COVER SHEET

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SEC 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 City/Town/Province)

Ms. Carmelita D. Chan

(Contract Person)

638-5496

(Company Telephone Number)

12 **31**

Month *Day*

(Fiscal Year)

17-A

(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 17-A

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

1. For the fiscal year ended December 31, 2013

2. SEC Identification Number 13174 3. BIR Tax Identification No. 000-108-278-000

4. Exact name of issuer as specified in its charter LEISURE & RESORTS WORLD CORPORATION

5. Philippines .... (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. 26F West Tower, PSE Center, Ortigas Center, Pasig City
……...
Address of principal office Postal Code

8. (632) 687-0370
……..
Issuer's telephone number, including area code

9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Common	1,199,852,512/Not Applicable
Preferred	1,650,000,000/Not Applicable
Warrants	82,500,000/Not Applicable

11. Are any or all of these securities listed on a Stock Exchange.

Yes [/] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange Common Shares, Preferred Shares and Warrants

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/]   No [ ]

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

Yes [/]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Aggregate market value of voting stock held by non-affiliates: P 5,106,221,593
(based on market price on March 31, 2014)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [ ]

NOT APPLICABLE

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);

(c) Any prospectus filed pursuant to SRC Rule 8.1-1.

LEISURE & RESORTS WORLD CORPORATION

ANNUAL REPORT
(SEC FORM 17-A)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. 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 between the Company and ABLE's shareholders. Initially, 236,626,466 shares were approved by SEC for release to previous ABLE shareholders. The remaining shares corresponding to 513,373,534 were principally held in escrow with a local commercial bank. In 2003, the stockholders of LRWC approved the decrease in authorized capital stock from 2.5 billion shares to 1.6 billion shares at ₱1 par value per share. Accordingly, the Company's issued capital stock decreased from 1,162,678,120 to 744,114,784. This equity restructuring resulted in a reduction of ₱418,563,336 in the Company's deficit as at January 1, 2004 and reduced shares held in escrow to 328,559,059. In 2007 and 2008, SEC approved the release of 322,616,462 shares held in escrow. The remaining shares totaling 5,942,597 were finally approved for release on October 10, 2011.

AB Leisure Exponent, Inc. (ABLE)

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-eight (28) wholly/majority owned subsidiaries. The Group operates 81 bingo parlors nationwide (inclusive of 2 bingo parlors closed in 2013), 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 Company's 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 LR Land Developers, Inc.

On April 16, 2012, Techzone was incorporated in the Philippines, a 50% owned associate of LRLDI, which is engaged in the acquisition, lease, donation, etc. of real estate of all kinds. Techzone has not started commercial operations as of December 31, 2013.

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 (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 6, 2013, the Company's BOD approved the increase in the authorized capital stock from Five Million Pesos (₱5,000,000) to Two Billion Pesos (₱2,000,000,000) divided into Twenty Million Shares (20,000,000) with par value of One Hundred Pesos (₱100) per share. Relative to this, LRWC subscribed and paid One Billion Four Hundred Fifty Million Pesos (₱1,450,000,000.00) as of December 31, 2013.

The SEC approved the increase in its authorized capital stock on February 2014.

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 (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 PAGCOR (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 started its operations in March 2012.

HEPI

On November 11, 2012, LRWC executed an Investment Agreement with Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure) and Hotel Enterprises of the Philippines, Inc. (HEPI) for the acquisition of fifty-one percent (51%) of the outstanding capital stock of HEPI which owns and operates the Midas Hotel and Casino. LRWC's total investment in HEPI, paid in cash, is Seven Hundred Fifty Million Pesos (Php750,000,000.00). LRWC and Eco Leisure executed a Shareholders' Agreement to embody their mutual agreements and covenants concerning the sale and purchase of the HEPI shares, respective rights and obligations while certain covenants and conditions have not been fully complied by the parties under the Investment Agreement.

On December 26, 2012, HEPI filed an application for the amendment of its articles of incorporation to extend its corporate life, which application, however, was denied by the SEC.

On October 22, 2013, HEPI filed a Petition for Review (Petition) with the Court of Appeals (CA) seeking the reversal of the SEC Decision citing, among others, the following grounds: (a) HEPI's failure to file the application for the amendment of its articles of incorporation is due to justifiable reasons similar to cases where the SEC has allowed the filing, and eventually approved, application for extension of corporate term notwithstanding its expiration; (b) there is substantial evidence of HEPI's clear and unequivocal intention to continue with its corporate existence; (c) there are practical and socio-economic considerations in favor of allowing the extension of HEPI's corporate term; and, (d) recent developments relating to the corporate term negate the rationale behind the SEC's strict application of the rules.

As of December 31, 2013, HEPI's petition is still pending with the Court of Appeals.

PIKI

On March 22, 2013, LRWC purchased 10,000,000 shares of PIKI representing 100% ownership at a price of ₱1,000,000. The purchase was ratified by LRWC's BOD on June 10, 2013. The acquisition is in line with the Group's goal to expand and venture in other forms of gaming.

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.

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.

3. On January 22, 2013, at a special meeting of the BOD, matters to be submitted for the approval of the stockholders on the special meeting to be held on March 22, 2013, were approved by the BOD as follows:

    - Increase in authorized capital stock of the Company and corresponding amendment of the Articles of Incorporation. The authorized capital stock shall be increased from ₱1.6 billion to ₱5.0 billion divided into 2.5 billion shares of common stock with par value of ₱1.00 per share and 2.5 billion shares of preferred stock with par value of ₱1.00 per share. The preferred shares may be issued in tranches or series and shall be non-voting, non-participating, entitled to preferential and cumulative dividends at the rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications as my be fixed by the BOD at their issuance.

- Amendment of by-laws to include attendance in board meetings may be through teleconferencing/videoconferencing.
- Issuance of 200,000,000 common shares with par value of ₱1.00 per share for distribution as stock dividends subject to the approval of stockholders and SEC of the increase in authorized capital stock and corresponding amendment of the Articles of Incorporation. Any fractional shares resulting from the stock dividend shall be rounded off to the nearest one (1), following the rules of rounding off.
- A maximum of 2.5 billion of the Company's preferred shares and 125 million warrants on the Company's shares shall be listed on the Philippine Stock Exchange (PSE). The warrants, if fully exercised, shall be equivalent to 125 million common shares.
- Upon approval of the stockholders and SEC of the increase in authorized capital stock and corresponding amendment of the Articles of Incorporation, the Company shall offer ₱1.75 billion perpetual preferred shares at a dividend rate of 8.5% through private placement or issuance to not more than nineteen (19) non-qualified buyers under the Section 10.1(k) of the Securities Regulation Code. The Company shall offer the Preferred Shares with a par value of ₱1.00 per share and an issue price of ₱1.00 per share. The preferred shares are cumulative, non-voting and non-participating.
- On the fifth anniversary of the issue date or "Optional Redemption Date" or on any dividend payment date thereafter, the Company has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part at a redemption price equal to the issue price of the perpetual preferred shares plus cumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by the Company. A nil-paid, detachable warrant shall be issued to the investor/(s) for every twenty (20) preferred shares. Each warrant shall entitle the investor/(s) to purchase one (1) common share. The exercise price of the warrant shall be ₱15.00 or the Company's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5th anniversary of the perpetual preferred shares until the 8th anniversary.

4. On June 24, 2013, at a special meeting of the BOD, matters to be submitted for the approval of the stockholders on the special meeting to be held on July 26, 2013, were approved by the BOD as follows:

- Primary offer and sale of 250,000,000 preferred shares with a par value of Php1.00 per share (the "Offer Shares"), the 12,500,000 warrants to be issued free of charge, and the underlying 12,500,000 common shares (the "Offer").
- There shall be one warrant corresponding to every twenty (20) preferred shares held by the shareholder and one common share resulting from the exercise of one warrant.

- The Offer Shares will be offered at a price of Php1.00 per Share (the "Offer Price"). Prior to the Offer, LRWC has a total of 1,199,852,512 issued and outstanding common stock. A total of up to 1,294,852,512 common Shares will be outstanding assuming the full exercise of all the warrants attached to the preferred shares (issued under private placement and this Offer) are exercised starting on the fifth year.

- In a meeting held on 24 February 2014, the Company's management decided to defer the offering due to a change in the timing in the implementation of its work program and to further review its current expansion program to align with its over-all business strategy in the medium term. As a consequence, the Company will revisit its financing program.

Cash Dividends

On July 29, 2011, the BOD approved the declaration of cash dividend equivalent to P 0.030 per share payable to all common stockholders of record as of September 28, 2011, another cash dividend of P 0.025 per share payable to all common stockholders of record as of January 30, 2012 and another cash dividend of P 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 (P200,000.00) each.

On July 27, 2012, the BOD approved the declaration of cash dividend equivalent to P 0.040 per share payable to all common stockholders of record as of September 28, 2012, and another cash dividend of P 0.035 per share payable to all common stockholders of record as of February 28, 2013. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of Three Hundred Thousand (P300,000.00) each.

On July 26, 2013, the BOD approved the declaration of cash dividend equivalent to P 0.04 per share payable to all common stockholders of record as of September 28, 2013, and another cash dividend of P 0.04 per share payable to all common stockholders of record as of February 28, 2014. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of Five Hundred Thousand (P500,000.00) 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. However, on June 2, 2008 the BOD of ABLE approved the extension of the acquisition of LRWC shares, based on the consensus that LRWC shares are currently undervalued and upon consideration that ABLE still has excess funds for investments, was increased from 15,000,000 to 30,000,000 shares. As at December 31, 2013, ABLE has a total of 20,274,700 LRWC shares (at a market value of ₱123,675,670) 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 29 July 2011. As a result of this issuance, the total issued and outstanding stocks of the registrant as at December 31, 2011 increased to 999,877,094 shares.

On November 11, 2012, LRWC executed an Investment Agreement with Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure) and Hotel Enterprises of the Philippines, Inc. (HEPI) for the acquisition of fifty percent (50%) of the outstanding capital stock of HEPI which owns and operates the Midas Hotel and Casino. LRWC's total advances amounted to Seven Hundred Fifty Million Pesos (P750,000,000.00) which pertain to the deposits made by the Company to Eco Leisure in relation to the aforementioned purchase agreement. The deed of absolute sale for the transfer of shares of stocks was executed on 13 November 2012.

On various dates from May 2013 to September 2013, LRWC issued ₱1.65 billion preferred shares through private placement or issuance to not more than nineteen (19) non-qualified buyers under the Section 10.1(k) of the Securities Regulation Code. The ₱1.65 billion perpetual preferred shares have a par value of ₱1.00 per share and an issue price of ₱1.00 per share. The preferred shares are cumulative, non-voting and non-participating. On the fifth anniversary of the issue date of the ₱1.65 billion perpetual preferred shares or on any dividend payment date thereafter, LRWC has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part at a redemption price equal to the issue price of the perpetual preferred shares plus cumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by LRWC. A nil-paid, detachable warrant was issued to the investor/(s) for every twenty (20) preferred shares. Each warrant shall entitle the investor/(s) to purchase one (1) common share. The exercise price of the warrant shall be ₱15.00 or LRWC's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5th anniversary of the perpetual preferred shares until the 8th anniversary.

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, 2013, ABLE has a total of 36,500,000 preferred shares (at a cost of ₱36,500,000.00) and 20,274,700 common shares (at a cost of ₱34,642,419.00). As of December 31, 2012, ABLE had a total of 18,330,500 shares (at cost of ₱18,694,937.00) of the Parent Company. These are accounted as treasury shares in the consolidated financial statements.

Products, Games and Distribution Methods

AB LEISURE EXPONENT, INC. (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, 2013, around 5,390 machines were installed in 74 affiliated bingo parlors.

In August 2005, ABLE introduced Rapid Bingo with 14 terminals in 14 bingo parlors. By end of 2013, a total of 70 Rapid Bingo terminals were installed in 61 bingo parlors, 10 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 81 bingo parlors, 6 of which are owned by ABLE, 73 sites are owned through subsidiaries and two (2) minority owned affiliates. There are 2 dormant subsidiaries/bingo parlors for relocation as of December 31, 2013. 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 <u>Subsidiaries/Equity</u>	***Date of <u>Organization</u>***		**<u>Location</u>**
Alabang Numbers & Gaming Corp., 100%	*11/18/97*	1.	Festival Supermall, Alabang, Muntinlupa City
		2.	Festival Boutique, Alabang, Muntinlupa City
		3.	Wharf Boutique at Lakefront, Km 20, East Service Road, Sucat, Muntinlupa City
		4.	2nd Floor, V. Central Mall, New Molino Blvd. Molino, Cavite City
All Point Leisure Corporation, 100%	*07/16/97*	5.	3rd Floor, SM Centerpoint, Araneta Avenue cor Magsaysay Blvd.,Sta. Mesa Manila
		6.	Ground Floor, Harrison Plaza Commercial Complex, Mabini St., Malate, Manila
Big Time Gaming Corporation, 100%	*03/27/06*	7.	Sunshine Blvd. Plaza, Quezon Ave. Corner Sct Santiago & Panay Ave., Quezon City
		8.	2/F Intrepid Plaza Bldg., E. Rodriguez Ave. Bgry Bagumbayan, Quezon City
		9.	G/F QY Plaza, 233 Tomas Morato Ave., South Triangle 4, Quezon City
		10.	Unit 102, 6th Flr., Web Jet Acropolis Bldg. 88 E. Rodriguez Jr Ave., Bagumbayan 3, Quezon City
Bingo Dinero Corporation, 95%	*08/19/98*	11.	SM City, North Reclamation Area, Cebu City
Bingo Extravaganza, Inc., 100%	*01/11/99*	12.	SM Sucat, Sucat Road, Paranaque City
		13.	SM City Bicutan, Don Bosco, Paranaque City
		14.	Tonie's Mart, Puerto Princesa, Palawan
		15.	BLC Bldg, Rizal Ave., Puerto Prinsesa, Palawan *(closed)*
		16.	A. Salvador St., Sta. Veronica, Guimba, Nueva Ecija
		17.	8343 Elorde Sports Complex, San Antonio, Paranaque City
Bingo Gallery, Inc., 100%	*10/16/98*	18.	Liana's Mutya ng Pasig Mall, Caruncho, Pasig City
		19.	SM City Mastersons Ave., Canitoan, Cagayan de Oro City
		20.	Armal Centre Bldg., Bgry. Malinao, Pasig City
		21.	Robinsons Metro East, Santolan, Pasig City
		22.	Ground Flr., Molino Blvd., 678 Dampa Wet & Dry Commercial Complex, Brgy Bayaran, Bacoor Cavite
Bingo Palace Corporation, 100%	*08/19/98*	23.	Robinson's Place, Ermita, Manila
		24.	SM Mall of Asia, Pasay City
Bingo Zone, Inc., 95%	*05/13/99*	25.	*Dormant*
Cebu Entertainment Gallery, Inc., 100%	*09/07/98*	26.	Elizabeth Mall, Leon Kilat St., Cebu City
		27.	SM Consolacion, North Road, Bgry Lamas, Consolacion, Cebu
Fiesta Gaming & Entertainment Corp, 100%	*11/07/97*	28.	*Dormant*
First Leisure and Game Co., Inc., 100%	*12/09/97*	29.	Robinson's Place, Mandalagan, Bacolod City
		30.	G/F Lopue's Mandalagan Bldg, Lacson St, Mandalagan, Bacolod City
		31.	Manapla Boutique, Bacolod City
Galleria Bingo Corporation, 100%	*10/27/98*	32.	Robinson's Galleria, EDSA, Quezon City
G-One Gaming and Technology, Inc., 100%	*04/06/98*	33.	SM City Bacoor, Tirona Highway, Cavite
Highland Gaming Corporation, 100%	*06/06/00*	34.	Baguio Centermall, Baguio City

		35.	SM City Baguio, Luneta Hill, Baguio City
Iloilo Bingo Corporation, 100%	*12/01/99*	36.	SM City Iloilo, Manduriao, Iloilo City
Isarog Gaming Corporation, 90%	*04/24/98*	37.	SM City Naga, CBD2, Bgry Trianggulo, Naga City
		38.	B3, Unit 1,2,3,544, 55 & 56 ALDP Mall, Roxas Ave Triangulo, Naga City
Manila Bingo Corporation, 95%	*09/24/97*	39.	SM City Fairview, Regalado, Fairview, Q.C.
Metro Gaming Entertainment Gallery, Inc., 100%	*06/24/98*	40.	M-Star, CV Star Ave., Pamplona, Las Pinas City
		41.	SM Supercenter, Molino Rd., Bacoor, Cavite
		42.	5/F 168 Divisoria Mall, Soler St. Binondo, Manila
		43.	Unit GF, ANS-08 Pasay City Mall Ave cor Arnaiz, Pasay City
		44.	RSAM Center Bldg, J.P. Laurel Cor. Munting Bayan Bgry Poblacion IX, Nasugbu, Batangas
		45.	Starmall, Bgry Kaypian San Jose Del Monte Bulacan
Negrense Entertainment Gallery, Inc.	*04/24/12*	46.	Ground Floor, Robinsons Place Dumaguete Brgy. Calindagan Business District, Dumaguete City
		47.	Ground Floor, Lee Plaza Hypermart, Bagacan, Dumaguete City
One Bingo Place, Inc., 80%	*05/03/00*	48.	SM City Manila, Arroceros St., Manila
One Bingo Pavillion, Inc.	*01/28/13*	49.	Puregold Price Club, Magsaysay Road, Brgy San Antonio, San Pedro, Laguna
Rizal Gaming Corporation, 100%	*11/12/98*	50.	Robinson's Place, Cainta, Rizal
		51.	Robinson's Pioneer, Edsa, Mandaluyong City
		52.	UGF 101, 102 SM City Masinag, Brgy Mayamot, Antipolo City *(closed)*
		53.	Robinsons Boutique, Cainta, Rizal
		54.	ITSP Bldg, Ortigas Ave., Bgry San Isidro, Taytay, Rizal
		55.	2nd Flr., Graceland Plaza Bldg., J.P. Rizal St., Brgy. Malanday, Marikina City
SG Amusement and Recreation Corp., 100%	*08/24/05*	56.	Greenhills Shopping Center, San Juan City
		57.	Villa Bldg. Jupiter St., Makati City
		58.	Wilson Square, P.Guevarra, San Juan City
		59.	Unit # M5 Hobbies of Asia, #8 Pres. Diosdado Macapagal Blvd, Pasay Ctiy
South Bingo Corporation, 100%	*12/10/97*	60.	SM City Davao, Quimpo Blvd., Davao City
South Entertainment Gallery, Inc., 100%	*12/13/00*	61.	SM City, San Fernando City, Pampanga
		62.	SM City Lucena, Dalahican, Dupay, Lucena City *(temporary closed)*
		63.	SM Supercenter, Muntinlupa City
		64.	Pacific Mall, Tagarao St., Lucena City *(temporary closed)*
		65.	SM City Tarlac, San Roque, Tarlac City
		66.	Robinsons Calasiao, Calasiao, Pangasinan
Summit Bingo, Inc., 60%	*01/19/99*	67.	2nd Flr., New St Bldg., Macarthur Highway, Balibago, Angeles City, Pampanga
Topmost Gaming, Corp. 100%	*01/13/98*	68.	2nd Flr., SM City Novaliches, Quirino Highway, Novaliches, Quezon City
		69.	4th Flr., Star J Plaza, F. Sevilla Blvd, Brgy. Tañong, Malabon City
		70.	2nd Flr., SM Hypermarket Cubao, EDSA cor Main Ave., Brgy Socorro 3, Cubao Quezon City
		71.	2nd Flr., SM Hypermarket Cainta, Felix Avenue, Cainta, Rizal
		72.	Fortune Plaza, Brgy Wawa, Balagtas Bulacan
Worldwide Links Leisure and Gaming Corp., 100%	*12/08/11*	73.	Silver City, Frontera Drive, Dona Julia Vargas Avenue, Pasig City
	Date of		

Bingo Parlor Owned Through An Affiliate/Equity:	***Organization***		**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)*

AB LEISURE GLOBAL, INC. (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.

In 2012, ABLGI, LRWC, PLAI and Belle Corporation amended its 2011 agreement to allow the entrance and participation of a foreign partner. In exchange, ABLGI would have a direct interest in the economic benefits to be derived by Belle Corporation and PLAI from the casino operations. ABLGI will provide funding to Belle Corporation (Belle) for the Casino Project equivalent to 30% of Belle's interest, or an estimated P4 Billion which will be funded through debt and internally generated funds. In exchange for ABLGI's contribution, ABLGI shall be entitled to 30% of the fixed yearly income generated from the leasing of all commercial spaces in the project, inclusive of the hotel, retail and casino premises. Moreover, ABLGI shall be paid fees equivalent to 30% of the 50% share of Premium Leisure and Amusement, Inc. (PLAI) on the EBITDA from Casino operations or 30% of PLAI's 15% share of the Net Win, whichever is higher, after deducting PLAI's Royalty which is based on Gross Win. Belle and PLAI subsequently entered into a Cooperation Agreement to have Melco Crown Entertainment Limited (MCE or MELCO) as the foreign partner and operator of the casino.

On May 20, 2013, ABLGI executed an Omnibus Loan and Security Agreement (OLSA) of P3 Billion Pesos with BDO Unibank, Inc. as Lender, BDO Unibank, Inc – Trust and Investment Group as Security Trustee and the Company, LRWC, as Surety. The OLSA was executed to partially fund the ABLGI contribution pursuant to the Agreements wherein ABLGI will provide funding to Belle for the Belle Grande Integrated Casino & Resort Project.

LR LAND DEVELOPERS, INC. (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 expected to be finished by the first quarter of 2014 when all the documents needed by the Civil Aviation Authority of the Philippines are submitted.

The Group intends to convert the advances into shares of stocks upon consolidation and issuance of land titles.

LRLDI is in a joint venture property development project in Makati City with Total Consolidated Asset and Management, Inc. called Techzone Philippines, Inc. As envisioned, the building planned will be a world-class BPO center with offices for various BPO locators not limited to the licensees of First Cagayan.

FIRST CAGAYAN LEISURE AND RESORT CORPORATION (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 at December 31, 2013, there were 81 licensed locators, 71 of which are operational. Last year, FCLRC had 69 licensed locators, of which 62 were operational then.

First Cagayan Converge Data Center, Inc. (FCCDCI)

FCLRC and IP Converge Data Center Corporation (IPCDCC), 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 area 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.

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

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.

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription Rights with IP Ventures, Inc. (IPVI), a third party company, whereby IPCDCC assigned all the rights, interests and participation to its 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1 to IPVI.

<u>Competition</u>

<u>ABLE</u>

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 ₱193.4 million or 5.0% from ₱3,850.6 million in 2012 to ₱4,044.0 million in 2013.

Ever mindful of the growing major competitors such as Bingo Mania, 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.

<u>FCLRC</u>

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 Suppliers

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.

In 2013, ABLE and Intralot, Inc. entered into a new Equipment Lease and Services Agreement covering a new system and upgraded equipment, with a provision that the contract mentioned in the preceding paragraph automatically terminates on the date that the new Bingo System is ready to accept bets.

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 and 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.

HEPI

On 08 December 2011, HEPI and PAGCOR executed a Contract of Lease for the operation of a casino on the ground floor, second floor and penthouse of Midas Hotel and Casino. The term of the lease is ten (10) years, renewable at the option of PAGCOR. In consideration of the lease, PAGCOR shall pay HEPI the amount of Php9.36 Million per month, payable within the first fifteen (15) days of the succeeding month.

Also on 08 December 2011, HEPI and PAGCOR entered into a Marketing and Cooperation Agreement which shall be co-terminus with the Contract of Lease. Under the Marketing and Cooperation Agreement, HEPI shall formulate the marketing, advertising and promotion of the casino while PAGCOR shall provide the necessary expertise for the day-to-day operation of the casino. HEPI and PAGCOR agreed to share in NET monthly gaming revenues of the casino (total bets placed less payouts less 5% franchise tax) in the following proportion:

a. 65% to PAGCOR
b. 35% to HEPI after deducting PAGCOR's Php9.36 Million expense (monthly rentals under this Contract of Lease); HEPI, however, is required to devote another 5% of the NET monthly

gaming revenues (taken from HEPI's share) exclusively for advertising, publicity, marketing and promotional activities for the casino.

PIKI

On July 26, 2013, PIKI and the PAGCOR executed a Junket Agreement to jointly conduct junket gaming operations within PAGCOR's Casino Filipino-Midas located at Midas Hotel and Casino in Roxas Boulevard, Pasay City. The Junket Agreement is effective for a period of three (3) years and renewable at the option of PAGCOR.

Concurrent with the execution of the Junket Agreement with the PAGCOR, PIKI executed a Sub-Agency Junket Agreement with Gurutech Asia, Inc. (Sub-Agent) wherein PIKI and the Sub-Agent will jointly conduct junket gaming operations in accordance with and under similar terms and conditions as the PAGCOR Junket Agreement.

On September 13, 2013, the parties executed a Supplement Junket Agreement to offer supplementary services to enhance the existing junket gaming operations within PAGCOR's Casino Filipino-Midas. The Supplementary Services will allow PAGCOR and PIKI to tap into foreign gaming markets in order to attract foreign tourist arrivals in the Philippines.

The Supplementary Services shall include operating gaming tables equipped with high definition video cameras, VOIP facilities, internet data facilities, among others, which shall allow PIKI to broadcast PAGCOR-approved table gaming activities from within the gaming rooms to PAGCOR-approved locations outside the Casino Filipino-Midas.

Government Regulations

ABLE

ABLE is the biggest contributor to the Company's gross revenue. Bingo Bonanza is the trade name used by ABLE in its traditional and electronic bingo gaming operations.

Prior to April 2013, ABLE and its subsidiaries have been paying only the 5% franchise tax due to the following legal guidelines provided to ABLE by PAGCOR in the previous years.

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 corporate income tax.

The management believes that ABLE's payment of 5% Franchise Tax to the Bureau of Internal Revenue (BIR) was 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, incurred or otherwise, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. This exemption inures to the benefits of corporations, associations, agencies or otherwise, or individuals with whom PAGCOR has a contractual relationship in connection with the operations of casinos under the PAGCOR Franchise. Thus, the exemption referred to under PD 1869 is extended to its Bingo grantees/licensees.

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

In view of the above, management has not provided for provision for income tax in previous years up to the first quarter of 2013.

The applicability of RMC No. 33-2013 was clarified by PAGCOR in a Memorandum dated July 9, 2013 stating: "Pursuant to RMC No. 33-2013, PAGCOR's contractees and licensees, which include bingo grantees, are subject to income tax, under the National Internal Revenue Code (NIRC), as amended, and no longer subject to the 5% franchise tax. In view thereof, please be advised that effective the second quarter of this year, bingo grantees should no longer remit the 5% franchise tax. However, you ("bingo grantees") are now subject to income tax."

Hence, for the third quarter of 2013, ABLE has stopped paying the 5% Franchise Tax to PAGCOR and began recognizing provisions for income tax instead. For the year ended December 31, 2013, provision for income tax amounted to ₱53.7 million.

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 23 and 12 employees in 2013 and 2012 respectively, while ABLE and its subsidiaries have a total headcount (including personnel provided by manpower agencies) of 1,035 and 1,057 in 2013 and 2012 respectively. On the other hand, FCLRC has 67 and 70 employees in 2013 and 2012 respectively. BCGLC has 8 employees in 2013 and 12 employees in 2012, whereas BBL has 7 employees for both 2013 and 2012. For the year 2013, the Company and its subsidiaries, ABLE, FCLRC, LRLDI, BCGLC and BBL 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.

Item 2. 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 ₱ 268.3 million in 2013 and ₱238.8 million in 2012.

Item 3. Legal Proceedings

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

ABLE

(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 December 10, 2012, the defense rested their case. In view thereof, the Court considered the case submitted for decision.

(2.) **"People of the Philippines vs. Ana Santos,"**
Criminal Case No. 11-14128
MTC-Pasay City, Branch 45s

Case Summary:

This is a criminal case for Falsification by Private Individual and use of Falsified Document filed by Bingo Palace Corporation (BPC) against Ms. Ana Santos. BPC alleged that Santos cashed a falsified electronic bingo ticket at Bayview Bingo at Mall of Asia.

Status:

On April 4, 2012, the Metropolitan Trial Court Branch 45 of Pasay City issued an Order to archive the case pending the arrest of the accused. To this date, the accused is still at large.

(3.) **"People of the Philippines vs. Gilbert C. Velasco"**
Criminal Case No. 397453-SA
MTC-Manila, Branch 11

Case Summary:

This is a criminal case for Falsification by Private Individual and Use of Falsified Document filed by Bingo Palace Corporation against Mr. Gilbert C. Velasco who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount than what is actually won.

Status:

The arraignment of the accused was scheduled on April 2013. Case is still on-going.

(4.) **"People of the Philippines vs. Willy de Leon"**
Criminal Case No.
MTC-Pasay City, Branch 46

Case Summary:

This is a criminal case for Falsification by Private Individual and Use of Falsified Document by Metro Gaming Entertainment Corporation against Mr. Willy de Leon who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount that what is actually won.

Status:

The arraignment of the accused was scheduled on April 2013. Case is still on-going.

(5.) **"People of the Philippines vs. Michael dela Rosa"**
Criminal Case No.

MTC-Pasay City, Branch 46

Case Summary:

This is a criminal case for Falsification by Private Individual and Use of Falsified Document by All Point Leisure Corporation against Mr. Michael dela Rosa who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount that what is actually won.

Status:

The arraignment of the accused was scheduled on April 2013. Case is still on-going.

(6.) **"Bingo Bonanza Corporation vs. Bailinang Mail Zainal and Joan Trinidad Martin"**
NPS Docket No. XV-13-INQ-11-I-03257
Office of the City Prosecutor-Quezon City

Case Summary:

This is a criminal complaint for violation of Article 168 of the Revised Penal Code (Illegal Possession and Use of False Bank Notes) filed against the abovementioned accused on November 3, 2011 before the OCP of Quezon City. Bingo Bonanza Corporation alleged that two women, Zainal and Martin, were apprehended by employees of the Company's Electronic Bingo Hall in SM City Annex, Quezon City for using bank notes while playing the company's electronic bingo machines. A total of twenty-eight (28) false bank notes were recovered from the possession of Zainal and Martin. While a subpoena was issued for the accused, both Filed to appear or submit counter-affidavits, despite numerous opportunities extended by the OCP.

Status:

The case has been submitted for resolution on November 17, 2011. As of this date, no resolution has been issued by the OCP.

(7.) **"South Entertaiment 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 Pampanga, for collection of alleged deficiency income tax and value –added tax for taxable year 2009 in the aggregate amount of P4,024,393.51. 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:

Upon filing of the Petitioner and respondent's Memorandum on February 24, 2014 and March 24, 2014, respectively, the case is deemed submitted for Decision of the CTA.

(8.) **"South Entertaiment 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 Pampanga, 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:

On April 22, 2014, petitioner received a copy of the Decision partially granting the Petition for Review and held:

a) The Formal Letter of Demand, with attached Details of Discrepancies and Assessment Notices, dated December 9, 2009 ("FAN"). The Final Notice Before Seizure dated May 28, 2010 ("Final Notice") Warrant of Distraint and/or Levy dated September 1, 2010 ("WDL") insofar as it covers the deficiency value-added tax ("VAT") for taxable year 2007, are hereby CANCELLED and SET ASIDE;
b) On the other hand, petitioner is hereby ORDERED to PAY the amount of ₱7,734,282.50, representing deficiency Income Tax, inclusive of the twenty-five percent (25%) surcharge, deficiency interest at the rate of 20% per annum on the basic deficiency Income tax in the amount of ₱6,187,400.92, computed from April 15, 2008, until full payment thereof and delinquency interest at the rate of 20% per annum on the total deficiency taxes of ₱7,734,282.50 and on the twenty percent (20%) deficiency interest computed from January 15, 2009 until full payment.

On May 7, 2014, petitioner filed a Motion for Partial Reconsideration of the abovementioned Decision.

<u>BCGLC</u>

(1.) **"Blue Chip Gaming and Leisure Corporation vs. Josie M. Duncil"**
NPS Docket No. III-12-INV-13H-0215

Case Summary:

This is a criminal complaint filed by BCGLC before the City Prosecutor's Office of San Fernando City, Pampanga against Josie M. Duncil (Josie), its former Human Resource and Administrative Officer, for violation for Article 310 of the Revised Penal Code (Qualified Theft). Josie was the cash custodian of the company in its PAGCOR VIP Club (VIP Club) in Bacolor , San Fernando City, Pampanga. The company alleged that from September 2009 to February 2013, Josie took without its permission the total amount of One Million Three Hundred Twenty Seven Thousand Pesos (₱1,327,000.00). Said amount stolen was the excess of the budget for advertising and promotions, cigarette sales, and the excess of the budget for the afternoon snacks for the players of the VIP Club.

Status:

The Prosecutor conducted the last clarificatory hearing on February 26, 2014. The complaint was already submitted for resolution.

Item 4. Submission of Matters to a Vote of Security Holders

(a) An annual meeting of stockholders of the registrant was held on July 26, 2013.

(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. Ignatius F. Yenko
5. Willy N. Ocier
6. Bienvenido M. Santiago
7. Wilson L. Sy
8. Eusebio H. Tanco
9. Jose Francisco B. Benitez

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

10. Anthony A. Almeda
11. Clarita T. Zarraga

All directors were re-elected to registrant's Board of Directors.

(c) During the annual meeting of stockholders of the registrant last 26 July 2013, the following matters was submitted to a vote of and duly approved by the stockholders of the registrant:

1. Approval of the Minutes of the Annual Meeting held on July 27, 2012;

2. Management Report;

3. Approval of Annual Report and Audited Financial Statement for the fiscal year 2012 and Ratification of actions taken by the Board of Directors and Officers since the last annual meeting held on July 27, 2012;

4. Approval of the primary offer in the Philippines of Two Hundred Fifty Million (250,000,000) Series "2" preferred shares with a par value of ₱1.00 per share; and

5. Appointment of KPMG Manabat Sanagustin & Co., CPAs, as external auditors for year 2013.

(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

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

a) 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, including the volume of transactions for each quarter.

QUARTER ENDING	IN PHILIPPINE PESO				VOLUME (MAIN BOARD)	VOLUME (TOTAL)
	HIGH	HIGH_ADJ*	LOW	LOW_ADJ*		
1Q 2012	9.77	8.14	6.28	5.23	184,999,100	185,000,949
2Q 2012	8.29	6.91	6.45	5.38	86,105,500	86,106,194
3Q 2012	9.29	7.74	7.20	6.00	157,689,500	157,690,837
4Q 2012	9.90	8.25	7.55	6.29	133,276,000	145,323,731
1Q 2013	9.31	7.76	8.01	6.68	50,326,800	50,327,899
2Q 2013	9.50	7.92	6.75	5.63	61,122,200	131,123,506
3Q 2013	8.41	7.01	5.91	5.91	12,885,100	12,885,881
4Q 2013	6.94	6.94	5.81	5.81	50,037,400	62,430,285

**adjustment due to stock dividend declaration effective 22 August 2013*

Closing Market Price as of December 31, 2013 is ₱6.10 per share. While the Closing Market Price as of March 31, 2014 is ₱7.75 per share.

The Company complied with the required minimum public ownership. As of December 31, 2013, total number of common shares owned by the public is 762,971,325 shares or equivalent to 63.59% of the total issued and outstanding common shares. The preferred shares and warrants owned by the public as of December 31, 2013 is 1,650,000,000 and 82,500,000 respectively, or equivalent to 100% of total issued and outstanding preferred shares and warrants.

The Company's earnings (loss) per share are: ₱0.2155 per share in 2013 and ₱0.2847 in 2012.

a) *Holders*

The stock transfer agent reported 1,856 holders of common shares of the registrant, and 1 holder both for preferred shares and warrants as of December 31, 2013. 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)	735,570,977	61.31
2.	Zoraymee Holdings, Inc.	133,521,190	11.13
3.	Grandshares Inc.	100,000,000	10.00
4.	Alfredo Abelardo B. Benitez	81,983,999	6.83
5.	Dominique L. Benitez	31,680,000	2.64
6.	Pacific Online Systems Corporation	30,000,000	2.50
7.	AB Leisure Exponent, Inc.	21,567,000	1.80
8.	PCD Nominee Corporation (Non-Filipino)	16,665,336	1.39
9.	Wilson L. Sy	2,286,600	.19
10.	Willy Ng Ocier	2,125,200	.18
11.	Paul Luis Paul P. Alejandrino	1,426,224	.12
12.	OCX Development Corporation	1,032,000	.09
13.	Liberty Farms, Inc.	809,129	.07
14.	Provident Insurance Corporation	591,023	.05
15.	Brisot Economic Development Corporation	512,004	.04
16.	Visayan Surety & Insurance Corporation	486,294	.04
17.	Allen Cham	347,974	.03
18.	Oliver V. Amorin	311,220	.03
19.	Tan Keg Tiam	279,618	.02
20.	Fe Palting Lagdameo &/or Roberto J. Lagdameo	263,350	.02

Below is the summary list of foreign ownership as of December 31, 2013, the nationality, number of shareholders, the number of common shares held and the percentage of common shares held by each:

Nationality	No. of Shareholders	No. of Shares Held	% To Total
American	10	141,117	.01
British	1	13,619	.00
Chinese	72	2,244,735	.19
German	1	1,064	.00
Spanish	2	19,442	.00
Others	2	16,682,136	.00

Preferred shares and warrants are 100%-owned by Filipino.

a) *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 six consecutive years, the Company was able to distribute cash dividend to its shareholders. During the annual stockholders' meeting held on July 26, 2013 the Board of Directors (BOD) declared cash dividend twice, ₱0.040 per share with record date of September 28, 2013, and another ₱0.040 with record date of February 28, 2014. 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, ₱0.08 per share in 2010, and ₱0.075 per share in 2011 and 2012.

a) *Recent Sale of Unregistered Securities*

The issuance of ₱1.65 billion worth of preferred shares was approved by LRWC's Board of Directors and stockholders on January 22, 2013 and March 22, 2013, respectively. The listing application was filed with the exchange on September 20, 2013 and approved on November 27, 2013. The exchange approved the listing of the preferred shares and warrants on December 20, 2013. The shareholders of the private placement transaction are as follows:

Name	Preferred Shares	Amount Paid (Php)
Philippine Commercial Capital, Inc.	200,000,000	200,000,000.00
Vantage Equities, Inc.	100,000,000	100,000,000.00
Maybank ATR Kim Eng Capital Partners, Inc. – As Trustee for Various Trust Accounts	100,000,000	100,000,000.00
Beneficial Life Insurance, Co., Inc.	100,000,000	100,000,000.00
Liberty Flour Mills, Inc.	50,000,000	50,000,000.00
United Coconut Planters Life Assurance Corporation	50,000,000	50,000,000.00
Cocolife Fixed Income Fund, Inc.	50,000,000	50,000,000.00
Government Service Insurance System	800,000,000	800,000,000.00
Philippine Business Bank, Inc. (A Savings Bank) - Trust and Investment Center	200,000,000	200,000,000.00
TOTAL	1,650,000,000	1,650,000,000.00

The Php1.65 billion perpetual preferred shares was issued through private placement or issuance to not more than nineteen (19) non-qualified buyers under the Section 10.1(k) of the Securities Regulation Code. The Php1.65 billion perpetual preferred shares has a par value of Php1.00 per share and an issue price of Php1.00 per share. The preferred shares are cumulative, non-voting and non-participating. On the fifth anniversary of the issue date of the Php1.65 billion perpetual preferred shares or on any dividend payment date thereafter, LRWC has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part at a redemption price equal to the issue price of the perpetual preferred shares plus cumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by LRWC. A nil-paid, detachable warrant was issued to the investor/(s) for every twenty (20) preferred shares. Each warrant shall entitle the investor/(s) to purchase one (1) common share. The exercise price of the warrant shall be Php15.00 or LRWC's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5th anniversary of the perpetual preferred shares until the 8th anniversary.

On September 25, 2013, LRWC filed the listing of 82,500,000 warrants and the underlying common shares with the PSE.

Item 6. 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) Prime Investment Korea, Inc (PIKI – 100% owned); (5) First Cagayan Leisure and Resort Corporation (FCLRC – 69.68% owned); (6) Bingo Bonanza (HK) Ltd. (BBL - 60% owned); (7) Blue Chip Gaming and Leisure Corporation (BCGLC – 70% owned) and (8) Hotel Enterprises of the Philippines, Inc. (HEPI – 51% owned, an associate).

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 2013.

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

2013 vs. 2012

ABLE Operations

ABLE posted total sales of ₱4,044.0 million for 2013, a ₱193.4 million or 5.0% growth from the ₱3,850.6 million total sales for 2012. Sales from Electronic Bingo operations contributed to the increase in sales partly offset by decreases in the sales of Traditional Bingo, Rapid Bingo and Pull Tabs.

The traditional bingo was the Company's principal product line last year with annual sales of ₱1,832.2 million or 47.6% contribution to total sales. However, traditional bingo sales for the year ended December 31, 2013 contributed ₱1,660.7 million or about 41.1% to total sales, surpassed by the contribution from Electronic Bingo games of 50.0% of total sales. Traditional Bingo sales in 2013 decreased by ₱171.4 million or 9.4% as compared to the same period in 2012.

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 and Pull Tabs.

The sales of Electronic Bingo for 2013 of ₱2,023.1 million increased by ₱393.1 million or 24.1% from the reported sales of ₱1,630.0 million in 2012. At the end of December 31, 2013, there were a total of 5,390 E-bingo machines in 77 bingo parlors compared with 4,044 E-bingo machines in 62 bingo parlors as of December 31, 2012. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The sales of Rapid bingo for 2013 of ₱356.6 million decreased by ₱24.9 million or 6.5% from the ₱381.5 million sales in 2012. ABLE launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of December 2013, there were a total of 70 Rapid Bingo terminals in 61 bingo parlors installed as compared to 84 terminals in 68 bingo parlors in 2012.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs contributed ₱3.6 million or 0.1% to 2013 total sales as compared to 2012 sales of ₱6.5 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. At the beginning of the third quarter of 2012, sales of the ICBG2 scratch cards were discontinued, thus posting sales for 2012 of ₱0.4 million. ICBG2 scratch cards will be replaced with new game variants in the future.

There was a slight increase of ₱10.0 million or 0.4% in ABLE's consolidated operating expenses in 2013 amounting to ₱2,259.8 million as compared to ₱2,249.8 million in 2012. The increase is mainly attributable to the opening of several bingo parlors as follows: (1) Rent by ₱29.5 million or 12.3%; (2) Communication and Utilities by ₱23.0 million or 15.5%; (3) Salaries and Wages by ₱15.2 million or 10.1%; (4) Contracted Services ₱26.1 million or 26.6%; (5) Depreciation and Amortization by ₱6.2 million or 8.7% and (6) Bingo cards and supplies by ₱10.0 million or 39.9%. These increases were partially offset by the following decreases generally due to management's continuous implementation of ABLE's cost reduction program: (1) Employee Benefits by ₱6.9 million or 15.7% and (2) "Others Expenses" of ₱25.4 million or 34.1%. ABLE's management approved the recognition of the impairment loss on its receivables in 2013 amounting to ₱15.3 million as compared to ₱24.0 million in 2012, further decreasing in operating expenses by ₱8.7 million or 36.3%. This is a conservative measure implemented by ABLE in its effort to present a reasonable results of operations.

The resulting net income in the "Other Income (Expense) account" in 2013 of ₱0.9 million grew by ₱4.8 million or by 121.5% when compared to the resulting net expense of ₱4.0 million in 2012. This was principally attributable to the following: (1) lower interest expense arising from substantial payments of loan principal and (2) interest income derived from ABLE's receivable from BLRI.

ABLE posted a consolidated net income (exclusive of minority interest) of ₱122.2 million in 2013, a slight decrease of ₱2.2 million or 1.8% from the ₱124.4 million consolidated net income in 2012. The decline in net income is mainly due to higher cost and operating expenses in which the improvement in the net revenues was not able to compensate. This was primarily due to the opening of new sites. Initial months' operations exhibit a gradual build-up of sales in the first year.

FCLRC Operations

For the year 2013, FCLRC posted gross revenues of ₱859.6 million. These were generated from hosting and service fees amounting to ₱765.8 million and from license application and renewal fees, amounting to ₱93.8 million. Total revenues in 2013 were higher than the revenues in 2012 at ₱281.7 million or 48.8%. CEZA fees in 2013 increased to ₱382.9 million versus ₱249.5 million in 2012, or an increase of ₱133.4 million or 53.5% than last year's fees. As a result, FCLRC's net revenues increased by ₱148.3 million or 45.2% as compared to last year. The principal growth driver for FCLRC was the increase in the number of operating locators – 71 in 2013 from 62 in 2012, that contributed to the increase in fees.

FCLRC generated gross revenues from foreign sales amounting to ₱859.6 million in 2013, ₱577.8 million in 2012 and ₱355.8 million in 2011 respectively. Revenues from foreign sales comprise 100% of total gross revenues for the years 2013, 2012 and 2011.

Cost and operating expenses increased by ₱14.7 million or 10.8% from last year's ₱136.7 million. The increase is mainly due to the Company's efforts to generate higher revenues thus necessitating the hiring of additional consultants, enhancing marketing strategies to attract new locators and generally providing a more efficient service to its locators operating in the Cagayan Special Economic Zone Free Port (CSEZFP). Thus the following expenses increased:(1) Salaries, wages and benefits by ₱8.0 million attributable to increase in salaries and improved benefits; (2) Professional Fees by ₱5.0 million; (3) Rent by ₱1.6 million due to rate escalation; (4) Advertising and Promotions by ₱4.8 million due to participation in international gaming summits and conferences; (5) Representation by ₱1.5 million; (6) Taxes and Licenses by ₱0.06 million and (7) "Others Expenses" by ₱3.4 million. These afore-mentioned increases in expenses were offset by the following decreases primarily due to the Company's efforts to reduce cost by implementing its cost saving measures: (1) Depreciation and Amortization by ₱4.7 million; (2) Communications Expense by ₱1.8 million; (3) Insurance by ₱0.5 million; (4) Repairs and Maintenance by ₱0.1 million and (5) Donations and contribution by ₱2.1 million.

The resulting net income in the "Other Income (Expense) - Net" account of ₱70.4 million in 2013, decreased by ₱11.5 million or 14.0% as compared to ₱81.9 million in 2012. The decline is principally attributable to the increase in interest expense from payables to CEZA as well as foreign exchange loss due to revaluation.

Thus, FCLRC posted a net income of ₱368.2 million in 2013, an increase of ₱110.8 million or 43.1% than last year's ₱257.3 million. The growth in net income is mainly attributable to the increase in revenues partially offset by the slight increase in costs and operating expenses as well as decrease in the resulting income from the "Other Income (Expense) – Net".

Net income generated from foreign revenues amounted to ₱357.3 million or 97.0% of ₱258.2 million in 2012; ₱254.3 million or 98.5% of ₱258.2 million in 2012 and ₱146.6 million or 93.7% of ₱156.5 million in 2011 respectively.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱80.4 million in 2013 and ₱60.0 million in 2012; a ₱20.4 million or 34.0% improvement due to higher generated revenues.

LRLDI Operations

LRLDI posted total rent income of ₱15.7 million in 2013 as compared to ₱16.0 million in 2012. The slight decline of ₱0.3 million is due to the adjustment of revenue recognition to straight line method. Total operating expenses of ₱0.2 million in 2013, decreased by ₱0.5 million as compared to ₱0.7 million in

2012. The decrease in expenses is mainly attributable to the decrease in taxes and licenses due to LRLDI's certification as a CEZA registered enterprise in 2013 which makes it exempt from business taxes. LRLDI recorded its 50% share in the net income of Techzone, an associate, in 2013 amounting to ₱43.1 million as compared to its share in net loss of ₱0.5 million in 2012. Hence, LRLDI posted a net income of ₱50.1 million in 2013, as compared to ₱5.6 million last year. The major improvement in net income by ₱44.5 million is due to the net income reported by Techzone.

ABLGI Operations

In accordance with the new Memorandum of Agreement between LRWC, Belle and PLAI, ABLGI started to receive its participation income from Belle's share in the casino project in 2013 amounting to ₱180.5 million as of December 31, 2013. Total expenses amounted to ₱46.6 million in 2013 as compared to ₱54.4 million in 2012. The decrease in expenses is principally attributable to the amendment of the Operating Agreement with Belle Corporation in 2012 which effectively terminated the casino land and building leases which were in the original agreement to be paid by ABLGI. Finance expense in 2013 amounting to ₱114.1 million increased as compared to ₱0.04 million in 2012 attributable to ABLGI's long term bank borrowings to finance its contribution to Belle Corporation. As a result, ABLGI declared net income of ₱40.5 million in 2013 as against net loss of ₱3.4 million in 2012.

BCGLC Operations

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC generated gross revenues from slot machines totaling ₱86.5 million and ₱88.4 million in 2013 and 2012, respectively. Total operating expenses amounted to ₱8.1 million in 2013 and ₱10.0 million in 2012. The decline in operating expenses by ₱1.8 million or 18.4% is mainly due to the allowance for impairment loss on receivables amounting to ₱1.4 million as provided in 2012 coupled with cost-cutting measures implemented by BCGLC management to reduce its operating expenses. As a result, BCGLC posted a net income of ₱2.4 million in 2013 versus ₱4.9 million in 2012, a decrease of ₱2.5 million or 50.1% due to the decrease in revenues coupled with an increase in direct costs.

BBL Operations

BBL, a 60% owned subsidiary of LRWC, started its commercial operations last March 5, 2012. It generated gross revenues from its electronic bingo club operations amounting to ₱0.6 million for both years ended December 31, 2013 and 2012. Total cost and operating expenses amounted to ₱29.6 million in 2013 and ₱32.5 million in 2012. The decrease is mostly due to foreign currency translation loss. Thus, it posted a net loss of ₱29.2 million in 2013 as compared to ₱31.9 million in 2012.

PIKI Operations

PIKI started its commercial operations on July 26, 2013. Together with Philippine Amusement and Gaming Corporation (PAGCOR), PIKI executed a Junket Agreement to jointly conduct junket gaming operations within PAGCOR's Casino Filipino-Midas located at Midas Hotel and Casino in Roxas Boulevard, Pasay City.

PIKI generated gross revenues from its junket gaming operations totaling ₱11.4 million. Total costs and operating expenses amounted to ₱24.0 million. Thus, it posted a net loss of to ₱12.6 million.

LRWC

LRWC posted a consolidated net income (exclusive of minority interest) of ₱323.8 million in 2013 as compared with ₱280.1 million in 2012. The increase in net income amounting to ₱43.7 million or 15.6% is mostly due to the improvement in net income of ABLGI, FCLRC and LRLDI.

Consolidated Financial Condition

The changes in total assets of LRWC and subsidiaries are accounted as follows: (1) Increase in Receivables – Net of ₱ 142.2 million mainly attributable to ABLE's receivable from an investment broker partially offset by the decrease in FCLRC's receivable due to reclassification; (2) Increase in Due from Related Parties of ₱59.3 million mainly due to FCLRC's short term advances to an affiliate for working capital and construction projects requirements; (3) Increase in Investments and Advances – Net of

₱717.5 million mainly attributable to LRWC's advances to Eco Leisure in relation to the purchase agreement and advances to DFNN; (4) Advances to a third party of ₱4,001.7 million mainly due to ABLGI's contribution to Belle pursuant to their agreements; (5) Deferred tax assets of ₱7.8 million mainly attributable to the change in ABLE's taxation from franchise tax to income tax partly offset by the decrease in ABLGI due to its declaration of net income in 2013 and (6) Other assets – Net of ₱121.1 attributable to ABLGI pursuant to its bank loan agreement coupled with ABLE's deposits to venue, PAGCOR bonds and others as a result of the opening of several bingo parlors. These increases in total assets was partly offset by the following: (1) Decrease in Bingo cards and supplies of ₱6.2 million due to ABLE's decreased level of inventory owing to the decline in revenues of traditional bingo and (2) Prepaid expenses and other current assets of ₱65.9 million mainly due to ABLGI's amortization to appropriate accounts in connection to the amendment of Operating Agreement with Belle. Thus, the total assets of LRWC and subsidiaries as of December 31, 2013 of ₱9,191.8 million increased by ₱5,068.3 million or 122.9% from ₱4,123.5 million as of December 31, 2012.

The following are the changes in the total liabilities of LRWC: (1) Increase in Trade and Other Payable of ₱181.3 million attributable to FCLRC's payable to CEZA, ABLGI's accruals for loan interest and ABLE's liability to various suppliers; (2) Short term loans payable of ₱100.3 million due ABLE's short term borrowings to finance its working capital requirements; (3) Long term loans payable (inclusive of current portion) of ₱2,657.9 million mainly due to ABLGI's bank loan to finance its contribution to Belle; (4) Obligations under finance lease (inclusive of current portion) of ₱10.1 million attributable to ABLE's vehicle financing agreements; (5) Increase in Due to a related party of ₱6.9 million arising from advances to future projects that will benefit the Group in the future; (6) Income tax payable of ₱25.3 million principally due to ABLE's change in taxation from franchise tax to income tax as well as FCLRC's increase in revenues and (7) Retirement Benefits Liability of ₱17.4 million principally owing to ABLE and FCLRC's accrual of retirement obligation. The afore-mentioned increases were partially offset by the decrease in Rent deposit of ₱0.3 million due to LRLDI's application to rent income.

Cash as of December 31, 2013 of ₱295.7 million increased by ₱104.7 million or 54.8% from ₱191.1 million for the same period last year. The growth is mainly attributable to cash generated from financing activities arising from ABLGI's proceeds from bank loan partially offset by cash in financing activities attributable to ABLGI's investment contribution to Belle and decrease in cash provided by operating activities.

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, 2013	Dec 31, 2012
Liquidity		
Current Ratio	59.8%	74.1%
Leverage Ratio		
Debt to Equity	94.1%	39.1%
Asset to Equity	194.1%	139.1%

	For the Year Ended Dec 31, 2013	Dec 31, 2012
Activity Ratio		
Payout Turn-over	2.37 times	2.00 times
Profitability Ratio		
Return on Average Equity	8.4%	9.8%
Return on Average Assets	4.9%	7.2%
Solvency Ratio	10.4%	37.2%
Interest Coverage Ratio	3.8	10.1
Net Book Value Per Share	2.98	3.02
Earnings (Loss) Per Share	0.2155	0.2847

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

Key Performance Indicator	*Formula*
Current Ratio	*Current Assets* / *Current Liabilities*
Debt to Equity Ratio	*Total Liabilities* / *Stockholders' Equity*
Asset to Equity Ratio	*Total Assets* / *Stockholders' Equity*
Payout Turn-over	*Net Revenues* / *Payout*
Return on Average Equity	*Net Income* / *Average Equity*
Return on Average Assets	*Net Income* / *Average Total Assets*

Solvency Ratio	*Net Income + Depn* / *Total Liabilities*
Interest Coverage Ratio	*Income Before Interest & Tax* / *Interest Expense*
Net Book Value Per Share	*Stockholders' Equity* / *Weighted Average Shares Outstanding*
Earnings (Loss) Per Share	*Net Income* / *Weighted Average Shares Outstanding*

2012 vs. 2011

ABLE Operations

ABLE posted total sales of ₱3,850.6 million for 2012, a ₱220.9 million or 6.1% growth from the ₱3,629.7 million total sales for 2011. 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 ₱1,832.2 million or 47.6% contribution to total sales. Annual sales for 2012 decreased by ₱173.7 million or 8.7% from 2011 sales of ₱2,005.9 million. ABLE currently operates 65 bingo parlors; an increase of 9 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 2012 of ₱1,630.0 million increased by ₱478.2 million or 41.5% from the ₱1,151.8 million sales in 2011. At the end of December 31, 2012, there were a total of 4,044 E-bingo machines in 62 bingo parlors compared with 2,985 E-bingo machines in 53 bingo parlors as of December 31, 2011. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The sales of Rapid bingo for 2012 of ₱381.5 million decreased by ₱69.3 million or 15.4% from the ₱450.8 million sales in 2011. ABLE launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of December 2012, there were a total of 84 Rapid Bingo terminals in 68 bingo parlors installed as compared to 81 terminals in 66 bingo parlors in 2011.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs contributed ₱6.5 million or 0.2% to 2012 total sales as compared to 2011 sales of ₱12.8 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. At the beginning of the third quarter of 2012, sales of the ICBG2 scratch cards were discontinued, thus posting sales for 2012 of ₱0.4 million only as compared to ₱8.5 million for the same period last year. ICBG2 scratch cards will be replaced with new game variants in the future.

There was a decrease of ₱144.2 million or 6.0% in ABLE's consolidated operating expenses in 2012 amounting to ₱2,249.9 million as compared to ₱2,394.1 million in 2011. This is mainly attributable to the following: (1) Payout of ₱127.5 million or 8.6% principally due to the implementation of new gaming programs; (2) Employees Benefits of ₱20.9 million or 32.3% and (3) "Others Expenses" of ₱17.4 million or 18.9% generally due to management's continuous implementation of ABLE's cost reduction program. ABLE's management approved the recognition of the impairment loss on its receivables in 2012 amounting to ₱24.0 million as compared to ₱64.5 million in 2011, augmenting the decrease in operating expenses by ₱40.5 million or 62.5%. This is a conservative measure implemented by ABLE in its effort to present a reasonable results of operations. On the other hand, these decreases were partially offset by the following increases mainly due to the opening of several bingo parlors: (1) Rental of ₱25.3 million or 11.8%; (2) Salaries and Wages of ₱17.3 million or 13.0%; (3) Contracted Services of ₱4.9 million or 5.3%; (4) Depreciation of ₱14.9 million or 26.5% and (5) Taxes and Licenses of ₱3.9 million or 17.6%.

The resulting net expense in the "Other Income (Expense) account" in 2012 of ₱ 4.0 million grew by ₱1.6 million or 67.3% from ₱2.4 million in 2011 principally attributable to the income derived from sales of LRWC shares in 2011. However, this was partially offset by the following in 2012: (1) lower interest expense arising from substantial payments of loan principal and (2) interest income derived from ABLE's receivable from BLRI.

ABLE posted a consolidated net income (exclusive of minority interest) of ₱124.4 million in 2012, an increase of ₱72.7 million or 140.7% from the ₱51.7 million consolidated net income in 2011. The improvement in net income is mainly due to higher revenues generated from Electronic Bingo in 2012 coupled with lower operating expenses.

FCLRC Operations

For the year 2012, FCLRC posted total revenues (exclusive of CEZA fees) of ₱577.8 million. These were generated from hosting and service fees amounting to ₱499.0 million and from license application and renewal fees, amounting to ₱78.8 million. Total revenues in 2012 were higher than the revenues in 2011 at ₱355.8 million. CEZA fees in 2012 increased to ₱249.5 million versus ₱139.0 million in 2011, or an increase of ₱110.8 million or 79.5% than last year's fees. Moreover, net revenues increased by ₱111.6 million or 51.5% as compared to last year.

FCLRC generated gross revenues from foreign sales amounting to ₱577.8 million in 2012; ₱355.8 million in 2011 and ₱295.7 million in 2010 respectively. Revenues from foreign sales comprise 100% of total gross revenues for the years 2012, 2011 and 2010.

Cost and operating expenses increased by ₱21.7 million or 19.0% from last year's ₱114.1 million. The increase is mainly due to the Company's efforts to generate higher revenues thus necessitating the hiring of additional manpower and consultants, enhancing marketing strategies to attract new locators and generally providing a more efficient service to its locators operating in the Cagayan Special Economic Zone Free Port (CSEZFP). Thus the following expenses increased:(1) Salaries, wages and benefits by ₱4.0 million; (2) Depreciation and Amortization by ₱4.1 million due to the purchase of additional equipment as well as the accelerated depreciation of transportation equipment; (3) Professional Fees by ₱3.1 million; (4) Insurance by ₱1.2 million; (5) Repairs and Maintenance by ₱1.1 million; (6) Advertising & Promotions by ₱6.1 million; (7) Transportation and Travel by ₱8.1 million; (8) Representation by ₱4.0 million; (9) Taxes and Licenses by ₱0.1 million and (10) "Others Expenses" by ₱5.6 million. These afore-mentioned increases in expenses were offset by the decrease in Communications Expense by ₱3.4 million primarily due to the Company's efforts to reduce cost by implementing its cost saving measures. There was no impairment loss on receivables recognized in 2012 while 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 ₱81.9 million in 2012, grew by ₱18.4 million or 28.9% as compared to ₱63.5 million in 2011. The growth is principally attributable to the increase in net income of FCCDCI coupled with the improvement in other income derived from rental of gaming facility and equipment to locators.

Thus, FCLRC posted a net income of ₱258.2 million in 2012, an increase of ₱101.7 million or 65.0% than last year's ₱156.5 million. The growth in net income is mainly attributable to the increase in gross revenues as well as the increase in the resulting income from the "Other Income (Expense) – Net" partially offset by the slight increase in cost and operating expenses.

Net income generated from foreign revenues amounted to ₱254.3 million or 98.5% of ₱258.2 million in 2012; ₱146.6 million or 93.7% of ₱156.5 million in 2011 and ₱109.1 million or 93.6% of ₱116.5 million in 2010 respectively.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱60.0 million in 2012 and ₱40.4 million in 2011; a ₱19.6 million or 48.5% improvement due to higher generated revenues.

LRLDI Operations

LRLDI posted total rent income of ₱16.0 million in 2012 as compared to ₱15.0 million in 2011. The growth of ₱1.0 million is due to the rental income generated from the lease of dormitory facilities which started last September 2012. Total operating expenses of ₱0.8 million in 2012, decreased by ₱0.7 million as compared to ₱1.4 million in 2011. The decrease in expenses is mainly attributable to the cost saving measures implemented by LRLDI in keeping with its overall financial prudence policy. LRLDI recorded its 50% share in the pre-operating expenses of Techzone, an associate, in 2012. Hence, LRLDI posted a net income of ₱5.6 million in 2012, as compared to ₱4.5 million last year.

ABLGI Operations

ABLGI has not started its commercial operations as of December 31, 2012. Total comprehensive loss amounted to ₱3.4 million in 2012 as compared to ₱168.7 million in 2011. The significant decrease in pre-operating expenses is principally attributable to the amendment of the Operating Agreement with Belle Corporation in 2012 which effectively terminated the casino land and building leases. Accordingly, accrued rent in 2011 amounting to ₱55.1 million was reversed and presented as "Other Income" which substantially decreased the net loss in 2012.

BCGLC Operations

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC generated gross revenues from slot machines totaling ₱88.4 million and ₱65.0 million in 2012 and 2011, respectively. The growth in gross revenues by ₱23.6 million or 36.3% from last year is mainly attributable to the implementation of the 24-hour casino operations starting February 2012. Total operating expenses amounted to ₱10.0 million in 2012 and ₱11.9 million in 2011. The decline in operating expenses of ₱1.9 million or 16.1% is mainly due to the decrease in rent expense by ₱4.8 million as a result of the adjustment in the allocation of rent between direct cost and operating expenses; partially offset by the increase in the following expenses due to the extended operating hours: (1) Marketing and Advertising by ₱0.3 million, (2) Communications and Utilities by ₱0.2 million, (3) Representation and Entertainment by ₱0.3 million; (4) Contracted Services by ₱0.4 million and (5) Salaries and Wages by ₱0.1 million. For the year ended, December 31, 2012, BCGLC's management decided to provide for an allowance for the impairment loss on its receivables amounting to ₱1.4 million as a conservative measure in its effort to present a reasonable result of operations. Thus, BCGLC posted a net income of ₱4.9 million in 2012 as compared to a net loss of ₱2.0 million in 2011.

BBL Operations

BBL, a 60% owned subsidiary of LRWC, started its commercial operations last March 5, 2012. It generated gross revenues from its electronic bingo club operations amounting to ₱0.6 million in 2012. Total cost and operating expenses amounted to ₱32.5 million. Thus, it posted a net loss of ₱31.9 million as of the year ended December 31, 2012.

LRWC

LRWC posted a consolidated net income (exclusive of minority interest) of ₱280.1 million in 2012 as compared with the consolidated net loss of ₱36.4 million in 2011. The substantial improvement in net income is due to the increase in net income of ABLE, FCLRC, BCGLC and LRLDI coupled with the significant decrease in pre-operating expenses of ABLGI partially offset by the operating losses of BBL.

Consolidated Financial Condition

The changes in total assets of LRWC and subsidiaries are accounted as follows: (1) Increase in Prepaid expenses and other current assets of ₱25.5 million owing to ABLGI's prepaid rent, advances to contractors and suppliers; (2)Increase in Due from Related Parties of ₱20.7 million mainly due to FCLRC's short term advances to an affiliate for working capital and construction projects requirements; (3) Increase in Investments and Advances – Net of ₱1,026.2 million mainly attributable to LRWC's advances to Eco Leisure in relation to the purchase agreement as well as ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances and LRLDI's advances to CPVDC and CLPDC to finance the construction and development of CSEZFP International Airport in Cagayan and (4) Other Assets – Net of ₱74.2 million mainly due to FCLRC's new memorandum of agreement pertaining to the purchase of land rights. These increases in total assets was partly offset by the following: (1) Decrease in Cash and cash equivalents of ₱753.2 million owing to the LRWC's advances to Eco-Leisure; (2) Decrease in Receivables - Net of ₱76.5 million principally due to FCLRC's substantial collection of its receivables partially offset by ABLE's advances for expansion projects that is projected to generate more revenues; (3) Decrease in Bingo cards of ₱1.7 million due to ABLE's decreased level of inventory owing to the decline in revenues of traditional bingo; (4) Decrease in Property and Equipment – Net of ₱82.3 million mainly due to ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances partially offset by ABLE's opening of new bingo parlors and FCLRC's construction of additional facilities for its staff and locators; (5) Decrease in Investment Property – Net of ₱7.2 million due to LRLDI's adjustments and (6) Decrease in Deferred Tax Assets of ₱4.1 million mainly due to ABLGI's reversal of accrued rent. Thus, the total assets of LRWC and subsidiaries as of December 31, 2012 of ₱3,924.0 million increased by ₱221.7 million or 6.0% from ₱3,702.4 million as of December 31, 2011.

The following are the changes in the total liabilities of LRWC: (1) Increase in Obligations under finance lease (inclusive of current portion) of ₱8.4 million attributable to ABLE's vehicle financing agreements; (2)) Increase in Retirement Benefits Liability of ₱6.4 million principally owing to ABLE's accrual of retirement obligation and (3) Increase in Rent Deposit of ₱0.6 million because of LRLDI's new lease agreements pertaining to the dormitory. The afore-mentioned increases were partially offset by the following decreases in liabilities: (1) Long Term Loans Payable (inclusive of current portion) of ₱24.3 million principally due to FCLRC's and ABLE's substantial settlement of its obligations and (2) Income Tax Payable of ₱1.2 million due to FCLRC's higher tax payments made in the first three quarters of the year.

Cash as of December 31, 2012 of ₱191.1 million decreased by ₱753.2 million or 79.8% from ₱944.3 million for the same period last year. The decline is mainly attributable to cash used in investing activities arising from LRWC's advances to Eco Leisure, ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances, LRLDI's advances to CPVDC and CLPDC and FCLRC's new memorandum of agreement pertaining to the purchase of land rights partially offset by cash provided by operating activities as a result of the increase in net income of ABLE, FCLRC, BCGLC and LRLDI.

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, 2012	Dec 31, 2011
Liquidity		
Current Ratio	91.2%	180.1%
Leverage Ratio		
Debt to Equity	31.6%	34.4%
Asset to Equity	132%	134%

	For the Year Ended	
	Dec 31, 2012	Dec 31, 2011
Activity Ratio		
Payout Turn-over	2.00 times	1.81 times
Profitability Ratio		
Return on Average Equity	12.1%	0.2%
Return on Average Assets	9.1%	0.1%
Solvency Ratio	50.4%	9.9%
Interest Coverage Ratio	10.7	-7.7
Net Book Value Per Share	3.04	2.96
Earnings (Loss) Per Share	0.2853	(0.0391)

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

Key Performance Indicator	*Formula*
Current Ratio	*Current Assets* / *Current Liabilities*
Debt to Equity Ratio	*Total Liabilities* / *Stockholders' Equity*
Asset to Equity Ratio	*Total Assets* / *Stockholders' Equity*
Payout Turn-over	*Net Revenues* / *Payout*
Return on Average Equity	*Net Income* / *Average Equity*
Return on Average Assets	*Net Income* / *Average Total Assets*

Solvency Ratio	*Net Income + Depn* / *Total Liabilities*
Interest Coverage Ratio	*Income Before Interest & Tax* / *Interest Expense*
Net Book Value Per Share	*Stockholders' Equity* / *Weighted Average Shares Outstanding*
Earnings (Loss) Per Share	*Net Income* / *Weighted Average Shares Outstanding*

Plans for 2014

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's plan is to invite and qualify more licensed and operating locators within 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, as a result of the amendment of the agreement among LRWC, ABLGI, PLAI and Belle Corporation making way for the participation of a foreign partner in the casino project, will assist Belle Corporation in the funding of its own capital requirements in exchange for a share in the economic benefits to be derived by Belle and PLAI in the casino operation.

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

LRWC through its investment in Hotel Enterprises of the Philippines, Inc. (HEPI), plans to strengthen and enhance the operations of Midas Hotel and Casino.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. 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 Nine Hundred Fifty Eight Thousand and Two Hundred Forty (₱4,958,240.00) for the fiscal year 2013 and Four Million Six Hundred Thirty Three Thousand and One Hundred Four (₱4,633,104.00) for the fiscal year 2012. These fees comprise the audit and audit related services rendered in favor of registrant and its subsidiaries. The registrant also paid Three Million Eighty Nine Thousand Seven Hundred Forty Four Pesos (₱3,089,744.00) for the special audit and review of the Financial Statements for the first and second quarter of 2013.

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, of the external auditors has been submitted 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, 2013 and 2012 Financial Statements. Their re-appointment was approved during the Company's annual stockholders' meeting held on July 26, 2013. Mr. Tomas G. Mahinay is the partner-in-charge for the Corporation's audit for the December 31, 2013 Financial Statements.

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a) List of Directors

Name	Age	Directorships in Other Companies	Citizenship	Business Experience For the Past Five Years
Reynaldo P. Bantug *(Director, April 19, 2002 to present)*	64	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)*	70	Benitez Investments, Inc. AB Leisure Exponent, Inc. Zoomak RPC, Inc. Gailand & Property Holdings, Inc. Mango Orchard Resource Development, Inc. J-Alfra Development Corp. ***(All-Director)*** The Philippine Women's University Tropical Disease Foundation (Chairman)	*Filipino*	Zoomak RPC, Inc. J-Alfra Development Corp. Mango Orchard Resource Development Corp. Gaialand & Property Holdings Corporation Nirvana & Samsara Development, Inc. *(President)*
Edgardo S. Lopez *(Director, August 18, 2006 to present)*	72	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)*	49	Alalmeda Land, Inc. Alalmeda Holdings, Inc. Alalmeda & Company, Inc. Alalmeda Acquisition, Inc. Uyalmeda, Inc. Alalmeda Energy, Inc. Calaca High Power Corp. Pacifica21 Holdings, Inc. National Grid Corporation of the Philippines Kingdom 888 Holdings, Inc. Dragonstore888 Holdings, Inc. ***(All - Director)***	*Filipino*	Landision Corp. (*Chairman, President)* Filipinas Gaming Corp. (*EVP)* ALA Inc. Alalmeda & Co. Al 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)*
Willy N. Ocier *(Director, July 31, 2009 to present)*	57	Pacific Online Systems Corporation Philippine Global Communications Inc. Tagaytay Midlands Golf Club, Inc. Sinophil Corporation Premium Leisure & Amusement, Inc. Belle Corporation Highlands Prime, Inc. Tagaytay Highlands International Golf Club, Inc. ***(All-Director)***	*Filipino*	Pacific Online Systems Corporation *(Chairman and President)* Philippine Global Communications Inc. *(Chairman and President)* Tagaytay Midlands Golf Club, Inc. *(Chairman)* Sinophil Corporation*(Chairman)* Premium Leisure & Amusement, Inc. *(Chairman)* Belle Corporation*(Co-Vice Chairman)* Highlands Prime, Inc. *(Co-Vice Chairman)* Tagaytay Highlands International Golf Club, Inc. *(Vice Chairman)*

Wilson L. Sy *(Director; July 29, 2011 to present)*	61	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. *(Director)* Vantage Equities, Inc. *(Director)*
Eusebio H. Tanco *(Director; July 29, 2011 to present)*	64	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)*	68	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)*	73	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)*	60	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)*
Jose Francisco B. Benitez *(Director, July 27, 2012 to present)*	44	Philippine Women's University (PWU) J-Alfra Development Corporation BBB (Betty Bantug Benitez) Foundation ***(All Director)***	*Filipino*	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)*

** *Re-elected as Independent directors in July 26, 2013 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.

The following are the executive officers:

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

Mr. Jose Francisco B. Benitez – 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.

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

Mr. Gerodias is the Managing Partner of Gerodias Suchianco Estrella Law Firm. He is also the Corporate Secretary of AB Leisure Exponent, Inc. (Bingo Bonanza Corporation), AB Leisure Global, Inc., Nippon Antenna Philippines, Inc., NAC Development Corporation, Universal Leaf Philippines, Inc., Unistar Land and Property Corporation, Union Leaf Holdings Corporation, One World Connections, Inc., Green Future Innovations, Inc., Eco Fuel Land Development, Inc., Philippine Bio-Ethanol & Energy Investment Corp., I & Lu Tobacco Company, Inc., AB Food and Beverages Phils., Inc., Merlin Information Systems Philippines, Inc., Coastal Training Philippines Corp., Teleaccess, Inc., ASC Phils., Inc., Unitel Productions, Inc., Straight Shooters Media, Inc., Engine Room Inc., Adventure Bay Resort and Theme Park, Inc., Musungu, Inc., Healthwealth International Corp., Medicomm Pacific, Inc., Middleby Philippines Corporation, Middleby Worldwide Phils., Inc., Macondray Finance Corporation, Elite Union Property Holdings Corp., Paragon Trading & Services Corporation, Masagana Realty Co., Inc., Royal Southmeadows, Inc., Grandplains Properties, Inc., Silver Finance, Inc., Silver CDO Finance, Inc., Five Star Finance Corporation, Silver WDC Finance Corporation, Silver Holdings Groups, Inc., Ashwell Holdings, Inc., Techno Holdings Corporation, Technolux Equipment & Supply Corporation, HKR Equipment Corporation, The Turf Company, Inc., The Finix Corporation, Steltz International, Inc., Geyser Global Sourcing Corporation, Culinary Best Source, Inc., Blue Haus International Sourcing Corporation, A & L Equities, Inc., DACS Holdings, Inc., La Deca Farm Corporation, LLF Farms, Inc., Canasta Development Corporation, Sanctuary Holdings Corp., Car Tune-Network, Inc.

Ms. Carmelita D. L. Chan – Treasurer

Ms. Carmelita D.L. Chan is the Chairman of Lucky Circle Corporation and Miguelunda Educational Corporation (St. Michael College, Biñan, Laguna). She is the President of Total Gaming Technologies, Inc. and a Director of Pacific Online Systems Corporation. She is also a Director of Biñan Doctors Hospital in Biñan, Laguna, and a Director and Financial Officer of A & L Corporation in Iloilo City. She was a former Executive Director of Valdes Consultants Inc. and served as Principal at the Management Consulting Division of Carlos J. Valdes & Co.

b) Significant Employees

Although LRWC has relied on and will continue to rely on, the individual and collective contributions of each of its executive officers, senior operational personnel and non-executive employees, LRWC believes that it does not depend on the services of a particular employee and that there is no employee that the resignation or loss of whom would have a material adverse impact on its business.

c) Family Relationships

Mr. Jose Conrado B. Benitez and Mr. Reynaldo P. Bantug are the father and uncle of Mr. Jose Francisco B. Benitez, respectively. Mr. Jose Conrado B. Benitez is the brother-in-law of Mr. Reynaldo P. Bantug. Except for the said relationships, there are no other family relationships known to LRWC.

d) Involvement in Certain Legal Proceedings

Ms. Carmelita D. L. Chan, Treasurer of the Company, is one of the defendants in a case pending before the First Division of the Sandiganbayan. The case arose from the alleged overpricing of the construction of the Diosdado Macapagal Boulevard at the Manila Bay Reclamation Area for which officers of the Philippine Estates Authority (now the Philippine Reclamation Authority) were charged. Ms. Chan was among those indicted in her capacity as former member of the Board of Directors of PEA.

As of February 28, 2014, to the best of the Company's knowledge, other than as disclosed above, there are no other occurrences of any of the following events that are material to an evaluation of the ability or integrity of any director or executive officer of the Company:

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.

Item 10. Executive Compensation

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 Chief Executive Officer and four other most highly compensated executive officers.

Name and Principal Position	Year	Compensation	Bonuses	Other Annual Compensation
	2014	Estimated	Estimated	Estimated
Reynaldo P. Bantug, President and CEO				
Jose Francisco B. Benitez, Vice-President				
Alejandro P. Alonte, Vice-President				
Carmelita D. Chan, Treasurer				
Esther O. Cruz, Asst. Treasurer				
Rizalito S. Oades, CFO				
All above-named Officers as a group	2014	₱ 23,700,000	₱ 1,000,000	₱ 240,000
All other officers as a group unnamed	2014	None	None	None

Reynaldo P. Bantug, President and CEO				
Jose Francisco B. Benitez, Vice-President				
Alejandro P. Alonte, Vice-President				
Carmelita D. Chan, Treasurer				
Esther O. Cruz, Asst. Treasurer				
Rizalito S. Oades, CFO				
All above-named Officers as a group	2013	₱ 9,887,843	₱ 1,000,000	₱ 185,000
All other officers as a group unnamed	2013	None	None	None

Reynaldo P. Bantug, President and CEO				
Jose Francisco B. Benitez, Vice-President				
Alejandro P. Alonte, Vice-President				
Carmelita D. Chan, Treasurer				
Geoffrey L. Uymatiao, (Treasurer up to 8/14/2012)				
Esther O. Cruz, Asst. Treasurer				
All above-named Officers as a group	2012	₱ 5,723,000	₱ 600,000	₱ 210,000
All other officers as a group unnamed	2012	None	None	None

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

a) Compensation of Directors

Members of the Board of Directors are elected for a term of one year. Except for the Company's President and 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 2013 and 2012, a cash bonus of ₱ 500,000 and ₱ 300,000 was given to each director respectively.

Total payments to non-salaried directors amounted to ₱5,160,000.00 in 2013 and ₱3,400,000.00 in 2012.

a) 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.

There are no arrangements for compensation to be received by these named executive officers from LRWC in the event of a change in control of LRWC.

b) Warrants and Options Outstanding:

The Company has no outstanding options.

As of 14 March 2014, the Corporation has outstanding warrants of 82,500,000 which are listed with the Philippine Stock Exchange. The warrants shall entitle the investor/(s) to purchase one (1) common share. The exercise price of the warrant shall be ₱15.00 or the Company's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5th anniversary of the perpetual preferred shares until the 8th anniversary.

Item 11. Security Ownership of Certain Beneficial Owners and Management

a) Security Ownership of Certain Record and Beneficial Owners (more than 5%)
December 31, 2013.

Title of Class	Name and address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class

Common	PCD Nominee Corp. (Filipino) 37/F Tower I, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Stockholder	*	Filipino	® 735,570,977	61.31%
Common	Zoraymee Holdings, Inc. 21/F Wynsum Corporate Plaza, Emerald Avenue, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 133,521,190	11.13%
Common	Grandshares Inc. 2809 Raffles Corporate Center, Emerald Avenue, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 120,000,000	10.00%
Common	Alfredo Abelardo Benitez 26/F West Tower, PSE Center, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 81,983,999	6.83%

** Beneficial owners under PCD Nominee Corporation that hold more than 5% shares are Venture Securities, Inc., which holds 69,173,124 shares or 5.8%, and Deutsche Bank Manila-Clients A/C, which holds 61,931,900 shares or 5.2%. 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 Securities, Inc., the transfer agent of the registrant, and holds the shares in behalf of the beneficial owners.*

b) Security Ownership of Management (other than as Nominees), February 28, 2014.

Title of Class	Name and address of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Willy N. Ocier 32 Wilson Street, Greenhills, San Juan	2,125,000 (direct) 1,032,000 (indirect)	Filipino	0.27%
Common	Wilson L. Sy 2703 Philippine Stock Exchange Center, Exchange Road, Ortigas, Pasig City	2,286,600 (direct)	Filipino	0.19%
Common	Eusebio H. Tanco 543 Fordham Street, Wack-Wack Village, Mandaluyong City	1 (direct) 7,680 (indirect)	Filipino	nil
Common	Jose Francisco B. Benitez Unit 24 Cameron Tower of Essensa, East Forbes Condo, Fort Bonifacio Global City, Taguig	1,200 (direct) 59,400 (indirect)	Filipino	nil
Common	Clarita T. Zarraga 26 Santan Street, Tahanan Village, Parañaque City	1 (direct) 6,600 (indirect)	Filipino	nil
Common	Ignatius F. Yenko No. 7 Bahamas Street, Loyola Grand Villas, Quezon City	1,200 (direct)	Filipino	nil

Aggregate ownership of all directors and officers as a group unnamed: 5,669,884

a) Voting Trust Holders of 5% or More

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

b) Change in Control

There has been no change in control of the Corporation since the beginning of 2013 and the Corporation is not aware of any existing, pending, or potential transaction which may result in such a change in control.

Item 12. 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 2013 and 2012.

PART IV – CORPORATE GOVERNANCE

Item 13. 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 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 Committee of ABLE to discuss any significant findings and deviations from the established procedures. No such significant finding and deviations have been reported so far.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a) Exhibits – See accompanying Index to Exhibits

b) Reports on SEC Form 17-C

a) On 22 January 2013, the BOD approved the following:

a. Increase in authorized capital stock of the Company and corresponding amendment of the Articles of Incorporation. The authorized capital stock shall be increased from ₱1.6

billion to ₱5.0 billion divided into 2.5 billion shares of common stock with par value of ₱1.00 per share and 2.5 billion shares of preferred stock with par value of ₱1.00 per share. The preferred shares may be issued in tranches or series and shall be non-voting, non-participating, entitled to preferential and cumulative dividends at the rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications as my be fixed by the BOD at their issuance.

b. Amendment of by-laws to include attendance in board meetings may be through teleconferencing/videoconferencing.

c. Issuance of 200,000,000 common shares with par value of ₱1.00 per share for distribution as stock dividends subject to the approval of stockholders and SEC of the increase in authorized capital stock and corresponding amendment of the Articles of Incorporation. Any fractional shares resulting from the stock dividend shall be rounded off to the nearest one (1), following the rules of rounding off.

d. A maximum of 2.5 billion of the Company's preferred shares and 125 million warrants on the Company's shares shall be listed on the Philippine Stock Exchange (PSE). The warrants, if fully exercised, shall be equivalent to 125 million common shares.

e. Upon approval of the stockholders and SEC of the increase in authorized capital stock and corresponding amendment of the Articles of Incorporation, the Company shall offer ₱1.75 billion perpetual preferred shares at a dividend rate of 8.5% through private placement or issuance to not more than nineteen (19) non-qualified buyers under the Section 10.1(k) of the Securities Regulation Code. The Company shall offer the Preferred Shares with a par value of ₱1.00 per share and an issue price of ₱1.00 per share. The preferred shares are cumulative, non-voting and non-participating.

f. On the fifth anniversary of the issue date or "Optional Redemption Date" or on any dividend payment date thereafter, the Company has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part at a redemption price equal to the issue price of the perpetual preferred shares plus cumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by the Company. A nil-paid, detachable warrant shall be issued to the investor/(s) for every twenty (20) preferred shares. Each warrant shall entitle the investor/(s) to purchase one (1) common share. The exercise price of the warrant shall be ₱15.00 or the Company's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5th anniversary of the perpetual preferred shares until the 8th anniversary.

g. Mr. Reynaldo P. Bantug was given the authority to sign, negotiate the terms and conditions of the definitive agreement among Belle Corporation, Premium Leisure and Amusement, Inc. AB Leisure Global, Inc. and the Company in relation to the Belle Grande Integrated Resort and Casino project.

b) On 22 March 2013, the stockholders approved the following:

a. Issuance and offer of 1.75 billion preferred shares and warrants equivalent to 87,500,000 common shares
b. Increase in authorized capital stock of the Company and corresponding amendment of the Articles of Incorporation. The authorized capital stock shall be increased from ₱1.6 billion to ₱5.0 billion divided into 2.5 billion shares of common stock with par value of ₱1.00 per share and 2.5 billion shares of preferred stock with par value of ₱1.00 per share. The preferred shares may be issued in tranches or series and shall be non-voting, non-participating, entitled to preferential and cumulative dividends at the rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications as my be fixed by the BOD at their issuance.
c. Amendment of the By-Laws deleting the time of the Annual Stockholders' Meeting and allowing the meetings of the BOD by teleconferencing or videoconferencing
d. Approval of the listing of the perpetual preferred shares, warrants and underlying shares of warrants
e. Declaration of stock dividend equivalent to approximately 20% of the outstanding capital stock
f. Delegation to the BOD of the power to amend or repeal the By-Laws

c) On 11 June 2013, the BOD scheduled the Annual Stockholders' Meeting on 26 July 2013 at 5:00 P.M.

d) On 24 June 2013, the BOD approved the agenda for the Annual Stockholders' Meeting and the features of the Series 2 preferred shares. The BOD also authorized Management to determine other details required in the filing of the Prospectus and requirements for the registration and listing of the preferred shares.

e) On 26 July 2013, the Company's wholly-owned subsidiary, Prime Investment Korea, Inc. (PIKI), executed a junket agreement with PAGCOR for a period of three (3) years. Concurrent with the agreement with PAGCOR, PIKI entered into a Sub-Agency Junket Agreement with Gurutech Asia, Inc. to conduct junket gaming operations in accordance with the agreement with PAGCOR.

f) On 26 July 2013, the stockholders elected the following directors:
   a. Reynaldo P. Bantug
   b. Jose Conrado B. Benitez
   c. Edgardo S. Lopez
   d. Jose Francisco B. Benitez
   e. Willy N. Ocier
   f. Bienvenido M. Santiago
   g. Wilson L. Sy
   h. Eusebio H. Tanco
   i. Ignatius F. Yenko
   j. Anthony L. Almeda – independent director
   k. Clarita T. Zarraga – independent director

g) On 26 July 2013, the stockholders approved the following:
   a. Approval of the minutes of the annual meeting held on 27 July 2012
   b. Management report
   c. Annual report and audited financial statements for the fiscal year 2012 and ratification of the actions taken by the BOD and officers since 27 July 2012
   d. Approval of the primary offer of Series 2 preferred shares
   e. Appointment of KPMG San Agustin Manabat & Co., CPAs as external auditors for 2013

h) On 26 July 2013, the BOD approved the declaration of cash dividends equivalent to ₱0.40 per share to all common stockholders as of 28 September 2013 to be paid on 23 October 2013, and another cash dividend of ₱0.40 per share to all common stockholders as of 28 February 2014 to be paid on 26 March 2014. The BOD also approved the cash bonus to all directors in the amount of ₱500,000.00.

i) The Corporation filed an amended disclosure correcting its previously disclosed cash dividend from ₱0.40 per share to ₱0.04 per share.

j) On 02 August 2013, the Corporation disclosed that AB Leisure Exponent, Inc. acquired and disposed the Corporation's shares pursuant to the offer of the Corporation to buy-back and sell-back to those who traded the Corporation's shares based on the erroneous disclosure of the amount of cash dividends.

k) On 23 August 2013, the BOD had its organizational meeting and elected the Corporation's officers and members of the various committees.

l) On 16 September 2013, PIKI executed a Supplemental Junket Agreement with PAGCOR to enhance the junket gaming operations.

m) On 25 November 2013, the Corporation executed a loan agreement with DFNN, Inc. where the Corporation agreed to lend the amount of Eighty Six Million Pesos (PhP86,000,000.00). The loan shall have a term of thirty six (36) months from date of the actual drawdown on the loan and is subject to an interest rate of eight and a half percent (8.5%) per annum. At the Corporation's option, it may convert the loan into primary common shares of DFNN, Inc. at any time beginning on the date of the initial drawdown of the loan and before the expiration of the term of the loan at a conversion price of Four & 75/100 Pesos (PhP4.75).

n) On 09 December 2013, the Corporation sent a conversion notice to DFNN to exercise the Corporation's option of converting the outstanding balance of the loan to primary common shares of DFNN. The outstanding balance of the loan as of 09 December 2013 plus any interest earned until the issuance and delivery of the primary common shares of DFNN to the Corporation shall be converted at a price of Four & 75/100 Pesos (PhP4.75) per share as provided under Section 2.03 of the Loan Agreement.

o) On 12 December 2013, the Board approved the declaration of cash dividends at the rate of Eight and 50/100 percent (8.5%) payable to all preferred stockholders of record as of 02 January 2014 to be paid on 02 January 2014.

p) On 19 December 2013, the Corporation modified the payment date of the dividends to all preferred stockholders to 10 January 2014 due to system limitation of the Philippine Depository and Trust Corp.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on MAY 1 2 2014, 2014.

By:

Reynaldo P. Bantug	Carmelita D. Chan	Raul G. Gerodias
President	*Treasurer*	*Corporate Secretary*

SUBSCRIBED AND SWORN before me this _____ day of MAY 1 2 2014 2014 affiants exhibiting to me their Community Tax Certificates as follows:

Names	Community Tax No.	Date of Issue	Place of Issue	tin #
Reynaldo P. Bantug	27836652	January 8, 2014	Victorias City, Negros Occ	117-376-653
Carmelita D. Chan	10846400	January 7, 2014	Makati City	101-867-157
Raul G. Gerodias	279543349	January 9, 2014	Pasig City	129-434-379

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Series of 2014

INIEGO CARL G. VARON
Notary Public for Pasig City
Commission until 31 December 2014
2404 Discovery Center, 25 ADB Ave., Ortigas Center, Pasig City
APPT No. 226 (2013-2014)/Roll No. 62671
PTR No. 9845662; 01/10/2014; Pasig City
IBP No. 946277; 01/03/2014; Quezon City

LEISURE & RESORTS WORLD CORPORATION

ANNUAL REPORT
(SEC FORM 17-A)

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

** These schedules, which are required by paragraph 4 (e) of SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to financial statements.*

LRWC
LEISURE & RESORTS WORLD CORPORATION
STOCK SYMBOL: LR

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of **Leisure & Resorts World Corporation and its Subsidiaries** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended December 31, 2013 and 2012, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Manabat Sanagustin & Co., CPAs, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed Under Oath By:

Reynaldo P. Bantug
Chairman and President

Carmelita D. Chan
Treasurer

May 8, 2014

SUBSCRIBED AND SWORN before me this MAY 12 2014 day of ___ 2014 affiants exhibiting to me their Community Tax Certificates as follow:

Names	Community Tax No.	Date of Issue	Place of Issue	tin #
Reynaldo P. Bantug	27836652	January 8, 2014	Victorias, Negros Occidental	117-376-653
Carmelita D. Chan	10846400	January 7, 2014	Makati City	101-867-157

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Page No. 99
Book No. II
Series of 2014

IÑIGO CARL G. VARON
Notary Public for Pasig City
Commission until 31 December 2014
2404 Discovery Center, 25 ADB Ave., Ortigas Center, Pasig City
APPT No. 226 (2013-2014)/Roll No. 62671
PTR No. 9845662; 01/10/2014; Pasig City
IBP No. 946277; 01/03/2014; Quezon City

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

(Group's Full Name)

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

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

Carmelita D. L. Chan

Contact Person

687-0370

Group Telephone Number

1 2 | 3 1

Month *Day*

A A F S

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, 2013, 2012 and 2011

R.G. Manabat & Co.
The KPMG Center, 9/F
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REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Leisure & Resorts World Corporation
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, 2013 and 2012, and the consolidated statements of profit or loss and other 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, 2013, 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.

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Category A, valid until December 17, 2014

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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC PA Control No. A-653-A, Group A, valid until June 6, 2014
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225129MC
Issued January 2, 2014 at Makati City

May 8, 2014
Makati City, Metro Manila

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

		December 31		
	Note	2013	2012 (As restated see Notes 3 and 10)	January 1 2012 (As restated see Note 3)
ASSETS				
Current Assets				
Cash and cash equivalents	*4, 28*	**P295,742,860**	P191,066,141	P944,275,312
Receivables - net	*5, 28*	**433,543,257**	229,469,332	367,805,395
Bingo cards and supplies	*6*	**9,846,951**	16,030,727	17,707,392
Prepaid expenses and other current assets	*7*	**177,658,792**	259,333,038	218,092,976
Due from related parties	*22, 28*	**105,696,264**	92,548,086	25,657,567
Total Current Assets		**1,022,488,124**	788,447,324	1,573,538,642
Noncurrent Assets				
Property and equipment - net	*8, 13, 14*	**315,419,047**	321,635,809	403,903,285
Investment properties - net	*9*	**299,830,116**	307,495,921	230,223,494
Investments and advances - net	*10*	**2,460,613,079**	1,743,131,209	630,100,590
Advances to a third party	*26*	**4,114,249,805**	112,530,917	-
Deferred tax assets	*23*	**68,304,809**	60,506,384	64,617,669
Goodwill - net	*11*	**546,318,689**	546,318,689	546,318,689
Other assets - net	*12, 17, 19, 28*	**364,603,045**	243,468,092	253,736,973
Total Noncurrent Assets		**8,169,338,590**	3,335,087,021	2,128,900,700
		P9,191,826,714	P4,123,534,345	P3,702,439,342
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	*15, 16, 28*	**P1,120,078,543**	P938,805,232	P733,376,679
Short-term loans payable	*13, 21, 28*	**195,717,100**	95,464,000	99,677,716
Current portion of long-term loans payable	*13, 21, 28*	**326,915,192**	12,567,271	24,255,696
Current portion of obligations under finance lease	*14 ,21, 28*	**17,230,859**	93,014	1,300,698
Due to a related party	*22, 28*	**19,198,696**	12,270,691	9,070,691
Income tax payable		**30,089,109**	4,837,673	6,062,627
Total Current Liabilities		**1,709,229,499**	1,064,037,881	873,744,107
Noncurrent Liabilities				
Long-term loans payable - net of current portion	*13, 21, 28*	**2,659,867,605**	19,143,629	31,710,900
Retirement benefits liability	*20*	**78,719,272**	61,352,680	41,491,400
Rent deposit	*19*	**4,421,800**	4,731,800	4,111,800
Obligations under finance lease - net of current portion	*14, 21, 28*	**3,170,264**	10,196,701	625,242
Total Noncurrent Liabilities		**2,746,178,941**	95,424,810	77,939,342
		4,455,408,440	1,159,462,691	951,683,449

Forward

	Note	December 31 2013	December 31 2012 (As restated see Notes 3 and 10)	January 1 2012 (As restated see Note 3)
Equity				
Equity Attributable to Equity Holders of the Parent Company	*16*			
Capital stock	*13*	**P2,849,852,512**	P999,877,094	P999,877,094
Additional paid-in capital - common		**1,114,028,555**	1,114,028,555	1,114,028,555
Retained earnings	*13*	**684,380,819**	724,368,797	519,909,942
Employee benefit reserve		**(27,297,446)**	(22,104,710)	(9,689,045)
Foreign currency translation reserve		**(171,038)**	67,398	11,839
Treasury shares		**(71,142,419)**	(18,694,937)	(18,694,937)
		4,549,650,983	2,797,542,197	2,605,443,448
Non-controlling Interest	*2*	**186,767,291**	166,529,457	145,312,445
Total Equity		**4,736,418,274**	2,964,071,654	2,750,755,893
		P9,191,826,714	P4,123,534,345	P3,702,439,342

See Notes to the Consolidated Financial Statements.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

			Years Ended December 31	
	Note	**2013**	2012 (As restated see Note 3)	2011 (As restated see Note 3)
REVENUES				
Electronic bingo - net	*17, 27*	**P2,023,703,001**	P1,630,533,703	P1,151,800,791
Traditional bingo	*17*	**1,660,716,479**	1,832,158,489	2,005,895,171
Service and hosting fees	*18*	**859,554,770**	577,835,170	355,773,177
Rapid bingo - net	*17, 27*	**356,589,861**	381,530,839	450,796,017
Participation income	*13, 26*	**180,464,168**	-	-
Pull tabs	*17*	**3,622,060**	6,508,520	12,755,800
Instant charity bingo	*12, 17*	**-**	445,720	8,452,080
		5,084,650,339	4,429,012,441	3,985,473,036
FRANCHISE FEES AND TAXES	*17, 18*	**2,026,037,751**	1,724,872,768	1,320,083,067
NET REVENUES		**3,058,612,588**	2,704,139,673	2,665,389,969
COST AND OPERATING EXPENSES				
Payouts	*17*	**1,290,163,243**	1,349,556,107	1,476,666,169
Rent	*19*	**342,170,110**	311,531,161	371,485,759
Contracted services		**224,816,710**	143,237,557	225,030,587
Salaries and wages		**223,200,515**	196,161,219	167,416,724
Communications and utilities		**184,905,051**	163,108,767	166,329,597
Depreciation and amortization	*8, 9, 12*	**124,253,423**	125,986,355	89,603,083
Employee benefits	*20*	**71,048,913**	67,145,655	85,074,887
Taxes and licenses		**41,824,680**	28,208,313	34,039,394
Bingo cards and supplies	*6*	**35,932,282**	25,349,293	26,401,412
Transportation and travel		**19,785,401**	20,171,088	24,064,448
Representation and entertainment		**17,272,319**	21,763,511	26,281,588
Impairment losses on receivables	*5*	**15,287,416**	25,375,257	76,197,992
Marketing supplies and materials		**9,119,513**	13,812,694	10,079,227
Others		**83,239,050**	99,216,792	76,712,829
		2,683,018,626	2,590,623,769	2,855,383,696
OPERATING INCOME (LOSS)		**375,593,962**	113,515,904	(189,993,727)
OTHER INCOME (EXPENSE)				
Equity in net earnings of a joint venture	*10*	**48,228,056**	36,027,144	24,263,436
Equity in net income (loss) of an associate	*10*	**31,904,802**	(524,220)	-
Finance income	*21*	**10,774,407**	26,323,036	16,063,681
Foreign exchange gain (loss) - net	*28*	**(17,165,272)**	(3,907,770)	4,962,019
Finance expense	*21*	**(182,252,468)**	(38,031,037)	(46,256,285)
Other income - net	*19, 21*	**236,965,400**	236,022,707	140,086,649
		P128,454,925	P255,909,860	P139,119,500

Forward

	Note	2013	2012 (As restated see Note 3)	2011 (As restated see Note 3)
			Years Ended December 31	
INCOME (LOSS) BEFORE INCOME TAX		**P504,048,887**	P369,425,764	(P50,874,227)
INCOME TAX EXPENSE (BENEFIT)	*23*	**80,104,282**	21,902,568	(54,184,881)
NET INCOME		**423,944,605**	347,523,196	3,310,654
Attributable to:				
Owners of the Parent Company		**323,788,638**	279,449,637	(37,187,264)
Non-controlling interest		**100,155,967**	68,073,559	40,497,918
		423,944,605	347,523,196	3,310,654
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss				
Foreign currency translation gain (loss)		**(238,436)**	55,559	11,839
Items that will never be reclassified to profit or loss				
Remeasurements of defined benefit liability	*3, 20*	(7,557,799)	(12,518,380)	(9,851,600)
Income tax expense - deferred		596,930	6,168	9,760
TOTAL COMPREHENSIVE INCOME		**P416,745,300**	P335,066,543	(P6,519,347)
Attributable to:				
Owners of the Parent Company		**P318,357,466**	P267,089,531	(P46,864,470)
Non-controlling interest		**98,387,834**	67,977,012	40,345,123
		P416,745,300	P335,066,543	(P6,519,347)
Basic Earnings (Loss) Per Share	*24*	**P0.2155**	P0.2847	(P0.0398)
Diluted Earnings (Loss) Per Share		**P0.1994**	P0.2847	(P0.0398)

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

		Attributable to Equity Holders of the Parent Company									
		Capital Sock									
	Note	Common Shares	Preferred Shares	Additional Paid-in Capital - (Common)	Treasury Shares	Foreign Currency Translation Reserve	Employee Benefit Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2013, as previously reported		P999,877,094	P -	P1,114,028,555	(P18,694,937)	P67,398	P -	P721,460,608	P2,816,738,718	P165,513,352	P2,982,252,070
Adjustment due to Philippine Accounting Standards (PAS) 19	3	-	-	-	-	-	(22,104,710)	2,908,189	(19,196,521)	1,016,105	(18,180,416)
Balance at January 1, 2013, as restated		999,877,094	-	1,114,028,555	(18,694,937)	67,398	(22,104,710)	724,368,797	2,797,542,197	166,529,457	2,964,071,654
Foreign currency translation loss - net		-	-	-	-	(238,436)	-	-	(238,436)	-	(238,436)
Remeasurements of defined benefit liability - net of tax		-	-	-	-	-	(5,192,736)	-	(5,192,736)	(1,768,133)	(6,960,869)
Other comprehensive loss		-	-	-	-	(238,436)	(5,192,736)	-	(5,431,172)	(1,768,133)	(7,199,305)
Net income for the year		-	-	-	-	-	-	323,788,638	323,788,638	100,155,967	423,944,605
Total comprehensive income for the year		-	-	-	-	(238,436)	(5,192,736)	323,788,638	318,357,466	98,387,834	416,745,300
Issuances during the year		-	1,650,000,000	-	-	-	-	-	1,650,000,000	-	1,650,000,000
Cash dividends	16	-	-	-	-	-	-	(163,801,198)	(163,801,198)	(78,150,000)	(241,951,198)
Stock dividends	16	199,975,418	-	-	-	-	-	(199,975,418)	-	-	-
Treasury shares acquired	16	-	-	-	(216,962,812)	-	-	-	(216,962,812)	-	(216,962,812)
Treasury shares sold	16	-	-	-	164,515,330	-	-	-	164,515,330	-	164,515,330
Balance at December 31, 2013		P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P171,038)	(P27,297,446)	P684,380,819	P4,549,650,983	P186,767,291	P4,736,418,274

Forward

Years Ended December 31

		Attributable to Equity Holders of the Parent Company									
		Capital Sock									
	Note	Common Shares	Preferred Shares	Additional Paid-in Capital - (Common)	Treasury Shares	Foreign Currency Translation Reserve	Employee Benefit Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2012, as previously reported		P999,877,094	P -	P1,114,028,555	(P18,694,937)	P11,839	P -	P516,381,581	P2,611,604,132	P143,929,937	P2,755,534,069
Adjustment due to PAS 19	*3*	-	-	-	-	-	(9,689,045)	3,528,361	(6,160,684)	1,382,508	(4,778,176)
Balance at January 1, 2012, as restated		999,877,094	-	1,114,028,555	(18,694,937)	11,839	(9,689,045)	519,909,942	2,605,443,448	145,312,445	2,750,755,893
Foreign currency translation gain (loss) - net		-	-	-	-	55,559	-	-	55,559	-	55,559
Remeasurements of defined benefit liability - net of tax		-	-	-	-	-	(12,415,665)	-	(12,415,665)	(96,547)	(12,512,212)
Other comprehensive loss		-	-	-	-	55,559	(12,415,665)	-	(12,360,106)	(96,547)	(12,456,653)
Net income during the year		-	-	-	-	-	-	279,449,637	279,449,637	68,073,559	347,523,196
Total comprehensive income for the year		-	-	-	-	55,559	(12,415,665)	279,449,637	267,089,531	67,977,012	335,066,543
Cash dividends	*16*	-	-	-	-	-	-	(74,990,782)	(74,990,782)	(46,760,000)	(121,750,782)
Balance at December 31, 2012, as restated		P999,877,094	P -	P1,114,028,555	(P18,694,937)	P67,398	(P22,104,710)	P724,368,797	P2,797,542,197	P166,529,457	P2,964,071,654

Forward

Years Ended December 31

		Attributable to Equity Holders of the Parent Company									
		Capital Sock									
	Note	Common Shares	Preferred Shares	Additional Paid-in Capital - (Common)	Treasury Shares	Foreign Currency Translation Reserve	Employee Benefit Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2011, as previously reported		P849,877,094	P -	P128,881,859	(P20,785,694)	P -	P -	P625,861,621	P1,583,834,880	P106,426,042	P1,690,260,922
Adjustment due to PAS 19		-	-	-	-	-	-	4,330,992	4,330,992	1,756,712	6,087,704
Balance at January 1, 2011, as restated		849,877,094	-	128,881,859	(20,785,694)	-	-	630,192,613	1,588,165,872	108,182,754	1,696,348,626
Foreign currency translation gain - net		-	-	-	-	11,839	-	-	11,839	-	11,839
Remeasurements of defined benefit liability - net of tax		-	-	-	-	-	(9,689,045)	-	(9,689,045)	(152,795)	(9,841,840)
Other comprehensive loss		-	-	-	-	11,839	(9,689,045)	-	(9,677,206)	(152,795)	(9,830,001)
Net income (loss) during the year		-	-	-	-	-	-	(37,187,264)	(37,187,264)	40,497,918	3,310,654
Total comprehensive income for the year						11,839	(9,689,045)	(37,187,264)	(46,864,470)	40,345,123	(6,519,347)
Issuances during the year		150,000,000	-	975,000,000	-	-	-	-	1,125,000,000	-	1,125,000,000
Treasury shares sold	*16*	-	-	10,146,696	2,090,757	-	-	-	12,237,453	-	12,237,453
Deductions during the year		-	-	-	-	-	-	-	-	(2,165,432)	(2,165,432)
Cash dividends	*16*	-	-	-	-	-	-	(73,095,407)	(73,095,407)	(1,050,000)	(74,145,407)
Balance at December 31, 2011 as restated		P999,877,094	P -	P1,114,028,555	(P18,694,937)	P11,839	(P9,689,045)	P519,909,942	P2,605,443,448	P145,312,445	P2,750,755,893

See Notes to the Consolidated Financial Statements.

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

	Note	2013	2012 (As restated see Note 3)	2011 (As restated see Note 3)
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P504,048,887**	P369,425,764	(P50,874,227)
Adjustments for:				
Depreciation and amortization	*8, 9, 12*	**124,253,423**	125,986,355	89,603,083
Finance expense	*21*	**182,252,468**	38,031,037	46,256,285
Retirement benefits	*20*	**9,808,793**	7,342,900	5,813,200
Unrealized foreign exchange loss/(gain)		**14,318,837**	(10,506,228)	(1,574,158)
Impairment losses on receivables	*5*	**15,287,416**	25,375,257	76,197,992
Reversal of allowance for impairment loss	*5, 21*	**(5,803,292)**	-	-
Reversal of accrued rent	*21*	**-**	(55,011,629)	-
Equity in net loss of an associate	*10*	**(31,904,802)**	524,220	-
Loss on write-off of property and equipment	*21*	**-**	44,820	313,871
Equity in net earnings of a joint venture	*10*	**(48,228,056)**	(36,027,144)	(24,263,436)
Finance income	*21*	**(10,774,407)**	(20,272,080)	(15,383,681)
Dividend income	*21*	**-**	-	(680,000)
Operating income before working capital changes		**753,259,267**	444,913,272	125,408,929
Decrease (increase) in:				
Receivables		**(212,556,403)**	111,295,137	40,765,623
Bingo cards and supplies		**6,183,776**	1,676,665	(666,864)
Prepaid expenses and other current assets		**81,674,246**	(41,240,062)	(206,151,339)
Increase (decrease) in:				
Trade and other payables		**(19,237,599)**	312,424,331	197,888,660
Due to a related party		**6,928,005**	-	(39,231,829)
Rent deposit		**(310,000)**	620,000	1,179,000
Cash generated from operations		**615,941,292**	829,689,343	119,192,180
Interest received		**3,737,274**	20,272,080	15,383,681
Interest paid		**(141,192,541)**	(82,507,756)	(46,785,208)
Income taxes paid		**(62,054,341)**	(19,010,069)	(7,148,122)
Net cash provided by operating activities		**416,431,684**	748,443,598	80,642,531

Forward

			Years Ended December 31	
	Note	2013	2012 (As restated see Note 3)	2011 (As restated see Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	*8*	**(P84,412,957)**	(P131,845,236)	(P191,260,434)
Acquisitions of investment property	*9*	**(227,903)**	(553,946)	(13,200,333)
Acquisition of subsidiaries	*10*	**(1,000,000,000)**	-	(1,153,125)
Dividends received	*21*	**-**	-	680,000
Proceeds from disposal of property and equipment		**-**	114,119,644	1,077,070
Decrease (increase) in:				
Advances to a third party		**(4,001,718,888)**	-	-
Due from related parties		**(13,386,614)**	(66,834,960)	(13,817,268)
Other assets		**(129,809,449)**	(82,916,248)	307,625,870
Investments and advances	*10*	**369,688,121**	(1,190,058,612)	(385,697,307)
Net cash used in investing activities		**(4,859,867,690)**	(1,358,089,358)	(295,745,527)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable	*13*	**4,142,466,847**	24,162,000	349,700,179
Dividends paid	*16*	**(99,452,159)**	(66,888,065)	(48,413,993)
Payments of loans payable	*13*	**(1,087,141,850)**	(52,631,412)	(376,870,854)
Dividends paid to non-controlling interest	*16*	**-**	(46,760,000)	(1,050,000)
Payments of obligations under finance lease	*13*	**(6,944,092)**	(2,001,616)	(5,228,245)
Proceeds from issuance of common shares	*16*	**-**	-	1,125,000,000
Proceeds from issuance of preferred shares	*16*	**1,650,000,000**	-	-
Proceeds from sale of treasury shares	*16*	**164,515,330**	-	12,237,453
Acquisitions of treasury shares	*16*	**(216,962,812)**	-	-
Net cash provided by (used in) financing activities		**4,546,481,264**	(144,119,093)	1,055,374,540
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**1,631,461**	555,682	2,441,443
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**104,676,719**	(753,209,171)	842,712,987
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**191,066,141**	944,275,312	101,562,325
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P295,742,860**	P191,066,141	P944,275,312

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Leisure & Resorts World Corporation (LRWC or the "Parent Company") was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. On November 6, 2006, SEC approved the extension of the Parent Company's corporate life until December 31, 2055. The accompanying 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 associates and in a joint venture.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code (SRC) 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 located 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 compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on May 8, 2014.

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 at December 31, 2013 and 2012:

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

**Consolidated effective April 1, 2013.*
***Consolidated effective May 1, 2011.*
****Consolidated effective January 1, 2011.*

The following table summarizes the information relating to the LRWC's subsidiaries that have material NCI, before any intra-group eliminations.

	December 31, 2013		
	BCGLC	**FCLRC**	**BBL**
Non-controlling interests percentage	**30.00%**	**30.32%**	**40.00%**
Current assets	**P17,876,618**	**P1,242,438,250**	**P1,464,482**
Noncurrent assets	**8,965,580**	**525,353,661**	**11,382,263**
Current liabilities	**(32,597,911)**	**(1,021,324,417)**	**(88,931,442)**
Noncurrent liabilities	**-**	**(23,440,492)**	**-**
Net assets (liabilities)	**(5,755,713)**	**723,027,002**	**(76,084,697)**
Carrying amount of non-controlling interests	**(1,726,713)**	**219,221,787**	**30,433,879**
Revenue	**86,491,559**	**859,554,770**	**641,094**
Net income (loss) for the year	**2,420,751**	**368,200,366**	**(28,940,083)**
Other comprehensive income	**-**	**(5,831,574)**	**(238,436)**
Total comprehensive income (loss)	**2,420,751**	**362,368,792**	**(29,178,519)**
Net income (loss) allocated to non-controlling interests	**726,225**	**109,870,218**	**(11,671,408)**
Other comprehensive income allocated to non-controlling interests	**-**	**1,768,133**	**-**
Cash flows from operating activities	**6,093,036**	**509,358,090**	**959,992**
Cash flows from investment activities	**(988,498)**	**(512,384,358)**	**(386,104)**
Cash flows from financing activities	**(184,770)**	**(25,134,981)**	**-**
Net increase (decrease) in cash	**P4,919,768**	**(P28,161,249)**	**P573,888**

	2012 As restated (see Note 3)		
	BCGLC	FCLRC	BBL
Non-controlling interests percentage	30.00%	30.32%	40.00%
Current assets	P10,665,279	P782,632,717	P1,260,621
Noncurrent assets	12,932,041	479,591,123	21,419,525
Current liabilities	(30,476,410)	(626,595,809)	(69,586,324)
Noncurrent liabilities	-	24,969,821	-
Net assets (liabilities)	(6,879,090)	610,658,210	(46,906,178)
Carrying amount of non-controlling interests	(2,063,727)	185,151,569	(18,762,471)
Revenue	88,400,977	577,835,170	564,354
Net income (loss) for the year	4,878,807	257,324,158	(31,910,549)
Other comprehensive income	-	(318,426)	(227,750)
Total comprehensive income (loss)	4,878,807	257,005,732	(32,138,299)
Net income (loss) allocated to NCI	1,463,642	78,290,541	(12,855,320)
Other comprehensive income allocated to non-controlling interests	-	(96,547)	-
Cash flows from operating activities	12,780,255	397,525,643	703,521
Cash flows from investment activities	(11,071,888)	(371,272,167)	(335,929)
Cash flows from financing activities	(211,487)	(139,646,397)	-
Net increase in cash	P1,496,880	P113,392,291	P573,888

<u>ABLE</u>

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 750,000,000 new shares of the Parent Company valued at P750,000,000. 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	**2013**	2012
Alabang Numbers & Gaming Corporation	**100**	100
Allpoint Leisure Corporation	**100**	100
Big Time Gaming Corporation (BGC)**	**100**	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

Forward

Subsidiaries	Percentage of Ownership 2013	2012
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
One Bingo Pavilion Inc. (OBPI)****	**100**	-
Worldwide Links Leisure and Gaming Corporation (WLLGC)***	**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 (OBPI)	**80**	80
Summit Bingo, Inc. (SBI)	**60**	60
Negrense Entertainment Gallery, Inc. (NEGI)*****	**55**	-

**Non-operating subsidiaries.*
***Consolidated effective August 1, 2011.*
****Consolidated effective January 1, 2012.*
*****Consolidated effective February 13, 2013.*
******Consolidated effective January 1, 2013.*

The following table summarizes the information relating to the ABLE's subsidiaries that have material NCI, before any intra-group eliminations.

	December 31, 2013 NEGI	OBPI	SBI
Non-controlling interests percentage	45.00%	20.00%	40.00%
Current assets	P7,655,542	P2,647,319	P3,351,700
Noncurrent assets	12,154,809	3,235,240	6,173,934
Current liabilities	17,352,471	4,635,811	20,505,053
Net assets (liabilities)	2,457,880	1,246,748	(10,979,419)
Carrying amount of non-controlling interests	1,106,046	249,350	(4,391,768)
Revenue	51,139,657	11,276,927	35,986,785
Net income (loss) for the year	3,957,880	559,248	(2,762,747)
Total comprehensive income (loss)	3,957,880	559,248	(2,762,747)
Net income (loss) allocated to non-controlling interests	1,781,046	111,850	(1,105,099)
Other comprehensive income allocated to non-controlling interests	1,781,046	111,850	(1,105,099)
Cash flows from operating activities	22,401,960	4,506,107	2,780,144
Cash flows from investment activities	(13,681,299)	(3,701,247)	(349,789)
Cash flows from financing activities	(1,625,000)	562,500	-
Net increase in cash	P7,095,661	P1,367,360	P2,430,355

	2012 As restated (see Note 3)		
	NEGI	OBPI	SBI
Non-controlling interests percentage	45.00%	20.00%	40.00%
Current assets	P125,000	P125,000	677,112
Noncurrent assets	-	-	6,971,811
Current liabilities	-	-	15,865,595
Noncurrent liabilities	-	-	-
Net assets (liabilities)	125,000	125,000	(8,216,672)
Carrying amount of non-controlling interests	125,000	125,000	(8,216,672)
Revenue	-	-	33,685,458
Net loss for the year	-	-	(3,475,721)
Total comprehensive loss	-	-	(3,475,721)
Net loss allocated to NCI	-	-	(1,390,288)
Other comprehensive income allocated to non-controlling interests	-	-	(1,390,288)
Cash flows from operating activities	-	-	5,624,422
Cash flows from investment activities	-	-	(6,792,441)
Cash flows from financing activities	125,000	125,000	-
Net increase (decrease) in cash	P125,000	P125,000	(P1,168,019)

WLLGC

On December 8, 2011, ABLE incorporated WLLGC as its wholly-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. The 2011 consolidated financial statements did not include the balances of WLLGC as these were immaterial to the Group. WLLGC has started its operations on January 1, 2013.

OBPI

On February 13, 2013, ABLE incorporated OBPI as its wholly-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. OBPI started its operations on January 28, 2013.

NEGI

In October 2012, the Group acquired 55% of the outstanding capital stock of NEGI at par value. The consideration paid amounting to P275,000 is equal to the fair value of share in net assets as at acquisition date.

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, a wholly-owned subsidiary, 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 started its commercial operations January 1, 2013.

PIKI

PIKI was registered with the SEC on November 9, 2012. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. On July 3, 2013, PIKI obtained a Grant of Authority from Philippine Amusement and Gaming Corporation (PAGCOR) to the privilege and authority to bring in pre-registered non-Philippine junket players (with passports bearing Philippine arrival dates no later than five (5) days prior to the initial entry in the Gaming Rooms) to play the designated junket Gaming Rooms at PAGCOR's Casino Filipino - Midas, with a minimum gaming table mix to be determined by PAGCOR. On March 22, 2013, the Parent Company acquired 100% of PIKI's outstanding capital stock (see Note 7).

PIKI started its commercial operations on July 26, 2013.

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 facilities. On April 27, 2011, the Parent Company acquired 70% of BCGLC's outstanding capital stock (see Note 11).

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. FCLRC is 69.69% owned by the Parent Company.

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 started its operations in March 2012.

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstance. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

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 profit or loss and other comprehensive income, consolidated statements of changes in equity, and within equity in the consolidated statements of financial position, separately from Group's equity attributable to equity holders of the Parent Company. 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 are eliminated. Unrealized gains from transactions with the equity accounted investees are eliminated against the investment to the extent of the Group's interest in investee. Unrealized losses are eliminated in the same way as unrealized gains, 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 effects on the amounts recognized in the consolidated financial statements is as follows:

Determination of Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the Group has determined its functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Group operates and the currency that mainly influences the revenue and expenses.

Determining Significant Influence over an Associate
The Group considers its investment in Hotel Enterprises of the Philippines (HEPI) as investment in associate. The Group concluded that it has only significant influence over the operating and financial policies of HEPI despite its 51% ownership in the latter due to its limited rights to the variable returns from its involvement with HEPI. The Group has no ability to affect those returns through its power. The Group also determined that is has no capacity to direct HEPI to enter into, or can veto any changes to, significant transactions for the benefit of the Group. The Group cannot, as well, dominate either the nominations process for electing members of HEPI's governing body or obtain proxies from other holder of voting rights.

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.

A financial instrument is an equity instrument only if: (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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.

Determination and Classification of Joint Arrangements
The Group determines a joint arrangement in accordance with its control over the entity or joint operations rather than its legal form. The Group's investments in joint ventures are structured in a separate incorporated entity. The joint venture agreement requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements. The Group has determined its involvement in joint arrangement and determined that its investment is classified as a joint venture.

Measurement of Fair Values.
The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset and liability might be categorized in different levels of the fair value hierarchy, then fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The methods and assumptions used to estimate fair values for both financial and non-financial assets and liabilities are discussed in Note 28.

Operating Leases - Group As Lessee and As Lessor
The Group entered into various lease agreements as a lessee and as a 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 in 2013, 2012, and 2011 amounted to P342,170,110, P311,531,161, and P371,485,759, respectively, while rent income recognized in profit or loss in 2013, 2012, and 2011 amounted to P204,624,705, P180,516,242, and P137,211,891, respectively (see Notes 19 and 21).

Finance Leases - Group As Lessee
The Group entered into various lease agreements as a 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 at December 31, 2013 and 2012, the carrying amounts of leased vehicles and equipment, included under "Property and equipment" account in the consolidated statements of financial position amounted to P29,027,208, and P18,067,781, respectively (see Notes 8 and 14).

Estimating Allowance for Impairment Losses on Receivables 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 at December 31, 2013 and 2012, the carrying amount of receivables and due from related parties of the Group amounted to P539,239,521, and P322,017,418, respectively. As at December 31, 2013 and 2012, the related allowance for impairment loss amounted to P40,662,673, and P31,178,549, respectively (see Notes 5 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 2013 and 2012. As at December 31, 2013 and 2012, the bingo cards were valued at cost amounting to P6,610,451 and P10,336,179, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment, Investment Properties and Intangible Asset with Definite Useful Life
The Group annually reviews the estimated useful lives of property and equipment, investment properties 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 properties 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 properties 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 - 15 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 properties is 25 years, except for land rights which has an indefinite useful life.

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 consolidated statements of financial 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.

In 2012, the Group reduced the estimated useful life of its aircraft classified under the "Aircraft and transportation equipment" account, presented as part of "Property and equipment" in the consolidated statements of financial position, from 25 years to 15 years. The reduction was due to the effects of commercial obsolescence of the asset. The change in estimate reduced the remaining useful life of the aircraft to 13 years from 23 years. Moreover, depreciation expense in 2012 on the aircraft increased by P1,942,857 and would continue to have the same effect in prospective periods.

The Group's accumulated depreciation of investment property amounted to P25,999,522 and P18,105,814 as at December 31, 2013 and 2012, respectively. The carrying amount of the Group's investment property amounted to P307,495,921 and P299,830,116 as at December 31, 2013 and 2012, respectively (see Note 9).

Impairment Losses of Non-financial Assets
PFRS requires that an impairment review be performed on property and equipment, investment properties, investments and advances and intangible assets 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 at December 31, 2013 and 2012, the following are the carrying amounts of non-financial assets:

	Note	**2013**	2012
Property and equipment	*8*	**P315,419,047**	P321,635,809
Investment property	*9*	**299,830,116**	307,495,921
Investments and advances	*10*	**2,460,613,079**	1,743,131,209
Goodwill	*11*	**546,318,689**	546,318,689
Airstrip improvements	*12*	**60,721,473**	69,395,969
Operating licenses	*12*	**5,253,690**	4,253,690

As at December 31, 2013 and 2012, the related allowance for impairment loss on advances amounted to P40,000,000 and P45,850,992, respectively (see Note 10).

As at December 31, 2013 and 2012, there was no indication of impairment on the Group's property and equipment, investment property, investments and advances, goodwill, airstrip improvements, operating licenses and land rights (see Notes 8, 9, 10, 11 and 12).

Estimating Retirement Obligation
The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for retirement include the discount rates and rate of future salary increase.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligation. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. Other key assumptions for retirement liability are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement benefits liability.

Retirement benefits liability amounted to P78,719,272 and P61,352,680 as at December 31, 2013 and 2012, respectively (see Note 20).

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 at December 31, 2013 and 2012, the Group recognized deferred tax assets amounting to P68,304,809 and P60,506,384, respectively. The Group has temporary differences where no deferred tax was recognized amounting to P123,131,517 and P62,481,287 as at December 31, 2013 and 2012, respectively (see Note 23).

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 at December 31, 2013 and 2012.

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 consolidated financial position and consolidated 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 at December 31, 2013 and 2012, no accruals were made in relation to this proceeding (see Note 27).

3. Summary of Significant Accounting Policies

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

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
The Group has adopted the following amendments to standards and interpretations starting January 1, 2013 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *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.

  As a result of the amendments to PAS 1, the Group has modified the presentation of items of other comprehensive income in its statements of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

  The adoption of the amendment to PAS 1 has no impact on the recognized assets, liabilities, and profit or loss and other comprehensive income of the Group.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: a) offset in the statement of financial position; or b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

- 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 re-assessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008) *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12 *Consolidation - Special Purpose Entities.*

  The Group concluded that is has control over its subsidiaries and therefore has continuously consolidated its accounts, while the Group remains to account its associates using the equity method.

- 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: a) distinguishes joint arrangements between joint operations and joint ventures; and b) 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 *Interests in Joint Ventures* and Philippine Interpretation SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.*

  As a result of PFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under PFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

  The Group has re-evaluated its involvement in joint arrangement and has reclassified the investment from jointly controlled entity to joint venture. Notwithstanding the reclassification, the investment continues to be accounted for using the equity method. Accordingly, there has been no impact on the recognized assets, liabilities and comprehensive income of the Group.

- PFRS 12 *Disclosure of Interests in Other Entities.* PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: a) the nature of, and risks associated with, an entity's interests in other entities; and b) the effects of those interests on the entity's financial position, financial performance and cash flows.

  As a result of PFRS 12, the Group assessed the disclosure requirements for interests in subsidiaries, interest in a joint venture and associates in comparison with the existing disclosures.

  The Group considered the required disclosures on the nature and risks associated with the Group's interests in other entities, and the effects of those interests on the Group's financial statements. PFRS 12 had no significant impact on the disclosures of interest in joint venture.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12.* The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

- 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.

  In accordance with the transitional provisions of PFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities (see Note 9).

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

  - PAS 1, *Presentation of Financial Statements* - Comparative Information beyond Minimum Requirements. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs. For example, if an entity elects to present a third statement of comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRSs. However, the entity need not present other primary statements for that additional comparative period, such as a third statement of cash flows; or the notes related to these other primary statements.

  - PAS 1 - Presentation of the Opening Statement of Financial Position and Related Notes. This is amended to clarify that: a) the opening statement of financial position is required only if: a change in accounting policy, a retrospective restatement, or a reclassification has a material effect upon the information in that statement of financial position; b) except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial statements are different, because the underlying objectives are different.

- 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) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

  As a result of PAS 19 (Amended 2011), the Group has changed its accounting policy with respect to the elimination of the "corridor method" under which the recognition of actuarial gains and losses could be deferred. Instead, all actuarial gains and losses are recognized immediately in other comprehensive income.

  Furthermore, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

  Summary of Quantitative Impacts
  The following tables summarize the impacts of the above changes on the Group's financial position and comprehensive income.

  The impact of the changes as at January 1, 2012 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Consolidated Statement of Financial Position			
Noncurrent assets			
Deferred tax assets	P64,536,733	P80,936	P64,617,669
Noncurrent liability			
Retirement benefits liability	36,632,288	4,859,112	41,491,400
Equity			
Retained earnings	516,381,581	3,528,361	519,909,942
Employee benefit reserve	-	(9,689,045)	(9,689,045)
Non-controlling interest	143,929,937	1,382,508	145,312,445

The impact of the changes as at and for the year ended December 31, 2012 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Consolidated Statement of Financial Position			
Noncurrent assets			
Deferred tax assets	P60,395,686	P110,698	P60,506,384
Noncurrent liabilities			
Retirement benefits liability	43,061,566	18,291,114	61,352,680
Equity			
Retained earnings	721,460,608	2,908,189	724,368,797
Employee benefit reserve	-	(22,104,710)	(22,104,710)
Non-controlling interest	165,513,352	1,016,105	166,529,457
Consolidated Statement Profit or Loss and Other Comprehensive Income			
Employee benefits	66,232,033	913,622	67,145,655
Income tax expense	21,926,162	(23,594)	21,902,568
Decrease in net income		890,028	
Attributable to:			
Owners of the Parent Company	280,069,809	(620,172)	279,449,637
Non-controlling interest	68,343,415	(269,856)	68,073,559
Remeasurements of retirement benfit obligation	-	(12,518,380)	(12,518,380)
Tax on items that will never be reclassified to profit or loss	-	3,664,304	3,664,304
Decrease in other comprehensive income, net of tax		(8,854,076)	
Attributable to:			
Owners of the Parent Company	280,137,207	(13,035,837)	267,101,370
Non-controlling interest	68,343,415	(366,403)	67,977,012
Overall impact on total comprehensive income		(P7,964,048)	

The impact of the changes as at and for the year ended December 31, 2013 is as follows:

	Increase (Decrease)
Consolidated Statement of Financial Position	
Deferred tax assets	**P735,748**
Retirement benefit liability	**25,242,728**
Retained earnings	**(16,723,745)**
Employee benefit reserves	**(27,297,446)**

	Increase (Decrease)
Consolidated Statement Profit or Loss and Other Comprehensive Income	
Employee benefits	**(P606,185)**
Income tax expense	**28,120**
Increase in net income	**578,065**
Remeasurements of defined benefit liability	**(7,557,799)**
Tax on items that will never be reclassified to profit or loss	**596,930**
Decrease in other comprehensive income, net of tax	**(6,960,869)**
Overall impact on total comprehensive income	**(P6,382,804)**

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to PAS 36, Impairment of Assets).*The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be applied retrospectively for annual periods beginning on or after January 1, 2014. The adoption of the amendments is not expected to have an effect on the consolidated financial statements.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that: a) An entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties b) Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: eliminate or result in insignificant credit and liquidity risk; and process receivables and payables in a single settlement process or cycle. These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

To be Adopted (No definite date - originally January1, 2015)

- PFRS 9 *Financial Instruments (2010)*, PFRS 9 *Financial Instruments (2009)*

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

Financial Instruments
Financial assets comprise cash and cash equivalents, receivables, due from related parties, advances to a third party, venue rental and other deposits and cash and performance bonds. Financial liabilities consist of trade and other payables, due to a related party, 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 and FVPL financial assets and liabilities as at December 31, 2013 and 2012.

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 rate 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.

The Group's cash and cash equivalents, receivables, due from related parties, advances to a third party, venue rental and other deposits and cash and performance bonds, included under "Other assets" are included in this category.

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.

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.

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 repay.

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.

Impairment of Financial Assets
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.

A financial instrument is an equity instrument only if: (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. The fair valued based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence o principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

Bingo Cards

Bingo cards are valued at the lower of cost and net realizable value. Cost, which includes all costs attributable to acquisition, 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 associates 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 associates 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 associates 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 associates 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 associates and a joint venture.

Investments and advances also include advances to companies in which the Group has positive intention of taking over these companies or having ownership interest in the future.

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 Properties

Investment properties consist of land rights, 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 properties.

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.

<u>Goodwill</u>
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, recognized 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.

<u>Impairment of Non-financial Assets</u>
The carrying amounts of the Group's non-financial assets such as property and equipment, investment properties, investments and advances 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.

An asset's recoverable amount is the higher of an asset's cash-generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in the expense category consistent with the function of the impaired asset.

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

Capital Stock and Additional Paid-in Capital
Common and preferred shares are classified as equity. Incremental costs directly attributable to the issuance of common and preferred shares are recognized as a deduction from equity, net of any tax effects. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

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.

Non-controlling Interests
For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or

- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

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:

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

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

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.

Participation Income
Payments arising from the operating agreement are recognized based on a certain percentage of Premium Leisure and Amusement, Inc.'s (PLAI) earnings before interest, taxes, depreciation and amortization, or a certain percentage of PLAI's Net Win, whichever is higher. Participation income is recognized when the related services are rendered.

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.

Employee Benefits

Short-term Benefits

The Group recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, and other short-term benefits.

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 calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the plan.

Remeasurements of the net defined benefit obligation or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest), if any, are recognized immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined benefit obligation or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit obligation or asset, taking into account any changes in the net defined benefit obligation or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at reporting date.

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 rate 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 and miscellaneous income from operations.

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

- *Other Income* is recognized when earned.

Finance expenses comprise interest expense on borrowings and the effects of restatement of foreign currency denominated financial assets and liabilities that are recognized in profit or loss.

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

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

Income Taxes

Income tax expense comprises of 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 other comprehensive income, in which case it is recognized directly in equity or 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 carry forward tax benefits of the net operating loss carry-over (NOLCO) and minimum corporate income tax (MCIT). 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 curreney 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 is 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 Chief Executive Officer (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.

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. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 and Cash Equivalents

This account consists of:

	2013	2012
Cash in banks	**P271,250,510**	P172,256,416
Cash on hand and payout fund	**24,492,350**	18,809,725
	P295,742,860	P191,066,141

Cash in banks earn interest at the respective bank deposit rates.

Interest income recognized in 2013, 2012 and 2011 amounted to P3,006,274, P20,272,080, and P15,383,681, respectively (see Note 21).

Payout fund pertains to the cash held by the cashier which is intended to pay for the prizes of the winners of each traditional 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	2013	2012
Trade receivables		**P190,292,561**	P133,717,355
Receivable from an investment broker		**163,500,000**	-
Advances to officers and employees	*22*	**21,979,840**	19,948,340
Advances to Royal Highland Leisure and Resort Corporation (RHLRC)		**39,287,416**	39,287,416
Receivables from concessionaires		**32,195,997**	22,317,051
Other receivables:			
Flexytech, Inc.		**9,654,310**	17,231,759
Kingloc Asia Limited		**4,027,056**	4,026,556
Vinta Gaming, Inc.		**2,624,633**	2,623,736
AT Bingo Station		**-**	6,052,822
Insular Gaming Corp.		**-**	2,696,408
Others		**10,644,117**	12,746,438
		474,205,930	260,647,881
Less allowance for impairment losses	*28*	**40,662,673**	31,178,549
	28	**P433,543,257**	P229,469,332

Trade receivables are unsecured, noninterest-bearing and collectible within 30 days.

The movements in allowance for impairment losses in 2013 and 2012 are as follows:

		2013	2012
Balance at beginning of year		**P31,178,549**	P5,803,292
Provisions during the year		**15,287,416**	25,375,257
Reversal	*21*	**(5,803,292)**	-
Balance at end of year		**P40,662,673**	P31,178,549

Advances to RHLRC
Advances to RHLRC represent 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 are noninterest-bearing, unsecured and with no definite repayment terms.

The Group provided impairment loss on the remaining advances to RHLRC amounting to P15,287,416 in 2013. Impairment loss in 2012 amounted to P24,000,000.

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

The Group recognized impairment loss on advances to officers and employees of BCGLC amounting to P1,375,257 in 2012.

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 noninterest-bearing and unsecured advances for working capital purposes that are due within one year.

Advances to Flexytech, Inc., Kingloc Asia Limited and Vinta Gaming, Inc. are noninterest-bearing, unsecured and are settled upon demand.

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

6. Bingo Cards and Supplies

This account consists of:

	Note	2013	2012
Bingo cards - at cost	*12, 17*	**P6,610,451**	P10,336,179
Others - at cost		**3,236,500**	5,694,548
		P9,846,951	P16,030,727

The consolidated cost of bingo cards charged to profit or loss in 2013, 2012, and 2011 amounted to P22,556,459, P18,967,407, and P25,874,143, respectively.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	**2013**	2012
Prepaid expenses		**P19,042,058**	P51,240,567
Advances to contractors	*26*	**117,162,537**	124,134,447
Advances to suppliers	*26*	**18,867,110**	13,867,110
Input value-added tax (VAT) - net		**7,472,071**	35,426,407
Rent deposit	*19*	**830,035**	34,011,857
Other current assets		**14,284,981**	652,650
		P177,658,792	P259,333,038

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

As discussed in Note 26, the old Operating Agreement with Belle Corporation has been terminated. Accordingly, prepaid rent under "Prepaid expenses" account and rent deposit amounting to P42,954,555 and P34,011,857 in 2012, respectively, were refunded in 2013.

Input VAT arose from payments to contractors and suppliers, rent and other charges subject to VAT. Input VAT will be applied against output VAT within one year.

Advances to contractors in 2012, amounting to P15,729,264 was reclassified to conform with the current year presentation. This account was previously included under "Receivables - net" account in the 2012 consolidated statements of financial position were classified to the "Prepaid expenses and other current assets" account in 2013 as the benefits to be derived from these assets will be in the form of future services and not cash inflows (see Note 29).

Other current assets include a deposit made by the Group to a third party in connection with its assignment of rights over a lease agreement.

8. Property and Equipment

The movements in this account are as follows:

	Leasehold Improvements	Aircraft and Transportation Equipment *(Notes 13 and 14)*	Bingo Equipment and Paraphernalia	Office Furniture, Fixtures and Equipment	Condominium Unit	Construction in Progress	Total
Cost							
January 1, 2012	P340,769,161	P128,946,776	P78,124,354	P126,865,770	P4,791,748	P74,966,474	P754,464,283
Additions	46,129,814	33,832,740	7,652,529	15,626,769	-	38,174,843	141,416,695
Write-off	-	-	(682,207)	(2,487,651)	-	-	(3,169,858)
Disposal/reclassification	(78,935)	(8,707,397)	-	-	-	(112,530,917)*	(121,317,249)
December 31, 2012	386,820,040	154,072,119	85,094,676	140,004,888	4,791,748	610,400	771,393,871
Additions	44,838,878	22,197,641	7,212,442	27,219,496	-	-	101,468,457
Write-off	(11,126,445)	(9,520,267)	(1,084,776)	(18,200,999)	-	-	(39,932,487)
Reclassification	610,400	-	28,000	(28,000)	-	(610,400)	-
December 31, 2013	**421,142,873**	**166,749,493**	**91,250,342**	**148,995,385**	**4,791,748**	**-**	**832,929,841**
Accumulated Depreciation and Amortization							
January 1, 2012	165,340,420	40,267,184	60,609,016	84,008,956	335,422	-	350,560,998
Depreciation and amortization	64,033,748	16,647,458	6,410,839	21,333,148	1,094,514	-	109,519,707
Write-off	-	-	(682,207)	(2,487,651)	-	-	(3,169,858)
Disposal	(34,115)	(7,118,670)	-	-	-	-	(7,152,785)
December 31, 2012	229,340,053	49,795,972	66,337,648	102,854,453	1,429,936	-	449,758,062
Depreciation and amortization	66,415,076	12,338,413	9,430,548	19,261,596	239,586	-	107,685,219
Write-off	(11,126,445)	(9,520,267)	(1,084,776)	(18,200,999)	-	-	(39,932,487)
Reclassification	-	-	5,133	(5,133)	-	-	-
December 31, 2013	**284,628,684**	**52,614,118**	**74,688,553**	**103,909,917**	**1,669,522**	**-**	**517,510,794**
Carrying Amount							
December 31, 2012	P157,479,987	P104,276,147	P18,757,028	P37,150,435	P3,361,812	P610,400	P321,635,809
December 31, 2013	**P136,514,189**	**P114,135,375**	**P16,561,789**	**P45,085,468**	**P3,122,226**	**P -**	**P315,419,047**

**Reclassification to "Advances to a third party" account in 2012 as the asset was assumed by Belle Corporation at its carrying amount (see Note 26).*

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 at December 31, 2013 and 2012, the carrying amounts of leased vehicles included under "Property and equipment" account in the consolidated statements of financial position amounted to P29,027,208 and P18,067,781, respectively (see Note 14).

9. Investment Properties

The movements in this account are as follows:

	Land Rights	Land Improvements	Building	Construction in Progress	Total
Cost					
January 1, 2012	P101,567,814	P46,000,000	P79,769,009	P13,200,333	P240,537,156
Additions	84,510,633	-	553,946	-	85,064,579
Reclassifications	-	-	13,200,333	(13,200,333)	-
December 31, 2012	186,078,447	46,000,000	93,523,288	-	325,601,735
Additions	-	-	-	227,903	227,903
December 31, 2013	**186,078,447**	**46,000,000**	**93,523,288**	**227,903**	**325,829,638**
Accumulated Depreciation					
January 1, 2012	-	2,300,000	8,013,662	-	10,313,662
Depreciation	-	2,300,000	5,492,152	-	7,792,152
December 31, 2012	-	4,600,000	13,505,814	-	18,105,814
Depreciation	-	2,300,000	5,593,708	-	7,893,708
December 31, 2013	-	**6,900,000**	**19,099,522**	-	**25,999,522**
Carrying Amount					
December 31, 2012	P186,078,447	P41,400,000	P80,017,474	P -	P307,495,921
December 31, 2013	**P186,078,447**	**P39,100,000**	**P74,423,766**	**P227,903**	**P299,830,116**

The fair value of investment property amounting to P356,537,093 as at December 31, 2013, has been categorized as Level 3 fair value measurement based on the inputs to the valuation techniques used (see Note 2).

Valuation Technique and Significant Unobservable Inputs

Domestic. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The unobservable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance, and marketability.

The rental value of the subject property was determined using the Income Approach. Under the Income Approach the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/ or rate of return a prudent lessor generally expects on the return on its investment.

The Group has land rights in CSEZFP classified as an investment property. As at December 31, 2013 and 2012, land rights recognized at cost amounted to P186,078,447.

In 2010 and 2012, the Group purchased land from land owners who were granted free patent by the government in accordance with Republic Act (RA) 10023, also known as the Free Patent Act. Initially, management's assessment of the purchase of the land was purchase of rights since legal ownership of the land is yet to be transferred after the prohibition period of five (5) years in accordance with the said RA.

While the legal ownership is not yet transferred, the rights of ownership is already with the Group at the time of the execution of the transaction. In 2013, management re-assessed the classification of the land rights and determined that the best classification is investment property considering management's purpose of capital appreciation. Accordingly, in the 2013 group's consolidated financial statements, the Group reclassified its "Land rights", which was previously included as part of "Other assets" in "Investment property" account (see Note 29).

The following summarizes the consideration transferred in relation to the purchase of land:

Property Location	Consideration	Date Acquired
Brgy. Diora - Zinungan,Sta. Cagayan	P84,510,633	November 20, 2012
Brgy. San Vicente, Sta. Ana, Cagayan	56,457,170	April 25, 2010
Brgy. Rapuli, Sta. Ana, Cagayan	45,110,644	April 16, 2010

Right to transfer ownership for land rights amounting to P101,567,814 is exercisable as at 2013. No transfer of legal ownership was made as at December 31, 2013.

Rent income recognized in profit or loss by the Group for the years ended December 31, 2013, 2012 and 2011 amounted to P15,752,733, P16,016,047 and P14,983,020, respectively (see Note 21). Direct cost pertaining to repairs, depreciation and real property taxes amounted to P8,162,443, P8,039,529 and P8,272,672 for the years ended December 31, 2013, 2012 and 2011, respectively.

10. Investments and Advances

This account consists of:

	Percentage of Ownership	**2013**	Percentage of Ownership	2012
Investments				
Associates:				
Binondo Leisure Resources, Inc. (BLRI)				
Preferred shares		**P20,000,000**		P20,000,000
Common shares	**30%**	**1,200,000**	30%	1,200,000
Techzone Philippines, Inc. (Techzone)				
Common shares	**50%**	**250,000,000**	50%	250,000,000
Others - HEPI	**51%**	**750,938,000**	1%	938,000
		1,022,138,000		272,138,000

Forward

	Percentage of Ownership	2013	Percentage of Ownership	2012
Accumulated equity in net losses:				
Balance at beginning of year		(P26,827,321)		(P26,303,101)
Net income (loss) during the year		43,106,286		(524,220)
Share in net loss from HEPI		(11,201,484)		-
		5,077,481		(26,827,321)
		1,027,215,481		245,310,679
Joint venture:				
First Cagayan Converge Data Center, Inc. (FCCDCI)				
Cost	60%	15,000,000	60%	15,000,000
Accumulated equity in net income:				
Balance at beginning of year		74,408,276		55,781,132
Equity in net income during the year		48,228,056		36,027,144
Dividends declared		-		(17,400,000)
Balance at end of year		122,636,332		74,408,276
		137,636,332		89,408,276
Advances:				
Eco Leisure		26,136,049		776,136,049
Cagayan Premium Ventures Development Corporation (CPVDC)		695,271,702		459,033,305
BLRI		130,713,120		159,168,344
AB Fiber Corp.		31,696,665		19,950,000
Cagayan Land Property Development Corporation (CLPDC)		126,202,857		14,671,675
FCCDCI		14,047,373		14,047,373
DFNN, Inc. (DFNN)		86,731,000		-
Hotel Enterprises of the Philippines, Inc. (HEPI)		224,206,000		10,500,000
		1,335,004,766		1,453,506,746
Allowance for impairment loss on advances		(40,000,000)		(45,850,992)
		1,295,004,766		1,407,655,754
		2,459,856,579		1,742,374,709
Other investments - at cost		756,500		756,500
		P2,460,613,079		P1,743,131,209

The movements in allowance for impairment losses in 2013 and 2012 are as follows:

	2013	2012
Balance at beginning of year	P45,850,992	P45,850,992
Write-off during the year	(5,850,992)	-
Balance at end of year	P40,000,000	P45,850,992

In 2013, FCLRC and ABLE executed a Deed of Assignment to transfer the advances of FCLRC to BLRI. Accordingly, allowance for impairment losses amounting to P5,850,992, was written-off before the execution of the Deed of Assignment.

BLRI

BLRI is a 30%-owned associate of LRWC. 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.

In 2009, LRWC stopped recognizing share in net loss of BLRI as the accumulated equity in net loss exceeds the interest of LRWC to BLRI. Unrecognized accumulated equity in net loss of BLRI amounted to P24,480,986 and P20,164,714 as at December 31, 2013 and 2012, respectively. Unrecognized share in net loss for the years ended December 31, 2013, 2012 and 2011 amounted to P4,316,272, P4,039,656 and P6,048,509, respectively.

The summarized financial information of BLRI follows:

	2013	2012
Current assets	**P9,433,980**	P5,628,235
Noncurrent assets	**92,460,340**	107,089,992
Current liabilities	**170,456,686**	57,054,023
Noncurrent liabilities	**75,213,673**	83,356,545
Gross revenues	**33,201,707**	33,724,305
Gross profit	**6,126,201**	6,266,991
Net loss/total comprehensive loss	**14,387,573**	13,465,520

On March 30, 2012, the Group and BLRI entered into a restructuring agreement for the payment of the latter's advances. 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.

Collections amounting to P25,183,883 were made in 2013 pertaining to the currently payable balance pursuant to the restructuring agreement.

The advances to BLRI include the effects of discounting amounting to P25,446,928 at 8.03% per annum. Interest income on effective interest amortization recognized in profit or loss amounted to P7,037,133 and P6,050,956 in 2013 and 2012, respectively (see Note 21).

Techzone

Techzone is a 50%-owned associate of LRLDI. Techzone was incorporated in the Philippines on April 16, 2012 and started its commercial operation on the same date. Techzone is engaged in the acquisition, lease, donation, etc. of real estate of all kinds.

LRLDI subscribes 50% of the authorized capital stock of Techzone, of which P199,375,000 remains unpaid as at December 31, 2012. A restatement was made to record subscription payable under "Trade and other payables" account in the consolidated statements of financial position (see Note 15). Said subscription payable was paid in full on August 1, 2013.

As at December 31, 2012, investment and advances before and after the restatement amounted to P1,656,287,126 and P1,743,131,209, respectively.

The summarized financial information of Techzone follows:

	2013	2012
Current assets	**P574,404,090**	P84,937,571
Noncurrent assets	**836,167,703**	60,529,069
Current liabilities	**357,912,390**	265,080
Noncurrent liabilities	**467,495,272**	-
Net income (loss)/total comprehensive income (loss)	**86,212,571**	(1,048,440)

HEPI

In relation to the purchase agreement entered into by LRWC and Eco Leisure, transfer of shares of stocks representing 51% ownership interest of Eco Leisure at HEPI was completed in 2013.

The 2013 consolidated financial statements did not include the balances of HEPI as the Group assessed that there is no full management control over the entity. This is because LRWC has limited rights to the variable returns from its involvement with HEPI and it has no ability to affect those returns through its power. The Group recognized P11,201,484 equity in net loss of HEPI as at December 31, 2013.

On October 1, 2013, on a decision made by the SEC, HEPI was declared legally dead as at July 30, 2012. An appeal was made by HEPI in the Court of Appeals and is pending resolution as at May 8, 2013.

The summarized financial information of HEPI follows:

	2013
Current assets	**P339,890,912**
Noncurrent assets	**2,563,058,334**
Current liabilities	**1,493,529,883**
Noncurrent liabilities	**1,026,961,222**
Net loss/total comprehensive loss	**29,284,925**

Advances to Eco Leisure

These advances pertain to the deposits made by LRWC to Eco Leisure in relation to the purchase agreement entered into by both parties for the purchase of Eco Leisure's ownership interest at HEPI representing 50% ownership. The advances are unsecured, noninterest-bearing and expected to be settled within one year.

The deed of absolute sale for the transfer of shares of stocks was consummated in 2013.

Eco Leisure and HEPI are both third party companies and are incorporated in the Philippines.

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).

FCCDCI was incorporated and registered with the SEC on November 14, 2007, and started commercial operations on January 1, 2008. 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 Joint Venture Agreement, the shareholders 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.

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription Rights with IP Ventures, Inc. ("IPVI" a third party Group) whereby IPCDCC assigned all the rights, interests and participation to its 9,999,998 shares of stock in FCCDCI with a par and issue value of P1 to IPVI.

The summarized financial information of FCCDCI follows:

	2013	2012
Current assets	**P338,302,541**	P216,370,994
Noncurrent assets	**40,025,884**	48,133,957
Current liabilities	**149,188,304**	118,505,494
Noncurrent liabilities	**-**	74,821
Service fees	**372,006,716**	313,280,472
Net income/total comprehensive income	**80,380,093**	60,045,240

Advances to DFNN

On November 25, 2013, LRWC entered into a convertible loan agreement with DFNN. The loan amounting to P86,000,000 at the option of LRWC, can be converted into common shares at a rate of one common share for every P4.75 of the outstanding loan. The loan shall earn interest of 8.5% per annum until the issuance and delivery of the common shares (see Note 21).

On December 9, 2013, LRWC issued a Conversion Notice expressing its intention to convert into common shares the P86,000,000 principal and any interest earned until the issuance and delivery of common shares.

The common shares of DFNN have not been issued as at December 31, 2013.

Advances to CPVDC and CLPDC
This account pertains to the noninterest-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 Group 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 P700,000,000. 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 expected to be completed in the first quarter of 2014. It is expected to operate when all the documents needed by the Civil Aviation Authority of the Philippines are submitted.

As at December 31, 2013, CLPDC and LRLDI have not executed the separate agreement mentioned above. The Group intends to convert the advances into shares of stocks upon consolidation and issuance of land titles.

Further, a stockholder of LRWC executed a letter of undertaking in December 2013 that guarantees the amounts owed by CPVDC and CLPDC as at December 31, 2013 in favor of LRLDI.

Advances to AB Fiber Corp.
On December 8, 2011, the Group 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 FCLRC amounting to P9,000,000 as at December 31, 2013 and 2012. The application for the increase in authorized capital stock will be filed with SEC in 2014.

11. Goodwill

As at December 31, 2013 and 2012, this account consists of:

Cost	**P578,397,141**
Less accumulated impairment losses	**32,078,452**
	P546,318,689

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, 2013.

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 and BCGLC. The anticipated growth rate included in the cash flow projections were 0% for Traditional Bingo, 7% for Electronic Bingo, 3.1% on rent income and 5% for Rapid Bingo and 1% for Pulltabs for the years 2014 to 2018 which are consistent with the long-term average growth rate for the industry. The discount rate applied to cash flow projections is 10.48% in 2013. Management believes that no reasonably possible change in the key assumptions would cause the carrying value of the investment in ABLE and BCGLC to which the goodwill relates to materially exceed its recoverable amount.

Sensitivity to Changes in Assumptions

The estimated recoverable amount of ABLE and BCGLC exceeded its carrying amount by approximately P1,100,000,000 in 2013. 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	**2013**	2012
Venue rental and other deposits	*10, 19*	**P141,450,376**	P111,649,296
Cash in bank - restricted	*13*	**86,362,513**	-
Airstrip improvements - net	*18*	**60,721,473**	69,395,969
Cash and performance bonds	*17*	**57,950,000**	45,100,000
Advanced regulatory fee on ICBG2	*17*	**12,864,993**	12,864,993
Operating licenses	*10*	**5,253,690**	4,253,690
Others		**-**	204,144
		P364,603,045	P243,468,092

Venue Rental and Other Deposits

In March 2013, PIKI deposited P21,307,500 to PAGCOR representing security deposit for the usufruct of four (4) gaming tables used in its normal operations (see Note 10).

Airstrip Improvements

The movements in this account are as follows:

Cost	
January 1, 2012, December 31, 2012 and 2013	P103,099,734
Accumulated Depreciation	
January 1, 2012	25,029,269
Depreciation	8,674,496
December 31, 2012	33,703,765
Depreciation	8,674,496
Carrying Amount	42,378,261
December 31, 2012	P69,395,969
December 31, 2013	**P60,721,473**

Cash and Performance Bonds

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).

Advanced Regulatory Fee on ICBG2

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 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.

Operating Licenses
The operating licenses represent Grants issued by PAGCOR as follows:

a. Acquisition of bingo parlors by ABLE Subsidiaries:

- 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.

b. Acquisition of PIKI by LRWC:

On March 22, 2013, LRWC purchased 10,000,000 shares of PIKI representing 100% ownership at a price of P1,000,000. The purchase was ratified by LRWC's BOD on June 10, 2013. The acquisition is in line with the Group's goal to expand and venture in other forms of gaming.

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

Consideration transferred	**P1,000,000**
Assets	
Security deposit	21,307,500
Liabilities	
Due to FCLRC	(20,307,500)
Due to related parties	(1,000,000)
Total identifiable net assets at fair value	-
Operating license	**P1,000,000**

13. Loans Payable

a. In May 2013, ABLGI entered into a financing agreement with BDO Unibank, Inc. (BDO) for the purpose of funding ABLGI's contribution pursuant to the Operating Agreement with Belle Corporation (see Note 26). The loan is payable in 20 equal consecutive quarterly installments on its respective repayment dates up to February 20, 2019. Annual interest rate approximates 5.75% which is subject to change depending on the prevailing Bangko Sentral ng Pilipinas (BSP) thirty (30) day Reversed Repurchase Agreement Rate plus applicable spread of 225 basis points.

Among the provisions of the loan contract, ABLGI is mandated to establish two bank accounts, a Debt Service Revenue Account (DSRA) and a Borrower Revenue Account (BRA). The DSRA is to be maintained at a certain level of funding to facilitate ABLGI's loan and interest payments to BDO. The BRA is established to accommodate the receipt of Belle payments, wherein BDO is authorized to directly debit the BRA to maintain the level of funding required by the DSRA.

In consideration of the commitment of BDO to fund ABLGI's contribution, ABLGI has assigned to BDO all of its respective rights, titles and interests to all monies standing in the DSRA and BRA as well as ABLGI's Belle payments (collectively, the Assigned Collaterals), which includes the proceeds, products and fruits of the aforementioned Assigned Collaterals. ABLGI has classified its cash included under the DSRA and BRA as "Cash in bank - restricted" under other assets account in the statements of financial position. As at December 31, 2013, cash in the DSRA and BRA amounted to P86,362,513 (see Note 12). Furthermore, ABLGI has restricted part of its retained earnings to the amount of Belle payments received, which amounted to P180,464,168 as at December 31, 2013.

As part of the loan agreement with BDO, the Group is required to comply with affirmative financial ratios such as current, debt-to-equity and debt service coverage ratios, which the Group did not meet as at December 31, 2013. However on April 15, 2014, BOD has issued written notification to the Group that penalties and declaration of default, including making the full amount of the loan demandable, will not be enforced.

Terms and conditions of outstanding loans payable are as follows:

	December 31, 2013		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Long Term			
BDO	**5.75%**	**May 2013-February 2019**	**P2,967,639,170**
Less current portion			**317,961,340**
			P2,649,677,830

On September 15, 2011, ABLGI entered into a loan agreement with a local bank. The loan is unsecured and 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. As at December 31, 2012, the loan amounted to P348,000.

b. Short-term loans of ABLE have maturity dates of up to May 15, 2014. 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 BDO and Philippine Bank of Communications (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.

   As at December 31, 2013 and 2012, the carrying amount of shares of stock used as collateral for the loan from BDO amounted to P411,495,770 and P559,904,081, respectively. The loan from PBCOM is unsecured.

Terms and conditions of outstanding loans payable are as follows:

	December 31, 2013		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Short Term			
PBCOM	**9.0% - 10%**	**April 2012-April 2014**	**P35,317,100**
BDO	**8.0% - 9%**	**April 2012-May 2014**	**160,400,000**
			P195,717,100

	December 31, 2012		
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
PBCOM	9.0% - 10%	April 2012 - April 2013	P34,464,000
BDO	8.0% - 9%	April 2012 - April 2013	61,000,000
			P95,464,000
Long Term			
BDO	9.0%	April 2012 - March 2013	P4,166,667
Less current portion			4,166,667
			P -

On December 30, 2010, FCLRC entered into a loan agreement with BDO. The loan is payable in 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 at December 31, 2013 and December 31, 2012 amounted to P55,595,604 and P62,560,000, respectively (see Note 8).

Terms and conditions of the outstanding loan payable are as follows:

	December 31, 2013		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Long Term			
BDO	**13%**	**December 2011 - December 2015**	**P19,143,627**
Less current portion			**8,953,852**
			P10,189,775

	December 31, 2012		
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO	13%	December 2011 - December 2015	P27,011,463
Less current portion			7,867,834
			P19,143,629

c. In May 2013, LRWC entered into a loan agreement with Philippine Business Bank (PBB) in relation to the P1 billion cash payment for the subscription of ABLGI's increase in common shares. Interest expense recognized in profit or loss amounted to P12,024,377. In May 2013, said loan was settled through cash proceeds from issuance of preferred shares.

d. In October 2010, BCGLC entered into a loan agreement with a local bank. The loan is unsecured and is payable in 36 equal monthly installments starting in October 2010 up to September 2013 with an interest equivalent to 17.64% per annum. As at December 31, 2012, the loan amounted to P184,770.

Interest expense recognized in profit or loss amounted to P138,895,228, P14,397,232 and P25,859,580 in 2013, 2012 and 2011, respectively (see Note 21).

14. Obligations under Finance Lease

In 2012 and 2010, ABLE entered into vehicle financing agreements with BDO, which are payable in monthly installments on their respective repayment dates up to October 19, 2015 and September 16, 2013, respectively. 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 in the financing agreements.

Obligations under finance lease for vehicles are payable as follows:

	2013		
	Principal	**Interest**	**Minimum Lease Payments**
Less than one year	**P17,230,859**	**P720,151**	**P17,951,010**
Between one and five years	**3,170,264**	**174,044**	**3,344,308**
	P20,401,123	**P894,195**	**P21,295,318**

	2012		
	Principal	Interest	Minimum Lease Payments
Less than one year	P93,014	P1,208	P94,222
Between one and five years	10,196,701	792,724	10,989,425
	P10,289,715	P793,932	P11,083,647

As at December 31, 2013 and 2012, the carrying amount of leased vehicles, included under "Property and equipment" account in the consolidated statements of financial position amounted to P29,027,208 and P18,067,781, respectively (see Note 8).

Interest expense recognized in profit or loss amounted to P894,195, P793,932, and P464,589 in 2013, 2012, and 2011, respectively (see Note 21).

15. Trade and Other Payables

This account consists of:

	Note	2013	2012
Payable to CEZA	*18*	**P441,724,218**	P326,277,738
Unearned hosting fees	*18*	**110,216,616**	98,888,090
Payout fund payable	*17*	**62,243,942**	39,467,068
Payable to PAGCOR	*17*	**38,536,155**	30,721,224
Rent payable	*19*	**32,087,805**	26,618,494
Subscription payable	*10*	**-**	199,375,000
Accrued expenses and other payables:			
Dividends payable	*16*	**198,264,925**	55,765,886
Payable to machine suppliers		**48,755,720**	39,785,161
Contracted services		**38,288,836**	25,645,502
Taxes and licenses		**26,484,928**	6,859,115
Payable to sub-agent		**21,575,000**	-
Interest payable	*13*	**20,348,671**	415,646
Salaries, wages and employee benefits		**9,653,096**	11,543,167
Capital expenditures		**8,436,309**	16,938,408
Communication and utilities		**5,646,894**	1,464,983
Payout payable		**4,722,713**	14,935,120
Cards and supplies		**3,313,870**	6,570,032
Payable to concessionaires		**2,999,015**	375,626
General and administrative		**806,374**	4,889,039
Others		**45,973,456**	32,269,933
		P1,120,078,543	P938,805,232

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 franchise fees and accrual for the cost of the 10,000,000 unsold ICBG2 cards (see Note 12).

Interest expense on unpaid CEZA fees recognized in profit or loss amounted to P42,463,045, P22,839,873 and P19,932,116 in 2013, 2012 and 2011, respectively (see Note 21).

16. Equity

The composition of the Group's capital stock for the years ended December 31, 2013, 2012 and 2011 is as follows:

	2013		2012		2011	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amonnt
CAPITAL STOCK						
Authorized						
Common shares - P1 par value	2,500,000,000	P2,500,000,000	1,600,000,000	P1,600,000,000	1,600,000,000	P1,600,000,000
Issued						
Balance at beginning of year	999,877,094	999,877,094	999,877,094	999,877,094	849,877,094	849,877,094
Issuances during the year	-	-	-	-	150,000,000	150,000,000
Stock dividend	199,975,418	199,975,418	-	-		
Balance at end of year	1,199,852,512	P1,199,852,512	999,877,094	P999,877,094	999,877,094	P999,877,094
Authorized						
Preferred shares - P1 par value	2,500,000,000	P2,500,000,000	-	P -	-	P -
Issued						
Balance at beginning of year	-	-	-	-	-	-
Issuances during the year	1,650,000,000	1,650,000,000	-	-	-	-
Balance at end of year	1,650,000,000	P1,650,000,000	-	P -	-	P -

Increase in Authorized Capital Stock

On September 19, 2000, the SEC approved the increase in the Parent Company's authorized capital stock from 500,000,000 to 2,500,000,000 common shares, both at P1 par value per share. Out of the aforementioned increase in authorized capital stock, a total of 750,000,000 common shares with aggregate par value of P750,000,000 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 2) 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. On November 28, 2003, the BOD and stockholders of LRWC approved the decrease in authorized capital stock from 2,500,000,000 shares to 1,600,000,000 shares at P1 par value per share in pursuant to LRWC's plan to decrease its capital and applying it against its deficit. This transaction resulted in a reduction of P418,563,336 in the deficit account as at January 1, 2004. The SEC approved the decrease in authorized capital stock on August 3, 2004. 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.

On June 18, 2013, the SEC approved the increase in the Parent Company's authorized capital stock from P1,600,000,000 to P5,000,000,000 divided into 2,500,000,000 common shares and 2,500,000,000 preferred shares with each class having a par value of P1 per share. The preferred shares may be issued in tranches or series and shall be non-voting, non-participating, entitled to preferential and cumulative dividends at the rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications as may be fixed by the BOD at their issuance.

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 at December 31, 2013 the Parent Company has a total of 1,199,852,512 issued and outstanding common shares and 1,856 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.

On January 22, 2013, the BOD of LRWC authorized the issuance, through a private placement, of 1,750,000,000 shares from its unissued preferred shares. On March 22, 2013, the stockholders of LRWC approved the said issuance. In May 2013, 1,650,000,000 shares were subscribed at P1 per share by virtue of the subscription agreements entered by LRWC with investors which was subsequently collected in July 2013.

The preferred shares have a coupon rate of 8.5% per annum and are paid semi-annually. These preferred shares are cumulative, non-voting and non-participating. Twenty (20) preferred shares will entitle each investor to one warrant. Each warrant, if exercised at a price of P15 or the average weighted trading price for the three months prior (whichever is lower) will be converted to one common share. This option will be exercisable starting on the fifth year until the eighth year.

Listing of Preferred Shares and Warrants
On June 10, 2013, the BOD of LRWC approved the listing of 1,650,000,000 newly issued preferred shares and 82,500,000 warrants. The said listing was completed in December 2013.

On December 5, 2013, the BOD approved to change the expiry date of the warrants issued by the Company to September 2021.

Declaration of Cash Dividends
Cash dividends declared by the BOD to common stockholders of the Parent Company in 2013, 2012 and 2011 as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
July 26, 2013	February 28, 2014	P47,994,101	0.040
July 26, 2013	September 28, 2013	47,994,101	0.040
July 27, 2012	February 28, 2013	34,995,698	0.035
July 27, 2012	September 28, 2012	39,995,084	0.040
July 29, 2011	February 29, 2012	19,997,542	0.020
July 29, 2011	January 30, 2012	24,996,927	0.025
July 29, 2011	September 18, 2011	29,996,313	0.030

On December 12, 2013, the BOD of LRWC declared cash dividends of 8.5% to all preferred stockholders of record as at January 2, 2014.

As at December 31, 2013 and 2012, unpaid dividends, included under "Trade and other payables" account in the consolidated statements of financial position, amounted to P198,264,925 and P55,765,886, respectively (see Note 15). Dividends amounting to P99,452,159 were paid in 2014.

Declaration of Stock Dividends
On January 22, 2013, the BOD of LRWC approved a 20% stock dividend which is equivalent to 199,975,418 common shares and this was approved and ratified by the stockholders on their special meeting on March 22, 2013.

On July 24, 2013, SEC approved the 20% stock dividend. The record date was fixed on July 18, 2013 but upon the request of the Parent Company, SEC approved the change of the record date to August 28, 2013 with payment date of September 20, 2013.

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.

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 P6.10 and P8.30 per share as at December 31, 2013 and 2012, respectively.

On July 29, 2013, LRWC erroneously disclosed a cash dividend of P0.40 instead of P0.04 as approved by the BOD of LRWC. As a result, the PSE suspended trading of LRWC's shares for three days pending resolution of the problem. As a sign of good faith, the LRWC through ABLE offered to buy-back and sell-back to those who traded their shares on the same day the error was made. ABLE bought 1,959,700 shares of LRWC at a total cost of P15,949,947 and sold at cost 125,500 shares amounting to P1,015,330.

As at December 31, 2013 ABLE has a total of 36,500,000 preferred shares (at cost of P36,500,000) and 20,274,700 common shares (at cost of P34,642,419). As at December 31, 2012 ABLE had a total of 18,330,500 shares (at cost of P18,694,937) of the Parent Company. These are accounted as treasury shares in the consolidated financial statements.

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.

On March 26, 2008, Bingo Regulatory Order No. 2008-01 entitled "Modified Computation of the 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.

However, pursuant to Revenue Memorandum Circular (RMC) No. 33-2013, bingo grantees shall be subject to the 30% corporate income tax effective April 1, 2013 (see Note 23).

ABLE and its subsidiaries deposited a total of P21,700,000 and P19,600,000 as at December 31, 2013 and 2012, 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.

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 52.5% of the gross revenues from e-bingo operations, which shall be remitted twice weekly to PAGCOR (distributed as follows: 5% as the BIR Franchise Tax and 47.5% as the PAGCOR Franchise Fee).

However, pursuant to RMC No. 33-2013, bingo grantees shall be subject to the 30% corporate income tax effective April 1, 2013 (see Note 23).

ABLE and its subsidiaries deposited a total of P35,050,000 and P25,300,000 as at December 31, 2013 and 2012, 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.

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 at December 31, 2013 and 2012, ABLE deposited cash and performance bonds amounting to P200,000 with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grant (see Note 12).

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 2013, 2012, and 2011, this is included as income tax expense, which amounted to P27,517,846, P16,262,175, and P9,665,325, 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 I was completed in January 2011.

- 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).

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.

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").

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 with the option to renew monthly upon mutual agreement of both parties.

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 with the option to renew monthly upon mutual agreement of both parties.

As discussed in Note 26, the Operating Agreement with Belle Corporation has been amended, effectively terminating the casino land & building leases. Accordingly, accrued rent in 2011 amounting to P55,011,629 was reversed in 2012. Rent expenses paid in prior years amounting to P38,521,863 was reimbursed in 2013.

Rent expense recognized in profit or loss in 2013, 2012, and 2011 amounted to P342,170,110, P311,531,161, and P371,485,759, respectively.

Minimum lease payments are as follows:

	2013	2012	2011
Less than one year	**P150,027,405**	P166,486,162	P184,415,893
Between one and five years	**182,721,839**	151,466,343	433,645,103
More than five years	**159,071,584**	182,368,537	1,128,547,435
	P491,820,828	P500,321,042	P1,746,608,431

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 P4,421,800 and P4,731,800 as at December 31, 2013 and 2012, respectively. Minimum lease receivables as at December 31 are as follows:

	2013	2012
Within one year	**P15,752,733**	P18,496,676
Between one and five years	**16,840,955**	42,404,595
	P32,593,688	P60,901,271

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 of its 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 in 2013, 2012, and 2011 amounted to P204,624,705, P180,516,242, and P137,211,891, respectively.

20. Retirement Benefits

The Group's latest actuarial valuation reports are dated December 31, 2013. Valuations are obtained on a periodic basis. The following tables summarize the components of retirement expense recognized in the consolidated statements of profit or loss and other comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the plans of ABLE and FCLRC:

Retirement Expense

	ABLE			FCLRC		
	2013	2012 (As restated)	2011 (As restated)	**2013**	2012 (As restated)	2011 (As restated)
Current service cost	**P5,344,462**	P3,846,900	P2,722,100	**P1,206,981**	P984,500	P793,500
Interest cost on defined benefit obligation	**2,984,328**	2,254,200	2,082,700	**273,022**	257,300	214,900
Net retirement expense	**P8,328,790**	P6,101,100	P4,804,800	**P1,480,003**	P1,241,800	P1,008,400

Changes in the Present Value of Defined Benefit Obligation

	ABLE		FCLRC	
	2013	2012 (As restated)	**2013**	2012 (As restated)
Present value of defined benefit obligation at beginning of year	**P55,526,486**	P37,231,600	**P5,826,194**	P4,259,800
Current service cost	**5,344,462**	3,846,900	**1,206,981**	984,500
Interest cost	**2,984,328**	2,254,200	**273,022**	257,300
Actuarial (gain) loss	**1,613,279**	12,193,786	**5,944,520**	324,594
Present value of defined benefit obligation at end of year	**P65,468,555**	P55,526,486	**P13,250,717**	P5,826,194

The components of retirement benefits recognized in other comprehensive income are as follows:

	ABLE			FCLRC		
	2013	2012 (As restated)	2011 (As restated)	**2013**	2012 (As restated)	2011 (As restated)
Actuarial gain (loss) from:						
Financial assumptions	**P4,858,785**	P5,346,317	P37,231,600	**P4,862,725**	P320,408	P601,000
Experience adjustments	**(3,245,506)**	6,847,469	(1,375,000)	**1,081,795**	4,186	(87,300)
Demographic assumptions	**-**	-	(26,518,700)	**-**	-	-
	P1,613,279	P12,193,786	P9,337,900	**P5,944,520**	P324,594	P513,700

The principal assumptions used in determining defined benefit obligations for the Group's plans are shown below:

	ABLE		FCLRC	
	2013	2012	**2013**	2012
Discount rate at end of year	**5.48%**	6.05%	**5.14%**	5.31%
Future salary increases	**3.00%**	3.00%	**8.00%**	3.00%

The weighted average duration of defined benefit obligation is as follows:

	ABLE		FCLRC	
	2013	2012	**2013**	2012
Average expected future service years	**22.11**	22.8	**20.79**	20.79

Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	ABLE		FCLRC	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(P8,220,477)	P10,034,213	(P1,315,458)	P1,576,754
Future salary growth	9,854,342	(8,229,880)	5,185,972	(3,246,993)

Assumptions for mortality rate are based on the 1994 Group Annuity Mortality (GAM) Basic Table.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The defined benefit obligation is exposed to actuarial risks such as longevity risk and interest rate risk.

The Group does not expect contributions to be paid to its defined benefit plan in 2014.

Funding

The Group does not have a formal retirement plan. Benefit claims under the retirement obligation are paid directly by the Group when they become due.

Asset-liability Matching

The Group has no plan assets to match against liabilities under the retirement obligation.

Maturity analysis of the benefit payments:

	2013				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
ABLE	**P65,468,555**	**P452,866,235**	**P7,165,369**	**P6,375,366**	**P439,325,500**
FCLRC	**13,250,717**	**100,935,477**	**1,741,581**	**2,717,955**	**96,475,941**
	P78,719,272	**P553,801,712**	**P8,906,950**	**P9,093,321**	**P535,801,441**

21. Finance Income/Finance Expense/Other Income (Expense)

Finance income consists of:

	Note	**2013**	2012	2011
Interest income on cash and cash equivalents	*4*	**P3,006,274**	P20,272,080	P15,383,681
Interest income on effective interest amortization	*10*	**7,037,133**	6,050,956	-
Interest income on convertible loan		**731,000**	-	-
Dividend income		**-**	-	680,000
		P10,774,407	P26,323,036	P16,063,681

Finance expense consists of:

	Note	**2013**	2012	2011
Interest expense on loans payable and unpaid CEZA fees	*13, 15, 18*	**P181,358,273**	P37,237,105	P45,791,696
Interest expense on obligations under finance lease	*14*	**894,195**	793,932	464,589
		P182,252,468	P38,031,037	P46,256,285

Other income (expense) consists of:

	Note	**2013**	2012	2011
Rent income	*19*	**P204,624,705**	P180,516,242	P137,211,891
Reversal of accrued rent	*19*	**-**	55,011,629	-
Reimbursement of rent expense	*26*	**38,521,863**	-	-
Reversal of allowance for impairment loss on trade receivables	*5*	**5,803,292**	-	-
Gain on insurance proceeds		**-**	-	544,511
Loss on write-off of property and equipment	*8*	**-**	(44,820)	(313,871)
Others - net		**(11,984,460)**	539,656	2,644,118
		P236,965,400	P236,022,707	P140,086,649

Other expense - net consists mainly of expenses incurred in relation to the Master Development Plan of the CSEZP (see Note 18).

22. Related Party Disclosures

In the normal course of business, the Group entities have transactions with related parties. As at December 31, 2013 and 2012, the outstanding balances of related party receivables and payables are as follows:

Categories	Nature of Transaction		Note	Amount of Transactions for the Year	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Joint Venture								
FCCDCI	Rental of premises	**2013**	*19*	**P1,080,000**	**P540,000**	**P -**	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2012	*19*	599,481	484,393	-	Demandable; non interest-bearing	Unsecured; no impairment
		2011	*19*	22,436,316	473,684	-	Demandable; non interest-bearing	Unsecured; no impairment
	Dividends	**2013**	*10*	**-**	**-**	**-**	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2012	*10*	17,400,000	17,400,000	-	Demandable; non interest-bearing	Unsecured; no impairment
		2011	*10*	6,000,000	-	-	Demandable; non interest-bearing	Unsecured; no impairment
	Transfers under finance arrangements	**2013**	*10*	**214,286**	**214,286**	**-**	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2012	*10*	610,190	-	-	Demandable; non interest-bearing	Unsecured; no impairment
		2011	*10*	4,000,000	-	-	Demandable; non interest-bearing	Unsecured; no impairment

Forward

Categories	Nature of Transaction		Note	Amount of Transactions for the Year	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Associate								
BLRI	Cash advances	**2013**	*b*	**P25,000,000**	**P37,217,462**	**P -**	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2012		22,324,294	5,344,098	-	Demandable; non interest-bearing	Unsecured; no impairment
		2011		4,969,526	25,183,883	-	Demandable; non interest-bearing	Unsecured; no impairment
	Transfers under finance arrangements	**2013**	*10*	**25,183,883**	**23,510,500**	-	**3 months; non interest-bearing**	**Unsecured; with impairment**
		2012		-	23,166,898	-	Demandable; non interest-bearing	Unsecured; with impairment
		2011		-	-	-	Demandable; non interest-bearing	Unsecured; with impairment
Other Related Parties								
Longview Holdings Corporation	Cash advances	**2013**		-	-	**9,070,691**	**Demandable; non interest-bearing**	**Unsecured**
		2012		-	-	9,070,691	Demandable; non interest-bearing	Unsecured
		2011		-	-	9,070,691	Demandable; non interest-bearing	Unsecured
Individual Stockholders	Cash advances	**2013**		**8,866,686**	**44,214,016**	**10,128,005**	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2012		42,952,697	46,152,697	3,200,000	Demandable; non interest-bearing	Unsecured
		2011		37,000,000	-	-	Demandable; non interest-bearing	Unsecured; no impairment
	Interest	2011		1,166,667	-	-	3 months; interest-bearing	Unsecured; no impairment
Total		**2013**			**P105,696,264**	**P19,198,696**		
Total		2012			P92,548,086	P12,270,691		
Total		2011			P25,657,567	P9,070,691		

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

	2013	2012	2011
Salaries and employee benefits	**P22,579,668**	P21,850,464	P20,195,897
Directors' fees	**8,460,000**	3,400,000	4,487,222

Unliquidated advances to officers and employees amounted to P21,979,840 and P19,948,340 as at December 31, 2013 and 2012, respectively. These advances are subject to liquidation within 12 months from the date granted or collectible in cash upon demand (see Note 5).

Advances to officers and employees as at December 31, 2012 amounting to P46,152,697 was reclassified to conform with the current year presentation. This account previously included under "Receivables - net" account in the 2012 consolidated statement of financial position was classified to the "Due from related parties" account in 2013 as the individual with outstanding advances is no longer an officer but only a stockholder of the Group (see Note 29).

b. The Group granted advances to BLRI for its daily operations. Transfers of funds represent noninterest-bearing cash advances for working capital requirements. The advances are unsecured and collectible upon demand.

23. Income Taxes

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

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Current tax	**P87,308,494**	P17,785,115	P10,371,012
Deferred tax	**(7,204,212)**	4,117,453	(64,555,893)
	P80,104,282	P21,902,568	(P54,184,881)

The Group's income tax expense (benefit) is attributable to the Group's licensing operations with CSEZFP at a special rate of 5% of gross income less allowable deductions 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:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Income (loss) before income tax	**P504,048,887**	P369,425,764	(P50,874,227)
Income tax using statutory tax rate of 30%	**P151,214,666**	P110,827,729	(P15,262,268)
Additions to (reductions in) income taxes resulting from tax effects of:			
Nondeductible operating expenses	**5,642,468**	1,188,827,046	1,103,087,484
Change in unrecognized deferred tax assets	**36,848,994**	7,912,523	7,075,942
Net unrealized foreign exchange gain -net	**-**	(3,151,866)	(472,247)
Equity in net loss of an associate	**1,205,131**	(157,266)	-
Non taxable income	**-**	(1,181,690,723)	(1,088,909,958)
Gross income on service fees subject to 5%	**(97,478,730)**	(81,959,821)	(47,605,658)
Equity in net earnings of a joint venture	**(2,411,403)**	(10,808,142)	(7,279,031)
Change in income tax regime	**(14,442,095)**	-	-
Interest income subject to final tax	**(474,749)**	(7,896,912)	(4,615,144)
Dividend income exempt from tax	**-**	-	(204,001)
	P80,104,282	P21,902,568	(P54,184,881)

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.

The Group's nondeductible operating expenses and nontaxable income pertain to the expenses and revenue recognized by ABLE until the first quarter of 2013, prior to the effectivity of RMC No. 33 - 2013.

As at December 31, 2013 and 2012, the Group recognized deferred tax assets amounting to P68,304,809 and P60,506,384, respectively.

The composition of recognized deferred tax assets of the Group as at December 31 are as follows:

	2013	2012 (As restated - see Note 3)
NOLCO	**P53,911,674**	P60,392,969
MCIT	**6,679,757**	2,717
Impairment loss on receivables	**4,586,225**	-
Retirement expense	**2,485,403**	110,698
Others	**641,750**	-
	P68,304,809	P60,506,384

The movements to deferred tax assets are accounted for as follows:

	2013	2012 (As restated - see Note 3)
Amount charged to profit or loss	**P11,059,745**	P4,105,117
Amount charged to OCI relating to remeasurements of defined benefit obligation	**596,930**	6,168
Increase in deferred tax assets	**P11,656,675**	P4,111,285

The details of the Group's MCIT which are available for offsetting against future income tax payable are as follows:

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Year of Expiration
2013	P6,679,757	P -	P -	P6,679,757	2016
2012	2,717	2,717	-	-	2015
	P6,682,474	P2,717	P -	P6,679,757	

The Group has NOLCO amounting to P123,131,517 and P62,481,287 where no deferred tax was recognized as at December 31, 2013 and 2012, 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 details of the Group's NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Year of Expiration
2013	P237,159,381	P -	P -	P237,159,381	2016
2012*	67,295,289	-	-	67,295,289	2015
2011*	184,897,007	62,792,990	-	122,104,017	2014
2010	12,980,469	1,381,581	11,598,888	-	2013
	P502,332,146	P64,174,571	P11,598,888	P426,558,687	

**As restated (see Note 3)*

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.

Management believes that ABLE's payment of 5% Franchise Tax to the BIR is effectively equivalent to the corporate income tax for the taxable years 2012 and 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 2012 and 2011.

On April 17, 2013, the BIR issued RMC No. 33 - 2013 to clarify the tax regimes of PAGCOR, its contractees and licensees. With the issuance of this RMC, PAGCOR contractees and licensees are no longer subjeet to the 5% Franchise Tax but will be subject to the 30% corporate income tax.

Pursuant to RMC No. 33 - 2013, the Court prevented the BIR from imposing VAT on PAGCOR, its contractees and licensees. The Court clarified that RA 9337 did not affect PAGCOR's exemption from taxes other than income tax. In other words, RA 9337 did not revoke the exemption from all other taxes granted by PD 1869, the PAGCOR charter. The Court ruled that both PAGCOR and its licensees or contractors are exempt from VAT.

On the second quarter of 2013, the Group's entities, as grantees of PAGCOR's authority to operate bingo halls, no longer remits the 5% franchise tax to PAGCOR and now pays the 30% corporate ineome tax to BIR.

24. Earnings (Loss) Per Share

Basic earnings (loss) per share (EPS) is computed as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Income (loss) attributable to ordinary stockholders of the Parent Company (a)	**P253,663,638**	P279,449,637	(P37,098,184)
Adjusted weighted average number of shares outstanding (b)	**1,176,883,813**	981,546,594	931,546,594
Basic earnings per share (a/b)	**P0.2155**	P0.2847	(P0.0398)

* *Adjusted for the stock dividends declared in 2013.*

Diluted earnings (loss) per share is computed as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Income (loss) attributable to ordinary stockholders of the Parent Company *(a)*	**P253,663,638**	P279,449,637	(P37,098,184)
Adjusted weighted average number of shares outstanding *(b)*	**1,222,821,213**	981,546,594	931,546,594
Effect of dilutive potential common shares** *(c)*	**49,500,000**	-	-
Adjusted weighted average number of shares outstanding (d=b+c)	**1,272,321,213**	981,546,594	931,546,594
Diluted earnings per share (a/d)	**P0.1994**	P0.2847	(P0.0398)

* *Adjusted for the stock dividends declared in 2013.*
** *Adjusted for the convertible preferred shares (see Note 16).*

25. Segment Information

The Group operates in two (2) reportable business segments in 2012, the professional bingo gaming and interactive games licensing, and only one (1) reportable geographical segment which is the Philippines.

In 2013, additional reportable business segment, Participation Income, was recognized. 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. Participation income is the Group's share in net lease income from the Casino Project (see Note 26).

Analysis of financial information by business segment in 2013 is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Participation Income	Others	Eliminations	Consolidated
Net Revenues						
External revenue	P4,044,631,401	P859,554,770	P180,464,168	P -	P -	P5,084,650,339
Results						
Segment results	126,375,149	325,284,793	133,906,205	-	45,686,216	631,252,363
Unallocated corporate expenses	-	-	-	(255,658,401)	-	(255,658,401)
Results from operating activities						375,593,962
Finance income	11,486,850	105,197	373,522	525,320,841	(526,512,003)	10,774,407
Finance expense	(10,633,155)	(45,516,685)	(114,062,405)	(12,040,223)	-	(182,252,468)
Rent/other income	-	84,782,123	38,521,863	113,661,414	-	236,965,400
Foreign exchange loss - net	-	(17,165,272)	-	-	-	(17,165,272)
Equity in net earnings of a joint venture	-	48,228,056	-	-	-	48,228,056
Equity in net loss of an associate	-	-	-	31,904,802	-	31,904,802
Foreign currency translation gain	(238,436)	-	-	-	-	(238,436)
Remeasurements of defined benefit liability -net of tax	(1,129,295)	(5,831,574)	-	-	-	(6,960,869)
Income taxes	(32,726,906)	(27,517,846)	(18,196,147)	(1,663,383)	-	(80,104,282)
Non-controlling interest	(1,230,932)	-	-	-	(97,156,902)	(98,387,834)
Net Income						P318,357,466
Other Information						
Segment assets	P1,423,059,750	P1,767,791,911	P4,456,990,105	P -	(P4,615,081,443)	P3,032,760,323
Investments at cost	756,500	-	-	-	-	756,500
Unallocated corporate assets	-	-	-	-	-	6,158,309,891
Total Assets						P9,191,826,714
Segment liabilities	P1,032,380,864	P1,044,764,909	P3,137,760,196	P -	(P2,463,787,381)	P2,751,118,588
Unallocated corporate liabilities	-	-	-	-	-	1,704,289,852
Total Liabilities						P4,455,408,440
Capital expenditures	P92,382,040	P4,929,800	P83,929	P4,300,591	P -	P101,696,360
Depreciation and amortization	87,555,407	19,242,346	4,141,642	13,314,028	-	124,253,423

Analysis of financial information by business segment in 2012, as restated (see Note 3) is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,851,177,271	P577,835,170	P -	P -	P4,429,012,441
Results					
Segment results	(68,916,117)	191,682,795	-	-	122,766,678
Unallocated corporate expenses					(9,250,774)
Results from operating activities					113,515,904
Finance income	7,073,117	532,753	18,717,166	-	26,323,036
Finance expense	(11,065,908)	(26,847,806)	(117,323)	-	(38,031,037)
Rent/other income	(40,725)	76,099,218	159,964,214	-	236,022,707
Foreign exchange loss - net	-	(3,907,770)	-	-	(3,907,770)
Equity in net earnings of a joint venture	-	36,027,144	-	-	36,027,144
Equity in net loss of an associate	-	-	(524,220)	-	(524,220)
Foreign currency translation gain	55,559	-	-	-	55,559
Remeasurements of defined benefit liability - net of tax	(12,193,786)	(318,426)	-	-	(12,512,212)
Income taxes	-	(16,262,175)	(5,640,393)	-	(21,902,568)
Non-controlling interest	9,947,126	(77,924,138)	-	-	(67,977,012)
Net Income					P267,089,531
Other Information					
Segment assets	P1,205,030,326	P1,262,113,142	P -	(P2,316,363,789)	P150,779,679
Investments at cost	1,694,500	-	-	-	1,694,500
Unallocated corporate assets					3,971,060,166
Total Assets					P4,123,534,345
Segment liabilities	P495,515,345	P651,565,631	P -	(P248,423,700)	P898,657,276
Unallocated corporate liabilities					260,805,415
Total Liabilities					P1,159,462,691
Capital expenditures	P82,298,029	P21,309,783	P38,362,829	P -	P141,970,641
Depreciation and amortization	89,574,470	23,976,186	12,435,699	-	125,986,355

Analysis of financial information by business segment in 2011, as restated (see Note 3) is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,268,615,869	P716,857,167	P -	P -	P3,985,473,036
Results					
Segment results	(26,887,979)	101,644,293	-	-	74,756,314
Unallocated corporate expenses					(264,750,041)
Results from operating activities					(189,993,727)
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)
Rent/other income	64,724,955	60,378,674	14,983,020	-	140,086,649
Foreign exchange gain - net	-	4,962,019	-	-	4,962,019
Equity in income of a venture	-	24,263,436	-	-	24,263,436
Remeasurements of defined benefit liability - net of tax	(9,337,900)	(503,940)	-	-	(9,841,840)
Foreign currency translation gain	11,839	-	-	-	11,839
Income taxes	-	(9,665,325)	63,850,206	-	54,184,881
Non-controlling interest	6,740,574	(47,085,697)	-	-	(40,345,123)
Net Loss					(46,864,470)
Other Information					
Segment assets	P1,206,724,826	P1,040,503,837	P -	(P2,316,363,789)	(P69,135,126)
Investments at cost	1,694,500	-	-	-	1,694,500
Unallocated corporate assets					3,769,879,968
Total Assets					P3,702,439,342
Segment liabilities	P491,801,147	P646,830,555	P -	(P248,423,700)	P890,208,002
Unallocated corporate liabilities					61,475,447
Total Liabilities					P951,683,449
Capital expenditures	P94,914,631	P147,431	P109,398,705	P -	P204,460,767
Depreciation and amortization	61,005,380	19,882,274	8,715,429	-	89,603,083

There were no intersegment sales recognized between the two reportable segments in 2013, 2012, and 2011. 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 a related party. 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, LRWC and the Company entered into several agreements (the "ABLGI Agreements") with Belle Corporation (Belle) and Premium Leisure and Amusement, Inc. (PLAI) for the leasing, fit out and operation of an integrated casino development project to be located at Aseana Business Park, Paranaque City (the "Project").

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 (Casino Project) to be located within the Manila Bay Reclamation Area.

In 2011, Belle Corporation made advance payments amounting to P29,840,622 in behalf of ABLGI for the construction of leasehold improvements. The advances bear an interest of 12% per annum.

As at 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.

On March 13, 2013, the Company, LRWC, Belle, and PLAI entered into a Memorandum of Agreement (ABLGI MOA) effectively terminating its ABLGI Agreements. In consideration for the waiver of ABLGI's rights under the ABGLI Agreements, Belle and PLAI have agreed to pay ABLGI, an amount equivalent to the 30% interest in the net lease income ("Participation income") of land and building of the Project. The Participation income is to be paid to ABLGI upon actual receipt by Belle of the lease income from the Project. Participation income paid to ABLGI amounted to P180,464,168 as at December 31, 2013. In addition, ABLGI agreed to advance P4,000,000,000 (the ABLGI Advance) to Belle representing agreed upon payments by the former as set out in the ABLGI MOA of an amount equivalent to 30% of the total value of the land and actual development costs of the buildings already constructed in the Project. The terms and repayment periods of the ABLGI Advance will be determined upon the signing of the implementing agreement. As at May 9, 2014, ABLGI, LRWC, Belle, and PLAI have not yet finalized its implementing agreements.

The P4,000,000,000 advances are included under "Advances to a third party" account in the consolidated statements of financial position.

Advances made by ABLGI amounting to P112,530,917, previously included as part of "Property and equipment" and "Investment and advances" in 2011 and 2012, respectively, was included under "Advances to a third party" account in 2013 (see Note 29).

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 P7,880,439, P8,431,621, and P10,247,793 in 2013, 2012, and 2011, respectively.

Likewise, the Group's revenues from e-bingo are as follows:

	2013	2012	2011
Gross receipts from e-bingo	**P2,587,083,417**	P2,090,285,741	P1,476,667,877
Less share of owners of e-bingo machines	**563,380,416**	459,752,038	324,867,086
Net revenues	**P2,023,703,001**	P1,630,533,703	P1,151,800,791

Tax Cases

- *South Entertainment Gallery, Inc. (SEGI) v. Commissioner of Internal Revenue, CTA Case No. 8257*

  In 2013, SEGI assails the validity of the Warrant of Distraint and/or Levy (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 ("1997 NIRC") and Revenue Regulations No. ("Rev. Regs.") 12-99). The respondent terminated the presentation of its evidence and filed its Formal Offer of Evidence on April 11, 2013. On July 24, 2013, petitioner filed an Omnibus Motion (A) For Presentation of Additional Evidence; and (B) To Defer Filing of Memorandum of Petitioner. The Court of Tax Appeals granted the foregoing Motion. The presentation of the additional evidence of the petitioner is set on October 21, 2013.

- *SEGI v. Commissioner of Internal Revenue, CTA Case No. 8286*

  In 2013, SEGI 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 NIRC and Rev. Regs. 12-99. Both parties have terminated the presentation of their evidence. The case was submitted for decision/resolution on April 22, 2013.

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 and Capital Management Objectives and Policies

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.

On August 12, 2012, the BOD created a Risk Oversight Committee which will be responsible for overseeing and managing risk that the Group may encounter. They will develop proper strategies and measures to avoid or at least minimize such risk incorporating the Group's established risk management policies.

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 BOD constituted the Group's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the Group's financial statements and financial reporting process and the Group's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Group's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Group with legal and regulatory requirements, including the Group's disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group's annual report. The results of procedures performed by Internal Audit are reported to the Audit Committee. On the other hand, the Audit Committee reports all the issues identified over 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 at December 31, 2013 and 2012, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	Note	**2013**	2012
Cash in banks	*4*	**P271,250,510**	P172,256,416
Receivables - net	*5*	**433,543,257**	229,469,332
Due from related parties	*22*	**105,696,264**	92,548,086
Venue rental and other deposits	*7, 12*	**121,157,733**	145,661,153
Cash and performance bonds	*12*	**144,312,513**	45,100,000
		P1,075,960,277	P685,034,987

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 BOD 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. 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:

	2013		2012	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P279,962,807	P -	P236,795,529	P -
Past due 1- 30 days	28,497,461	-	614,629	-
Past due 31- 60 days	11,393,973	-	593,623	-
More than 60 days	154,351,688	40,662,672	22,644,100	31,178,549
	P474,205,929	P40,662,672	P260,647,881	P31,178,549

As at 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. Allowance for impairment losses on receivables amounted to P40,662,672 and P31,178,549 as at December 31, 2013 and 2012, respectively.

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.

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.

The credit quality of the Group's neither past due nor impaired financial assets based on their historical experience with the corresponding third parties has been defined as follows:

- Grade A: Financial assets which are consistently collected before maturity.
- Grade B: Financial assets which are collected on their due dates even without an effort from the Group's to follow them up.
- Grade C: Financial assets which are collected on their due dates provided that the Group's made a persistent effort to collect.

As at December 31, the credit quality per class of financial assets that are neither past due nor impaired is as follows:

	2013			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks	**P271,250,510**	**P -**	**P -**	**P271,250,510**
Receivables:				
Trade receivables	**14,043,991**	**21,896,882**	**154,351,688**	**190,292,561**
Receivable from an investment broker	**-**	**163,500,000**	**-**	**163,500,000**
Advances to officers and employees	**-**	**20,604,583**	**-**	**20,604,583**
Receivables from concessionaires	**-**	**32,195,997**	**-**	**32,195,997**
Other receivables:	**-**		**-**	
Flexytech, Inc.	**-**	**9,654,310**	**-**	**9,654,310**
Kingloc Asia Limited	**-**	**4,027,056**	**-**	**4,027,056**
Vinta Gaming, Inc.	**-**	**2,624,633**	**-**	**2,624,633**
Others	**-**	**10,644,117**	**-**	**10,644,117**
Due from related parties - net	**-**	**105,696,264**	**-**	**105,696,264**
Venue rental and other deposits	**-**	**121,157,733**	**-**	**121,157,733**
Cash and performance bonds	**-**	**144,312,513**	**-**	**144,312,513**
	P285,294,501	**P636,314,088**	**P154,351,688**	**P1,075,960,277**

	2012			
	Grade A	Grade B	Grade C	Total
Cash in banks	P172,256,416	P -	P -	P172,256,416
Receivables:				
Trade receivables	-	105,269,963	22,644,100	127,914,063
Advances to officers and employees	-	18,573,083	-	18,573,083
Advances to Royal Highland Leisure and Resort Corporation (RHLRC)	-	15,287,416	-	15,287,416
Receivables from concessionaires	-	22,317,051	-	22,317,051
Other receivables:	-		-	
Flexytech, Inc.	-	17,231,759	-	17,231,759
Kingloc Asia Limited	-	4,026,556	-	4,026,556
Vinta Gaming, Inc.	-	2,623,736	-	2,623,736
AT Bingo Station	-	6,052,822	-	6,052,822
Insular Gaming Corp.	-	2,696,408	-	2,696,408
Others	-	12,746,438	-	12,746,438
Due from related parties - net	-	92,548,086	-	92,548,086
Venue rental and other deposits	-	145,661,153	-	145,661,153
Cash and performance bonds	-	45,100,000	-	45,100,000
	P172,256,416	P490,134,471	P22,644,100	P685,034,987

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 at December 31, 2013 and 2012, the total commitment under the line of credit are P220,000,000 and P190,000,000 respectively, of which the Group had drawn P195,717,100 and P95,464,000, 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:

	2013				
	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*	P1,093,593,615	P976,852,873	P975,282,024	P839,144	P731,705
Short-term and long-term loans payable	3,195,360,727	3,865,106,859	380,781,986	326,360,298	3,157,964,575
Obligations under finance lease	20,401,123	29,864,085	21,375,582	5,425,707	3,062,797
Due to a related party	19,198,696	19,198,696	19,198,696	-	-
Rent deposit	4,421,800	4,421,800	-	-	4,421,800
	P4,332,975,961	P4,895,444,313	P1,396,638,288	P332,625,149	P3,166,180,877

* *Excluding statutory payables.*

	2012				
	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*	P636,883,027	P636,883,027	P577,705,539	P59,177,488	P -
Short-term and long-term loans payable	127,174,900	135,799,096	110,588,972	2,407,711	22,802,413
Obligations under finance lease	10,289,715	17,984,896	439,094	10,778,818	6,766,984
Due to a related party	9,070,691	9,070,691	9,070,691	-	-
Rent deposit	4,731,800	4,731,800	4,731,800	-	-
	P788,150,133	P804,469,510	P702,536,096	P72,364,017	P29,569,397

* *Excluding statutory payables.*

Market Risk

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	**2013**	2012
Variable rate:			
Financial assets	*4*	**P6,787,781,773**	P172,256,416
Financial liabilities	*13, 14*	**4,272,201,660**	105,753,715

Sensitivity Analysis
A 2% increase in interest rates would have increase equity and profits by P50,311,602 and P1,330,054 in 2013 and 2012, respectively, in the consolidated financial statements.

A 2% decrease in interest rates for December 31, 2013 and 2012 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:

	2013	2012
Cash in bank	**$458,998**	$1,162,428
Trade receivables	**3,579,358**	3,179,944
CEZA fees payable	**(9,949,864)**	(7,948,300)
	($5,911,508)	($3,605,928)

Foreign exchange loss recognized in 2013 and 2012 amounted to P17,165,272 and P3,907,770, respectively and foreign exchange gain in 2011 amounted to P4,962,019.

The following are the significant exchange rates applied during the year:

	2013	2012
PHP average rate	**44.14**	42.22
PHP spot rate	**44.40**	41.05

Sensitivity Analysis
A 10% strengthening of the Philippine peso against the USD would have increased equity and net income by P24,931,933 and P14,802,334 in 2013 and 2012, respectively.

A 10% weakening of the Philippine peso against the US dollars as at December 31, 2013 and 2012 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/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, and cash and performance bonds approximate their fair values, because the Group does not anticipate its carrying amount to be significantly different from the actual value that they would be eventually collected.

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 at 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 at 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 at December 31, 2013 and 2012.

29. Reclassifications

Various accounts in 2012 were reclassified to conform with the current year presentation. These accounts are as follows:

	Note	As Previously Presented	Adjustment	As Reclassified
Consolidated Statements of Financial Position				
Receivables - net	*5*	P291,351,293	(P61,881,961)	P229,469,332
Prepaid expenses and other current assets	*7*	243,603,774	15,729,264	259,333,038
Due from related parties	*22*	46,395,389	46,152,697	92,548,086
Investment properties	*9*	121,417,474	186,078,447	307,495,921
Investments and advances - net	*10*	1,656,287,126	(112,530,917)	1,543,756,209*
Advances to a third party	*26*	-	112,530,917	112,530,917
Other assets - net	*12*	429,546,539	(186,078,447)	243,468,092

**Balance before the restatement as discussed (see Note 10).*

KPMG

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Leisure & Resorts World Corporation (the "Parent Company") and Subsidiaries (collectively known as the "Group") as at and for the years ended December 31, 2013 and 2012, included in this Form 17-A, and have issued our report thereon dated May 8, 2014.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

The supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC PA Control No. A-653-A, Group A, valid until June 6, 2014
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225129MC
Issued January 2, 2014 at Makati City

May 8, 2014
Makati City, Metro Manila

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE B Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG. OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN-OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
Benitez, Jose Francisco	625,000			-		625,000	625,000
Duncil, Josie M.	1,375,256			-		1,375,256	1,375,256
Mananquill, Eric	17,644	15,241	(32,365)	-	520		520
Metila, Jose Melfred	129,586	17,700	(11,450)	-	135,836		135,836
Nuñez, Renato	4,402,460	-	(1,200,000)	-		3,202,460	3,202,460
Clemente, Salvador	6,803,693	11,450,088	(18,253,780)	-			-
Reyes, Alfredo	-	8,441,104		-	8,441,104		8,441,104
Arriola, Anthony III	1,772,341	4,671,057	(1,772,341)	-	4,671,057		4,671,057
Tobias, Catherine	1,323,230	1,522,720	(1,323,230)	-	1,522,720		1,522,720
Others	3,499,130	2,061,716	(3,554,959)	-	2,005,887		2,005,887
Total	**19,948,340**	**28,179,626**	**(26,148,125)**	**-**	**16,777,124**	**5,202,716**	**21,979,840**

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE C **Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements**

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG. OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN-OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
AB LEISURE GLOBAL INC.	410,250,548	114,620,199	(475,891,957)	-	48,978,790		48,978,790
LR LAND DEVELOPERS, INC.	436,460,587	4,965,316	(500,000)	-	4,965,316	435,960,587	440,925,903
BINGO BONANZA LIMITED	68,554,345	19,942,895		-	19,942,895	68,554,345	88,497,240
PRIME INVESTMENT KOREA, INC.	-	6,000,000			6,000,000		6,000,000
Total	**915,265,480**	**145,528,410**	**(476,391,957)**	**-**	**79,887,001**	**504,514,932**	**584,401,933**

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE D INTANGIBLE ASSETS - GOODWILL AND OTHER ASSETS

Description	Beginning Balance 12/31/2012	Addtions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending Balance 12/31/2013
Goodwill - net	**546,318,689**					**546,318,689**
Airstrip improvements - net	69,395,969		(8,674,496)			60,721,473
Cash in bank - restricted		86,362,513				86,362,513
Venue rental deposits and other deposits	111,649,296	43,472,280	(11,043,419)	(2,714,966)	87,185	141,450,376
Cash and performance bonds	45,100,000	12,850,000				57,950,000
Advance regulatory fee on instant games	12,864,993					12,864,993
Operating leases	4,253,690			1,000,000		5,253,690
Others	204,144				(204,144)	-
Total Other Assets	**243,468,092**	**142,684,793**	**(19,717,915)**	**(1,714,966)**	**(116,959)**	**364,603,045**
Total Intangible Assets	**789,786,781**	**142,684,793**	**(19,717,915)**	**(1,714,966)**	**(116,959)**	**910,921,734**

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE E LONG TERM DEBT

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt"	Amount shown under caption "Long term debt"
Banco de Oro		317,961,340	2,649,677,830 5.75% payable on May, 2013 to February, 2019
Banco de Oro		8,953,852	10,189,775 13.00% payable on December, 2011 to December, 2015
		326,915,192	

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE F INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

Name of Related Party	Balance at the Beginning of the Period	Balance at the End of the Period
Longview Holdings Corporation	9,070,691	9,070,691
Others (Stockholders)	3,200,000	10,128,005
TOTAL	12,270,691	19,198,696

Leisure & Resorts World Corporation

Schedule H. Capital Stock

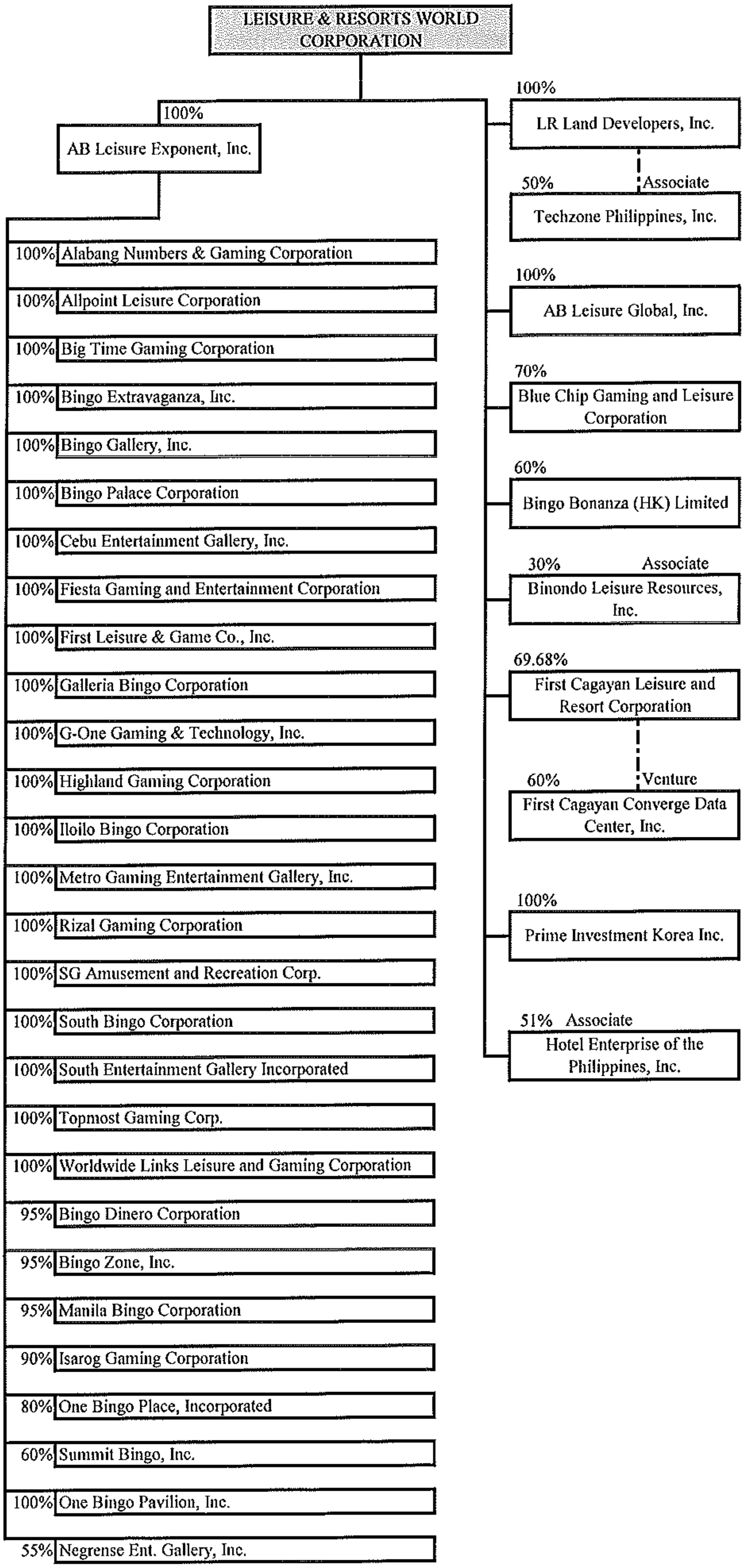
Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	2,500,000,000	1,199,852,512		431,211,303	5,669,884	762,971,325
Preferred Shares	2,500,000,000	1,650,000,000	82,500,000			

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE I - FINANCIAL SOUNDNESS INDICATORS

Key Performance Indicator	Formula	2013		2012	
Current Ratio	Current Assets / Current Liabilities	1,022,488,124 / 1,709,229,499	59.8%	788,447,324 / 1,064,037,881	74.1%
Debt to Equity Ratio	Total Liabilities / Stockholders' Equity	4,455,408,440 / 4,736,418,274	94.1%	1,159,462,691 / 2,964,071,654	39.1%
Asset to Equity Ratio	Total Assets / Stockholders' Equity	9,191,826,714 / 4,736,418,274	194%	4,123,534,345 / 2,964,071,654	139%
Payout Turn-over	Net Revenues / Payout	3,058,612,588 / 1,290,163,243	2.37 times	2,704,139,673 / 1,349,556,107	2.00 times
Return on Average Equity	Net Income / Average Equity	423,944,605 / 3,850,244,964	11.0%	347,523,196 / 2,857,413,774	12.2%
Return on Average Assets	Net Income / Average Total Assets	423,944,605 / 6,657,680,530	6.4%	347,523,196 / 3,912,986,844	8.9%
Solvency Ratio	Net Income + Depreciation / Total Liabilities	548,198,028 / 4,455,408,440	12.3%	473,509,551 / 1,159,462,691	40.8%
Interest Coverage Ratio	Income Before Interest & Tax / Interest Expense	686,301,355 / 182,252,468	3.77	407,456,801 / 38,031,037	10.71
Net Book Value Per Share	Stockholders' Equity / Weighted Average Shares Outstanding	4,736,418,274 / 1,176,883,813	4.02	2,964,071,654 / 981,546,594	3.02
Earnings (Loss) Per Share	Net Income Attributable to Owners of the Parent Company / Weighted Average Shares Outstanding	253,663,638 / 1,176,883,813	0.2155	279,449,637 / 981,546,594	0.2847

LEISURE & RESORTS WORLD CORPORATION
MAP OF CONGLOMERATE
As at December 31, 2013



LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1		✓	
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption		✓	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities		✓	
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements		✓	
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		✓	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations			✓
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓

KPMG

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REPORT OF INDEPENDENT AUDITORS

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

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Leisure & Resorts World Corporation (the "Company") as at and for the years ended December 31, 2013 and 2012 and have issued our report thereon dated May 8, 2014.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the separate financial statements. Such information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC PA Control No. A-653-A, Group A, valid until June 6, 2014
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225129MC
Issued January 2, 2014 at Makati City

May 8, 2014
Makati City, Metro Manila

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Category A, valid until December 17, 2014

LEISURE & RESORTS WORLD CORPORATION
26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City
Reconciliation of Retained Earnings Available for Dividend Declaration
as of December 31, 2013

Unappropriated Retained Earnings, Available for Dividend Declaration, beginning		**P254,351,491**
Adjustments:		
Adjustments in previous year's reconciliation		-
Unappropriated Retained Earnings, as adjusted, and Available for Dividend Declaration		**254,351,491**
Net Income based on the face of AFS	P361,604,665	
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 adjustment of Investment Property resulting to gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Add (Less):		
Dividend declarations during the period	(366,088,619)	
Net income/ (loss) actually earned during the period		**(4,483,954)**
Unappropriated Retained Earnings, as adjusted, ending		**P249,867,537**

Leisure & Resorts World Corporation

ANNUAL REPORT
(SEC FORM 17-A)

INDEX OF EXHIBITS

EXHIBIT	DESCRIPTION	PAGE
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Reports to Security Holders – n1	*
(13)	Letter re: Change in Certifying Accountant – n2	*
(15)	Letter re: Change in Accounting Principles	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	158
(19)	Published Report Regarding Matter Submitted to Vote of Security Holders	*
(20)	Consents of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

- These exhibits are either not applicable to the Company or does not require answers.

EXHIBIT 18: SUBSIDIARIES OF THE REGISTRANT

The Company has four (6) subsidiaries:

Name:	**AB Leisure Exponent, Inc. (ABLE)**
Trade Name:	Bingo Bonanza Corporation
Place of Incorporation:	Philippines
Percentage of ownership:	100%

Note: See page 5-7 (SEC Form 17-A) and Notes to Financial Statements (No. 2) for a list of AB Leisure Exponent, Inc.'s subsidiaries.

Name:	**First Cagayan Leisure & Resort Corporation (FCLRC)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	69.68%

Name:	**LR Land Developers, Inc. (LRLDI)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	100%

Name:	**AB Leisure Global, Inc. (ABLGI)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	100%

Name:	**Blue Chip Gaming and Leisure Corporation (BCLGC)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	70%

Name:	**Bingo Bonanza (HK) Limited (BBL)**
Trade Name:	None
Place of Incorporation:	Hongkong
Percentage of ownership:	60%

Name:	**Prime Investment Korea, Inc. (PIKI)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	100%