



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**

The management of **Leisure & Resorts World Corporation and its Subsidiaries** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Signed Under Oath By:

*Reynaldo P. Bantug*  
**Reynaldo P. Bantug**  
 Chairman and President

*Carmelita D. Chan*  
**Carmelita D. Chan**  
 Treasurer

May 8, 2014

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

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

Doc. No.: 489  
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 Series of 2014

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



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S.E.C. Registration Number

L E I S U R E & R E S O R T S W O R L D  
 C O R P O R A T I O N A N D S U B S I D I A R I E S

(Group's Full Name)

2 6 t h F l o o r , W e s t T o w e r , P S E  
 C e n t e r , E x c h a n g e R o a d , O r t i g a s  
 C e n t e r , P a s i g C i t y

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

Carmelita D. L. Chan

Contact Person

687-0370

Group Telephone Number

1 2      3 1

Month      Day

A A F S

FORM TYPE

Month      Day

Annual Meeting

Not applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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**LEISURE & RESORTS WORLD CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2013, 2012 and 2011



**R.G. Manabat & Co.**  
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Makati City 1226, Metro Manila, Philippines

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Branches: Subic · Cebu · Bacolod · Iloilo

## REPORT OF INDEPENDENT AUDITORS

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

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

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

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

**R.G. MANABAT & CO.**

**TOMAS G. MAHINAY**

Partner

CFA License No. 0024593

SEC PA Control No. A-653-A, Group A, valid until June 6, 2014

Tax Identification No. 121-597-818

BIR Accreditation No. 08-001987-21-2013

Issued May 9, 2013; valid until May 8, 2016

PTR No. 4225129MC

Issued January 2, 2014 at Makati City

May 8, 2014

Makati City, Metro Manila

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

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

*Forward*

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

*See Notes to the Consolidated Financial Statements.*

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**

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

*Forward*



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

*See Notes to the Consolidated Financial Statements.*

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

Years Ended December 31

	Attributable to Equity Holders of the Parent Company										
	Note	Capital Stock		Additional Paid-in Capital - (Common)	Treasury Shares	Foreign Currency Translation Reserve		Employee Benefit Reserve	Retained Earnings	Total	Non- controlling Interest
Common Shares		Preferred Shares									
Balance at January 1, 2013, as previously reported		P 999,877,094	P -	P 1,114,028,555	(P 18,694,937)	P 67,398	P -	P 721,460,608	P 2,816,738,718	P 165,513,352	P 2,982,252,070
Adjustment due to Philippine Accounting Standards (PAS) 19	3	-	-	-	-	-	(22,104,710)	2,908,189	(19,196,521)	1,016,105	(18,180,416)
Balance at January 1, 2013, as restated		999,877,094	-	1,114,028,555	(18,694,937)	67,398	(22,104,710)	724,368,797	2,797,542,197	166,529,457	2,964,071,654
Foreign currency translation loss - net		-	-	-	-	(238,436)	-	-	(238,436)	-	(238,436)
Remeasurements of defined benefit liability - net of tax		-	-	-	-	-	(5,192,736)	-	(5,192,736)	(1,768,133)	(6,960,869)
Other comprehensive loss		-	-	-	-	(238,436)	(5,192,736)	-	(5,431,172)	(1,768,133)	(7,199,305)
Net income for the year		-	-	-	-	-	-	323,788,638	323,788,638	100,155,967	423,944,605
Total comprehensive income for the year		-	-	-	-	(238,436)	(5,192,736)	323,788,638	318,357,466	98,387,834	416,745,300
Issuances during the year		-	1,650,000,000	-	-	-	-	-	1,650,000,000	-	1,650,000,000
Cash dividends	1/6	-	-	-	-	-	-	(163,801,198)	(163,801,198)	(78,150,000)	(241,951,198)
Stock dividends	1/6	199,975,418	-	-	-	-	-	(199,975,418)	-	-	-
Treasury shares acquired	1/6	-	-	-	(216,962,812)	-	-	-	(216,962,812)	-	(216,962,812)
Treasury shares sold	1/6	-	-	164,515,330	164,515,330	-	-	-	164,515,330	-	164,515,330
Balance at December 31, 2013		P 1,199,852,512	P 1,650,000,000	P 1,114,028,555	(P 171,142,419)	(P 171,038)	(P 27,297,446)	P 684,380,819	P 4,549,650,983	P 186,767,291	P 4,736,418,274

Forward

Years Ended December 31

	Attributable to Equity Holders of the Parent Company												
	Capital Stock			Additional Paid-in Capital - (Common)	Treasury Shares	Foreign Currency Translation Reserve			Employee Benefit Reserve	Retained Earnings	Total	Non- controlling Interest	Total Equity
	Note	Common Shares	Preferred Shares			Common	Treasury	Reserve					
Balance at January 1, 2012, as previously reported		P999,877,094	P -	P1,114,028,555	(P18,694,937)	P11,839	P -	P -	P516,381,581	P2,611,604,132	P143,929,937	P2,755,534,069	
Adjustment due to PAS 19	3	-	-	-	-	-	(9,689,045)	3,528,361	(6,160,684)	1,382,508	(4,778,176)		
Balance at January 1, 2012, as restated		999,877,094	-	1,114,028,555	(18,694,937)	11,839	(9,689,045)	519,909,942	2,605,443,448	145,312,445	2,750,755,893		
Foreign currency translation gain (loss) - net		-	-	-	-	55,559	-	-	-	55,559	-	55,559	
Remeasurements of defined benefit liability - net of tax		-	-	-	-	-	(12,415,665)	-	(12,415,665)	(96,547)	(96,547)	(12,512,212)	
Other comprehensive loss		-	-	-	-	55,559	(12,415,665)	-	(12,360,106)	(96,547)	(96,547)	(12,456,653)	
Net income during the year		-	-	-	-	-	-	279,449,637	279,449,637	68,073,559	68,073,559	347,523,196	
Total comprehensive income for the year		-	-	-	-	-	(12,415,665)	279,449,637	267,033,972	67,977,012	(46,760,000)	335,066,543	
Cash dividends	16	-	-	-	-	-	-	(74,990,782)	(74,990,782)	-	-	(121,750,782)	
Balance at December 31, 2012, as restated		P999,877,094	P -	P1,114,028,555	(P18,694,937)	P67,398	(P22,104,710)	P724,368,797	P2,797,542,197	P166,529,457	P2,964,071,654		

Forward

Years Ended December 31

	Note	Attributable to Equity Holders of the Parent Company									
		Capital Stock Common Shares	Preferred Shares	Additional Paid-in Capital - (Common)	Treasury Shares	Foreign Currency Translation Reserve	Employee Benefit Reserve	Retained Earnings	Total	Non- controlling Interest	Total Equity
Balance at January 1, 2011, as previously reported		P849,877,094	P -	P128,881,859	(P20,785,694)	P -	P -	P625,861,621	P1,583,834,880	P106,426,042	P1,690,260,922
Adjustment due to PAS 19		-	-	-	-	-	-	4,330,992	4,330,992	1,756,712	6,087,704
Balance at January 1, 2011, as restated		849,877,094	-	128,881,859	(20,785,694)	-	-	630,192,613	1,588,165,872	108,182,754	1,696,348,626
Foreign currency translation gain - net		-	-	-	-	11,839	-	-	11,839	-	11,839
Remeasurements of defined benefit liability - net of tax		-	-	-	-	-	(9,689,045)	-	(9,689,045)	(152,795)	(9,841,840)
Other comprehensive loss		-	-	-	-	-	(9,689,045)	-	(9,689,045)	(152,795)	(9,830,001)
Net income (loss) during the year		-	-	-	-	11,839	-	(37,187,264)	(37,187,264)	40,497,918	3,310,654
Total comprehensive income for the year		-	-	-	-	11,839	-	(57,187,264)	(46,864,470)	40,345,123	(6,519,347)
Issuances during the year		150,000,000	-	975,000,000	-	-	-	-	1,125,000,000	-	1,125,000,000
Treasury shares sold	16	-	-	10,146,696	2,090,757	-	-	-	12,237,453	-	12,237,453
Deductions during the year		-	-	-	-	-	-	-	-	(2,165,432)	(2,165,432)
Cash dividends	16	-	-	-	-	-	-	(73,095,407)	(73,095,407)	(1,050,000)	(74,145,407)
Balance at December 31, 2011 as restated		P999,877,094	P -	P1,114,028,555	(P18,694,937)	P11,839	(P9,689,045)	P519,909,942	P2,605,443,448	P145,312,445	P2,750,755,893

See Notes to the Consolidated Financial Statements.

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

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

*Forward*

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

See Notes to the Consolidated Financial Statements.

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Reporting Entity**

Leisure & Resorts World Corporation (LRWC or the “Parent Company”) was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. On November 6, 2006, SEC approved the extension of the Parent Company’s corporate life until December 31, 2055. The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates and in a joint venture.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE).

The Group’s primary purpose is to engage in leisure business which includes management and operation of the activities conducted therein pertaining to general amusement and recreation enterprise, hotel and gaming facilities, including but not limited to bingo parlors.

The Parent Company’s registered office address is located at 26<sup>th</sup> Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City.

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**2. Basis of Preparation**

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

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

Basis of Measurement

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as at December 31, 2013 and 2012:

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

\*Consolidated effective April 1, 2013.

\*\*Consolidated effective May 1, 2011.

\*\*\*Consolidated effective January 1, 2011.

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

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



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

#### ABLE

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

In October 1999, the BOD of the Parent Company approved the Share Exchange Agreements (Agreements) with the shareholders of ABLE, an operator of a number of bingo parlors, for the acquisition of the entire outstanding capital stock of ABLE in exchange for 750,000,000 new shares of the Parent Company valued at P750,000,000. By virtue of the Agreements, ABLE became a wholly-owned subsidiary of the Parent Company. Further discussion on this matter is included in Note 16 to the consolidated financial statements.

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

Subsidiaries	Percentage of Ownership	
	2013	2012
Alabang Numbers & Gaming Corporation	100	100
Allpoint Leisure Corporation	100	100
Big Time Gaming Corporation (BGC)**	100	100
Bingo Extravaganza, Inc.	100	100
Bingo Gallery, Inc.	100	100
Bingo Palace Corporation	100	100
Cebu Entertainment Gallery, Inc.	100	100
Fiesta Gaming and Entertainment Corporation*	100	100
First Leisure & Game Co., Inc.	100	100
Galleria Bingo Corporation	100	100

*Forward*

Subsidiaries	Percentage of Ownership	
	2013	2012
G-One Gaming & Technology, Inc.	100	100
Highland Gaming Corporation	100	100
Iloilo Bingo Corporation	100	100
Metro Gaming Entertainment Gallery, Inc.	100	100
Rizal Gaming Corporation	100	100
SG Amusement and Recreation Corp.	100	100
South Bingo Corporation	100	100
South Entertainment Gallery Incorporated (SEGI)	100	100
Topmost Gaming Corp.	100	100
One Bingo Pavilion Inc. (OBPI)****	100	-
Worldwide Links Leisure and Gaming Corporation (WLLGC)***	100	100
Bingo Dinero Corporation	95	95
Bingo Zone, Inc.*	95	95
Manila Bingo Corporation	95	95
Isarog Gaming Corporation	90	90
One Bingo Place, Incorporated (OBPI)	80	80
Summit Bingo, Inc. (SBI)	60	60
Negrense Entertainment Gallery, Inc. (NEGI)*****	55	-

\*Non-operating subsidiaries.

\*\*Consolidated effective August 1, 2011.

\*\*\*Consolidated effective January 1, 2012.

\*\*\*\*Consolidated effective February 13, 2013.

\*\*\*\*\*Consolidated effective January 1, 2013.

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

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

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

#### WLLGC

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

#### OBPI

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

#### NEGI

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

#### LRLDI

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

#### ABLGI

ABLGI, a wholly-owned subsidiary, was registered with the SEC on October 20, 2009. Its primary purpose is to acquire, own, use, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises such as but not limited to resorts, golf courses, clubhouses and sports facilities, hotels and gaming facilities, with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith. ABLGI started its commercial operations January 1, 2013.

#### PIKI

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

PIKI started its commercial operations on July 26, 2013.

#### BCGLC

BCGLC was registered with the SEC on October 9, 2009. Its primary purpose is to provide investment, management counsel and to act as agent or representative for business enterprises engaged in gaming, recreation and leisure activities. On October 20, 2009, BCGLC (lessor), as the authorized representative of Munich Management Limited - a foreign corporation duly organized and registered in British Virgin Islands, entered into a contract of lease with the Philippine Amusement and Gaming Corporation (PAGCOR, lessee) for the use of slot machines and gaming facilities. On April 27, 2011, the Parent Company acquired 70% of BCGLC's outstanding capital stock (see Note 11).

#### FCLRC

FCLRC was incorporated on April 26, 2000 and is a Cagayan Special Economic Zone and Freeport (CSEZFP) registered enterprise. FCLRC has an existing License Agreement with the Cagayan Economic Zone Authority (CEZA) to develop, operate and conduct internet and gaming enterprises and facilities in the CSEZFP. Pursuant to the License Agreement, FCLRC was issued the "CEZA Master Licensor Certificate" certifying that FCLRC is duly authorized to regulate and monitor, on behalf of CEZA, all activities pertaining to the licensing and operation of interactive games. FCLRC is 69.69% owned by the Parent Company.

#### BBL

On March 15, 2010, the Parent Company incorporated BBL as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hong Kong. BBL started its operations in March 2012.

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

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

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

#### Transactions Eliminated on Consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated. Unrealized gains from transactions with the equity accounted investees are eliminated against the investment to the extent of the Group's interest in investee. Unrealized losses are eliminated in the same way as unrealized gains, unless costs cannot be recovered.

#### Functional and Presentation Currency

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

#### Use of Estimates and Judgments

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

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

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

#### *Determination of Functional Currency*

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

#### *Determining Significant Influence over an Associate*

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

#### *Classification of Financial Instruments Between Debt and Equity*

A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

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

#### *Determination and Classification of Joint Arrangements*

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

#### *Measurement of Fair Values.*

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

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

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

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

#### *Operating Leases - Group As Lessee and As Lessor*

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

Rent expense recognized in profit or loss in 2013, 2012, and 2011 amounted to P342,170,110, P311,531,161, and P371,485,759, respectively, while rent income recognized in profit or loss in 2013, 2012, and 2011 amounted to P204,624,705, P180,516,242, and P137,211,891, respectively (see Notes 19 and 21).

#### *Finance Leases - Group As Lessee*

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

As at December 31, 2013 and 2012, the carrying amounts of leased vehicles and equipment, included under "Property and equipment" account in the consolidated statements of financial position amounted to P29,027,208, and P18,067,781, respectively (see Notes 8 and 14).

#### *Estimating Allowance for Impairment Losses on Receivables and Due from Related Parties*

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

As at December 31, 2013 and 2012, the carrying amount of receivables and due from related parties of the Group amounted to P539,239,521, and P322,017,418, respectively. As at December 31, 2013 and 2012, the related allowance for impairment loss amounted to P40,662,673, and P31,178,549, respectively (see Notes 5 and 22).

*Estimating Net Realizable Value of Bingo Cards*

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

No bingo cards were written down to their net realizable values in 2013 and 2012. As at December 31, 2013 and 2012, the bingo cards were valued at cost amounting to P6,610,451 and P10,336,179, respectively (see Note 6).

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

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

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

The estimated useful lives are as follows:

	Number of Years
Leasehold improvements	5 years or lease term, whichever is shorter
Aircraft and transportation equipment	5 - 15 years
Bingo equipment and paraphernalia	5 years
Office furniture, fixtures and equipment	5 years
Condominium unit	25 years

The estimated useful life of the Group's investment properties is 25 years, except for land rights which has an indefinite useful life.



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

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

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

*Impairment Losses of Non-financial Assets*

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

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

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

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

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

#### *Estimating Retirement Obligation*

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

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

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

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

#### *Estimating Realizability of Deferred Tax Assets*

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

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

#### *Asset Retirement Obligation*

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

The Group determined that there is no significant asset retirement obligation as at December 31, 2013 and 2012.

#### *Provisions and Contingencies*

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

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

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

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### 3. Summary of Significant Accounting Policies

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

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

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

- *Presentation of Items of Other Comprehensive Income (Amendments to PAS 1)*. The amendments: a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and c) change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

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

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

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)*. These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: a) offset in the statement of financial position; or b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.
- *PFRS 10 Consolidated Financial Statements*. PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: a) it is exposed or has rights to variable returns from its involvement with that investee; b) it has the ability to affect those returns through its power over that investee; and c) there is a link between power and returns. Control is re-assessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008) *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12 *Consolidation - Special Purpose Entities*.

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

- *PFRS 11 Joint Arrangements*

PFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: a) distinguishes joint arrangements between joint operations and joint ventures; and b) always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. PFRS 11 supersedes PAS 31 *Interests in Joint Ventures* and Philippine Interpretation SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*.

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:
  - PAS 1, *Presentation of Financial Statements* - Comparative Information beyond Minimum Requirements. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs. For example, if an entity elects to present a third statement of comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRSs. However, the entity need not present other primary statements for that additional comparative period, such as a third statement of cash flows; or the notes related to these other primary statements.
  - PAS 1 - Presentation of the Opening Statement of Financial Position and Related Notes. This is amended to clarify that: a) the opening statement of financial position is required only if: a change in accounting policy, a retrospective restatement, or a reclassification has a material effect upon the information in that statement of financial position; b) except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial statements are different, because the underlying objectives are different.

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

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

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

Summary of Quantitative Impacts

The following tables summarize the impacts of the above changes on the Group’s financial position and comprehensive income.

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

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

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

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

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

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

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

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

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

- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to PAS 36, Impairment of Assets).* The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be applied retrospectively for annual periods beginning on or after January 1, 2014. The adoption of the amendments is not expected to have an effect on the consolidated financial statements.
- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that: a) An entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties b) Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: eliminate or result in insignificant credit and liquidity risk; and process receivables and payables in a single settlement process or cycle. These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.
- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.



*To be Adopted (No definite date - originally January 1, 2015)*

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

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

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

#### Financial Instruments

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

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

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

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

The Group has no HTM investments and FVPL financial assets and liabilities as at December 31, 2013 and 2012.

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

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

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

Cash includes cash in banks which is stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

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

The Group's trade and other payables, due to a related party, rent deposit, and short-term and long-term loans are included in this category.

#### Derecognition of Financial Instruments

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

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

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

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

### Impairment of Financial Assets

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

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

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

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower.

For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

### Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

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

#### Offsetting Financial Instruments

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

#### Fair Value Measurement

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

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

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

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

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

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

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

#### Bingo Cards

Bingo cards are valued at the lower of cost and net realizable value. Cost, which includes all costs attributable to acquisition, is determined using the first-in, first-out method. Net realizable value is the current replacement cost.

#### Investments and Advances

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

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

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

#### Property and Equipment

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

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

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

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

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

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

#### Investment Properties

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

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

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

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

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

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

#### Operating Licenses

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

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

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

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

#### Goodwill

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

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

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

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

#### Impairment of Non-financial Assets

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

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

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

#### Capital Stock and Additional Paid-in Capital

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

#### Treasury Shares

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

#### Non-controlling Interests

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

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

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

#### Revenue Recognition

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

##### *Electronic Bingo*

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

##### *Traditional Bingo*

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



### *Rapid Bingo*

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

### *Pull Tabs*

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

### *Instant Charity Bingo Game 2 (ICBG2)*

ICBG2 games are referred to as "scratch card" sales. Scratch cards receipts are recognized as revenue upon the sale of cards.

### *Service and Hosting Fees*

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

### *Participation Income*

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

### Cost and Expense Recognition

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

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

### Leases

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

### *Finance Leases*

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

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

### *Operating Leases*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term, unless other systematic basis is more representative of the time pattern of the Group's benefit.

### Employee Benefits

#### *Short-term Benefits*

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

#### Retirement Obligation

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

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

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

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

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

#### Finance and Other Income and Finance Expenses

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

- *Interest Income* is recognized as it accrues in profit or loss using the effective interest rate method, net of final tax.
- *Dividend Income* is recognized in profit or loss on the date that the Group's right to receive payment is established.

Other income comprises rental of gaming facility and office spaces and miscellaneous income from operations.

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

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

- *Interest Expense* is recognized as it accrues in profit or loss using the effective interest rate method.
- *Foreign Currency Gains and Losses* are reported on a net basis.

#### Income Taxes

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

#### *Current Tax*

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

#### *Deferred Tax*

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

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

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

#### Foreign Currency

##### *Foreign Currency Translations*

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

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

#### *Foreign Operations*

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

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

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

#### Segment Reporting

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

#### Earnings Per Share

##### *Basic Earnings Per Share*

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

##### *Diluted Earnings Per Share*

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

### Improvements in CSEZFP

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

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

### Related Party Transactions and Relationships

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting entity, or between/or among the reporting entity and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### Provisions

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

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

### Contingencies

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

### Events After the Reporting Date

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

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#### 4. Cash and Cash Equivalents

This account consists of:

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

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

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

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

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

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#### 5. Receivables

This account consists of:

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

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

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

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

#### Advances to RHLRC

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

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

#### Advances to Officers and Employees

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

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

#### Other Receivables

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

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

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

## **6. Bingo Cards and Supplies**

This account consists of:

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

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

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## 7. Prepaid Expenses and Other Current Assets

This account consists of:

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

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

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

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

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

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



### 8. Property and Equipment

The movements in this account are as follows:

	Leasehold Improvements	Aircraft and Transportation Equipment	Bingo Equipment and Paraphernalia	Office Furniture, Fixtures and Equipment	Condominium Unit	Construction in Progress	Total
<b>Cost</b>							
January 1, 2012	P340,769,161	P128,946,776	P78,124,354	P126,865,770	P4,791,748	P74,966,474	P754,464,283
Additions	46,129,814	33,832,740	7,652,529	15,626,769	-	38,174,843	141,416,695
Write-off	-	-	(682,207)	(2,487,651)	-	-	(3,169,858)
Disposal/reclassification	(78,955)	(8,707,397)	-	-	-	(112,530,917)*	(121,317,249)
December 31, 2012	386,820,040	154,072,119	85,094,676	140,004,888	4,791,748	610,400	771,393,871
Additions	44,838,878	22,197,641	7,212,442	27,219,496	-	-	101,468,457
Write-off	(11,126,445)	(9,520,267)	(1,084,776)	(18,200,999)	-	-	(39,932,487)
Reclassification	610,400	-	28,000	(28,000)	-	(610,400)	-
<b>December 31, 2013</b>	<b>421,142,873</b>	<b>166,749,493</b>	<b>91,250,342</b>	<b>148,995,385</b>	<b>4,791,748</b>	<b>-</b>	<b>832,929,841</b>
<b>Accumulated Depreciation and Amortization</b>							
January 1, 2012	165,340,420	40,267,184	60,609,016	84,008,956	335,422	-	350,560,998
Depreciation and amortization	64,033,748	16,647,458	6,410,839	21,333,148	1,094,514	-	109,519,707
Write-off	-	-	(682,207)	(2,487,651)	-	-	(3,169,858)
Disposal	(34,115)	(7,118,670)	-	-	-	-	(7,152,785)
December 31, 2012	229,340,053	49,795,972	66,337,648	102,854,453	1,429,936	-	449,758,062
Depreciation and amortization	66,415,076	12,338,413	9,430,548	19,261,596	239,586	-	107,685,219
Write-off	(11,126,445)	(9,520,267)	(1,084,776)	(18,200,999)	-	-	(39,932,487)
Reclassification	-	-	5,133	(5,133)	-	-	-
<b>December 31, 2013</b>	<b>284,628,684</b>	<b>52,614,118</b>	<b>74,688,553</b>	<b>103,909,917</b>	<b>1,669,522</b>	<b>-</b>	<b>517,510,794</b>
<b>Carrying Amount</b>							
December 31, 2012	P157,479,987	P104,276,147	P18,757,028	P37,150,435	P3,361,812	P610,400	P321,635,809
<b>December 31, 2013</b>	<b>P136,514,189</b>	<b>P114,135,375</b>	<b>P16,561,789</b>	<b>P45,085,468</b>	<b>P3,122,226</b>	<b>P-</b>	<b>P315,419,047</b>

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

ABLE leases motor vehicles under a number of finance lease agreements. At the end of the term of each of the leases, the ownership of the leased assets will be transferred to ABLE. As at December 31, 2013 and 2012, the carrying amounts of leased vehicles included under "Property and equipment" account in the consolidated statements of financial position amounted to P29,027,208 and P18,067,781, respectively (see Note 14).

## 9. Investment Properties

The movements in this account are as follows:

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

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

### Valuation Technique and Significant Unobservable Inputs

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

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

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

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

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

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

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

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

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

## 10. Investments and Advances

This account consists of:

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

*Forward*

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

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

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

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

BLRI

BLRI is a 30%-owned associate of LRWC. BLRI was incorporated in the Philippines and is engaged in the hotel and recreation business. It started commercial operations in August 2003.

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

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

The summarized financial information of BLRI follows:

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

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

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

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

Techzone

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

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

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

The summarized financial information of Techzone follows:

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

#### HEPI

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

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

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

The summarized financial information of HEPI follows:

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

#### *Advances to Eco Leisure*

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

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

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

### FCCDCI

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

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

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

The summarized financial information of FCCDCI follows:

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

### Advances to DFNN

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

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

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

Advances to CPVDC and CLPDC

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

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

- a. LRLDI agrees to invest funds or make advances into the Lallo Airport Project of CPVDC through a convertible loan in favor of CLPDC of a maximum amount of P700,000,000. CPVDC shall only use the advances to finance its capital expenditures and working capital requirements related to the construction, development of the airport;
- b. LRLDI shall have the right to convert, in whole or in part, the outstanding amount of the advances at the time of the conversion, into new, unissued common shares of CLPDC subject to mutually agreed conversion price per conversion share;
- c. CLPDC acknowledges and agrees that the advances will be directly received by CPVDC; and
- d. CLPDC shall execute a separate agreement with LRLDI which provides for the specific procedures and details of borrowing, execution of the conversion and or repayment.

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

The construction of the airport is expected to be completed in the first quarter of 2014. It is expected to operate when all the documents needed by the Civil Aviation Authority of the Philippines are submitted.

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

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

Advances to AB Fiber Corp.

On December 8, 2011, the Group entered into an agreement with AB Fiber Corp., a third party, for the subscription of 90,000 shares. In relation to this, deposits for future stock subscriptions were made by FCLRC amounting to P9,000,000 as at December 31, 2013 and 2012. The application for the increase in authorized capital stock will be filed with SEC in 2014.



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## 11. Goodwill

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

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

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### Key Assumptions on Impairment Testing of Goodwill

The Group performs impairment testing annually or more frequently when there are indicators of impairment for goodwill. The Group performed impairment testing of goodwill at December 31, 2013.

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

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

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

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

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

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

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

### Sensitivity to Changes in Assumptions

The estimated recoverable amount of ABLE and BCGLC exceeded its carrying amount by approximately P1,100,000,000 in 2013. Management has identified that earnings before interest and tax and discount rates are the key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount.

## 12. Other Assets

This account consists of:

	<i>Note</i>	<b>2013</b>	<b>2012</b>
Venue rental and other deposits	<i>10, 19</i>	<b>P141,450,376</b>	P111,649,296
Cash in bank - restricted	<i>13</i>	<b>86,362,513</b>	-
Airstrip improvements - net	<i>18</i>	<b>60,721,473</b>	69,395,969
Cash and performance bonds	<i>17</i>	<b>57,950,000</b>	45,100,000
Advanced regulatory fee on ICBG2	<i>17</i>	<b>12,864,993</b>	12,864,993
Operating licenses	<i>10</i>	<b>5,253,690</b>	4,253,690
Others		-	204,144
		<b>P364,603,045</b>	<b>P243,468,092</b>

### Venue Rental and Other Deposits

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

### Airstrip Improvements

The movements in this account are as follows:

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

### Cash and Performance Bonds

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

### Advanced Regulatory Fee on ICBG2

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

### Operating Licenses

The operating licenses represent Grants issued by PAGCOR as follows:

a. Acquisition of bingo parlors by ABLE Subsidiaries:

- Metro Gaming Entertainment Gallery, Inc., a subsidiary, acquired a bingo parlor located at 2L, SM Supercenter Molino, Molino, Bacoor, Cavite for P7,500,000. A portion of the purchase price amounting to P2,280,568 was paid for the Grant of Authority from PAGCOR and the balance of P5,219,432 represents the purchase price for the acquisition of the related leasehold improvements, bingo equipment and paraphernalia, fixtures, rental and all other deposits with SM Prime Holdings, Inc.
- South Entertainment Gallery Incorporated, a subsidiary, acquired a bingo parlor located at 3<sup>rd</sup> Floor, M.L. Tagarao St., Pacific Mall, Brgy. 003, Lucena City for P5,000,000. A portion of the purchase price amounting to P1,973,122 was paid for the Grant of Authority from PAGCOR and the balance of P3,026,878 represents the purchase price for the acquisition of the related leasehold improvements, bingo equipment and paraphernalia, fixtures, rental and all other deposits with Pacific Mall.

b. Acquisition of PIKI by LRWC:

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

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

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

### **13. Loans Payable**

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

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

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

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

Terms and conditions of outstanding loans payable are as follows:

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

On September 15, 2011, ABLGI entered into a loan agreement with a local bank. The loan is unsecured and payable in 24 equal monthly installments starting on September 15, 2011 up to September 15, 2013 with an interest equivalent to 9.37% per annum. As at December 31, 2012, the loan amounted to P348,000.

- b. Short-term loans of ABLE have maturity dates of up to May 15, 2014. The interest rates of short-term and long-term loans are repriced monthly based on negotiated rates or prevailing market rates.

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

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

Terms and conditions of outstanding loans payable are as follows:

				December 31, 2013		
		Interest Rate	Maturity Date	Carrying Amount		
<b>Short Term</b>						
PBCOM	9.0% - 10%	April 2012-April 2014		P35,317,100		
BDO	8.0% - 9%	April 2012-May 2014		160,400,000		
				<b>P195,717,100</b>		
				December 31, 2012		
		Interest Rate	Maturity Date	Carrying Amount		
<b>Short Term</b>						
PBCOM	9.0% - 10%	April 2012 - April 2013		P34,464,000		
BDO	8.0% - 9%	April 2012 - April 2013		61,000,000		
				<b>P95,464,000</b>		
<b>Long Term</b>						
BDO	9.0%	April 2012 - March 2013		P4,166,667		
Less current portion					4,166,667	
				<b>P -</b>		

On December 30, 2010, FCLRC entered into a loan agreement with BDO. The loan is payable in 60 monthly installments starting January 2011 and is secured by a chattel mortgage over an aircraft owned by FCLRC.

The carrying amount of aircraft included under "Property and equipment" in the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 amounted to P55,595,604 and P62,560,000, respectively (see Note 8).

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

				December 31, 2013		
		Interest Rate	Maturity Date	Carrying Amount		
<b>Long Term</b>						
BDO	13%	December 2011 - December 2015		P19,143,627		
Less current portion					8,953,852	
				<b>P10,189,775</b>		
				December 31, 2012		
		Interest Rate	Maturity Date	Carrying Amount		
<b>Long Term</b>						
BDO	13%	December 2011 - December 2015		P27,011,463		
Less current portion					7,867,834	
				<b>P19,143,629</b>		

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

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

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

#### 14. Obligations under Finance Lease

In 2012 and 2010, ABLE entered into vehicle financing agreements with BDO, which are payable in monthly installments on their respective repayment dates up to October 19, 2015 and September 16, 2013, respectively. Annual interest rates approximate 10% which are subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso. The vehicles serve as lien in the financing agreements.

Obligations under finance lease for vehicles are payable as follows:

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

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

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

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

## 15. Trade and Other Payables

This account consists of:

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

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

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

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

## 16. Equity

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

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

### Increase in Authorized Capital Stock

On September 19, 2000, the SEC approved the increase in the Parent Company's authorized capital stock from 500,000,000 to 2,500,000,000 common shares, both at P1 par value per share. Out of the aforementioned increase in authorized capital stock, a total of 750,000,000 common shares with aggregate par value of P750,000,000 have been subscribed and fully paid for through the assignment in favor of the Parent Company of common shares of ABLE representing the entire outstanding capital stock thereof by the previous ABLE shareholders. The subscription and payment in ABLE shares was the result of the implementation of duly executed Agreements (see Note 2) between the Parent Company and ABLE's shareholders. Initially, 236,626,466 shares of the Parent Company were approved by the SEC for release to the previous ABLE shareholders. On November 28, 2003, the BOD and stockholders of LRWC approved the decrease in authorized capital stock from 2,500,000,000 shares to 1,600,000,000 shares at P1 par value per share in pursuant to LRWC's plan to decrease its capital and applying it against its deficit. This transaction resulted in a reduction of P418,563,336 in the deficit account as at January 1, 2004. The SEC approved the decrease in authorized capital stock on August 3, 2004. The remaining shares corresponding to 513,373,534 in 2003 (subsequently reduced to 328,559,059 shares after equity restructuring) were placed under escrow with BDO and the release of which is subject to the approval of SEC.

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

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



#### Registration of Securities under the Securities Regulation Code

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of LRWC were registered and may be offered for sale at an offer price of P1.33 per common share. As at December 31, 2013 the Parent Company has a total of 1,199,852,512 issued and outstanding common shares and 1,856 stockholders.

#### Issuance of New Shares

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

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

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

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

#### Listing of Preferred Shares and Warrants

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

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

#### Declaration of Cash Dividends

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

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

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

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

#### Declaration of Stock Dividends

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

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

#### Acquisition of LRWC Shares by ABLE

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

In 2011, the Group disposed 2,050,000 treasury shares at transaction price of P12,237,453. The surplus on the disposal amounting to P10,146,696 was transferred to additional paid-in capital in the consolidated financial statements. The market value of LRWC shares amounted to P6.10 and P8.30 per share as at December 31, 2013 and 2012, respectively.

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

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

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

### **a. Operation of Traditional Bingo Games**

PAGCOR granted ABLE and its subsidiaries the sole authority to operate bingo halls and conduct bingo games, as well as the betting aspect thereof, within the confines of the game sites for various periods ranging from January 2009 to January 2015. In consideration of the Grants, ABLE and its subsidiaries shall pay PAGCOR 20% of its gross bingo card sales, which shall be remitted to PAGCOR on a weekly basis. Such consideration to PAGCOR is distributed as follows: 5 percentage points as the Bureau of Internal Revenue (BIR) Franchise Tax and 15 percentage points as the PAGCOR Franchise Fee. Pursuant to Presidential Decree No. 1869 (P.D. 1869), the BIR Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

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

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

ABLE and its subsidiaries deposited a total of P21,700,000 and P19,600,000 as at December 31, 2013 and 2012, respectively, representing cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants (see Note 12). The Grants are subject to renewal upon mutual agreement of both parties.

b. Distribution of ICBG2 Cards

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

c. Operation of Electronic Bingo Games

PAGCOR authorized ABLE and its subsidiaries to operate and conduct electronic bingo games (e-bingo) for various periods from January 2009 to January 2015. In consideration of the Grants, ABLE and its subsidiaries shall pay PAGCOR 52.5% of the gross revenues from e-bingo operations, which shall be remitted twice weekly to PAGCOR (distributed as follows: 5% as the BIR Franchise Tax and 47.5% as the PAGCOR Franchise Fee).

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

ABLE and its subsidiaries deposited a total of P35,050,000 and P25,300,000 as at December 31, 2013 and 2012, respectively, representing cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants (see Note 12). The Grants are subject to renewal upon mutual agreement of both parties.

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

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

e. Operation of New Rapid Bingo System (NRBS)

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

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

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## 18. License Agreement

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

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

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

1. Appointment of FCLRC as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP;
2. FCLRC is authorized to assist CEZA in its functions as a regulator for interactive gaming activities on behalf of CEZA in accordance with Part 5 of CSEZFP Interactive Gaming Rules and Regulations;
3. The authorization of FCLRC as Master Licensor shall be exclusive for twenty-five years starting from November 7, 2006 or until 2031;
4. FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, FCLRC is authorized to collect from sub-licenses an annual fixed amount equivalent to \$48,000 for the first year of operations and \$60,000 thereafter, from sportsbook operators;

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

FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local, and national, shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the national government five percent (5%) of locators' gross income less allowable deductions. In 2013, 2012, and 2011, this is included as income tax expense, which amounted to P27,517,846, P16,262,175, and P9,665,325, respectively (see Note 23).

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

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

- In August 2007, FCLRC and CEZA entered into an agreement with A.G. Pazon & Associates and CAMJ Construction Corporation, both third parties, to start the development of the Cagayan Business Park (CBP), part of Phase I of the Master Development Plan. The proposed CBP has a total lot area development of 90,005 square meters. The site development plan includes the construction of buildings with a total floor area of 2,400 sqm. The project also includes the construction of an administration building, commercial center, cable center, sub-station and parking spaces. It also includes the installation of an underground power/communication cabling system and an overhead water tank. The development of the CBP was completed in January 2011.
- Another infrastructure required in Phase I of the Master Development Plan is the rehabilitation of the San Vicente Naval Airport (the Airport). On September 1, 2006, FCLRC entered into a contract for the airstrip rehabilitation with the same contractors for the CBP to undertake the expansion, paving and overlaying of the runway of the airport and the provision of basic airport amenities. The rehabilitation of the San Vicente Naval Airport was completed on December 8, 2006 (see Note 12).
- As an initial project to establish the internet and telecommunication infrastructure, FCLRC entered into an Agreement with IPCDCC on March 1, 2007, incorporating FCCDCI. The parties shall infuse the necessary capital to fund the required infrastructure requirements of the Master Development Plan (see Note 10).

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

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

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

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## 19. Lease Agreements

### *Group as Lessee*

- i The Group leases the spaces where the Group entities conduct their bingo operations. The term of the lease agreements with various lessors varies from one (1) to five (5) years. The lease amounts are computed based on certain percentages of gross revenues or on a fixed rate per square meter which are generally determined on an annual basis.
- ii In December 2006, FCLRC entered into a 25-year lease contract with the municipality of Cagayan up to December 7, 2031 or until FCLRC serves as its Master Licensor for the lease of a parcel of lot with an area of 178,728 square meters. Monthly rent is fixed at P357,456, subject to a 5% escalation every three years.
- iii In March 2007, FCLRC entered into a 25-year lease contract with CEZA up to June 30, 2031 or until FCLRC serves as its Master Licensor, for the lease of a parcel of lot and improvements with an area of 23,758 square meters. Monthly rent is fixed at P600,527, subject to a 5% escalation every five years.
- iv The Group entered into the following lease agreements in relation to their Operating Agreement with Belle Corporation (see Note 26):
  - a. Casino Land Lease

On January 14, 2011, ABGLI entered into a contract of lease over parcels of land. The terms and conditions of the contract, among others, provided that the lease shall commence upon the execution of the contract and shall expire ten (10) years after the casino building lease commencement date ("Commencement Date").
  - b. Casino Building Lease

On January 14, 2011, ABGLI entered into a contract of lease of a casino building. The lease period shall commence on the "Commencement Date" described in the Casino Land Lease Agreement and shall expire 10 years after the "Commence Date."
  - c. Office Space Leases

In May 2011, ABGLI entered into a lease contract for its office space. The lease is for a period of nine (9) months until February 2012 with the option to renew monthly upon mutual agreement of both parties.

In June 2011, ABLGI entered into a lease contract for additional office space. The lease is for a period of one year until June 15, 2012 with the option to renew monthly upon mutual agreement of both parties.

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

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

Minimum lease payments are as follows:

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

*Group as Lessor*

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

The lease is for a period of 5 years until October 31, 2015. The lease agreement provides for, among others, rent deposit returnable to the lessee upon termination of the lease. Rent deposit amounted to P4,421,800 and P4,731,800 as at December 31, 2013 and 2012, respectively. Minimum lease receivables as at December 31 are as follows:

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

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

Rent income recognized in profit or loss in 2013, 2012, and 2011 amounted to P204,624,705, P180,516,242, and P137,211,891, respectively.

## 20. Retirement Benefits

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

### Retirement Expense

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

### Changes in the Present Value of Defined Benefit Obligation

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

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

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

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

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



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

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

**Sensitivity Analysis**

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

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

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

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

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

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

**Funding**

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

**Asset-liability Matching**

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

Maturity analysis of the benefit payments:

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

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

Finance income consists of:

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

Finance expense consists of:

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

Other income (expense) consists of:

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

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

## 22. Related Party Disclosures

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

Categories	Nature of Transaction	2013	Note	Amount of Transactions for the Year	Outstanding Balance		Terms	Conditions
					Due from Related Parties	Due to Related Parties		
Joint Venture FCCDCI	Rental of premises	2013	19	P1,080,000	P540,000	P -	Demandable; non interest-bearing	Unsecured; no impairment
		2012	19	599,481	484,393	-	Demandable; non interest-bearing	Unsecured; no impairment
		2011	19	22,456,316	473,684	-	Demandable; non interest-bearing	Unsecured; no impairment
	Dividends	2013	10	-	-	-	Demandable; non interest-bearing	Unsecured; no impairment
		2012	10	17,400,000	17,400,000	-	Demandable; non interest-bearing	Unsecured; no impairment
		2011	10	6,000,000	-	-	Demandable; non interest-bearing	Unsecured; no impairment
	Transfers under finance arrangements	2013	10	214,286	214,286	-	Demandable; non interest-bearing	Unsecured; no impairment
		2012	10	610,190	-	-	Demandable; non interest-bearing	Unsecured; no impairment
		2011	10	4,000,000	-	-	Demandable; non interest-bearing	Unsecured; no impairment

Forward

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

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

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

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

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

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

### 23. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group has NOLCO amounting to P123,131,517 and P62,481,287 where no deferred tax was recognized as at December 31, 2013 and 2012, respectively, because management believes that it is not probable that future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The details of the Group's NOLCO which are available for offsetting against future taxable income are as follows:

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

\*As restated (see Note 3)

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

Management believes that ABLE's payment of 5% Franchise Tax to the BIR is effectively equivalent to the corporate income tax for the taxable years 2012 and 2011. Based on consultations with tax advisers, the management also believes that collection of income tax in addition to the 5% Franchise Tax has no legal basis.

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

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

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

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

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

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

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#### 24. Earnings (Loss) Per Share

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

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

\* Adjusted for the stock dividends declared in 2013.



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

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

\* Adjusted for the stock dividends declared in 2013.

\*\* Adjusted for the convertible preferred shares (see Note 16).

## 25. Segment Information

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

In 2013, additional reportable business segment, Participation Income, was recognized. Professional bingo gaming provides amusements and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games. Interactive games licensing engages in developing a network operation/hub with an internet server including web sites, gaming software, application program, administrative software, hardware, internet, as well as telecommunications connections, collection and payment system and toll free telephone operations, all in connection with the development, operation and conduct of an internet and gaming enterprises and facilities; and regulates and monitors on behalf of CEZA all activities pertaining to the licensing and operation of interactive games. Participation income is the Group's share in net lease income from the Casino Project (see Note 26).

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

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

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

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

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

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,268,615,869	P716,857,167	P -	P -	P3,985,473,036
Results					
Segment results	(26,887,979)	101,644,293	-	-	74,756,314
Unallocated corporate expenses					(264,750,041)
Results from operating activities					(189,993,727)
Finance income	796,770	294,989	14,971,922	-	16,063,681
Finance expense	(15,347,939)	(26,372,110)	(4,536,236)	-	(46,256,285)
Ren/other income	64,724,955	60,378,674	14,983,020	-	140,086,649
Foreign exchange gain - net	-	4,962,019	-	-	4,962,019
Equity in income of a venture	-	24,263,436	-	-	24,263,436
Remeasurements of defined benefit liability - net of tax	(9,337,900)	(503,940)	-	-	(9,841,840)
Foreign currency translation gain	11,839	-	-	-	11,839
Income taxes	-	(9,665,325)	63,850,206	-	54,184,881
Non-controlling interest	6,740,574	(47,085,697)	-	-	(40,345,123)
Net Loss					(46,864,470)
Other Information					
Segment assets	P1,206,724,826	P1,040,503,837	P -	(P2,316,363,789)	(P69,135,126)
Investments at cost	1,694,500	-	-	-	1,694,500
Unallocated corporate assets					3,769,879,968
Total Assets					P3,702,439,342
Segment liabilities	P491,801,147	P646,830,555	P -	(P248,423,700)	P890,208,002
Unallocated corporate liabilities					61,475,447
Total Liabilities					P951,683,449
Capital expenditures	P94,914,631	P147,431	P109,398,705	P -	P204,460,767
Depreciation and amortization	61,005,380	19,882,274	8,715,429	-	89,603,083

There were no intersegment sales recognized between the two reportable segments in 2013, 2012, and 2011. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement obligation, and due to a related party. Capital expenditures on noncurrent assets represent additions to property and equipment and investment property. Noncash expenses pertain to depreciation and amortization expense attributable to the two reportable segments.

## 26. Operating Agreement

On January 14, 2011, LRWC and the Company entered into several agreements (the "ABLGI Agreements") with Belle Corporation (Belle) and Premium Leisure and Amusement, Inc. (PLAI) for the leasing, fit out and operation of an integrated casino development project to be located at Aseana Business Park, Paranaque City (the "Project").

PLAI is a member of a consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation, SM Commercial Properties, Inc. and PLAI (all third parties), which was granted a Provisional License by PAGCOR to establish and operate a casino (Casino Project) to be located within the Manila Bay Reclamation Area.

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

As at December 31, 2011, the amounts owed to Belle Corporation in relation to the above, were fully paid including interest. Interest expense recognized in profit or loss in 2011 amounted to P3,278,767.

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

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

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

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## 27. Other Matters

### Rapid Bingo and Electronic Bingo

To better reflect the revenues from rapid bingo, revenues presented by the Group are net of the supplier's share amounting to P7,880,439, P8,431,621, and P10,247,793 in 2013, 2012, and 2011, respectively.

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

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

## Tax Cases

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

In 2013, SEGI assails the validity of the Warrant of Distraint and/or Levy (WDL) for failure to receive any Formal Assessment Notice covering alleged deficiency taxes for taxable year 2005 in violation of the due process requirements under Section 228 of the 1997 National Internal Revenue Code ("1997 NIRC") and Revenue Regulations No. ("Rev. Regs.") 12-99). The respondent terminated the presentation of its evidence and filed its Formal Offer of Evidence on April 11, 2013. On July 24, 2013, petitioner filed an Omnibus Motion (A) For Presentation of Additional Evidence; and (B) To Defer Filing of Memorandum of Petitioner. The Court of Tax Appeals granted the foregoing Motion. The presentation of the additional evidence of the petitioner is set on October 21, 2013.

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

In 2013, SEGI assails the validity of the WDL for failure to receive any Formal Assessment Notice covering alleged deficiency taxes for taxable year 2007 in violation of the due process requirements under Section 228 of the 1997 NIRC and Rev. Regs. 12-99. Both parties have terminated the presentation of their evidence. The case was submitted for decision/resolution on April 22, 2013.

The outcome of the lawsuits cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from the lawsuits, if any, will not have a material effect on the consolidated financial statements.

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## **28. Financial Risk and Capital Management Objectives and Policies**

### Financial Risk Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

The main purpose of the Group's dealings in financial instruments is to fund their respective operations and capital expenditures. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Group's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the Group's financial statements and financial reporting process and the Group's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Group's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Group with legal and regulatory requirements, including the Group's disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group's annual report. The results of procedures performed by Internal Audit are reported to the Audit Committee. On the other hand, the Audit Committee reports all the issues identified over the financial reporting of the Group to the BOD on a regular basis.

#### Credit Risk

Credit risk represents the risk of loss the Group would incur if customers and counterparties fail to perform their contractual obligations.

Financial information on the Group's maximum exposure to credit risk as at December 31, 2013 and 2012, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

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

#### *Cash in Banks/Short-term Investments*

The management evaluates the financial condition of the banking industry and bank deposits/investments are maintained with reputable banks only.

### *Receivables*

Majority of the Group's credit risk on receivables is attributed to its internet gaming licensing activities influenced mainly by the individual characteristics of each customer and non-interest bearing advances made to entities with similar operations. The demographics of the Group's customer base, including the default risk of the industry and regions in which customers operate, has an influence on credit risk.

The BOD has established a credit policy under which each new advanced amount requested by customer/counterparties within the same gaming industry is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The Group's review includes the requirements of updated credit application documents, credit verifications through the use of no negative record requests and list of blacklisted accounts, and analyses of financial performance to ensure credit capacity. The status of each account is first checked before advances are approved.

Most of the Group's customers have been transacting with the Group for several years, and losses have occurred from time to time. Results of credit reviews are grouped and summarized according to credit characteristics, such as aging profiles and credit violations.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The aging of receivables is as follows:

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

As at reporting date, there were no significant concentrations of credit risk.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days. Allowance for impairment losses on receivables amounted to P40,662,672 and P31,178,549 as at December 31, 2013 and 2012, respectively.

### *Venue Rental and Other Deposits*

The management prefers well known business establishments in the selection of location for bingo operations to ensure profitable operations and recovery of the venue rental and other deposits upon termination of the lease agreements.

### *Cash and Performance Bonds*

The Group's exposure to credit risk is negligible as PAGCOR has sufficient funds to settle cash and performance bonds upon the expiration of the Grants.

*Due from Related Parties*

The Group limits its exposure to credit risk by only financing the operations of related parties that have viable operations and likewise engaged in gaming amusement activities.

The most significant amount of due from related parties of the Group is the advances to BLRI, which is an associate of the Parent Company.

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

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

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

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



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

#### Liquidity Risk

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

The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. As at December 31, 2013 and 2012, the total commitment under the line of credit are P220,000,000 and P190,000,000 respectively, of which the Group had drawn P195,717,100 and P95,464,000, respectively, under short term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates (see Note 13).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Group:

	2013				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-5 Years
<b>Nonderivative Financial Liabilities</b>					
Trade and other payables, excluding unearned fees*	P1,093,593,615	P976,852,873	P975,282,024	P839,144	P731,705
Short-term and long-term loans payable	3,195,360,727	3,865,106,859	380,781,986	326,360,298	3,157,964,575
Obligations under finance lease	20,401,123	29,864,085	21,375,582	5,425,707	3,062,797
Due to a related party	19,198,696	19,198,696	19,198,696	-	-
Rent deposit	4,421,800	4,421,800	-	-	4,421,800
	<b>P4,332,975,961</b>	<b>P4,895,444,313</b>	<b>P1,396,638,288</b>	<b>P332,625,149</b>	<b>P3,166,180,877</b>

\* Excluding statutory payables.

	2012				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-5 Years
<b>Nonderivative Financial Liabilities</b>					
Trade and other payables, excluding unearned fees*	P636,883,027	P636,883,027	P577,705,539	P59,177,488	P -
Short-term and long-term loans payable	127,174,900	135,799,096	110,588,972	2,407,711	22,802,413
Obligations under finance lease	10,289,715	17,984,896	439,094	10,778,818	6,766,984
Due to a related party	9,070,691	9,070,691	9,070,691	-	-
Rent deposit	4,731,800	4,731,800	4,731,800	-	-
	<b>P788,150,133</b>	<b>P804,469,510</b>	<b>P702,536,096</b>	<b>P72,364,017</b>	<b>P29,569,397</b>

\* Excluding statutory payables.

### Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in prices, interest rates, currency exchange rates and equity price risk.

### Change in Prices

The risk from price changes relates to the Group's ability to recover higher selling costs through price increases, which may be limited due to the regulated environment that exists in the Philippine gaming market and the willingness of players to purchase the same volume of bingo cards at higher prices. The Group's most significant exposure arises from increase in rental rates of leased premises in commercial establishments.

The Group minimizes its exposure to risks in changes in rental rates by entering into contracts with lessors with fixed rent commitment for the contract duration.

### *Interest Rate Risk*

The Group's exposure to the risk for changes in market interest rate relates primarily to its short-term and long-term debt obligations with variable interest rates. The Group's interest rate risk exposure relates to the 90 day MART1 and LIBOR benchmark plus a designated bank spread. The Treasury Department, through its competencies of managing short-term and long-term debt obligations, transacts with creditors to ensure the most advantageous terms and to reduce exposure to risk of changes in market interest rate.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	<i>Note</i>	<b>2013</b>	<b>2012</b>
Variable rate:			
Financial assets	4	<b>P6,787,781,773</b>	<b>P172,256,416</b>
Financial liabilities	13, 14	<b>4,272,201,660</b>	<b>105,753,715</b>

### *Sensitivity Analysis*

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

A 2% decrease in interest rates for December 31, 2013 and 2012 would have had the equal but opposite effect, on the basis that all other variables remain constant.

### *Foreign Currency Risk*

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in U.S. dollar (\$). In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Group ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's exposure to foreign currency risk based on notional amounts is as follows:

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

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

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

	<b>2013</b>	<b>2012</b>
PHP average rate	<b>44.14</b>	<b>42.22</b>
PHP spot rate	<b>44.40</b>	<b>41.05</b>

### *Sensitivity Analysis*

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

A 10% weakening of the Philippine peso against the US dollars as at December 31, 2013 and 2012 would have had the equal but opposite effect, on the basis that all other variables remain constant.

#### Fair Values

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

#### *Cash and Cash Equivalents/Receivables/Due from Related Parties/Venue Rental and Other Deposits/Cash and Performance Bonds /Trade and Other Payables/Due to a Related Party/Rent Deposit*

The carrying amounts of cash and cash equivalents, receivables, due from related parties, trade and other payables and due to a related party approximate their fair values due to the relatively short-term nature of these financial instruments. The carrying amounts of venue rental and other deposits, and cash and performance bonds approximate their fair values, because the Group does not anticipate its carrying amount to be significantly different from the actual value that they would be eventually collected.

#### *Investment in Other Shares of Stocks*

The fair value of unquoted other shares of stocks approximates its cost, because there are no recent transactions involving these stocks.

#### *Loans Payable*

Loans are reported at their present values, which approximates the cash amounts that would fully satisfy the obligations as at reporting date. The carrying amount approximates fair value since the interest rates are repriced frequently. These are classified as current liabilities when they become payable within a year.

#### *Obligations Under Finance Lease*

Obligations under finance lease are reported at their present values, which approximates the cash amounts that would fully satisfy the obligations as at reporting date. These are classified as current liabilities when they become payable within a year.

#### Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2013 and 2012.

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## 29. Reclassifications

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

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

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



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

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

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

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

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

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

**R.G. MANABAT & CO.**

**TOMAS G. MAHINAY**

Partner

CPA License No. 0024593

SEC PA Control No. A-653-A, Group A, valid until June 6, 2014

Tax Identification No. 121-597-818

BIR Accreditation No. 08-001987-21-2013

Issued May 9, 2013; valid until May 8, 2016

PTR No. 4225129MC

Issued January 2, 2014 at Makati City

May 8, 2014

Makati City, Metro Manila

LEISURE & RESORTS WORLD CORPORATION

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

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

## LEISURE &amp; RESORTS WORLD CORPORATION

## SCHEDULE C

## Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

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



## LEISURE &amp; RESORTS WORLD CORPORATION

## SCHEDULE D

## INTANGIBLE ASSETS - GOODWILL AND OTHER ASSETS

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

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE E LONG TERM DEBT

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

LEISURE & RESORTS WORLD CORPORATION

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

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

# Leisure & Resorts World Corporation

## Schedule H. Capital Stock

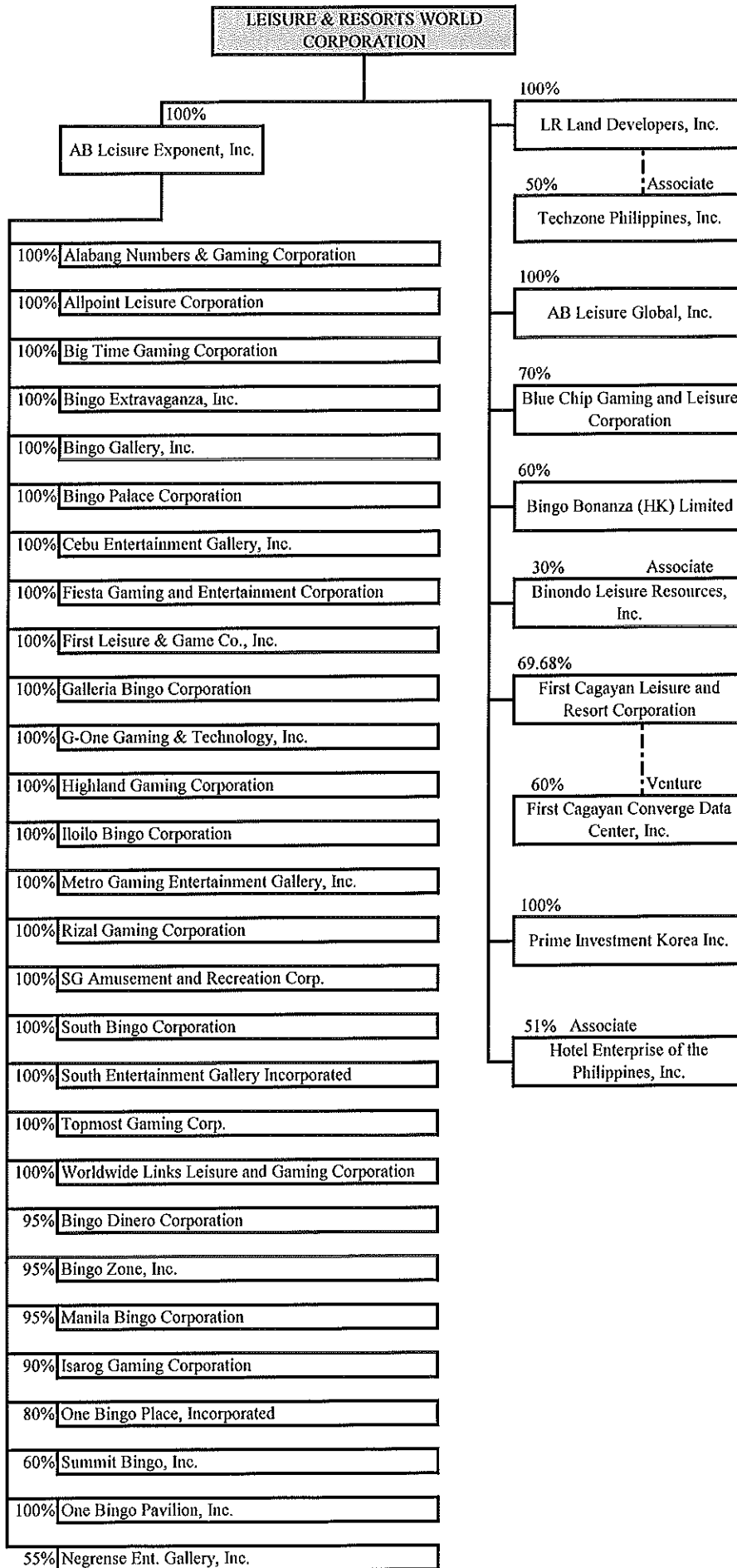
Common Shares	Preferred Shares	Authorized Shares	Issued and Outstanding Shares	Unissued Shares	Retained Earnings	Total Equity
Common Shares	2,500,000,000	1,199,852,512		431,211,303	5,669,884	762,971,325
Preferred Shares	2,500,000,000	1,650,000,000	82,500,000			

## LEISURE &amp; RESORTS WORLD CORPORATION

## SCHEDULE I - FINANCIAL SOUNDNESS INDICATORS

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

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



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

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

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



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

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

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



**R.G. Manabat & Co.**  
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Branches: Subic · Cebu · Bacolod · Iloilo

## REPORT OF INDEPENDENT AUDITORS

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

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

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

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

**R.G. MANABAT & CO.**

**TOMAS G. MAHINAY**

Partner

CPA License No. 0024593

SEC PA Control No. A-653-A, Group A, valid until June 6, 2014

Tax Identification No. 121-597-818

BIR Accreditation No. 08-001987-21-2013

Issued May 9, 2013; valid until May 8, 2016

PTR No. 4225129MC

Issued January 2, 2014 at Makati City

May 8, 2014  
Makati City, Metro Manila

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

<b>Unappropriated Retained Earnings, Available for Dividend Declaration, beginning</b>	<b>P254,351,491</b>
<b>Adjustments:</b>	
Adjustments in previous year's reconciliation	-
<b>Unappropriated Retained Earnings, as adjusted, and Available for Dividend Declaration</b>	<b>254,351,491</b>
<b>Net Income based on the face of AFS</b>	<b>P361,604,665</b>
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustments (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<b>Add: Non-actual losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
<b>Add (Less):</b>	
Dividend declarations during the period	(366,088,619)
<b>Net income/ (loss) actually earned during the period</b>	<b>(4,483,954)</b>
<b>Unappropriated Retained Earnings, as adjusted, ending</b>	<b>P249,867,537</b>

ANNUAL REPORT  
(SEC FORM 17-A)

INDEX OF EXHIBITS

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

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

**EXHIBIT 18: SUBSIDIARIES OF THE REGISTRANT**

The Company has four (6) subsidiaries:

Name: **AB Leisure Exponent, Inc. (ABLE)**

Trade Name: Bingo Bonanza Corporation

Place of Incorporation: Philippines

Percentage of ownership: 100%

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

Name: **First Cagayan Leisure & Resort Corporation (FCLRC)**

Trade Name: None

Place of Incorporation: Philippines

Percentage of ownership: 69.68%

Name: **LR Land Developers, Inc. (LRLDI)**

Trade Name: None

Place of Incorporation: Philippines

Percentage of ownership: 100%

Name: **AB Leisure Global, Inc. (ABLGI)**

Trade Name: None

Place of Incorporation: Philippines

Percentage of ownership: 100%

Name: **Blue Chip Gaming and Leisure Corporation (BCLGC)**

Trade Name: None

Place of Incorporation: Philippines

Percentage of ownership: 70%

Name: **Bingo Bonanza (HK) Limited (BBL)**

Trade Name: None

Place of Incorporation: Hongkong

Percentage of ownership: 60%

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