engaged in gaming amusement activities on which the Group intends to have future economic benefits through future acquisitions and investment of these non-related parties.

Due from Related Parties
The Group limits its exposure to credit risk by only financing the operations of related parties that have viable operations and likewise engaged in gaming amusement activities.

The most significant amount of due from related parties of the Group is the advances to BLRI, which is an associate of the Parent Company.

Impairment losses recognized by the Group on these advances amounted to P5,850,992 in 2011.

Liquidity Risk
Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. As of December 31, 2011 and 2010, the total commitment under the line of credit is P140,000,000, of which the Group had drawn P122,436,990 and P142,296,970, respectively, under short term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates (see Note 13).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Group:

	2011				
	Carrying Amount	**Contractual Cash Flow**	**6 Months or Less**	**6-12 Months**	**1-5 Years**
Nonderivative financial liabilities					
Trade and other payables, excluding unearned fees*	**P658,877,138**	**P689,901,377**	**P383,958,451**	**P305,942,926**	**P -**
Short-term and long-term loans payable	**155,644,312**	**168,260,650**	**116,424,400**	**47,418,493**	**4,417,757**
Due to a related party	**9,070,691**	**9,070,691**	**-**	**9,070,691**	**-**
Obligations under finance lease	**1,925,940**	**2,074,864**	**755,846**	**674,244**	**644,774**
Rent deposit	**4,111,800**	**4,111,800**	**-**	**-**	**4,111,800**
	P829,629,881	**P873,419,382**	**P501,138,697**	**P363,106,354**	**P9,174,331**

* *Excluding statutory payables.*

	2010				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-5 Years
Nonderivative financial liabilities					
Trade and other payables, excluding unearned fees*	P438,831,794	P462,411,300	P358,720,130	P103,691,170	P -
Short-term and long-term loans payable	182,296,970	204,130,372	117,290,646	26,322,892	60,516,834
Due to a related party	9,070,691	9,070,691	9,070,691	-	-
Obligations under finance lease	7,154,185	7,805,035	4,603,800	1,109,727	2,091,508
Rent deposit	2,932,800	2,932,800	-	-	2,932,800
	P640,286,440	P686,350,198	P489,685,267	P131,123,789	P65,541,142

* *Excluding statutory payables.*

<u>Market Risk</u>

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in prices, interest rates, currency exchange rates and equity price risk.

Change in Prices
The risk from price changes relates to the Group's ability to recover higher selling costs through price increases, which may be limited due to the regulated environment that exists in the Philippine gaming market and the willingness of players to purchase the same volume of bingo cards at higher prices. The Group's most significant exposure arises from increase in rental rates of leased premises in commercial establishments.

The Group minimizes its exposure to risks in changes in rental rates by entering into contracts with lessors with fixed rent commitment for the contract duration.

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates primarily to its short-term and long-term debt obligations with variable interest rates. The Group's interest rate risk exposure relates to the 90 day MART1 and LIBOR benchmark plus a designated bank spread. The Treasury Department, through its competencies of managing short-term and long-term debt obligations, transacts with creditors to ensure the most advantageous terms and to reduce exposure to risk of changes in market interest rate.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	Note	**2011**	2010
Variable rate			
Financial assets		**P923,302,739**	P92,455,359
Financial liabilities	*13, 14*	**122,436,990**	189,451,155

Sensitivity Analysis
A 2% increase in interest rates would have increase equity and profits in 2011 by 16,017,315 and decreased equity and profits in 2010 by P1,939,916 in the consolidated financial statements.

A 2% decrease in interest rates for December 31, 2011 and 2010 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Foreign Currency Risk
The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in U.S. dollar ($). In respect of monetary assets and liabilities held in currencies other that the Philippine peso, the Group ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's exposure to foreign currency risk based on notional amounts is as follows:

	2011	2010
Cash in bank	**$3,613,139**	$509,670
Trade receivables	**3,210,706**	4,203,607
CEZA fees payable	**(6,829,530)**	(4,401,937)
	($5,685)	$311,340

Foreign exchange gain recognized in 2011 and 2010 amounted to P4,962,019 and P6,706,490, respectively, while foreign exchange loss recognized in 2009 amounted to P3,712,419.

The following are the significant exchange rates applied during the year:

	2011	2010
PHP average rate	**43.31**	45.13
PHP spot rate	**43.93**	43.84

Sensitivity Analysis
A 10% strengthening of the Philippine peso against the USD would have increased equity and net income by P24,974 in 2011 and would have decreased in equity and net income by P1,364,915 in 2010.

A 10% weakening of the Philippine peso against the US dollars as of December 31, 2011 and 2010 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Fair Values
The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents/Receivables/Due from Related Parties/Advances to Related and Non-related Parties/ Venue Rental and Other Deposits/Cash and Performance Bonds /Trade and Other Payables/Due to a Related Party/Rent Deposit
The carrying amounts of cash and cash equivalents, receivables, due from related parties, trade and other payables and due to a related party approximate their fair values due to the relatively short-term nature of these financial instruments. The carrying amounts of venue rental and other deposits, cash and performance bonds, advances to related and non-related parties and rent deposit approximate their fair values, because the effective interest rate used for discounting approximates the current market rate of interest for similar transactions.

Investment in Other Shares of Stocks
The fair value of unquoted other shares of stocks approximates its cost, because there are no recent transactions involving these stocks.

Loans Payable
Loans are reported at their present values, which approximates the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amount approximates fair value since the interest rates are repriced frequently. These are classified as current liabilities when they become payable within a year.

Obligations Under Finance Lease
Obligations under finance lease are reported at their present values, which approximates the cash amounts that would fully satisfy the obligations as of reporting date. These are classified as current liabilities when they become payable within a year.

Capital Management
The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as of December 31, 2011 and 2010. The Group is not subject to externally-imposed capital requirements.

29. Reclassifications

Various accounts in 2010 were reclassified to conform with the current year presentation. These accounts are as follows:

	As Previously Presented	Adjustment	As Reclassified
Statement of Financial Position			
Property and equipment - net	P372,194,853	(P101,567,814)	P270,627,039
Other assets - net	565,608,655	101,567,814	667,176,469
Statement of Comprehensive Income			
Traditional bingo	2,245,009,859	(50,062,376)	2,194,947,483
Other operating expenses	111,803,579	(50,062,376)	61,741,203

- Land rights previously presented under "Property and equipment" account were classified to the "Other assets" account as it has been assessed that the related assets have an indefinite useful life.

- Intercompany revenues included under "Traditional bingo" account and corresponding intercompany costs of bingo card included under "Other operating expenses" account amounting to P50,062,376 have been eliminated against each other.

The abovementioned reclassifications did not have an effect on the consolidated financial statements as at January 1, 2010. Accordingly, no consolidated financial position as at January 1, 2010 was presented.

LEISURE AND RESORTS WORLD CORPORATION
26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

(Figures based on functional currency audited financial statements as at and for the year ended December 31, 2011)

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, January 1, 2011		**P271,950,797**
Add: Net income actually earned/realized during the year		
Net loss during the period closed to Retained Earnings	(11,313,455)	
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	(11,313,455)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	(11,313,455)	
Net loss actually incurred during the year		**(11,313,455)**
Add (Less):		
Dividend declarations during the period	(74,990,782)	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
		(86,304,237)
TOTAL RETAINED EARNINGS AT DECEMBER 31, 2011 AVAILABLE FOR DIVIDEND		**P185,646,560**

LEISURE AND RESORTS WORLD CORPORATION AND SUBSIDIARIES
26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City

TABULAR SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS
As at December 31, 2011

Standards	"Adopted", "Not adopted" or "Not applicable"
Philippine Financial Reporting Standards (PFRSs)	
PFRS 1 First-time Adoption of Philippine Financial Reporting Standards	**Not applicable**
PFRS 2 Share-based Payment	**Not applicable**
PFRS 3 Business Combinations	**Adopted**
PFRS 4 Insurance Contracts	**Not applicable**
PFRS 5 Non-current Assets Held for Sale and Discontinued Operations	**Not applicable**
PFRS 6 Exploration for and Evaluation of Mineral Resources	**Not applicable**
PFRS 7 Financial Instruments: Disclosures	**Adopted**
PFRS 8 Operating Segments	**Adopted**
Philippine Accounting Standards (PASs)	
PAS 1 Presentation of Financial Statements	**Adopted**
PAS 2 Inventories	**Adopted**
PAS 7 Statement of Cash Flows	**Adopted**
PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	**Adopted**
PAS 10 Events after the Reporting Period	**Adopted**
PAS 11 Construction Contracts	**Not applicable**
PAS 12 Income Taxes	**Adopted**
PAS 16 Property, Plant and Equipment	**Adopted**
PAS 17 Leases	**Adopted**
PAS 18 Revenue	**Adopted**
PAS 19 Employee Benefits	**Adopted**
PAS 20 Accounting for Government Grants and Disclosure of Government Assistance	**Not applicable**
PAS 21 The Effects of Changes in Foreign Exchange Rates	**Adopted**
PAS 23 Borrowing Costs	**Adopted**
PAS 24 Related Party Disclosures	**Adopted**
PAS 26 Accounting and Reporting by Retirement Benefit Plans	**Not applicable**
PAS 27 Consolidated and Separate Financial Statements	**Adopted**
PAS 28 Investments in Associates	**Adopted**
PAS 29 Financial Reporting in Hyperinflationary Economies	**Not applicable**
PAS 31 Interests in Joint Venture	**Adopted**
PAS 32 Financial Instruments: Presentation	**Adopted**
PAS 33 Earnings per Share	**Adopted**
PAS 34 Interim Financial Reporting	**Adopted**
PAS 36 Impairment of Assets	**Adopted**
PAS 37 Provisions, Contingent Liabilities and Contingent Assets	**Adopted**
PAS 38 Intangible Assets	**Adopted**
PAS 39 Financial Instruments: Recognition and Measurement	**Adopted**
PAS 40 Investment Property	**Adopted**
PAS 41 Agriculture	**Not applicable**

LEISURE & RESORTS WORLD CORPORATION

MAP OF CONGLOMERATE

As of December 31, 2011

- LEISURE & RESORTS WORLD CORPORATION
  - 100% AB Leisure Exponent, Inc.
    - 100% Alabang Numbers & Gaming Corporation
    - 100% Allpoint Leisure Corporation
    - 100% Big Time Gaming Corporation
    - 100% Bingo Extravaganza, Inc.
    - 100% Bingo Gallery, Inc.
    - 100% Bingo Palace Corporation
    - 100% Cebu Entertainment Gallery, Inc.
    - 100% Fiesta Gaming and Entertainment Corporation
    - 100% First Leisure & Game Co., Inc.
    - 100% Galleria Bingo Corporation
    - 100% G-One Gaming & Technology, Inc.
    - 100% Highland Gaming Corporation
    - 100% Iloilo Bingo Corporation
    - 100% Metro Gaming Entertainment Gallery, Inc.
    - 100% Rizal Gaming Corporation
    - 100% SG Amusement and Recreation Corp.
    - 100% South Bingo Corporation
    - 100% South Entertainment Gallery Incorporated
    - 100% Topmost Gaming Corp.
    - 95% Bingo Dinero Corporation
    - 95% Bingo Zone, Inc.
    - 95% Manila Bingo Corporation
    - 90% Isarog Gaming Corporation
    - 80% One Bingo Place, Incorporated
    - 60% Summit Bingo, Inc.
  - 100% LR Land Developers, Inc.
  - 100% AB Leisure Global, Inc.
  - 70% Blue Chip Gaming and Leisure Corporation
  - 60% Bingo Bonanza (HK) Limited
  - 30% Binondo Leisure Resources, Inc.
  - 69.68% First Cagayan Leisure and Resort Corporation
    - 60% Venture First Cagayan Converge Data Center, Inc.

Key Performance Indicators

The Company monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	As Of Dec 31, 2011	As Of Dec 31, 2010
Liquidity		
Current Ratio	180.9%	96.0%
Leverage Ratio		
Debt to Equity	34.4%	43.7%

	For the Year Ended Dec 31, 2011	For the Year Ended Dec 31, 2010
Activity Ratio		
Rate of Payout to Net Revenues	55.4%	57.7%
Profitability Ratio		
Return on Average Equity	0.2%	14.9%
Return on Average Assets	0.1%	10.3%
Solvency Ratio	9.9%	41.6%
Interest Coverage Ratio	-0.08	6.7
Net Book Value Per Share	2.90	2.04
Earnings (Loss) Per Share	(0.0383)	0.2472

The manner by which the Company calculates the above indicators is as follows:

Key Performance Indicator	Formula	2011	2010
Current Ratio	Current Assets / Current Liabilities	1,581,038,642 / 873,744,107	621,953,680 / 647,918,678
Debt to Equity Ratio	Total Liability / Stockholders' Equity	946,824,337 / 2,755,534,069	739,328,093 / 1,690,260,922
Rate of Payout to Net Revenues	Payout / Net Revenues	1,476,666,169 / 2,665,389,969	1,542,705,228 / 2,672,193,322
Return on Average Equity	Net Income / Average Equity	4,334,694 / 2,222,897,495	241,015,716 / 1,612,455,037
Return on Average Assets	Net Income / Average Total Assets	4,334,694 / 3,065,973,710	241,015,716 / 2,345,394,596
Solvency Ratio	Net Income + Depreciation / Total Liabilities	93,937,777 / 946,824,337	307,261,713 / 739,328,093
Interest Coverage Ratio	Income(Loss) Before Interest & Tax / Interest Expense	(3,574,742) / 46,256,285	291,465,520 / 43,195,354
Earnings per Share	Average Total Assets / Weighted average number of shares outstanding	3,065,973,710 / 950,040,344	2,345,394,596 / 829,496,594
Net Book Value	Total Equity / Weighted average number of shares outstanding	2,755,534,069 / 950,040,344	1,690,260,922 / 829,496,594

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31-Mar-12 (Unaudited)	31-Dec-11 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	Schedule 1	885,318,462	944,275,312
Receivables - net	Schedule 2	370,025,784	366,538,712
Bingo cards		18,918,329	17,707,392
Prepaid expenses and other current assets	Schedule 3	222,290,560	218,092,976
Due from related parties	Schedule 2	11,884,560	34,424,250
Total Current Assets		**1,508,437,695**	**1,581,038,642**
Property and equipment - net	Schedule 4	402,279,624	403,903,285
Investment property	Schedule 5	126,709,950	128,655,680
Investments and advances - net	Schedule 6	238,294,122	200,613,926
Deferred tax assets		64,536,733	64,536,733
Goodwill - net		546,318,689	546,318,689
Other assets - net	Schedule 7	783,379,586	777,291,451
Total Noncurrent Assets		**2,161,518,705**	**2,121,319,764**
TOTAL ASSETS		**3,669,956,401**	**3,702,358,406**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	Schedule 8	678,304,782	733,376,679
Short-term loans payable	Schedule 10	88,506,492	99,677,716
Current portion of long-term loans payable	Schedule 10	25,209,626	24,255,696
Current portion of obligations under finance lease		1,156,930	1,300,698
Income tax payable		9,889,881	6,062,627
Due to related party	Schedule 9	9,070,691	9,070,691
Total Current Liabilities		**812,138,403**	**873,744,107**
Noncurrent Liabilities			
Long-term loans payable - net of current portion	Schedule 10	25,612,679	31,710,900
Retirement benefits liability		38,558,763	36,632,288
Rent deposit		4,111,800	4,111,800
Obligations under finance lease - net of current portion		382,610	625,242
Total Noncurrent Liabilities		**68,665,852**	**73,080,230**
Stockholders' Equity			
Common Stock - P 1 par value			
Authorized - 1,600,000,000 shares			
Issued - 999,877,094 shares		999,877,094	999,877,094
Additional paid-in capital		1,114,028,556	1,114,028,555
Translation gain (loss)		81,510	11,839
Retained earnings		537,366,821	516,381,581
Treasury shares		(18,694,937)	(18,694,937)
		2,632,659,043	**2,611,604,132**
Non-controlling Interest		**156,493,103**	**143,929,937**
TOTAL STOCKHOLDERS' EQUITY		**2,789,152,146**	**2,755,534,069**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**3,669,956,401**	**3,702,358,406**

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	For the Three Months Ended March 31	
	2012	**2011**
REVENUES		
Traditional bingo	**485,199,540**	518,263,239
Electronic bingo - net	**371,236,888**	241,869,329
Rapid bingo - net	**113,177,974**	110,901,641
Service and hosting fees	**129,184,526**	69,679,631
Pull tabs	**2,157,060**	4,392,180
Instant charity bingo	**437,100**	3,244,320
Slot machines	**12,031,215**	-
Rental income	**2,303,733**	4,309,045
	1,115,728,035	952,659,384
FRANCHISE FEES AND TAXES AND OTHER DIRECT COSTS	**407,782,474**	299,113,613
NET REVENUES	**707,945,561**	653,545,771
COSTS AND OPERATING EXPENSES		
Payout	**353,844,252**	374,563,741
Rentals	**86,990,295**	53,440,446
Salaries and wages	**48,600,953**	41,912,516
Communication and utilities	**45,297,497**	39,065,670
Employee benefits	**26,365,862**	29,002,011
Contracted services	**37,021,184**	28,456,931
Depreciation and amortization	**29,265,572**	16,097,495
Bingo cards and supplies	**9,101,073**	10,046,066
Taxes and licenses	**8,894,940**	6,353,516
Others	**38,223,602**	13,360,712
	683,605,232	612,299,103
OPERATING INCOME	**24,340,329**	41,246,668
OTHER INCOME (EXPENSE)		
Equity in net earnings of a joint venture	**8,382,434**	4,382,626
Finance expense - net	**(7,037,708)**	(1,305,088)
Other income	**11,028,159**	-
	12,372,885	3,077,538
INCOME BEFORE INCOME TAX	**36,713,214**	44,324,206
INCOME TAX EXPENSE	**3,164,810**	1,094,893
NET INCOME	**33,548,404**	43,229,313
OTHER COMPREHENSIVE INCOME		
Foreign currency translation gain	**69,671**	-
TOTAL COMPREHENSIVE INCOME	**33,618,075**	43,229,313
Attributable to:		
Owners of the Parent Company	**21,054,909**	34,313,472
Non-controlling interest	**12,563,166**	8,915,841
	33,618,075	43,229,313
EARNINGS PER SHARE	**0.021**	0.040
INCOME PER SHARE IS COMPUTED AS FOLLOWS:		
a) Income attributable to the equity holders of the Parent Company	**20,985,238**	34,313,472
b) Weighted average number of shares outstanding	**999,877,094**	849,877,094
c) Basis (a/b)	**0.021**	0.040

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

	For the Three Months Ended March 31, 2012							
	Capital Stock	**Additional Paid-in Capital**	**Deposit for Future Subcription**	**Retained Earnings**	**Functional Currency Transalation Reserve**	**Treasury Shares**	**Minority Interests**	**Total**
Balance at beginning of the period	**999,877,094**	**1,114,028,555**	**0**	**516,381,582**	**11,839**	**(18,694,937)**	**143,929,937**	**2,755,534,070**
Disposal for the period								**0**
Deposit for future subscription								**0**
Translation gain (loss) during the period					**69,671**			**69,671**
Minority interests							**12,563,167**	**12,563,167**
Net income for the period				**20,985,238**				**20,985,238**
Balance at end of the period	**999,877,094**	**1,114,028,555**	**0**	**537,366,820**	**81,510**	**(18,694,937)**	**156,493,104**	**2,789,152,146**

	For the Three Months Ended March 31, 2011							
	Capital Stock	Additional Paid-in Capital	Deposit for Future Subcription	Retained Earnings	Functional Currency Transalation Reserve	Treasury Shares	Minority Interests	Total
Balance at beginning of the period	849,877,094	128,881,859	0	625,861,621	0	(20,785,694)	106,426,042	1,690,260,922
Disposal for the period						12,237,452		12,237,452
Deposit for future subscription			93,750,000					93,750,000
Translation gain (loss) during the period								0
Minority interests							8,915,842	8,915,842
Net income for the period				34,313,472				34,313,472
Balance at end of the period	849,877,094	128,881,859	93,750,000	660,175,094	0	(8,548,242)	115,341,884	1,839,477,688

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended	
	31-Mar-12	**31-Mar-11**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before franchise fees and taxes	**426,761,311**	332,343,860
Adjustments for:		
Depreciation	**29,265,572**	16,097,495
Equity in net income of a joint venture	**(8,382,434)**	(4,382,626)
Interest expense	**7,037,708**	1,305,088
Operating income before working capital changes	**454,682,157**	345,363,816
Decrease (increase) in:		
Receivables	**(3,487,072)**	24,224,215
Bingo cards	**(1,210,937)**	(4,118,509)
Prepaid expenses and other current assets	**(4,197,584)**	(14,773,964)
Increase (decrease) in:		
Trade and other payables	**(55,071,897)**	(2,488,307)
Income tax payable	**3,827,254**	1,094,894
Rent deposit	**-**	2,347,000
Retirement benefits liability	**1,926,475**	1,350,000
Cash generated from operations	**396,468,395**	352,999,144
Interest paid	**(7,037,708)**	(1,305,088)
Franchise fees and taxes paid	**(405,776,072)**	(298,030,388)
Net cash from operating activities	**(16,345,385)**	53,663,669
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	**(27,641,911)**	(37,022,352)
Additions to investment property	**1,945,730**	(6,500,954)
Decrease (increase) in investment and advances	**(29,297,762)**	(4,594,244)
Decrease (increase) in due from related parties	**22,539,690**	4,451,698
Decrease (increase) in other noncurrent assets	**(6,088,135)**	(850,131)
Net cash used in investing activities	**(38,542,388)**	(44,515,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment (payment) of loans payable	**(16,315,515)**	(26,895,767)
Availment (payment) of obligations under finance lease	**(386,400)**	(2,150,090)
Deposit for future subscription	**-**	93,750,000
Disposal (acquisitions) of treasury shares	**(0)**	12,237,452
Translation gain/loss	**69,671**	-
Increase in non-controlling interest	**12,563,166**	8,915,841
Net cash provided (used) in financing activities	**(4,069,078)**	85,857,437
NET INCREASE (DECREASE) IN CASH	**(58,956,851)**	95,005,122
CASH AT BEGINNING OF PERIOD	**944,275,312**	101,562,325
CASH AT END OF PERIOD	**885,318,461**	196,567,447

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012

1. The accompanying interim consolidated financial statements of Leisure & Resorts World Corporation (LRWC) and Subsidiaries are in compliance with Philippine Financial Reporting Standards (PFRS).

2. The same accounting policies and methods of computation are followed in the interim consolidated financial statements as compared with the most recent annual financial statements.

3. Currently the operations of LRWC is very minimal and functions as a holding company. However, it's Subsidiaries, AB Leisure Exponent, Inc. (ABLE), engaged in bingo operations, and First Cagayan Leisure and Resort Corporation (FCLRC), engaged in licensing and regulation of online gaming, are operating on a daily basis including Sundays and Holidays, except on Maundy Thursday and Good Friday. Both businesses are not seasonal in nature. Another subsidiary, LR Land Developers, Inc. (LRLDI), is engaged in realty estate acquisition, development and tourism. AB Leisure Global Inc. (ABLGI), a new subsidiary engaged in the acquisition and development of properties including management and operations of activities conducted therein particularly on general amusement and recreations, has not started commercial operations as of this date. Blue Chip Gaming and Leisure Corporation (BCGLC), a newly acquired subsidiary in May 2011, operates a Slot Arcade at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacle, Bacolor, Pampanga under a license issued by the Philippine Amusement and Gaming Corporation (PAGCOR). On March 15, 2010, LRWC incorporated Bingo Bonanza Limited (BBL), as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hongkong.

4. There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

5. Property and equipment, other noncurrent assets, and investments and advances are reviewed for impairment. There are no indications of possible impairment of these assets.

6. There were no reported estimates in prior financial years and there are no estimates that need to be reported in the current interim period.

7. LRWC and Subsidiaries do not have any issuances, repurchases, and repayments of debt and equity securities.

8. On July 30, 2011, the Board of Directors (BOD) approved the declarations of cash dividend equivalent to: a) P 0.03 per share payable to all common stockholders of record as of September 28, 2011 paid on October 21, 2011, b) P 0.025 per share payable to all common stockholders of record as of January 30, 2012 paid on February 22, 2012, and c) P 0.020 per share payable to all common stockholders of record as of February 29, 2012 paid on March 23, 2012.

9. LRWC's primary purpose is to engage in realty development focusing on leisure business. However, as mentioned in note 3, for several years it had minimal operation and functioned as a holding company. On the other hand, its five Subsidiaries, ABLE, a professional in bingo gaming in the Philippines, operates fifty two (52) bingo parlors nationwide, most of which are located in major shopping malls in Metro Manila and in key provincial cities, FCLRC, a master licensor and regulator of online gaming operating in Cagayan Economic Zone Authority (CEZA), LRLDI, owner of property being leased by locators in Cagayan Business Park, BCGLC, operator of slot arcade in Bacolor, Pampanga, under a license issued by PAGCOR and BBL, engage in the business of gaming, recreation, leisure and lease of property in Hongkong.

10. There were no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period.

11. There were no changes in the composition of LRWC during the interim period. Likewise, there were no business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

12. LRWC and Subsidiaries do not have any contingent liabilities or contingent assets since the last annual balance sheet date nor do they have any current contingent liabilities or contingent assets.

13. There was no existing material contingencies and any other events or transactions that are material to an understanding of the current interim period.

Key Performance Indicators

The Company monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	As Of	
	March 31, 2012	**December 31, 2011**
Liquidity		
Current	186%	181%
Leverage Ratio		
Debt to Equity Ratio	32%	34%

	For the Three Months Ended	
	March 31, 2012	**March 31, 2011**
Activity Ratio		
Rate of Payout to Net Revenue	50.0%	57.3%
Profitability Ratio		
Return on Average Equity	0.8%	1.9%
Return on Average Assets	0.6%	1.4%
Solvency Ratio	5.7%	5.3%
Interest Coverage Ratio	4.4	28.1
Net Book Value Per Share	2.79	3.24
Earnings Per Share	0.0210	0.0404

The manner by which the Company calculates the above indicators is as follows:

Key Performance Indicator	Formula	2012	2011
Current Ratio	Current Assets / Current Liabilities	1,508,437,695 / 812,138,403	1,581,038,642 / 873,744,107
Debt to Equity Ratio	Total Liability / Stockholders' Equity	880,804,255 / 2,789,152,146	946,824,337 / 2,755,534,069
Rate of Payout to Net Revenues	Payout / Net Revenues	353,844,252 / 707,945,561	374,563,741 / 653,545,771
Return on Average Equity	Net Income / Average Equity	20,985,238 / 2,772,343,107	34,313,472 / 1,764,869,305
Return on Average Assets	Net Income / Average Total Assets	20,985,238 / 3,686,157,403	34,313,472 / 2,490,826,263
Solvency Ratio	Net Income + Depreciation / Total Liabilities	50,250,811 / 880,804,255	50,410,967 / 946,824,337
Interest Coverage Ratio	Income Before Interest & Tax / Interest Expense	31,187,756 / 7,037,708	36,713,453 / 1,305,088
Earnings per Share	Net Income (Net of Minority) / Weighted average number of shares outstanding	20,985,238 / 999,877,094	34,313,472 / 849,877,094
Net Book Value	Total Equity / Weighted average number of shares outstanding	2,789,152,146 / 999,877,094	2,755,534,069 / 849,877,094