COVER SHEET

001-3174
S.E.C. Registration Number

LEISURE & RESORTS WORLD CORPORATION
(Company's Full Name)

26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City
(Business Address : No. Street Company / Town / Province)

Carmelita D. L. Chan
Contact Person

886-0133
Company Telephone Number

12 31
Month *Day*

AAFS
FORM TYPE

Month *Day*
Annual Meeting

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 I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

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

Branches: Subic · Cebu · Bacolod · Iloilo

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation, which comprise the separate statements of financial position as at December 31, 2013 and 2012, and the separate statements of profit or loss and other comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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

KPMG

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the unconsolidated financial position of Leisure & Resorts World Corporation as at December 31, 2013 and 2012, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and RR No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information in Note 14 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the separate financial statements. In our opinion, the supplementary information 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

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

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

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 separate financial statements of Leisure & Resorts World Corporation (the "Company") as at and for the year ended December 31, 2013, on which we have rendered our report dated May 8, 2014.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

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

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

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY 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 the accompanying separate financial statements of Leisure & Resorts World Corporation (the "Company") as at and for the year ended December 31, 2013, on which we have rendered our report dated May 8, 2014.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has 1,716 stockholders owning one hundred (100) or more shares each.

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

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Leisure & Resorts World Corporation

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation, which comprise the separate statements of financial position as at December 31, 2013 and 2012, and the separate statements of profit or loss and other comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements present fairly, in all material respects, the unconsolidated financial position of Leisure & Resorts World Corporation as at December 31, 2013 and 2012, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and RR No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information in Note 14 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

R.G. Manabat & Co.

May 8, 2014
Makati City, Metro Manila

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the unconsolidated financial position of Leisure & Resorts World Corporation as at December 31, 2013 and 2012, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and RR No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information in Note 14 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

R.G. Manabat & Co.

May 8, 2014
Makati City, Metro Manila

LEISURE & RESORTS WORLD CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2013 and 2012

LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2013**	2012
ASSETS			
Current Assets			
Cash	*4, 13*	**P85,392,752**	P10,996,020
Receivables	*5, 13*	**524,367,467**	225,722
Due from related parties - net	*11, 13*	**753,011,867**	915,265,480
Other current assets		**1,853,412**	-
Total Current Assets		**1,364,625,498**	926,487,222
Noncurrent Assets			
Property and equipment - net	*6*	**2,786,484**	158,363
Investments and advances - net	*7*	**3,464,203,565**	1,748,209,447
Rent deposit	*10, 13*	**145,950**	145,950
Total Noncurrent Assets		**3,467,135,999**	1,748,513,760
		P4,831,761,497	P2,675,000,982
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*8, 13*	**P130,266,332**	P39,234,631
Due to related parties	*11, 13*	**511,984,130**	291,746,780
Total Liabilities		**642,250,462**	330,981,411
Equity	*9*		
Capital stock		**2,849,852,512**	999,877,094
Additional paid-in capital		**1,089,790,986**	1,089,790,986
Retained earnings		**249,867,537**	254,351,491
Total Equity		**4,189,511,035**	2,344,019,571
		P4,831,761,497	P2,675,000,982

See Notes to the Separate Financial Statements.

LEISURE & RESORTS WORLD CORPORATION

SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2013**	2012
DIVIDEND INCOME	*11*	**P524,200,000**	P154,520,000
OPERATING EXPENSES			
Impairment losses on due from related parties	*11*	**45,650,818**	-
Professional and directors' fees		**42,057,097**	8,347,366
Salaries and wages		**19,457,466**	9,543,334
Listing and filing fees		**10,521,666**	1,082,672
Taxes and licenses		**9,389,420**	51,701
Employee benefits		**8,932,929**	4,198,091
Transportation and travel		**1,167,887**	452,083
Rent	*10*	**854,207**	653,856
Postage and communications		**466,156**	311,714
Insurance		**403,561**	279,624
Depreciation	*6*	**219,439**	84,421
Printing and office supplies		**121,164**	59,597
Impairment losses on investment in subsidiary	*7*	**35,398**	-
Representation and entertainment		**-**	3,072,110
Others		**1,180,148**	1,310,616
		140,457,356	29,447,185
INCOME FROM OPERATIONS		**383,742,644**	125,072,815
OTHER INCOME (EXPENSE) - Net			
Share in net loss of an associate	*7*	**(11,201,484)**	-
Interest expense	*7*	**(12,024,377)**	-
Interest income	*4, 7*	**1,087,882**	18,622,898
		(22,137,979)	18,622,898
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P361,604,665**	P143,695,713

See Notes to the Separate Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Capital Stock		Additional		
	Common Shares	Preferred Shares	Paid-in Capital	Retained Earnings	Total
Balance at January 1, 2013	**P999,877,094**	**P -**	**P1,089,790,986**	**P254,351,491**	**P2,344,019,571**
Issuance	**-**	**1,650,000,000**	**-**	**-**	**1,650,000,000**
Net income during the year	**-**	**-**	**-**	**361,604,665**	**361,604,665**
Cash dividends	**-**	**-**	**-**	**(166,113,201)**	**(166,113,201)**
Stock dividends	**199,975,418**	**-**	**-**	**(199,975,418)**	**-**
Balance at December 31, 2013	**P1,199,852,512**	**P1,650,000,000**	**P1,089,790,986**	**P249,867,537**	**P4,189,511,035**
Balance at January 1, 2012	P999,877,094	P -	P1,089,790,986	P185,646,560	P2,275,314,640
Net income during the year	-	-	-	143,695,713	143,695,713
Cash dividends	-	-	-	(74,990,782)	(74,990,782)
Balance at December 31, 2012	P999,877,094	P -	P1,089,790,986	P254,351,491	P2,344,019,571

See Notes to the Separate Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2013**	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before tax		**P361,604,665**	P143,695,713
Adjustments for:			
Impairment loss on due from related parties	*11*	**45,650,818**	-
Interest expense	*7*	**12,024,377**	-
Depreciation	*6*	**219,439**	84,421
Impairment loss on investment in a subsidiary	*7*	**35,398**	-
Interest income	*4, 7*	**(1,087,882)**	(18,622,898)
Dividend income	*7*	**(524,200,000)**	(154,520,000)
Operating loss before working capital changes		**(105,753,185)**	(29,362,764)
Decrease (increase) in:			
Receivables		**789,255**	(77,358)
Due from related parties		**116,602,795**	(103,042,088)
Other current assets		**(1,853,412)**	-
Increase in:			
Trade and other payables		**7,065,518**	209,983
Due to related parties		**220,237,350**	237,710,569
Cash generated from operations		**237,088,321**	105,438,342
Dividends received	*7*	**-**	154,520,000
Interest received	*4*	**356,882**	18,622,898
Interest paid	*7*	**(12,024,377)**	-
Net cash flows provided by operating activities		**225,420,826**	278,581,240
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in:			
Investment and advances		**(1,715,029,516)**	(787,574,049)
Rental deposit		**-**	(145,950)
Additions to property and equipment	*6*	**(2,847,560)**	(125,690)
Acquisition of a subsidiary	*7*	**(1,000,000)**	-
Cash flows used in investing activities		**(1,718,877,076)**	(787,845,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	*9*	**(82,147,018)**	(84,155,210)
Proceeds from issuance of preferred shares	*9*	**1,650,000,000**	-
Net cash flows provided by (used in) financing activities		**1,567,852,982**	(84,155,210)
NET INCREASE (DECREASE) IN CASH		**74,396,732**	(593,419,659)
CASH AT BEGINNING OF YEAR	*4*	**10,996,020**	604,415,679
CASH AT END OF YEAR	*4*	**P85,392,752**	P10,996,020

See Notes to the Separate Financial Statements.

1. Reporting Entity

Leisure & Resorts World Corporation (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. The Company is a public company under section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange, Inc (PSE). The Company's primary purpose is to engage in realty development, focusing on 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. Since 1999, however, the Company has functioned mainly as a holding company. On November 6, 2006, SEC approved the extension of the Company's corporate life until December 31, 2055.

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

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

The separate financial statements have been prepared on a historical cost basis.

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso is rounded-off to the nearest peso, except when otherwise stated.

Use of Judgments and Estimates

The preparation of the separate financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the amounts reported in the separate financial statements. The estimates and assumptions used in preparing the accompanying separate financial statements are based on management's evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments

In the process of applying the Company's accounting policies, management has made the judgment below, apart from those involving estimations, that has the most significant effect on the amounts recognized in the separate financial statements.

Determining Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso.

Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available and whether those prices represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

Determining the Fair Value of Financial Instruments

The Company's financial assets and financial liabilities measured at fair value require the use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates). Any changes in fair value of these financial assets and liabilities would affect the separate statements of profit or loss and other comprehensive income and separate statements of changes in equity.

The fair values of the Company's financial instruments are presented in Note 13 to the separate financial statements.

Determining whether an Arrangement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date, and makes assessment on whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

The Company has entered into lease arrangement as a lessee. In determining whether all significant risks and rewards of ownership remain with the lessor or transferred to the lessee, the following factors are considered:

a. the ownership of the asset does not transfer at the end of the lease term;
b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;
d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset; and
e. the leased asset is not of such a specialized nature that only the lessee can use without major modifications.

Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Rent expense recognized in profit or loss by the Company for the years ended December 31, 2013 and 2012 amounted to P854,207 and P653,856, respectively (see Note 10).

Determining Significant Influence over an Associate
The Company considers its investment in Hotel Enterprises of the Philippines (HEPI) as investment in associate. The Company 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 Company has no ability to affect those returns through its power. The Company 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 Company. The Company 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.

<u>Assumptions and Estimation Uncertainties</u>
The key assumptions concerning the future and other key sources of estimation and uncertainty at reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Measurement of Fair Values
The Company 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 Company 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 13.

Estimating Allowance for Impairment Losses on Receivables and Due from Related Parties
The Company 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 Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase recorded operating expenses and decrease current assets.

As at December 31, 2013 and 2012, the carrying amounts of receivables and due from related parties amounted to P1,277,379,334 and P915,491,202, respectively. As at December 31, 2013 and 2012, the related allowance for impairment losses amounted to P45,650,818 in 2013 (see Notes 5, 11 and 13).

Estimating Useful Lives of Property and Equipment
The Company reviews at each reporting date the estimated useful lives (EUL) of property and equipment based on the period over which the asset's future economic benefits are expected to be utilized or consumed. These are revised 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 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 EUL of property and equipment would increase the recorded depreciation expense and decrease noncurrent assets.

The EUL of the Company's property and equipment are 2-5 years.

Depreciation expense for the years ended December 31, 2013 and 2012 amounted to P219,439 and P84,421, respectively. Property and equipment, net of accumulated depreciation amounted to P2,786,484 and P158,363 as at December 31, 2013 and 2012, respectively (see Note 6).

Estimating Allowance for Impairment Losses on Non-financial Assets
The Company assesses impairment on property and equipment and investment and advances when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

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 separate 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.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the recoverable amounts and may lead to future impairment losses.

As at December 31, 2013 and 2012, the following are the carrying amounts of non-financial assets:

	Note	**2013**	2012
Property and equipment - net	*6*	**P2,786,484**	P158,363
Investments and advances - net	*7*	**3,464,203,565**	1,748,209,447

Estimating Realizability of Deferred Tax Asset
The Company reviews the carrying amount of deferred tax assets at each reporting date and reduces 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. The Company also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Company's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses.

As at December 31, 2013 and 2012, the net operating loss carryover (NOLCO) from which no deferred tax asset has been recognized amounted to P157,705,358 and P62,481,287, respectively (see Note 12).

Provisions and Contingencies
The Company, 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.

The Company has not recognized any provision as at December 31, 2013 and 2012.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards

The Company has adopted the following amendments to standards and interpretations starting January 1, 2013 and accordingly, changed its accounting policies. The adoption of these amendments to standards and interpretations did not have any significant impact on the Company's separate financial statements.

The Company has adopted the following new or revised standards and amendments to standards starting January 1, 2013 and accordingly, changed its accounting policies.

- Presentation of Items of Other Comprehensive Income *(Amendments to PAS 1, Presentation of Financial Statements).* The amendments: (a) require that an entity presents 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 statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

  As a result of the adoption of the amendments to PAS 1, the Company has modified the presentation of items of other comprehensive income in its separate 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.

- PFRS 12 *Disclosure of Interests in Other Entities* 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 Company assessed the disclosure requirements for its interests in subsidiaries, and associates in comparison with the existing disclosures.

  The Company considered the required disclosures on the nature and risks associated with the Company's interests in other entities, and the effects of those interests on the Company's separate financial statements. PFRS 12 has no significant impact on the disclosures of interest in subsidiaries, and associates.

- PFRS 13, *Fair Value Measurement,* replaces the fair value measurement guidance contained in individual PFRS 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 PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of the new standard did not have a significant effect on the measurement of the Company's assets and liabilities.

- PAS 27 *Separate Financial Statements* (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

  The amendment to PAS 27 has no significant effect on the separate financial statements of the Company.

- *Annual Improvements to PFRS 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. None of these has a significant effect on the separate financial statements of the Company.

  - PAS 34, Interim Financial Reporting - Segment Assets and Liabilities. This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in PFRS 8, *Operating Segments.* PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

Additional disclosure required by the new or revised standards and amendments to standards were included in the separate financial statements, where applicable.

New or Revised Standards, Amendments to Standards Not Yet Adopted
A number of new standards, amendments to standards are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the separate financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the separate financial statements.

- PFRS 9, *Financial Instruments (2009, 2010 and 2013).* 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. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (b) changes to address the so-called 'own credit' issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date. The Company will conduct an evaluation of the possible financial impact of the adoption of PFRS 9 and does not plan to adopt this standard early.

Financial Instruments

The Company recognizes a financial asset or a financial liability in the separate 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 trade date accounting. Regular way purchases or sales of financial assets require delivery of assets within timeframe generally established by regulations or convention in the marketplace.

Financial instruments are recognized initially at fair value. The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments and receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. Except for those designated at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Financial Assets

The Company classifies its financial assets in the following categories: (a) at FVPL, (b) loans and receivables, (c) HTM investments, and (d) AFS financial assets. The Company's classification depends on the purpose for which the separate financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company only holds financial assets classified as loans and receivables.

(a) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the financial reporting date, in which case, these are classified as noncurrent assets. The Company's cash, receivables, due from related parties and rent deposits are classified as loans and receivables as at December 31, 2013 and 2012.

Cash includes cash on hand and in banks which are stated at face value.

(b) Initial Recognition and Derecognition

Regular purchases and sales of financial assets are recognized on trade date - the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulations or convention in the marketplace. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL. Financial assets carried at FVPL are initially recognized at fair value and transaction costs are expensed in profit or loss.

Financial assets are derecognized when:

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

(c) Subsequent Measurement

Loans and receivables are carried at amortized cost using the effective interest rate method, less impairment losses, if any.

(d) Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

(e) Impairment

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that the financial assets are impaired includes:

- default of delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indicators that the debtor or issuer will enter a bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for the security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. Impairment loss is recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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.

Financial Liabilities

(a) Classification

The Company classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities. The Company's financial liabilities are classified as other financial liabilities.

Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash.

As at December 31, 2013 and 2012, the Company has designated as other financial liabilities its trade and other payables and due to related parties.

(b) Initial Recognition and Derecognition

Financial liabilities are initially recognized at fair value, plus any directly attributable transaction cost.

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

(c) Subsequent Measurement

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is presented in the separate statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either 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 statements of financial position.

'Day 1' Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where no observable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

<u>Classification of Financial Instruments Between Debt and Equity</u>
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 Company; 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 Company 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.

Investments and advances

The Company's investments in shares of stock of subsidiaries and associates are accounted for under the cost method as provided for under PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.* A subsidiary is an enterprise which is controlled by the Company. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

The investments are carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from the subsidiary and associate in profit or loss when its right to receive the dividend is established.

This also includes advances to companies over which the Company has positive intention of future ownership.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation 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 it 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 Company. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the EUL of the property and equipment.

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from those assets.

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

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets such as property and equipment and investments and advances are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

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

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

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the separate financial statements. If it has become virtually certain that inflow of economic benefits will arise, the asset and the related income are recognized in the separate financial statements in the periods in which the change occurs.

Capital Stock and Additional Paid-in Capital

Capital stock and additional paid-in capital are classified as equity. Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity, net of any tax effects. When shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Retained Earnings

Retained earnings represents the cumulative balance of periodic profit/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Revenue Recognition

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

Dividend Income

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

Interest Income

Interest income is recognized as it accrues using the effective interest rate method, net of final tax.

Expense Recognition

Expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

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

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

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

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 expense in profit or loss on a straight-line basis over the lease term.

Income Tax

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 period, using tax rates enacted or substantively enacted by the end of 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. 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.

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.

Segment Reporting
A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Company determines and presents operating segments based on the information that internally is provided to the President, who is the Company's chief operating decision maker. The Company, being a holding company, assessed that it has no reportable segment. Accordingly, the Company does not present segment information.

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

4. Cash

This account consists of:

	Note	**2013**	2012
Cash in banks	*13*	**P85,362,752**	P10,966,020
Cash on hand		**30,000**	30,000
		P85,392,752	P10,996,020

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

Interest income recognized in profit or loss amounted to P356,882 and P18,622,898, in 2013 and 2012, respectively.

The Company's exposure to credit risk relating to cash is disclosed in Note 13.

5. Receivables

This account consists of:

	Note	**2013**	2012
Dividends receivable	*11*	**P524,200,000**	P -
Advances to third parties		**149,117**	148,364
Advances to officers and employees	*11*	**18,350**	77,358
		P524,367,467	P225,722

Advances to third parties represent cash advances made to third party companies which are engaged in similar gaming and amusement activities as the Company. These advances are noninterest-bearing, unsecured and collectible on demand.

Advances to officers and employees are noninterest-bearing, unsecured and are settled upon demand.

The Company's exposure to credit risk relating to receivables is disclosed in Note 13.

6. Property and Equipment

The movements in this account are as follows:

	Computer Equipment	**Furniture and Fixtures**	**Total**
Cost			
January 1, 2012	P252,461	P -	P252,461
Additions	125,690	-	125,690
December 31, 2012	378,151	-	378,151
Additions	2,757,040	90,520	2,847,560
December 31, 2013	**3,135,191**	**90,520**	**3,225,711**
Accumulated Depreciation			
January 1, 2012	135,367	-	135,367
Depreciation	84,421	-	84,421
December 31, 2012	219,788	-	219,788
Depreciation	192,568	26,871	219,439
December 31, 2013	**412,356**	**26,871**	**439,227**
Carrying Amount			
December 31, 2012	P158,363	P -	P158,363
December 31, 2013	**P2,722,835**	**P63,649**	**P2,786,484**

7. Investments and Advances

This account consists of:

	Percentage of Ownership	2013	Percentage of Ownership	2012
Investments				
Subsidiaries:				
AB Leisure Exponent, Inc. (ABLE)	100%	P750,000,000	100%	P750,000,000
LR Land Developers, Inc. (LRLDI)	100%	225,000,000	100%	25,000,000
AB Leisure Global, Inc. (ABLGI)	100%	1,451,250,000	100%	1,250,000
Blue Chip Gaming & Leisure Corporation (BCGLC)	70%	2,625,000	70%	2,625,000
Bingo Bonanza (HK) Limited (BBL)	60%	35,398	60%	35,398
First Cagayan Leisure & Resort Corporation (FCLRC)	69.68%	61,375,000	69.68%	61,375,000
Prime Investment Korea Inc., (PIKI)	100%	1,000,000	-	-
		2,491,285,398		840,285,398
Associate:				
Binondo Leisure Resources, Inc. (BLRI):				
Common shares	30%	1,200,000	30%	1,200,000
Preferred shares		20,000,000		20,000,000
Advances for future stock subscription		400,000		400,000
Others - HEPI	51%	750,938,000	1%	938,000
		772,538,000		22,538,000
Accumulated equity in net losses:				
Share in net loss from HEPI		(11,201,484)		-
Advances				
Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure)		26,136,049		776,136,049
HEPI		-		10,500,000
ABLGI		98,750,000		98,750,000
DFNN, Inc. (DFNN)		86,731,000		-
		211,617,049		885,386,049
Allowance for impairment loss on investment in BBL		(35,398)		-
		P3,464,203,565		P1,748,209,447

a. Investment in ABLE

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

In October 1999, the BOD of the Company approved the Share Exchange Agreements (Agreements) with the shareholders of ABLE for the acquisition of the entire outstanding capital stock of ABLE in exchange for 750,000,000 new shares of the Company valued at P750,000,000. By virtue of the Agreements, ABLE became a wholly-owned subsidiary of the Company.

The summarized consolidated financial information of ABLE is presented below.

	2013	2012 As restated
Current assets	**P529,025,182**	P466,138,665
Noncurrent assets	**885,214,323**	670,556,267
Current liabilities	**724,810,603**	329,729,426
Noncurrent liabilities	**68,638,819**	65,723,187
Gross revenues	**4,043,990,307**	3,850,612,917
Net revenues (net of franchise fees)	**2,415,144,711**	2,379,661,048
Net income	**123,442,021**	125,837,328

b. Investment in LRLDI

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

The summarized financial information of LRLDI is presented below.

	2013	2012 As restated
Current assets	**P31,784,977**	P23,058,006
Noncurrent assets	**1,229,463,603**	646,919,579
Current liabilities	**975,245,883**	633,778,076
Noncurrent liabilities	**4,421,800**	4,731,800
Gross revenues	**15,752,733**	16,016,047
Gross profit	**7,590,290**	7,976,518
Net income	**50,113,188**	5,632,921

c. Investment in ABLGI

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

In 2011, the Company entered into an agreement with ABLGI for the subscription of additional 987,500 shares. In relation to this, deposits for future stock subscriptions were made by the Company amounting to P98,750,000.

On July 26, 2013, the BOD of ABLGI approved the increase in its authorized capital stock. On the same date the BOD of the Company approved the subscription of ABLGI's additional shares to be issued. In relation to this, deposits were made by the Company through cash payment and conversion of advances amounted to P1,000,000 and P450,000,000, respectively (see Note 11).

In May 2013, the Company entered into a loan agreement with Philippine Business Bank (PBB) in relation to the P1,000,000,000 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.

As at December 31, 2013 and 2012, shares in relation to the deposits for future stock subscription amounting to P98,750,000 has not been approved by the SEC. As a result this amount was presented as "Advances to ABGLI."

ABLGI started its commercial operations January 1, 2013. The summarized financial information of ABLGI is presented below:

	2013	2012 As restated
Current assets	**P197,714,039**	P235,734,529
Noncurrent assets	**4,259,276,066**	189,166,871
Current liabilities	**389,332,366**	497,464,529
Noncurrent liabilities	**2,748,427,830**	98,750,000
Net income (loss)	**40,543,038**	(3,415,276)

d. Investment in BCGLC

BCGLC was incorporated on October 9, 2009. Its primary purpose is to provide investment, management counsel and to act as agent or representative for business enterprise engaged in gaming and recreation or leisure business. BCGLC started commercial operations in October 2009.

On April 27, 2011, the Company acquired 26,250 shares of BCGLC representing 70% ownership for a price of P2,625,000. The acquisition was ratified by the Company's BOD on May 24, 2011.

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

The consideration transferred exceeds the net identifiable liabilities measured at proportionate interest in identifiable net liabilities resulting in a goodwill of P10,136,302.

The summarized financial information of BCGLC is presented below.

	2013	2012 As restated
Current assets	**P17,876,618**	P10,665,279
Noncurrent assets	**8,965,580**	12,932,041
Current liabilities	**31,300,537**	30,476,410
Gross revenues	**86,491,559**	88,400,977
Net revenues (net of franchise fees and taxes)	**11,846,739**	14,962,214
Net income	**2,420,751**	4,878,807

e. Investment in BBL

On March 15, 2010, the 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 commercial operations in March 2012.

The summarized financial information of BBL is presented below:

	2013	2012 As restated
Current assets	**P1,464,482**	P1,260,621
Noncurrent assets	**11,382,263**	21,419,525
Current liabilities	**88,931,442**	69,586,324
Gross revenue	**641,094**	564,354
Net loss	**28,940,082**	32,138,299

In 2013 the Company recognized impairment loss on the investment in BBL amounted to P35,398. The carrying amount of investment in BBL is nil.

f. Investment in 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.

The summarized financial information of FCLRC is presented below:

	2013	2012 As restated
Current assets	**P1,242,438,250**	P782,632,717
Noncurrent assets	**525,353,661**	479,591,123
Current liabilities	**1,071,324,417**	626,595,809
Noncurrent liabilities	**23,440,492**	24,969,821
Gross revenues	**859,554,770**	577,835,170
Net income	**362,368,792**	257,005,732

g. Investment in BLRI

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

On January 31, 2008, a provisional Grant of Authority (GOA) was received by BLRI from the Philippine Amusement and Gaming Corporation (PAGCOR) to operate a bingo boutique to cover traditional, electronic and new rapid bingo operations and distributions/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 2011, BLRI ceased its bingo boutique operations and entered into an operating lease agreement, as lessor, with PAGCOR for the use of its gaming facilities.

The summarized financial information of BLRI is presented below.

	2013	2012 As restated
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	**14,387,573**	13,465,520

The Company's investment in BLRI's preferred shares are non-voting, cumulative and are entitled to dividends at a preferred rate of 14%.

h. Investment in PIKI

On March 22, 2013, the Company purchased 10,000,000 shares of PIKI representing 100% ownership at a price of P1,000,000. The purchase was ratified by the Company's BOD on June 10, 2013. The acquisition is in line with the Company'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	
Cash and performance bond	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**

i. Investment in HEPI

In relation to the purchase agreement entered into by the Company and Eco Leisure, transfer of shares of stocks representing 50% ownership interest of Eco Leisure at HEPI was completed in 2013.

The management assessed that there is no full management control over the entity. This is because the Company 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 Company 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 is presented below.

	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	29,284,295

j. Advances to HEPI

The advances to HEPI is unsecured, noninterest-bearing and to be settled upon demand.

k. Advances to Eco Leisure

These advances pertain to the deposits made by the Company 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 is expected to be consummated in 2013.

Eco Leisure is a third party company and is incorporated in the Philippines.

l. Advances to DFNN

On November 25, 2013, the Company entered into a convertible loan agreement with DFNN. The loan amounting to P86,000,000 at the option of the Company, 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.

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. Interest income recognized in profit or loss amounted to P731,000 in 2013.

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

8. Trade and Other Payables

This account consists of:

	Note	2013	2012
Dividends payable	*9*	P122,464,925	P38,498,741
Professional and directors' fees		6,764,161	370,365
Others		1,037,246	365,525
		P130,266,332	P39,234,631

Others comprise expanded withholding tax and final tax payable.

9. Equity

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

	2013		2012	
	Number of Shares	**Amount**	Number of Shares	Amount
CAPITAL STOCK				
Authorized				
Common shares - P1 par value	**2,500,000,000**	**P2,500,000,000**	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
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
Authorized				
Preferred shares - P1 par value	**2,500,000,000**	**P2,500,000,000**	-	P -
Issued				
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 -

Increase in Authorized Capital Stock
On September 19, 2000, the SEC approved the increase in the 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 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 between the Company and ABLE's shareholders. Initially, 236,626,466 shares of the 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 (reduced to 328,559,059 shares after equity restructuring) were placed under escrow with Banco de Oro Universal Bank and the release of which is subject to the approval of the 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 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 the Company were registered and may be offered for sale at an offer price of P1.33 per common share. As at December 31, 2013 the Company has a total of 1,199,852,512 issued and outstanding common shares and 1,856 stockholders.

Issuance of New Shares
On January 22, 2013, the BOD of the Company 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 Company 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 the Company 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.

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

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 of the Company 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 Company in 2013 and 2012 are 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

On December 12, 2013, the BOD of the Company declared cash dividends of 8.5% or P70,125,000 to all preferred stockholders of record as at January 2, 2014. This was paid in 2014.

As at December 31, 2013 and 2012, unpaid dividends, included under "Trade and other payables" account in the separate statements of financial position, amounted to P122,464,925 and P38,498,741, respectively (see Note 8).

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 Company, SEC approved the change of the record date to August 28, 2013 with payment date of September 20, 2013.

10. Lease Agreement

The Company leases its office space at 2603D and P-2133 West Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City under an operating lease agreement. The lease is for a period of two years commencing on January 15, 2012 until January 14, 2014. Minimum lease payments as at December 31, 2013 are as follows:

	2013	2012
Less than one year	**P27,972**	P670,600
Between one and five years	-	27,972
	P27,972	P698,572

The lease agreement is non-cancellable and provides for, among others, rent deposit which is refundable upon termination of the lease. Rent deposit amounted P145,950 in 2013 and 2012 (see Note 13). Rent expense for 2013 and 2012 amounted to P854,207 and P653,856, respectively.

11. Related Party Disclosures

In the normal course of business, the Company has 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	Year	*Note*	Amount of Transactions for the Year	Outstanding Balance: Due from Related Parties*	Outstanding Balance: Due to Related Parties	Terms	Conditions
Subsidiary								
ABLGI	Cash advances	**2013**	*7*	**P88,728,242**	**P48,978,790**	**P -**	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2012		24,076,300	410,250,548	-	Demandable; non interest-bearing	Unsecured; no impairment
	Conversion	**2013**	*7*	**450,000,000**	-	-		
	Subscription	**2013**	*7*	**1,000,000**	-	-		
LRLDI	Cash advances	**2013**	*a*	**4,465,316**	**440,925,903**	-	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2012		60,000,180	436,460,587	-	Demandable; non interest-bearing	Unsecured; no impairment
BBL	Cash advances	**2013**	*b*	**25,707,924**	**42,846,421**	-	**Demandable; non interest-bearing**	**Unsecured; with impairment**
		2012		18,965,608	68,554,345	-	Demandable; non interest-bearing	Unsecured; no impairment
FCLRC	Cash advances	**2013**	*c*	**252,371,352**	-	**492,497,309**	**Demandable; non interest-bearing**	**Unsecured**
		2012		239,866,488	-	240,125,957	Demandable; non interest-bearing	Unsecured
	Dividends	**2013**		**174,200,000**	-	-		
		2012		104,520,000	-	-		
ABLE	Cash advances	**2013**	*c*	**32,134,002**	-	**10,416,130**	**Demandable; non interest-bearing**	**Unsecured**
		2012		2,155,919	-	42,550,132	Demandable; non interest-bearing	Unsecured
	Dividends	**2013**		**350,000,000**	-	-		
		2012		50,000,000	-	-		
PIKI	Cash advances	**2013**	*b*	**6,000,000**	**6,000,000**	-	**Demandable; non interest-bearing**	**Unsecured; no impairment**
HEPI	Cash advances	**2013**	*b*	**199,206,000**	**199,206,000**	-	**Demandable; non interest-bearing**	**Unsecured; no impairment**

Forward

Categories	Nature of Transaction	Year	Amount of Transactions for the Year	Outstanding Balance: Due from Related Parties*	Outstanding Balance: Due to Related Parties	Terms	Conditions
Stockholder							
Longview Holdings Corporation	Cash advances	**2013**	**P -**	**P -**	**P9,070,691**	**Demandable; non interest-bearing**	**Unsecured**
		2012	-	-	9,070,691	Demandable; non interest-bearing	Unsecured
Others	Cash advances	**2013**	**15,054,752**	**15,054,753**	**-**	**Demandable; non interest-bearing**	**Unsecured; no impairment**
Total		**2013**		**P753,011,867**	**P511,984,130**		
Total		2012		P915,265,480	P291,746,780		

* *Due from related parties is net of impairment losses amounted P45,650,818 recognized in 2013.*

a. Cash advances were made by the Company for the construction and development of the Cagayan Special Economic Zone and Freeport (CSEZFP) airport in Cagayan by a third party, through LRLDI.

b. These cash advances were made to finance the related parties' working capital requirement.

c. Cash advances were made to the Company by FCLRC to finance its subscription for the increase in authorized capital stock of ABLGI and to finance working capital of HEPI through the Company.

d. The details of key management compensation are as follows:

	2013	2012
Salaries and employee benefits	**P11,020,342**	P5,977,254
Directors' fees	**5,160,000**	3,400,000

As at December 31, 2013 and 2012, no retirement expense were recognized as it is immaterial to the Company's separate financial statements.

e. Dividend income consists of:

	2013	2012
FCLRC	**P174,200,000**	P -
ABLE	**350,000,000**	154,520,000
	P524,200,000	P154,520,000

12. Income Taxes

The Company is subject to the regular corporate income tax or minimum corporate income tax (MCIT), whichever is higher. There was no income tax expense in 2013 and 2012 since the Company is in a taxable loss position and has no income subject to MCIT.

The reconciliation of income tax expense is as follows:

	2013	2012
Income before income tax	**P361,604,665**	P143,695,713
Income tax using statutory tax rate of 30%	**P108,481,400**	P43,108,714
Additions to (reductions in) income taxes resulting from tax effects of:		
Change in unrecognized NOLCO	**31,904,030**	7,912,523
Nondeductible expense	**13,840,490**	921,633
Share in net loss of an associate	**3,360,445**	-
Dividend income exempt from tax	**(157,260,000)**	(46,356,000)
Interest income subjected to final tax	**(326,365)**	(5,586,870)
	P -	P -

The Company has incurred NOLCO which can be claimed as deduction from future taxable income. Details of which are shown below:

Incurred In	Amount	Expired/ Applied	Balance	Tax Effect	Year of Expiry
2010	P11,122,695	(P11,122,695)	P -	P -	2013
2011	24,983,517	-	24,983,517	7,495,055	2014
2012	26,375,075	-	26,375,075	7,912,523	2015
2013	106,346,766	-	106,346,766	31,904,030	2016
	P168,828,053	(P11,122,695)	P157,705,358	P47,311,608	

As at December 31, 2013 and 2012, the Company did not recognize deferred tax asset in respect to the carryforward benefit of NOLCO which amounted to P157,705,358 and P62,481,287, 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 asset to be utilized.

13. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the foregoing risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures. The Company 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 Company's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Company's risk management policies. The Executive Committee identifies all issues affecting the operations of the Company 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 Company may encounter. They will develop proper strategies and measures to avoid or at least minimize such risk incorporating the Company's established risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. All risks faced by the Company 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 Company's operations and forecasted results. The Company, 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 Company's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Company's corporate governance process relating to the: a) quality and integrity of the Company's separate financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Company's separate financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Company with legal and regulatory requirements, including the Company's disclosure control and procedures; e) evaluation of management's process to assess and manage the Company'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 Company's annual report.

The Audit Committee of the Company performs oversight role over financial reporting functions, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial reporting system of the Company. 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 Company to the BOD on a regular basis.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

Majority of the Company's credit risk is attributed to the individual characteristics of each subsidiary. The demographics of the Company's subsidiaries, including the default risk of the industry and regions in which the subsidiaries operate, has an influence on credit risk.

The Company's policy is to provide financial guarantees to its subsidiaries. As at December 31, 2012, financial guarantee was granted to BCGLC amounting to P6,879,090.

Financial information on the Company's maximum exposure to credit risk as at December 31, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	Note	**2013**	2012
Cash in banks	*4*	**P85,362,752**	P10,966,020
Receivables	*5*	**524,367,467**	225,722
Due from related parties	*11*	**753,011,867**	915,265,480
Rent deposit	*10*	**145,950**	145,950
		P1,362,888,036	P926,603,172

Cash in Banks

The management evaluates the financial condition of the banking industry and bank deposits are maintained with reputable financial institutions.

Receivables

Majority of the Company's credit risk on receivables is attributed to its non-interest bearing advances made to entities with similar industry operations.

Due from Related Parties
The Company limits its exposure to credit risk by only financing the operations of related parties that are engaged in gaming amusement activities.

The Company believes that no impairment allowance is necessary for the amounts receivables and due from related parties since these are expected to be collected within the next twelve months.

Rent Deposit
The management prefers well known business establishments in the selection of location to ensure recovery of the deposit upon termination of the lease agreement.

The credit quality of the Company's cash in banks, receivables, due from related parties and rental deposit based on their historical experience with the Company 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 Company to follow them up.

- Grade C: Financial assets which are collected on their due dates provided that the Company made a persistent effort to collect.

As at December 31, 2013 and 2012, the Company's cash in banks is classified under Grade A, while receivables, due from related parties and rent deposit are classified under Grade C.

Liquidity Risk
Liquidity risk pertains to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company 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 Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The Company's contractual cash flows for its current liabilities are expected to be settled within the next twelve months.

	As at December 31, 2013			
	Carrying Amount	**Contractual Cash Flow**	**6 Months or Less**	**6 - 12 Months**
Non-derivative Financial Liabilities				
Trade and other payables*	P129,229,086	P129,229,086	P129,229,086	P -
Due to related parties	511,984,130	511,984,130	-	511,984,130
	P641,213,216	P641,213,216	P129,229,086	P511,984,130

* *Excluding taxes payable*

	As at December 31, 2012			
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6 - 12 Months
Non-derivative Financial Liabilities				
Trade and other payables*	P38,869,106	P38,869,106	P38,869,106	P -
Due to related parties	291,746,780	291,746,780	-	291,746,780
	P330,615,886	P330,615,886	P38,869,106	P291,746,780

** Excluding taxes payable*

Fair Values
The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash
The carrying amount approximates its fair value since it can be readily withdrawn and used for operations.

Receivables/Due from Related Parties/Rent Deposit/Trade and Other Payables/Due to Related Parties
The carrying amounts of receivables, due from related parties, rent deposit, trade and other payables and due to related parties approximate their fair values due to liquidity, short maturity and nature of these financial instruments.

Capital Management
The Company'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 Company 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 Company defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD has overall responsibility for monitoring of capital in proportion to risk. 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 Company defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Company's approach to capital management as at December 31, 2013 and 2012. The Company is not subject to externally-imposed capital requirements.

14. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. Following are the tax information required for the taxable year ended December 31, 2013:

I. Based on Revenue Regulations (RR) No. 19-2011

A. Sales/Receipts/Fees

No information can be presented since the Company functions mainly as a holding Company and its income comes from dividends from its subsidiaries which are exempt from income tax.

B. Cost of Services

No information can be presented since the Company has no direct costs for the year ended December 31, 2013.

C. Taxable Other Income

The Company has no taxable other income, hence no information can be disclosed. The interest income of the Company is already net of final tax.

D. Itemized Deductions

	Regular/ Normal Rate
Professional and directors' fees	P42,057,097
Salaries and wages	19,457,466
Interest expense	11,575,626
Listing fees	10,521,666
Taxes and licenses	9,389,420
Employee benefits	8,932,929
Transportation and travel	1,167,887
Rent expense	854,207
Postage and communications	466,156
Insurance	403,561
Depreciation	219,439
Printing and office supplies	121,164
Miscellaneous	1,180,148
	P106,346,766

II. Based on RR No. 15-2010

A. Value Added Tax (VAT)

	Amount
1. Input VAT	
Beginning of the year	**P -**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	-
b. Goods other than for resale or manufacture	
c. Capital goods subject to amortization	**293,481**
d. Capital goods not subject to amortization	-
e. Services lodged under cost of goods sold	-
f. Services lodged under other accounts	**1,559,931**
Balance at the end of the year	**P1,853,412**

B. Excise Taxes

The Company did not have transactions involving imports, custom duties and tariff fees, and excise taxes for the year ended December 31, 2013.

C. Documentary Stamp Tax

	Amount
Issuance of preferred shares	**P9,249,878**
Loan	**796,471**
Others	**119,827**
	P10,166,176

D. Withholding Taxes

	Amount
Tax on compensation and benefits	**P5,427,033**
Final withholding taxes	**3,563,078**
Expanded withholding taxes	**1,704,023**
	P10,694,134

E. All Other Taxes

	Amount
Other taxes paid during the year recognized under "Taxes and licenses" account in profit or loss	
License and permit fees	**P19,715**

F. Deficiency Tax Assessments

The Company has no tax assessment as at December 31, 2013.

G. Tax Cases

The Company has not been involved in any cases as at and for the year ended December 31, 2013.