

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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											

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

--

Company's Telephone Number/s

--

Mobile Number

--

No. of Stockholders

1705

Annual Meeting (Month / Day)

--

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Rizalito S. Oades

Email Address

riz.oades@lrwc.com

Telephone Number/s

(02) 638-5557

Mobile Number

--

CONTACT PERSON'S ADDRESS

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Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of **LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements as at and the years ended December 31, 2015 and 2014, 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 misstatements, 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.

R.G. Manabat & Co., 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 & President

Rizalito S. Oades
RIZALITO S. OADES
SVP & Group CFO

15 April 2016

SUBSCRIBED AND SWORN before me this APR 15 2016 day of APRIL 2016 affiants exhibiting to me their Community Tax Certificates as follows:

Names	CTC No./Passport No.	Date of Issue	Place of Issue
Reynaldo P. Bantug	CTC 24925062	13 Jan 2016	Victoria City, Negros Occidental
Rizalito S. Oades	CTC 01495012	07 Jan 2016	Paranaque City

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 Page No. 35
 Book No. 07
 Series of 2016

Atty. Richard L. Anglin
ATTY. RICHARD L. ANGLIN
 NOTARY PUBLIC
 FOR CITY OF PASIG
 IBP LIFETIME
 PTR NO. 49
 Roll No. 3
 MCLE COM
 RODULFO
 2/F YMCA
 #350 A
 ERMITA
 EMAIL



**LEISURE & RESORTS WORLD CORPORATION
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013**



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
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
26th Floor, West Tower, PSE Center
Exchange Road, Ortigas Center
Pasig City

We have audited the accompanying consolidated financial statements of Leisure & Resorts World Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 1387-A, Group A, valid until February 5, 2017

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2013

Issued December 2, 2013; valid until December 1, 2016

PTR No. 5320746MD

Issued January 4, 2016 at Makati City

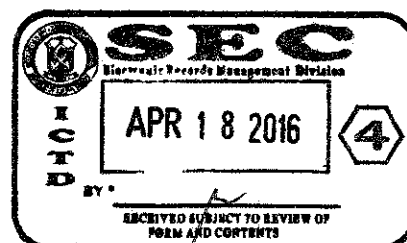
April 15, 2016

Makati City, Metro Manila

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

		December 31	
	<i>Note</i>	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	4	P338,802,543	P338,257,077
Receivables - net	5	778,033,823	477,177,301
Playing cards	6	37,709,669	27,910,658
Due from related parties	22	18,835,517	25,876,212
Prepaid expenses and other current assets	7	210,753,953	134,841,414
Total Current Assets		1,384,135,505	1,004,062,662
Noncurrent Assets			
Property and equipment - net	8, 13, 14	1,530,538,764	650,253,823
Investment properties - net	9	144,485,174	152,844,109
Investments and advances - net	10	3,025,703,601	2,893,970,363
Available for sale financial asset	10	115,911,244	-
Advances to a casino project	26	4,780,000,000	4,241,486,036
Deferred tax assets - net	23	178,034,400	104,450,295
Goodwill - net	11	1,453,344,478	1,277,468,117
Other assets - net	12	984,527,403	622,265,487
Total Noncurrent Assets		12,212,545,064	9,942,738,230
		P13,596,680,569	P10,946,800,892
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	15	P1,846,349,239	P1,574,477,523
Short-term loans payable	13	1,211,094,749	1,093,210,417
Current portion of long-term loans payable	13	716,503,799	431,376,683
Current portion of obligations under finance lease	14	3,740,533	7,962,278
Due to related parties	22	9,070,691	9,170,691
Income tax payable		98,297,045	62,693,157
Total Current Liabilities		3,885,056,056	3,178,890,749
Noncurrent Liabilities			
Long-term loans payable - net of current portion	13	3,358,663,471	2,233,366,627
Retirement benefits liability	20	125,653,644	94,846,895
Rent deposits	19	4,445,300	4,421,800
Obligations under finance lease - net of current portion	14	220,955	3,961,488
Total Noncurrent Liabilities		3,488,983,370	2,336,596,810
		7,374,039,426	5,515,487,559

Forward



		December 31	
	<i>Note</i>	2015	2014
Equity			
Equity Attributable to Equity Holders of the Parent Company			
	<i>16</i>		
Capital stock		P2,849,852,512	P2,849,852,512
Additional paid-in capital - common		1,114,028,555	1,114,028,555
Treasury shares		(71,142,419)	(71,142,419)
Retirement benefits reserve		(40,936,438)	(31,095,092)
Fair value reserve		9,783,653	-
Foreign currency translation reserve		(434,274)	(139,126)
Other reserve		(1,294,351)	-
Retained earnings		1,948,895,695	1,202,705,994
		5,808,752,933	5,064,210,424
Non-controlling Interests	<i>2</i>	413,888,210	367,102,909
Total Equity		6,222,641,143	5,431,313,333
		P13,596,680,569	P10,946,800,892

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		
	<i>Note</i>	2015	2014	2013
REVENUES				
Electronic bingo - net	17, 27	P3,443,133,605	P2,633,936,560	P2,023,703,001
Traditional bingo	17	2,258,500,291	1,581,318,194	1,660,716,479
Service and hosting fees	18	1,602,083,123	1,352,708,024	859,554,770
Income from junket operations	11	1,045,943,776	394,791,325	11,417,122
Rapid bingo	17, 27	267,128,770	283,668,087	356,589,861
Commission income	11	297,241,621	120,097,012	-
Rent income	19	211,721,519	113,637,161	102,244,292
Compensation fee from a casino project	26	75,836,610	89,019,980	42,964,168
Share in gaming revenue of a casino project	26	59,036,485	7,075,317	-
Pull tabs	17	9,441,338	4,082,300	3,622,060
		9,270,067,138	6,580,333,960	5,060,811,753
COSTS AND OPERATING EXPENSES				
Franchise fees and taxes	17, 18	3,946,755,050	2,747,955,495	2,026,037,751
Payouts - traditional bingo	17	1,614,423,667	1,141,657,213	1,290,163,243
Rent	19	623,202,690	435,829,466	342,170,110
Salaries and other benefits		420,606,435	354,719,924	294,249,428
Contracted services		417,715,108	275,455,505	224,816,710
Depreciation and amortization	8, 9, 12	288,911,630	147,063,645	124,253,423
Communications and utilities		239,973,167	239,143,270	184,905,051
Advertising and promotion		204,189,567	101,904,930	20,353,711
Playing cards	6	68,632,463	28,823,882	35,932,282
Representation and entertainment		61,965,979	75,550,420	17,272,319
Taxes and licenses		61,328,997	51,521,741	41,824,680
Transportation and travel		54,087,028	41,374,228	19,785,401
Impairment losses on receivables	5	-	3,009,459	24,831,351
Others		192,876,460	117,733,607	62,460,917
		8,194,668,041	5,761,742,785	4,709,056,377
OPERATING INCOME		1,075,399,097	818,591,175	351,755,376

Forward

		Years Ended December 31		
	<i>Note</i>	2015	2014	2013
OTHER INCOME (EXPENSES)				
Finance expense	21	(P285,007,568)	(P240,827,836)	(P182,252,468)
Finance income	21	244,782,955	227,550,705	141,237,274
Equity in net income of an associate	10	133,682,989	40,749,264	43,106,286
Equity in net earnings of joint ventures	10	98,131,397	140,290,278	37,026,572
Foreign exchange gain (loss) - net		9,971,225	18,061,896	(17,165,272)
Other income - net	21	181,545,949	86,464,541	130,341,119
		383,106,947	272,288,848	152,293,511
INCOME BEFORE INCOME TAX				
		1,458,506,044	1,090,880,023	504,048,887
INCOME TAX EXPENSE	23	188,257,219	156,793,068	80,104,282
NET INCOME		1,270,248,825	934,086,955	423,944,605
Attributable to:				
Owners of the Parent Company		1,030,422,003	749,838,900	323,788,638
Non-controlling interest		239,826,822	184,248,055	100,155,967
		1,270,248,825	934,086,955	423,944,605
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss				
Foreign currency translation gain (loss)		(295,148)	31,912	(238,436)
Revaluation of AFS		9,783,653	-	-
Item that will never be reclassified to profit or loss				
Remeasurement loss on retirement benefits, net of tax	20	(15,362,220)	(3,915,083)	(6,960,869)
TOTAL COMPREHENSIVE INCOME		P1,264,375,110	P930,203,784	P416,745,300
Attributable to:				
Owners of the Parent Company		P1,030,069,162	P746,073,166	P318,357,466
Non-controlling interest		234,305,948	184,130,618	98,387,834
		P1,264,375,110	P930,203,784	P416,745,300
Basic Earnings Per Share	24	P0.7547	P0.5194	P0.2155
Diluted Earnings Per Share		0.7063	0.4862	0.2068

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	Attributable to Equity Holders of the Parent Company											
	Capital Stock	Additional Paid-in Capital - Common		Treasury Shares	Retirement Benefit Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non- controlling Interests	Total Equity
Note	Common Shares	Preferred Shares	Common	Shares	(P31,095,092)	P -	(P139,126)	P -	P1,202,705,994	P5,064,210,424	P367,102,909	P5,431,313,333
Balance at January 1, 2015	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P31,095,092)	P -	(P139,126)	P -	P1,202,705,994	P5,064,210,424	P367,102,909	P5,431,313,333
Foreign currency translation gain - net	-	-	-	-	-	-	(295,148)	-	-	(295,148)	-	(295,148)
Remeasurement loss on retirement benefits - net of tax	-	-	-	-	(9,841,346)	-	-	-	-	-	(5,520,874)	(15,362,220)
Revaluation of AFS	-	-	-	-	-	9,783,653	-	-	-	-	-	9,783,653
Other comprehensive income (loss)	-	-	-	-	(9,841,346)	9,783,653	(295,148)	-	-	(352,841)	(5,520,874)	(5,873,715)
Net income for the year	-	-	-	-	-	-	-	-	1,030,422,003	1,030,422,003	239,826,822	1,270,248,825
Total comprehensive income (loss) for the year	-	-	-	-	(9,841,346)	9,783,653	(295,148)	-	1,030,422,003	1,030,069,162	234,305,948	1,264,375,110
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(1,294,351)	-	(1,294,351)	(8,708,677)	(10,003,028)
Cash dividends	-	-	-	-	-	-	-	-	(284,232,302)	(284,232,302)	(178,811,970)	(463,044,272)
Balance at December 31, 2015	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P40,936,438)	P9,783,653	(P434,274)	P1,294,351	P1,948,895,696	P5,808,752,933	P413,888,210	P6,222,641,143

Forward

Years Ended December 31

	Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional	Foreign	Retirement	Treasury	Retirement	Retained	Total	Non-	Total
	Common	Paid-in	Currency	Benefits	Shares	Reserve	Earnings		controlling	Equity
	Shares	Common	Translation	Reserve		Reserve			Interests	
		Capital -	Reserve		Shares					
		Common								
Note										
Balance at January 1, 2014	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P27,297,446)	(P171,038)	P684,380,819	P4,549,650,983	P186,767,291	P4,736,418,274
Foreign currency translation gain- net	-	-	-	-	-	31,912	-	-	-	31,912
Remeasurements gain on retirement benefits - net of tax	-	-	-	-	(3,797,646)	-	-	(3,797,646)	(117,437)	(3,915,083)
Other comprehensive income (loss)	-	-	-	-	(3,797,646)	31,912	-	(3,765,734)	(117,437)	(3,883,171)
Net income for the year	-	-	-	-	-	-	749,838,900	749,838,900	184,248,055	934,086,955
Total comprehensive income (loss) for the year	-	-	-	-	-	31,912	749,838,900	746,073,166	184,130,618	930,203,784
Cash dividends	16	-	-	-	-	-	(231,513,725)	(231,513,725)	(3,795,000)	(235,308,725)
Balance at December 31, 2014	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P31,095,092)	(P139,126)	P1,202,705,994	P5,064,210,424	P367,102,909	P5,431,313,333

Forward

Years Ended December 31

	Attributable to Equity Holders of the Parent Company										
	Capital Stock		Additional Paid-in Capital - Common		Treasury Shares	Retirement Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
Note	Common Shares	Preferred Shares	Common Shares	Common	Shares	Reserve	Reserve	Earnings		Interests	
Balance at January 1, 2013	P999,877,094	P -	P1,114,028,555	(P18,694,937)	(P22,104,710)	P67,398	P724,368,797	P2,797,542,197	P166,529,457	P2,964,071,654	
Foreign currency translation loss - net	-	-	-	-	-	(238,436)	-	(238,436)	-	(238,436)	
Remeasurement loss on retirement benefits - net of tax	-	-	-	-	(5,192,736)	-	-	(5,192,736)	(1,768,133)	(6,960,869)	
Other comprehensive loss	-	-	-	-	(5,192,736)	(238,436)	-	(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 (loss) for the year	-	-	-	-	(5,192,736)	(238,436)	323,788,638	318,357,466	98,387,834	416,745,300	
Issuances during the year	16	1,650,000,000	-	-	-	-	-	1,650,000,000	-	1,650,000,000	
Cash dividends	16	-	-	-	-	-	(163,801,198)	(163,801,198)	(78,150,000)	(241,951,198)	
Stock dividends	16	199,975,418	-	-	-	-	(199,975,418)	-	-	-	
Treasury shares acquired	16	-	-	(216,962,812)	-	-	-	(216,962,812)	-	(216,962,812)	
Treasury shares sold	16	-	-	164,515,330	-	-	-	164,515,330	-	164,515,330	
Balance at December 31, 2013	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P27,297,446)	(P171,038)	P684,380,819	P4,549,650,983	P186,767,291	P4,736,418,274	

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	<i>Note</i>	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P1,458,506,044	P1,090,880,023	P504,048,887
Adjustments for:				
Depreciation and amortization	8, 9, 12	288,911,630	147,063,645	124,253,423
Finance expense	21	285,007,568	240,827,836	182,252,468
Finance income	21	(244,782,955)	(227,550,705)	(141,237,274)
Equity in net income of an associate	10	(133,682,989)	(40,749,264)	(43,106,286)
Equity in net earnings of joint ventures	10	(98,131,397)	(140,290,278)	(37,026,572)
Retirement benefits	20	13,521,414	12,130,663	9,808,793
Unrealized foreign exchange loss (gain) - net		(9,383,576)	3,888,313	14,318,837
Loss on write-off of property and equipment	21	-	8,235,303	-
Net impairment losses on receivables	5	-	3,009,459	9,484,124
Operating income before working capital changes		1,559,965,739	1,097,444,995	622,796,400
Decrease (increase) in:				
Receivables		(300,856,522)	925,785	(212,556,403)
Playing cards		(9,799,011)	(18,063,707)	6,183,776
Prepaid expenses and other current assets		(75,912,459)	(48,081,334)	81,674,246
Increase (decrease) in:				
Trade and other payables		271,871,716	457,255,143	(19,237,599)
Due to related parties		(100,000)	(10,028,005)	6,928,005
Rent deposits		23,500	-	(310,000)
Cash generated from operations		1,445,192,963	1,479,452,877	485,478,425
Income taxes paid		(152,653,331)	(135,176,121)	(62,054,341)
Interest received		132,983	240,705	3,006,274
Interest paid		-	(22,992,517)	(47,005,039)
Net cash provided by operating activities		1,292,672,615	1,321,524,944	379,425,319

Forward

		Years Ended December 31		
	<i>Note</i>	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash given up from acquisition of subsidiaries		(P619,212,000)	(P535,080,034)	(P1,000,000)
Additions to:				
Property and equipment	8	(1,153,257,645)	(211,567,925)	(84,412,957)
Investment properties	9	(14,612,359)	(50,000,000)	(227,903)
Proceeds from disposal of property and equipment		135,296,438	936,741	-
Interest received		274,790,413	165,000,000	131,193,867
Decrease (increase) in:				
Due from related parties		1,265,607	79,851,964	(13,386,614)
Advances to a casino project		(538,513,964)	-	(4,001,718,888)
Investments and advances		(121,895,360)	(360,238,545)	(629,311,879)
Other assets		(362,261,996)	(452,114,585)	(129,809,449)
Net cash used in investing activities		(2,398,400,866)	(1,363,212,384)	(4,728,673,823)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable	13	2,500,073,432	990,449,055	4,142,466,847
Payments of loans payable		(883,990,682)	(626,196,583)	(1,087,141,850)
Interest paid		(295,605,524)	(92,812,281)	(94,187,502)
Dividends paid		(207,640,216)	(177,884,060)	(99,452,159)
Payments of obligations under finance lease		(7,962,278)	(9,691,016)	(6,944,092)
Proceeds from issuance of preferred shares		-	-	1,650,000,000
Proceeds from sale of treasury shares	16	-	-	164,515,330
Acquisitions of treasury shares	16	-	-	(216,962,812)
Net cash provided by financing activities		1,104,874,732	83,865,115	4,452,293,762
EFFECT OF EXCHANGE RATE CHANGES ON CASH				
		1,398,985	336,542	1,631,461
NET INCREASE IN CASH AND CASH EQUIVALENTS				
		545,466	42,514,217	104,676,719
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		338,257,077	295,742,860	191,066,141
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	4	P338,802,543	P338,257,077	P295,742,860

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 31, 2016.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis of accounting except for available-for-sale (AFS) financial asset, which is measured at fair market value.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as at December 31, 2015 and 2014:

Subsidiaries	Percentage of Ownership		Country of Incorporation
	2015	2014	
AB Leisure Exponent, Inc. (ABLE)	100	100	Philippines
AB Leisure Global, Inc. (ABLGI)	100	100	Philippines
LR Land Developers, Inc. (LRLDI)	100	100	Philippines
Prime Investment Korea, Inc. (PIKI)	100	100	Philippines
Total Gamezone Xtreme Incorporated (TGXI)**	100	100	Philippines
Blue Chip Gaming and Leisure Corporation (BCGLC)	100	70	Philippines
First Cagayan Leisure and Resort Corporation (FCLRC)	69.68	69.68	Philippines
Bingo Bonanza (HK) Limited (BBL)*	60	60	Hong Kong

*Non-operating subsidiary.

**Consolidated effective July 1, 2014.

The following table summarizes the information relating to the Group entities that have material non-controlling interests (NCI), before any intra-group eliminations.

	December 31, 2015		
	BCGLC	FCLRC	BBL
Non-controlling interests percentage	0%	30.32%	40.00%
Current assets	P -	P2,463,330,499	P60,652
Noncurrent assets	-	738,749,892	33,437
Current liabilities	-	(1,546,148,024)	(87,144,381)
Noncurrent liabilities	-	(165,966,221)	-
Net assets (liabilities)	-	1,479,908,730	(87,050,292)
Carrying amount of non-controlling interests	-	448,708,377	(34,820,117)
Revenue	-	1,606,285,202	-
Net income for the year	-	759,390,175	-
Other comprehensive income	-	7,884,265	-
Total comprehensive income	-	767,274,440	-
Net income allocated to non-controlling interests	-	230,247,101	-
Other comprehensive income allocated to non-controlling interests	-	2,390,509	-
Cash flows from operating activities	-	1,074,846,695	-
Cash flows from investment activities	-	(289,228,322)	-
Cash flows from financing activities	-	(779,308,235)	-
Net increase in cash	P -	P6,310,138	P -

	December 31, 2014		
	BCGLC	FCLRC	BBL
Non-controlling interests percentage	30.00%	30.32%	40.00%
Current assets	P8,779,405	P1,567,970,512	P60,652
Noncurrent assets	7,272,193	557,279,197	33,437
Current liabilities	(22,453,395)	(778,095,733)	(87,144,381)
Noncurrent liabilities	-	(16,578,003)	-
Net assets (liabilities)	(6,401,797)	1,330,575,973	(87,050,292)
Carrying amount of non-controlling interests	(1,920,539)	403,430,635	(34,820,117)
Revenue	94,937,695	1,352,708,024	36,233
Net income (loss) for the year	(1,943,458)	607,936,296	(10,997,506)
Other comprehensive loss	-	(387,325)	-
Total comprehensive income (loss)	(1,943,458)	607,548,971	(10,997,506)
Net income (loss) allocated to non-controlling interests	(583,037)	184,326,285	(4,399,002)
Other comprehensive loss allocated to non-controlling interests	-	(117,437)	-
Cash flows from operating activities	8,946,993	569,442,132	(4,448,143)
Cash flows from investment activities	(9,633,049)	(339,118,922)	3,255,949
Cash flows from financing activities	483,194	(208,215,270)	-
Net increase (decrease) in cash	(P202,862)	P22,107,940	(P1,192,194)

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.

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

Subsidiaries	Percentage of Ownership	
	2015	2014
Alabang Numbers & Gaming Corporation	100	100
Allpoint Leisure Corporation	100	100
Alpha One Amusement and Recreation Corp. (Alpha One) **	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
Gamexperience Entertainment Corp. (Gamexperience)***	100	100
Grand Polaris Gaming Co., Inc. (Grand Polaris)***	100	100
G-One Gaming & Technology, Inc.	100	100
Highland Gaming Corporation	100	100
Iloilo Bingo Corporation	100	100
Metro Gaming Entertainment Gallery, Inc.	100	100
Rizal Gaming Corporation	100	100
SG Amusement and Recreation Corp.	100	100
South Bingo Corporation	100	100
South Entertainment Gallery Incorporated (SEGI)	100	100
Topmost Gaming Corp.	100	100
Topnotch Bingo Trend, Inc. (Topnotch)****	100	100
One Bingo Pavilion Inc. (OBPI)	100	100
Worldwide Links Leisure and Gaming Corporation (WLLGC)	100	100
Isarog Gaming Corporation	100	90
Bingo Dinero Corporation	95	95
Bingo Zone, Inc.*	95	95
Manila Bingo Corporation	95	95
One Bingo Place, Incorporated (OBPI)	80	80
Summit Bingo, Inc. (SBI)	60	60
Negrense Entertainment Gallery, Inc. (NEGI)	55	55

*Non-operating subsidiaries.

**Consolidated effective January 1, 2014

***Consolidated effective March 31, 2014.

****Consolidated effective April 1, 2014.

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 operations January 1, 2013.

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 operations on January 1, 2013.

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 its operations in 2010.

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) for 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. PIKI started its operations on July 26, 2013 (see Note 11).

TGXI

TGXI was registered with the SEC on June 27, 2014 primarily to engage in general amusement, gaming operations and recreation enterprises. PAGCOR granted TGXI the privilege to establish, install, maintain, and operate a PAGCOR eGames Station ("PeGS"). PeGS is a gaming facility that offers virtual casino games. TGXI started commercial operations on July 16, 2014. On July 21, 2014, the Parent Company acquired 100% of TGXI's outstanding capital stock (see Note 11).

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.

On December 1, 2015, the Parent Company acquired the remaining 30% from non-controlling interest. Accordingly, the Parent Company's ownership with BCGLC became 100% since then (see Note 11).

In 2015, BCGLC incorporated Gold Coast (GC) as its wholly-owned subsidiary. Its primary purpose is to purchase, acquire, own, lease (except financial leasing), sell and convey real properties such as lands, buildings, factories, and warehouses and machineries, equipment, and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, share of its capital stock, debentures and other evidences of indebtedness, or other securities as may be deemed expedient, for any business or property acquired by the corporation.

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, CEZA 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 69.68% 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. It is currently non-operational and in the process of liquidation.

Topnotch

Topnotch was registered with the SEC on December 21, 2011 primarily to engage in providing gaming, amusement and recreation to the public in such forms as, but not limited to, traditional and electronic bingo games. On March 18, 2014, ABLE acquired 500,000 shares of Topnotch representing 100% ownership (see Note 11).

Alpha One and Gamexperience

On May 24, 2013 and May 21, 2013, ABLE incorporated Alpha One and Gamexperience, respectively, as its wholly-owned subsidiaries engaged in bingo operations. Alpha One and Gamexperience have started its commercial operations on August 2015.

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

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

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

Transactions Eliminated on Consolidation

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

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

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

Determination of Functional Currency

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

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 arrangements and determined that its investments are classified as joint ventures.

Although the Company has 51% ownership in Hotel Enterprises of the Philippines, Inc. (HEPI), the shareholders' agreement provides for equal representation in the board of directors which is similar to a joint venture arrangement. In addition, the Group has no capacity to direct HEPI to enter into, or can veto any changes to, significant transactions for the benefit of the Group.

Fair Value of Investment Properties

The fair value of investment properties presented for disclosure purposes is based on market values being the estimated amount for which the property can be exchanged between a willing buyer and seller in an arm's length transaction, or based on most recent sale transaction of a similar property within the same vicinity where the investment properties are located.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the properties. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arise at the property valuation.

The fair values of investment properties are based on the rental values 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. Estimated fair values of investment properties amounted to P207,073,123 and P272,853,940 as at December 31, 2015 and 2014 (see Note 9)

Distinction between Investment Property and Owner-occupied Property

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used for administrative purposes and rendition of services.

If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment. The Group has determined that the land improvements, building and construction in progress are investment properties.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the properties. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arise at the property valuation.

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 2015, 2014, and 2013 amounted to P623,202,690, P435,829,466 and P342,170,110, respectively, while rent income recognized in profit or loss in 2015, 2014, and 2013 amounted to P314,184,771, P194,842,404 and P204,624,705, 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, 2015 and 2014, the carrying amounts of leased vehicles and equipment, included under "Property and equipment" account in the consolidated statements of financial position amounted to P15,443,975 and P22,642,375, 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, 2015 and 2014, the carrying amount of receivables and due from related parties of the Group amounted to P796,869,340 and P503,053,513, respectively. As at December 31, 2015 and 2014, the related allowance for impairment losses amounted to P13,928,651 (see Note 5).

Estimating Net Realizable Value of Playing Cards

In determining the net realizable value (NRV) of playing 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 playing cards which are to be written down to NRV. The Group adjusts the cost of playing cards to recoverable amount at a level considered adequate to reflect market decline in the amount of the bingo cards.

No playing cards were written down to their net realizable values in 2015 and 2014. As at December 31, 2015 and 2014, the playing cards were valued at cost amounting to P37,709,669 and P27,910,658, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment, Investment Properties and Airstrip Improvements

The Group annually reviews the estimated useful lives of property and equipment, investment properties and airstrip improvements 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 and fixtures and equipment	5 years
Building	20 - 25 years
Airstrip improvements	25 years or license agreement whichever is shorter
Condominium unit	25 years

There are no changes in estimated useful lives in 2015 and 2014.

Impairment Losses of Nonfinancial Assets

PFERS requires that an impairment review be performed on property and equipment, investment properties, investments and advances and airstrip improvements when events or changes in circumstances indicate that the carrying amount may not be recoverable.

As at December 31, 2015 and 2014, the following are the carrying amounts of non-financial assets:

	<i>Note</i>	2015	2014
Property and equipment	8	P1,530,538,764	P650,253,823
Investment properties	9	144,485,174	152,844,109
Investments and advances	10	3,025,703,601	2,893,970,363
Goodwill	11	1,453,344,478	1,277,468,117
Airstrip improvements	12	43,372,480	52,046,976
Operating licenses	12	5,253,690	5,253,690

As at December 31, 2015 and 2014, the related allowance for impairment loss on advances amounted to P40,000,000.

Operating licenses 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 to the key assumptions on impairment testing of goodwill, these are presented and discussed in Note 11.

Management assessed that there are no indicators of impairment on the Group's property and equipment, investment properties, investments, airstrip improvements, and operating licenses (see Notes 8, 9, 10, and 12).

Estimating Retirement Benefits liability

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 P125,653,644 and P94,846,895 as at December 31, 2015 and 2014, 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, 2015 and 2014, the Group recognized deferred tax assets amounting to P178,034,400 and P104,450,295, respectively. The Group has temporary differences where no deferred tax was recognized amounting to P276,839,284 as at December 31, 2014 (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, 2015 and 2014.

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.

Subsidiaries of ABLE currently have 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, 2015 and 2014, no accruals were made in relation to this proceeding (see Note 27).

3. Summary of Significant Accounting Policies

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

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, 2015 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.

- *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.
- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* – Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs applicable to the Group:
 - *Classification and measurement of contingent consideration (Amendments to PFRS 3)*. The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to *PAS 32 Financial Instruments: Presentation*, rather than to any other PFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss.

Consequential amendments are also made to *PAS 39 Financial Instruments: Recognition and Measurement* and *PFRS 9 Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, *PAS 37 Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration.

- *Scope exclusion for the formation of joint arrangements (Amendment to PFRS 3).* PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in *PFRS 11 Joint Arrangements* - i.e. including joint operations - in the financial statements of the joint arrangements themselves.
- *Disclosures on the aggregation of operating segments (Amendment to PFRS 8).* PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- *Scope of portfolio exception (Amendment to PFRS 13).* The scope of the PFRS 13 portfolio exception - whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met - has been aligned with the scope of PAS 39 and PFRS 9.

PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32 - e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.

- *Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38).* The amendments clarify the requirements of the revaluation model in PAS 16 and PAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. PAS 16 and PAS 38 have been amended to clarify that, at the date of revaluation: the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset - e.g. restated in proportion to the change in the carrying amount or by reference to observable market data; and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.
- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40).* PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are issued for annual periods beginning after January 1, 2015. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2016

- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to PFRS 11).* The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to PAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27)*. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle*. This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Company's Group's consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

- *Changes in method for disposal (Amendment to PFRS 5)*. PFRS 5 is amended to clarify that:

- if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and
- if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

The amendment to PFRS 5 is applied prospectively in accordance with PAS 8 to changes in methods of disposal that occur on or after January 1, 2016.

- *Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28)* clarifies that:

- A subsidiary that provides investment-related services should not be consolidated if the subsidiary itself is an investment entity.

- The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
 - Information should not be obscured by aggregating or by providing immaterial information.
 - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
 - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
 - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

Pending approval of local adoption of IFRS 15 Revenue from Contracts with Customers

- *IFRS 15 Revenue from Contracts with Customers* will replace PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- *IFRS 16 Leases* will supersede PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. However, the FRSC has not yet adopted this standard as part of PFRS.

The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

Financial Instruments

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, 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, 2015 and 2014.

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 casino project, venue and rental deposits, guarantee deposits and betting credit funds, 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.

AFS Financial Assets. AFS financial assets are non-derivative financial asset that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" in equity. When individual AFS financial asset is either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

The Group's investment in equity security included under "AFS financial asset" account is classified under this category (Note 10).

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 related parties, rent deposits, 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.

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss.

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 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 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.

Playing Cards

Playing 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 joint ventures and an associate 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 joint ventures. 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 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 initially recognized at cost and subsequently measured 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 properties also include 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 gain and loss on derecognition of investment property is recognized in profit or loss in the year of derecognition.

Unearned Fees

Unearned fees pertains to non-refundable deposit which is accrued upon submission of application/renewal of license by locators and amortized over the license period. The unearned fees also include advance billings which have been collected but not yet earned.

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 Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets such as property and equipment, investment properties, investments and advances and airstrip improvements 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 of disposal 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 of disposal, 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 relevant additional paid-in capital, and if none or insufficient, to be deducted from retained earnings, 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 applied against 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.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary. For changes to non-controlling interest without the loss of control, the difference between such change and any consideration paid or received is recognized directly in equity.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the Statement of income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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 revenue less payouts and share of machine owners) is recognized as revenue upon conclusion of the game.

Traditional Bingo

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

Rapid Bingo

Share in distribution equivalent to 5% of gross sales of rapid bingo cards is recognized as revenue upon the 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.

Share in Gaming Revenue of a Casino Project

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. Share in gaming revenue from a casino project is recognized when the related services are rendered.

Compensation Fee from a Casino Project

Compensation fee arising from the operating agreement is recognized based on certain percentage of Belle Corporation's net lease income from a casino project. Compensation fee from a casino project is recognized when the related services are rendered.

Commission Income

Revenue is recognized based on a certain percentage of each PeGs' casino winnings. Commission income is recognized when the related services are rendered.

Income from Junket Operations

Income from junket operations is recognized upon conclusion of the game.

Rent Income

Rent income from slot machines is recognized based on a percentage of the net win (gross wins less payouts).

Costs and Expenses Recognition

Costs and expenses are decrease in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss when they are incurred and are reported in the financial statements in the periods to which they relate.

Payouts - Traditional Bingo represents payments to winners of traditional bingo games. This is 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 Benefits Liability

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 of interest income on cash and cash equivalents, advances to a casino project, advances to joint venture and convertible loan 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.

Other income comprises miscellaneous income from operations and recognized when earned.

Finance expenses comprise interest expense on borrowings that are recognized as it accrues in profit or loss using the effective interest rate method.

Foreign currency gains and losses comprise the effects of restatement of foreign currency denominated financial assets and liabilities that are recognized in profit or loss 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.

4. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and payout fund	P67,528,753	P55,669,289
Cash in banks	271,273,790	282,587,788
	P338,802,543	P338,257,077

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

Interest income recognized in 2015, 2014, and 2013 amounted to P132,983, P240,705, and P3,006,274, 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 in banks is disclosed in Note 28.

5. Receivables

This account consists of:

	Note	2015	2014
Trade receivables		P668,029,046	P397,498,964
Receivables from concessionaires		13,918,720	35,135,082
Management fee and commission		68,868,657	-
Advances to officers and employees	22	11,404,890	6,073,900
Other receivables:			
Flexytech, Inc.		9,654,310	9,654,310
Kingloc Asia Limited		4,027,056	4,027,056
Vinta Gaming, Inc.		2,646,328	2,646,328
ARWEN Gaming Consultancy Inc.		1,125,000	1,125,000
Others		12,288,467	34,945,312
		791,962,474	491,105,952
Less allowance for impairment losses		13,928,651	13,928,651
		P778,033,823	P477,177,301

The Group's trade receivables are primarily attributed to receivables from locators. Trade receivables are unsecured, noninterest-bearing and collectible within 30 days.

The movements in allowance for impairment losses in 2015 and 2014 are as follows:

	2015	2014
Balance at beginning of year	P13,928,651	P50,206,608
Provisions during the year	-	3,009,459
Write-off	-	(39,287,416)
Balance at end of year	P13,928,651	P13,928,651

Management fee and commission:

Management fee pertains to monthly recurring fees paid by Techzone Philippines Inc. (TPI) to LRLDI for the management services rendered for the construction and development of Techzone Building Project (the Project).

The commission is LRLDI's commission on the sale of the condominium units from the Project.

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 subject to liquidation within 12 months from the date granted or collectible in cash upon demand.

Allowance for impairment losses on advances to officers and employees amounted to P1,375,257 as at December 31, 2015 and 2014.

Other Receivables

Other receivables represent cash advances made to 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.

Allowance for impairment losses on other receivables amounted to P12,553,394 as at December 31, 2015 and 2014.

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

6. Playing cards

This account consists of:

	2015	2014
At cost:		
Bingo cards	P31,010,118	P8,037,420
Others	6,699,551	19,873,238
	P37,709,669	P27,910,658

The playing cards were valued at cost which are equivalent to the amount of NRV as at December 31, 2015 and 2014. The cost of playing cards charged to profit or loss in 2015, 2014, and 2013 amounted to P68,632,463, P28,823,882, and P35,932,282, respectively.

Others consists mainly of playing cards used in the Group's junket operations.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2015	2014
Prepaid expenses	P82,724,144	P57,572,395
Creditable withholding tax	49,661,091	9,924,675
Advances to contractors and suppliers	49,254,815	10,732,601
Input value-added tax (VAT)	13,606,676	38,862,862
Others	15,507,227	17,748,881
	P210,753,953	P134,841,414

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

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.

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

8. Property and Equipment

The movements in this account are as follows:

Cost	Land	Leasehold Improvements	Aircraft and Transportation Equipment (Notes 13 and 14)	Bingo Equipment and Paraphernalia	Office Furniture, Fixtures and Equipment	Computer Software	Condominium Unit	Construction in Progress	Total
January 1, 2014	P186,078,447	P421,142,873	P166,749,493	P91,250,342	P148,995,385	P -	P4,791,748	P -	P1,019,008,288
Assets acquired through business combination	-	58,721,455	-	-	34,752,200	-	-	-	93,473,655
Additions	-	124,349,511	5,592,235	15,871,513	50,844,666	-	-	14,910,000	211,567,925
Write-off	-	(137,473,908)	-	(825,022)	(4,089,375)	-	-	-	(142,388,305)
Disposal/reclassification	-	(697,045)	(905,000)	(987,306)	(786,671)	-	-	-	(3,376,022)
December 31, 2014	186,078,447	466,042,886	171,436,728	105,309,527	229,716,205	-	4,791,748	14,910,000	1,178,285,541
Additions	-	378,262,621	275,594,322	274,350,271	164,060,300	51,180,063	2,355,068	7,455,000	1,153,257,645
Disposal/reclassification	(531,773)	22,365,000	-	(56,172,168)	(15,463,645)	-	-	(22,365,000)	(72,167,586)
December 31, 2015	185,546,674	866,670,507	447,031,050	323,487,630	378,312,860	51,180,063	7,146,816	-	2,259,375,600
Accumulated Depreciation and Amortization									
January 1, 2014	-	284,628,684	52,614,118	74,688,553	103,909,917	-	1,669,522	-	517,510,794
Assets acquired through business combination	-	19,631,619	-	-	-	-	-	-	19,631,619
Depreciation and amortization	-	72,690,616	15,503,570	7,035,294	32,048,822	-	203,286	-	127,481,588
Write-off	-	(130,332,109)	(676,083)	(459,171)	(3,361,722)	-	-	-	(134,153,002)
Disposal/reclassification	-	(618,597)	(676,083)	(679,135)	(465,466)	-	-	-	(2,439,281)
December 31, 2014	-	246,000,213	67,441,605	80,585,541	132,131,551	-	1,872,808	-	528,031,718
Assets acquired through business combination	-	15,137,010	-	-	-	-	-	-	15,137,010
Depreciation and amortization	-	91,991,474	29,200,808	24,306,900	86,483,362	38,536,677	1,358,978	-	271,878,199
Disposal/reclassification	-	-	-	(70,746,446)	(15,463,645)	-	-	-	(86,210,091)
December 31, 2015	-	353,128,697	96,642,413	34,145,995	203,151,268	38,536,677	3,231,786	-	728,836,836
Carrying Amount									
December 31, 2014	P186,078,447	P220,042,673	P103,995,123	P24,723,986	P97,584,654	P -	P2,918,940	P14,910,000	P650,253,823
December 31, 2015	P185,546,674	P513,541,810	P350,388,637	P289,341,635	P175,161,592	P12,643,386	P3,915,030	P -	P1,530,538,764

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, 2015 and 2014, the carrying amounts of leased vehicles included under "Property and equipment" account in the consolidated statements of financial position amounted to P15,443,975 and P22,642,375, respectively (see Note 14).

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 acquired in 2010 amounting to P101,567,814 is exercisable as at 2013. No transfer of legal ownership was made as at December 31, 2015.

In 2015, the Group acquired two (2) aircrafts under loan agreements amounting to P270 million. The loans were secured by the aircraft as chattel mortgage. The carrying amount of the aircrafts amounted to P266 million as at December 31, 2015.

9. Investment Properties

The movements in this account are as follows:

	Land Improvements	Building	Construction in Progress	Total
Cost				
January 1, 2014	P46,000,000	P93,523,288	P227,903	P139,751,191
Additions	-	50,000,000	-	50,000,000
Reclassification	-	227,903	(227,903)	-
December 31, 2014	46,000,000	143,751,191	-	189,751,191
Additions	-	-	-	-
December 31, 2015	46,000,000	143,751,191	-	189,751,191
Accumulated Depreciation				
January 1, 2014	9,200,000	19,099,522	-	28,299,522
Depreciation	-	8,607,560	-	8,607,560
December 31, 2014	9,200,000	27,707,082	-	36,907,082
Depreciation	2,211,370	6,147,565	-	8,358,935
December 31, 2015	11,411,370	33,854,647	-	45,266,017
Carrying Amount				
December 31, 2014	P36,800,000	P116,044,109	P -	P152,844,109
December 31, 2015	P34,588,630	P109,896,544	P -	P144,485,174

The fair value of investment properties amounted to P207,073,123 and P272,853,940 as at December 31, 2015 and 2014. This is categorized as Level 3 fair value measurement based on the inputs used in the valuation.

The fair values of investment properties are based on the rental values 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.

10. Investments and Advances

This account consists of:

	Percentage of Ownership	2015	Percentage of Ownership	2014
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
		271,200,000		271,200,000
Accumulated equity in net earnings:				
Balance at beginning of year		57,028,229		16,278,965
Share in net income during the year		133,682,989		40,749,264
		190,711,218		57,028,229
		461,911,218		328,228,229
Joint ventures:				
First Cagayan Converge Data Center, Inc. (FCCDCI)	60%	15,000,000	60%	15,000,000
HEPI	51%	750,938,000	51%	750,938,000
		765,938,000		765,938,000
Accumulated equity in net income:				
Balance at beginning of year		227,725,126		111,434,848
Share in net income from FCCDCI		73,580,595		74,540,583
Share in net income from HEPI		24,550,802		65,749,695
Dividends declared		-		(24,000,000)
Balance at end of year		325,856,523		227,725,126
		1,091,794,523		993,663,126

Forward

	Percentage of Ownership	2015	Percentage of Ownership	2014
Advances:				
AB Fiber Corp.		P31,696,665		P31,696,665
BLRI		157,991,925		171,491,925
Cagayan Land Property Development Corporation (CLPDC)		153,118,171		153,118,171
Cagayan Premium Ventures Development Corporation (CPVDC)		737,347,287		724,457,233
DFNN, Inc. (DFNN)		117,554,969		101,477,620
Eco Leisure		26,136,049		26,136,049
FCCDCI		44,047,374		14,047,373
HEPI		242,929,207		388,897,472
		1,510,821,647		1,611,322,508
Allowance for impairment losses		(40,000,000)		(40,000,000)
		1,470,821,647		1,571,322,508
		3,024,527,388		2,893,213,863
Other investments - at cost		1,176,213		756,500
		P3,025,703,601		P2,893,970,363

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 and to Dragon Enterprises, Inc. for its store space. In 2014, BLRI ceased its hotel operations and entered into an additional operating lease agreement as a lessor with Chinatown Lai Lai Hotel, Inc.

LRWC recognized its share in net loss of BLRI up to the extent of investment cost. Unrecognized accumulated equity in net loss of BLRI amounted to P26,305,363 and P26,901,772 as at December 31, 2015 and 2014, respectively. Unrecognized share in net income amounted to P596,409 in 2015 and unrecognized share in net loss in 2014 and 2013 amounted to P2,420,786 and P4,316,272, respectively.

LRWC provided a valuation allowance amounting to P40 million to the advances to BLRI as at December 31, 2015 and 2014.

The summarized financial information of BLRI follows:

	2015	2014
Current assets	P15,979,741	P14,150,059
Noncurrent assets	64,989,922	77,830,685
Current liabilities	231,826,956	222,351,109
Noncurrent liabilities	-	21,474,960
Revenues	27,893,710	28,865,460
Net income (loss)/total comprehensive income (loss)	1,988,031	(8,069,286)

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.

In February 2015, the Group and BLRI entered into a new restructuring agreement for the remaining advances. BLRI committed to pay the amount of P14,000,000 in 2015 and P15,000,000 per year thereafter until all advances are fully settled. During the year, the Group received payment of P13,750,000.

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.

The summarized financial information of Techzone follows:

	2015	2014
Current assets	P478,646,711	P709,460,209
Noncurrent assets	1,542,136,597	1,396,463,889
Current liabilities	460,652,698	1,413,073,512
Noncurrent liabilities	626,129,091	26,215,044
Net income/total comprehensive income	267,365,979	81,498,528

HEPI

HEPI is a 51% - owned joint venture between LRWC and Eco Leisure. HEPI is engaged in the hotel and recreation business. The management, supervision and control of the operations, property and affairs of HEPI are vested in its BOD which consists of three (3) directors each from LRWC and Eco Leisure, and one (1) independent director nominated by both parties. Any decision is subject for approval of LRWC and Eco Leisure, and each party cannot direct decision on their own.

On 10 March 2016, the Amended Articles of Incorporation of Hotel Enterprises of the Philippines, Inc. amending Article II Primary Purpose, Article IV extending the term of the corporate existence of the company to another fifty (50) years from 30 July 2012, Article VI decreasing the number of the Board of Directors to 7 and Article XI adding new provisions governing the issuance and transfer of shares of the corporation.

The summarized financial information of HEPI follows:

	2015	2014
Current assets	P567,859,594	P564,190,980
Noncurrent assets	2,286,519,962	2,545,400,941
Current liabilities	283,015,538	1,816,307,066
Noncurrent liabilities	2,070,186,146	794,305,556
Net income/total comprehensive income	48,138,827	128,920,971

Advances to HEPI

These are cash advances provided in relation to the joint venture agreement between HEPI and LRWC. The advances are unsecured and noninterest-bearing and due upon demand but not expected to be settled with one year.

Advances to Eco Leisure

The advances is in relation to the joint venture agreement between Eco Leisure and LRWC. The advances are unsecured, noninterest-bearing and due upon demand but not expected to be settled with one year.

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:

	2015	2014
Current assets	P349,938,017	P438,286,950
Noncurrent assets	36,414,720	42,062,105
Current liabilities	205,222,244	166,398,831
Service fees	544,218,762	467,839,670
Net income/total comprehensive income	122,634,356	124,234,305

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. During the years ended December 31, 2015, 2014 and 2013, the Group recognized interest income on convertible loan amounted to P4,649,972, P7,310,000 and P731,000, respectively (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.

On August 13, 2015, the principal amount of P86,000,000 have been converted into 18,105,263 common shares of DFNN, while the accumulated interest earned of P12,690,971, from date of Conversion Notice to the date of conversion, have been converted into 2,671,783 common shares of DFNN on October 30, 2015. The fair value of 18,105,263 and 2,671,783 common shares as at the date of conversion were P5.15 and P6.04 per share, respectively.

The conversion resulted to 8.76% equity ownership of LRWC over DFNN. As management does not intend to hold the investment for trading, the total converted amount of P98,690,971 have been classified as "Available for Sale Financial Asset" in the consolidated statements of financial position as at December 31, 2015 (see below).

Available for Sale Financial Asset (AFS)

	2015
Cost at conversion date	P98,690,971
Acquisition of 1,093,000 shares in 2014	7,436,620
Changes in fair value during 2015	9,783,653
	P115,911,244

The market price of DFNN common shares as at December 31, 2015 was P5.30.

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 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 was completed in 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, 2015, 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.

Advances to AB Fiber Corp.

On December 8, 2011, the Group entered into an agreement with AB Fiber Corp. 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, 2015 and 2014. The application for the increase in authorized capital stock will be filed with SEC in 2016.

11. Business Combination and Goodwill

As at December 31, goodwill consist of:

	2015	2014
Cost	P1,485,422,930	P1,309,546,569
Less accumulated impairment losses	32,078,452	32,078,452
	P1,453,344,478	P1,277,468,117

Business Combination
Direct Acquisition by LRWC

a. Acquisition of TGXI by LRWC:

On July 21, 2014, the Parent Company purchased 1,250,000 shares of TGXI representing 100% ownership at a price of P620,000,000. The purchase agreement provides, among others, that for the total consideration of P620,000,000, TGXI shall: (i) sell 2,180,000 shares, representing 100% of TGXI's outstanding capital stock; and (ii) turn over forty-five (45) fully operational PeGS, to LRWC. The purchase was ratified by LRWC's BOD on June 26, 2014. The acquisition is in line with the Group's goal to expand and venture in other forms of gaming.

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

Consideration	P620,000,000
Assets:	
Cash	3,448,000
Property and equipment	65,267,316
Deferred tax asset	28,871,508
Other assets	40,910,219
Liabilities:	
Trade and other payables	(13,387,176)
Total identifiable net assets at fair value	125,109,867
Goodwill	P494,890,133

There are no changes in the fair value of net identifiable assets of TGXI as at December 31, 2015 and 2014. The goodwill of P494,890,133 represents the fair value of expected synergies arising from the acquisition of TGXI.

On various dates during 2014 after the acquisition, the Group purchase four PeGS for a total consideration of P45,450,000. The fair value of property and equipment acquired amounted to P3,066,200. The excess of consideration over the fair value amounting to P42,383,800 represents goodwill which is the fair value of the expected synergies arising from the acquisition of these businesses.

As at December 31, 2014, the Group recognized the unpaid balance on the acquisition of TGXI amounted to P100,000,000. This was fully settled in 2015 (see Note 15).

On various dates during 2015, the Group purchase six (6) PeGS for a total consideration of P66,400,000. The provisional amount of property and equipment acquired amounted to P5,400,000. The excess of consideration over the provisional amount amounting to P61,000,000 represents goodwill which is the fair value of the expected synergies arising from the acquisition of these businesses.

The Group's revenue from TGXI's commission income from PeGS during the years ended December 31, 2015 and 2014 amounted to P295,053,122 and P120,097,012, respectively.

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.

Junket Operations

On July 3, 2013, PAGCOR awarded PIKI the authority to bring pre-registered non-Philippine junket players to play in the junket Gaming Rooms at PAGCOR's Casino Filipino - Midas, with a minimum gaming table mix to be determined by PAGCOR. The Group's revenue from PIKI's junket operations amounted to P1,045,943,776, P394,791,325 and P11,417,122 in 2015, 2014 and 2013, respectively.

c. Acquisition of BCGLC by LRWC

On April 27, 2011, the Parent Company acquired 70% of BCGLC's outstanding capital stock. The acquisition resulted to goodwill amounting to P10,136,302.

On December 1, 2015, the Parent Company acquired the remaining 30% of BCGLC's outstanding capital stock from its existing non-controlling interests. Accordingly, the Parent Company's percentage of ownership with BCGLC increased to 100%. This transaction resulted to a loss on acquisition of non-controlling interests amounting to P1,294,351, which is recognized directly to equity as "Other reserve" in the consolidated statements of changes in equity.

On July 1, 2015, BCGLC acquired four (4) PAGCOR VIP Clubs for a total considerations amounting to P270,822,000. The fair value of property and equipment acquired amounted to P131,099,600. The excess consideration over the fair value amount was P139,722,400 representing goodwill which is the fair value of the expected synergies arising from the acquisition of these businesses.

Acquisition of Cash Generating Units

Subsequent to the acquisition of TGXI by LRWC, TGXI has acquired additional PeGs during 2015.

Acquisition through ABLE

a. Acquisition of Topnotch by ABLE:

On March 18, 2014, ABLE purchased 500,000 shares of Topnotch representing 100% ownership at a price of P200,000,000. Topnotch has 11 Bingo parlors which are all included in the acquisition except for one which is still owned and managed by the previous stockholders. The acquisition is in line with ABLE's goal to expand its bingo operations.

The following summarizes the consideration transferred, provisional and final amounts, and the fair value of net identifiable assets and liabilities assumed at the acquisition date.

	Provisional Amount	Adjustment	Final Amount (Fair Value)
Consideration	P200,000,000	P -	P200,000,000
Assets:			
Cash	10,943,966	-	10,943,966
Property and equipment	13,089,001	24,846,039	37,935,040
Other assets	26,679,934	-	26,679,934
Liabilities:			
Trade and other payables	(39,394,740)	-	(39,394,740)
Total identifiable net assets at fair value	11,318,161	24,846,039	36,164,200
Goodwill	P188,681,839	P24,846,039	P163,835,800

The goodwill of P163,835,800 million represents the fair value of expected synergies arising from the acquisition of Topnotch.

As at December 31, 2014, the Group had unpaid balance on the acquisition of Topnotch amounting to P170,000,000. This was fully settled in 2015 (see Note 15).

On August 2015, the Group purchase the remaining one (1) site of Topnotch for a total consideration of P12,000,000. The provisional amount of property and equipment acquired amounted to P12,000,000.

The Group's revenue from the bingo operations of Topnotch for the years ended December 31, 2015 and 2014 amounted to P768,403,410 and P255,656,758, respectively.

- b. Prior to 2015, ABLE Group has acquired various sites resulting to goodwill amounting to P91,784,994.

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, 2015.

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, FCLRC and BCGLC. The anticipated growth rate included in the cash flow projections were 6% for Traditional Bingo, 6% for Electronic Bingo, 0% on rent income and 0% for Rapid Bingo and 0% for Pulltabs, and 10% for service and hosting fees for the years 2015 to 2019 which are consistent with the long-term average growth rate for the industry. The discount rate applied to cash flow projections is 10.36% in 2015. Management believes that no reasonably possible change in the key assumptions would cause the carrying value of the investment in ABLE, BCGLC and FCLRC to which the goodwill relates to materially exceed its recoverable amount.

Sensitivity to Changes in Assumptions

The estimated recoverable amount of ABLE, BCGLC and FCLRC exceeded its carrying amount by approximately P2,500,000,000 in 2014. 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>	2015	2014
Venue and rental deposits	<i>19</i>	P301,548,039	P249,424,165
Cash in bank - restricted	<i>13</i>	446,356,631	203,168,363
Cash and performance bonds	<i>17</i>	114,478,659	89,707,300
Advances for a business venture		49,852,911	-
Airstrip improvements - net	<i>18</i>	43,372,480	52,046,976
Advanced regulatory fee on ICBG2		12,864,993	12,864,993
Guarantee deposits and betting credit funds		10,800,000	9,800,000
Operating licenses		5,253,690	5,253,690
		P984,527,403	P622,265,487

Airstrip Improvements

The movements in this account are as follows:

Cost	P103,099,734
Accumulated Depreciation	
December 31, 2013	42,378,261
Depreciation	8,674,497
December 31, 2014	51,052,758
Depreciation	8,674,496
December 31, 2015	59,727,254
Carrying Amount	
December 31, 2014	P52,046,976
December 31, 2015	P43,372,480

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 and authority from PAGCOR as follows:

Acquisition of bingo parlors by ABLE Subsidiaries:

- In 2010, 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.
- In 2009, South Entertainment Gallery Incorporated, a subsidiary, acquired a bingo parlor located at 3rd Floor, M.L. Tagarao St., Pacific Mall, Brgy. 003, Lucena City for P5,000,000. A portion of the purchase price amounting to P1,973,122 was paid for the Grant of Authority from PAGCOR and the balance of P3,026,878 represents the purchase price for the acquisition of the related leasehold improvements, bingo equipment and paraphernalia, fixtures, rental and all other deposits with Pacific Mall.

Guarantee Deposits and Betting Credit Funds

PAGCOR granted TGXI the privilege to establish, install, maintain, and operate PeGS. For each PeGS, TGXI has a guarantee deposit with PAGCOR amounting to P100,000 and maintains betting credit funds amounting to P100,000.

13. Loans Payable

- a. In May 2013, ABLGI entered into a financing agreement with BDO Unibank, Inc. (BDO) for the purpose of funding ABLGI's contribution pursuant to the Operating Agreement with Belle Corporation (see Note 26). The loan amounted to P4 billion which 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.

On December 1, 2015, the maturity date of the financing agreement with BDO was extended from February 20, 2019 to May 21, 2021. BDO also extended an additional loan facility to ABLGI amounting to P1,100,000,000 for the purpose of financing the additional capital call of Belle Corporation and repayment of advances made by the stockholders of ABLGI. This loan shall be payable in twenty-two (22) consecutive equal quarterly installments beginning February 20, 2016 until May 21, 2021. Annual interest rate approximates 6.25% 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 two hundred twenty-five (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 consolidated statements of financial position. Cash in the DSRA and BRA totaled P446,356,631 and P203,168,363 as at December 31, 2015 and 2014, respectively. Furthermore, ABLGI has restricted part of its retained earnings to the amount of Belle payments received, which amounted to P315,836,610 and P316,095,297 as at December 31, 2015 and 2014, respectively.

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, 2015 and 2014. However, BDO issued for both years written notifications of waiver of any technical breach or non-compliance with the resulting financial ratios.

Terms and conditions are as follows:

December 31, 2015			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO	6.25%	May 2013-May 2021	P3,322,508,696
Less current portion			553,800,110
			P2,768,708,586

December 31, 2014			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO	5.75%	May 2013-February 2019	P2,654,553,535
Less current portion			421,186,908
			P2,233,366,627

- b. On July 2014, LRWC entered into a short-term loan facility with Asia United Bank (AUB) to facilitate the financing of the acquisition of TGXI. The maximum loanable amount is P650,000,000 which can be availed in a single or multiple release/s upon request and submission of a promissory note to the bank.

This is payable up to 180 days from the date of release of proceeds and secured by a chattel mortgage over LRWC's shares of stocks amounting to P149,449,926.

In 2015, LRWC converted the short-term loan facility into a term-loan amounting to P650,000,000. The loan is payable in 60 equal consecutive monthly installments on its respective repayment dates beginning June 12, 2015 until May 12, 2020. Annual interest rate approximates 6.18%.

As a part of the loan agreement with AUB, the Group is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Group meets as at December 31, 2015. The loan is secured by shares of stocks of the Group issued to stockholders.

Terms and conditions are as follows:

December 31, 2015			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
AUB	6.18%	June 2015 - May 2020	P574,166,667
Less current portion			130,000,000
			P444,166,667

December 31, 2014			
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
AUB	5%	December 2014 - March 2015	P650,000,000

On May 2015, the Company entered into various credit line facilities with AUB which are intended for general working capital requirements and financing future expansions. The line amounted to P350,000,000 which can be availed in multiple releases.

Terms and conditions are as follows:

December 31, 2015			
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
AUB	5%	May 2015 - January 2016	P344,200,000

- c. In 2015, FCLRC entered into two loan agreements with BDO for the purchase of two (2) helicopters. The loans were secured by the helicopters as chattel mortgage.

The first financing agreement amounted to P133,163,975 payable in 60 monthly installments beginning December 6, 2015 to November 6, 2020. Annual interest rates approximate 6% which are subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso.

The second financing agreement amounted to P50,132,320 payable in 60 monthly installments beginning September 25, 2015 to August 25, 2020. Annual interest rates approximate 6% which are subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso.

December 31, 2015			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO	6%	September 2015 - August 2020	P178,491,907
Less current portion		December 2015 - November 2020	32,703,689
			P145,788,218

- d. Short-term loans of ABLE have maturity dates of up to April 27, 2016. The short-term loans are from the credit facility with BDO, Philippine Bank of Communications (PBCOM) and United Coconut Planters Bank (UCPB). The loan from BDO are secured by LRWC's shares of stock and real property owned by an individual stockholder of LRWC. The loan from PBCOM and UCPB are unsecured. The interest rates of short-term loans are 4.5% for BDO and UCPB and 4.75% for PBCOM as of December 31, 2015.

The covenant requires the ABLE and its sureties to provide BDO with the required documents within the period prescribed by BDO, particularly copies of their income tax return or audited financial statements within 120 days from the end of their fiscal year.

As at December 31, 2015 and 2014, the carrying amount of shares of stock used as collateral for the loan from BDO amounted to P411,495,770.

Terms and conditions are as follows:

December 31, 2015			Carrying
Short Term	Interest Rate	Maturity Date	Amount
PBCOM	4.75%	December 2015 - April 2016	P45,978,000
BDO	4.50%	December 2015 - January 2016	398,999,137
UCPB	4.50%	December 2015 - March 2016	421,800,000
			P866,777,137

December 31, 2014			Carrying
Short Term	Interest Rate	Maturity Date	Amount
PBCOM	6.25%	February 2014 - February 2015	P47,187,000
BDO	4.50%	March 2014 - February 2015	298,350,000
UCPB	4.50%	March 2014 - February 2015	96,300,000
			P441,837,000

- e. 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, 2015 and December 31, 2014 amounted to P46,628,571 and P51,291,429, respectively (see Note 8).

As at December 31, 2014, carrying amount of this loan amounted to P10,189,775 and this was fully paid during 2015.

- f. BCLGC obtained a short-term loan from Unionbank for the purchase of a delivery vehicle which is secured by a chattel mortgage amounting to P117,612 and P483,194 as at December 31, 2015 and 2014, respectively.

Interest expense recognized in profit or loss amounted to P245,027,485, P211,286,386, and P138,895,228 2015, 2014 and 2013, respectively (see Note 21).

14. Obligations under Finance Lease

In 2014 and 2013, ABLE entered into vehicle financing agreements with a local bank, which are payable in monthly installments on their respective repayment dates up to July 16, 2017 and August 2016, respectively. Annual interest rates approximate 6.50% 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:

	2015		
	Principal	Interest	Minimum Lease Payments
Less than one year	P3,740,533	P110,182	P3,850,715
Between one and five years	220,955	-	220,955
	P3,961,488	P110,182	P4,071,670

	2014		
	Principal	Interest	Minimum Lease Payments
Less than one year	P7,962,278	P578,858	P8,541,136
Between one and five years	3,961,488	110,182	4,071,670
	P11,923,766	P689,040	P12,612,806

As at December 31, 2015 and 2014, the carrying amount of leased vehicles, included under "Property and equipment" account in the consolidated statements of financial position amounted to P15,443,975 and P22,642,375, respectively (see Note 8).

Interest expense recognized in profit or loss amounted to P584,471, P1,213,659, and P894,195 in 2015, 2014, and 2013 respectively (see Note 21).

15. Trade and Other Payables

This account consists of:

	<i>Note</i>	2015	2014
Payable to CEZA	18	P544,235,453	P299,892,669
Unearned revenues	18	352,765,283	269,046,351
Payable to PAGCOR	17	129,720,912	57,200,982
Rent payable	19	54,791,303	47,766,602
Payout fund payable	17	-	66,960,414
Accrued expenses and other payables:			
Dividends payable	16	333,211,151	256,619,065
Advertising payable		153,747,848	4,304,661
Contracted services		127,937,403	45,797,768
Payable to machine owners		54,753,826	61,247,331
Communication and utilities		23,878,562	4,852,047
Interest payable	13	20,931,164	31,529,120
Capital expenditures		13,312,977	19,000,000
Unpaid balance on the acquisition of subsidiaries	11	-	270,000,000
Others		37,063,357	140,260,513
		P1,846,349,239	P1,574,477,523

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

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.

16. Equity

The composition of the Group's capital stock is as follows:

	2015		2014		2013	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
CAPITAL STOCK						
Authorized						
Common shares - P1 par value	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000
Issued						
Balance at beginning of year	1,199,852,512	1,199,852,512	1,199,852,512	1,199,852,512	999,877,094	999,877,094
Issuances during the year	-	-	-	-	-	-
Stock dividend	-	-	-	-	199,975,418	199,975,418
Balance at end of year	1,199,852,512	P1,199,852,512	1,199,852,512	P1,199,852,512	1,199,852,512	P1,199,852,512
Authorized						
Preferred shares - P1 par value	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000
Issued						
Balance at beginning of year	1,650,000,000	1,650,000,000	1,650,000,000	1,650,000,000	-	-
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	1,650,000,000	P1,650,000,000	1,650,000,000	P1,650,000,000

Increase in Authorized Capital Stock

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, 2014 the Parent Company has a total of 1,199,852,512 issued and outstanding common shares and 1,850 stockholders.

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 Parent Company to September 2021.

Declaration of Cash Dividends

Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2015 as follows:

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Amount</u>	<u>Amount Per Share</u>
July 2, 2015	June 30, 2015	P70,125,000	P0.0425
July 2, 2015	December 29, 2015	70,125,000	0.0425
June 26, 2014	July 10, 2014	70,125,000	0.0425
November 26, 2014	December 11, 2014	70,125,000	0.0425

Cash dividends declared by the BOD to common stockholders of the Parent Company in 2015 as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
July 10, 2015	February 26, 2016	P71,991,151	P0.060
July 10, 2015	September 29, 2015	71,991,151	0.060
June 26, 2014	February 27, 2015	47,994,100	0.040
June 26, 2014	September 29, 2014	47,994,100	0.040

As at December 31, 2015 and 2014, unpaid dividends, included under "Trade and other payables" account in the consolidated statements of financial position, amounted to P333,211,151 and P256,619,065, respectively (see Note 15).

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 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.

On June 27, 2013, the BOD of ABLE approved the subscription to the preferred shares of LRWC in the total amount of P200,000,000 and authorized the Philippine Business Bank as the investment manager. In December 2013, ABLE sold the P163,500,000 worth of preferred shares.

As at December 31, 2015 and 2014 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) of LRWC. These are accounted as treasury shares in the consolidated financial statements.

Retirement Benefits Reserve

Retirement benefits reserve represents the amounts of actuarial losses as a result of re-measurement of retirement benefit liability as at reporting date.

Fair Value Reserve

Fair value reserve represents comprise cumulative net change in the fair value of available financial assets, net of tax effect, as at reporting date (see Note 10).

17. Grants of Authorities to Operate Bingo Games

a. Operation of Traditional Bingo Games

PAGCOR awarded ABLE and its subsidiaries the sole authority to operate and conduct traditional bingo games, as well as the betting aspect thereof, within the confines of the game sites for various periods ranging from January 2000 to January 2015 (the "Grant"). ABLE and its subsidiaries paid PAGCOR 15% and 5% of its gross bingo card sales as franchise fee and BIR franchise tax respectively, until March 31, 2013. The BIR franchise tax is 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, pursuant to Presidential Decree No. 1869 (P.D. 1869). Starting April 1, 2013, the Company pays PAGCOR 15% of its gross bingo card sales as franchise fee and the tax regime changed from the franchise tax to corporate income tax (see Note 23).

ABLE and its subsidiaries deposited cash and performance bonds with PAGCOR totaling P21,700,000 as at December 31, 2015 and 2014 to ensure due observance of and faithful compliance with the terms and conditions of the Grant (see Note 12). The grant is subject to renewal upon mutual agreement of both parties.

b. Operation of Electronic Bingo Games

PAGCOR awarded ABLE and its subsidiaries the sole authority to operate and conduct electronic bingo games within the confines of the game sites for various periods ranging from January 2000 to January 2015 (the "Grant"). ABLE and its subsidiaries paid PAGCOR 47.5% and 5% of its gross revenue from electronic bingo operations as franchise fee and BIR franchise tax respectively, until March 31, 2013. Starting April 1, 2013, the Company pays PAGCOR 50% of its gross revenue as franchise fee and the tax regime changed from the franchise tax to corporate income tax (see Note 23).

ABLE and its subsidiaries deposited cash and performance bonds with PAGCOR totalling P92,578,659 and P67,807,300 as at December 31, 2015 and 2014, respectively to ensure due observance of and faithful compliance with the terms and conditions of the Grant (see Note 12). The Grant is subject to renewal upon mutual agreement of both parties.

c. 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.

d. 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, 2015 and 2014, ABLE deposited cash and performance bonds amounting to P200,000 with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grant (see Note 12).

18. License Agreement

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

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

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

1. Appointment of FCLRC as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP;
2. FCLRC is authorized to assist CEZA in its functions as a regulator for interactive gaming activities on behalf of CEZA in accordance with Part 5 of CSEZFP Interactive Gaming Rules and Regulations;
3. The authorization of FCLRC as Master Licensor shall be exclusive for twenty-five years starting from November 7, 2006 or until 2031;
4. FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, FCLRC is authorized to collect from sub-licenses an annual fixed amount equivalent to \$48,000 for the first year of operations and \$60,000 thereafter, from sportsbook operators. The amount collected is recognized by FCLRC as unearned fees and recognized the revenue over term of the license. Unearned fees included under “Unearned revenues” in the consolidated statements of financial position amounted to P191,520,452 and P154,108,388 as at December 31, 2015 and 2014, respectively (see Note 15);

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 (7th) day of the subsequent month. Starting on the sixth (6th) 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. CEZA fees recognized in the profit or loss amounted to P718,467,635, P605,002,530, and P382,883,750 in 2015, 2014, and 2013, respectively. Interest expense on unpaid CEZA fees recognized in profit or loss amounted to P39,395,612, P28,327,791, and P42,463,045 in 2015, 2014, and 2013, respectively (see Note 21).

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 2015, 2014, and 2013, this is included as current tax, which amounted to P51,390,970, P40,086,080, and P27,517,846, respectively (see Note 23).

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

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

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

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

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

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

19. Lease Agreements

Group as Lessee

- i. The Group leases the spaces where the Group entities conduct their bingo operations. The term of the lease agreements with various lessors varies from one (1) to three (3) 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. LRWC leases its office space at 2603D and P-2133 West Tower, the Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City under an operating lease agreement. The lease is for a period of two years commencing on January 15, 2012 until January 14, 2014. LRWC renewed the contract for a period of 3 years until January 14, 2017, with additional office spaces at 2601-B, 2601-C and parking slots at P-631, W-634, P-2136, P-2138 and P-2139.
- v. On March 5, 2014, LRWC entered into operating lease arrangement for additional office spaces for five years commencing on April 15, 2014 up to April 14, 2019. The office units are located in 18th floor, Philippine Stock Exchange Centre Condominium, Exchange Road, Ortigas Center, Pasig City.
- vi. On March 28, 2014, LRWC entered into operating lease arrangement for additional office spaces with Cirtek Land Corporation for five years commencing on June 15, 2014 up to June 14, 2019. The office units are located in 18th floor, Philippine Stock Exchange Centre Condominium, Exchange Road, Ortigas Center, Pasig City.

- vii. TGXI entered into several lease agreements for the PeGS' locations and office space renewable by mutual agreement of both parties generally under the same terms and conditions. The lease period ranges from one to five years with annual escalation clauses ranging from 5% to 10%.

The lease agreement is non-cancellable and provides for, among others, rent deposit which is refundable upon termination of the lease. Venue and rental deposits recognized in the statements of financial position as at December 31, 2015 and 2014 amounted to P301,548,039 and P249,424,165 respectively (see Notes 7 and 12).

Rent expense recognized in profit or loss in 2015, 2014, and 2013 amounted to P623,202,290, P435,829,466, and P342,170,110, respectively.

Minimum lease payments are as follows:

	2015	2014	2013
Less than one year	P274,194,446	P230,971,173	P147,066,913
Between one and five years	417,485,964	287,984,901	154,469,238
More than five years	165,083,357	169,902,025	178,065,018
	P856,763,767	P688,858,099	P479,601,169

Group as Lessor

Rent Income Recognized as Revenue

- a. As an authorized representative of Munich Management Limited, a foreign corporation duly organized and registered in British Virgin Islands, BCGLC entered into an agreement with the PAGCOR for the sublease of the slot machines owned by Entertainment Gaming (Philippines), Inc., including the proprietary system of linking and networking of individual units of slot machine within the PAGCOR Club - Leisure World Bacolor located at King's Royal Hotel and Leisure Park, Bacolor, Pampanga. The lease is for the period of three (3) years until June 30, 2016. In 2015, BGLC acquired slot machines from four (4) PAGCOR clubs with existing lease agreements with PAGCOR.

As a consideration, PAGCOR shall pay BCGLC monthly rent equivalent to 40% of the slot machines' gross revenues after deducting the players' winnings/prizes and related taxes thereof.

- b. LRLDI leases its investment properties under an operating lease agreement. Lease term is as follows:

The lease is for a period of 5 years until October 31, 2020. The lease agreement provides for, among others, rent deposit returnable to the lessee upon termination of the lease. Rent deposits amounted to P4,445,300 and P4,421,800 as at December 31, 2015 and 2014, respectively. Minimum lease receivables as at December 31 are as follows:

	2015	2014
Within one year	P17,749,027	P17,749,027
Between one and five years	70,996,108	4,154,983
	P88,745,135	P21,904,010

Total rent income recognized in profit or loss in 2015, 2014 and 2013 amounted to P211,721,519, P113,637,161, and P102,244,292, respectively.

Rent Income Recognized as Other Income

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

Rent income recognized in profit or loss in 2015, 2014 and 2013 amounted to P102,463,252, P81,205,243, and P102,380,413, respectively (see Note 21).

20. Retirement Benefits

The Group's valuations are obtained on a periodic basis. The actuarial cost method used in the valuation of plan costs is the Projected Unit Credit Actuarial Cost Method.

The retirement benefits are equivalent to one-half month's salary for every year of service with six months or more of service considered as one year.

The Group's latest actuarial valuation reports are dated December 31, 2015. The following tables summarize the components of retirement expense recognized in the consolidated statements of profit or loss and other comprehensive income of ABLE and FCLRC:

Retirement Expense

	ABLE			FCLRC		
	2015	2014	2013	2015	2014	2013
Current service cost	P6,792,679	P5,973,580	P5,344,462	P2,636,949	P2,312,413	P1,206,981
Interest cost on defined benefit obligation	3,424,716	3,224,624	2,984,328	667,070	620,046	273,022
Net retirement expense	P10,217,395	P9,198,204	P8,328,790	P3,304,019	P2,932,459	P1,480,003

Changes in the Present Value of Defined Benefit Obligation

	ABLE		FCLRC	
	2015	2014	2015	2014
Present value of defined benefit obligation at beginning of year	P78,268,892	P65,468,555	P16,578,003	P13,250,717
Current service cost	6,792,679	5,973,580	2,636,949	2,312,413
Interest cost	3,424,716	3,224,624	667,070	620,046
Actuarial loss/(gain)	25,322,302	5,039,655	(8,036,967)	394,827
Benefits paid	-	(1,437,522)	-	-
Present value of defined benefit obligation at end of year	P113,808,589	P78,268,892	P11,845,055	P16,578,003

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

	ABLE			FCLRC		
	2015	2014	2013	2015	2014	2013
Actuarial gain (loss) from:						
Financial assumptions	P30,138,720	P7,442,051	P4,858,785	(P3,856,265)	P976,914	P4,862,725
Experience adjustments	(13,615,984)	(2,402,396)	(3,245,506)	(2,539,739)	(582,087)	1,081,795
Demographic assumptions	8,799,566	-	-	(1,640,963)	-	-
	P25,322,302	P5,039,655	P1,613,279	(P8,036,967)	P394,827	P5,944,520

The actuarial gain (loss) is presented net of the deferred tax expense (benefit).

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

	ABLE		FCLRC	
	2015	2014	2015	2014
Discount rate at end of year	5.14%	4.75%	4.91%	4.59%
Future salary increases	4.00%	3.00%	5.00%	8.00%

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

	ABLE		FCLRC	
	2015	2014	2015	2014
Average expected future service years	22.54	21.69	15.34	20.96

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	172,070,001	231,483,212	11,041,351	12,779,747
Future salary growth	231,148,917	171,794,344	12,824,957	10,988,539

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.

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:

	2015				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
ABLE	P113,808,589	P676,469,990	P1,963,080	P29,799,376	P644,707,534
FCLRC	11,845,055	47,707,202	3,355,748	1,897,872	42,453,582
	P125,653,644	P724,177,192	P5,318,828	P31,697,248	P687,161,116

	2014				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
ABLE	P78,268,892	P461,446,496	P12,277,775	P3,067,445	P446,101,276
FCLRC	16,578,003	117,636,694	2,262,659	2,810,509	112,563,526
	P94,846,895	P579,083,190	P14,540,434	P5,877,954	P558,664,802

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

Finance income consists of:

	<i>Note</i>	2015	2014	2013
Interest income on advances to a casino project	26	P240,000,000	P220,000,000	P137,500,000
Interest income on cash and cash equivalents	4	132,983	240,705	3,006,274
Interest income on convertible loan	10	4,649,972	7,310,000	731,000
		P244,782,955	P227,550,705	P141,237,274

Interest income on advances to a casino project amounting to P137,500,000 was reclassified from “Revenues” to “Finance income” in the 2013 consolidated statements of profit and loss and other comprehensive income to conform with the current year presentation (see Note 26).

Finance expense consists of:

	<i>Note</i>	2015	2014	2013
Interest expense on loans payable	13	P245,027,485	P211,286,386	P138,895,228
Interest expense on unpaid CEZA fees	18	39,395,612	28,327,791	42,463,045
Interest expense on obligations under finance lease	14	584,471	1,213,659	894,195
		P285,007,568	P240,827,836	P182,252,468

Other income (expense) consists of:

	<i>Note</i>	2015	2014	2013
Management fee	5	P49,000,000	P -	P -
Commission	5	19,868,657	-	-
Rent income	19	102,463,252	81,205,243	102,380,413
Reimbursement of rent expense	19	-	-	38,521,863
Reversal of allowance for impairment loss on trade receivables	5	-	-	5,803,292
Others		10,214,040	5,259,298	(16,364,449)
		P181,545,949	P86,464,541	P130,341,119

Others consists mainly of expenses incurred in relation to the Master Development Plan for the CSEZFP (see Note 18).

22. Related Party Disclosures

Other than those disclosed in Notes 5 and 10, the Group's significant transactions and balances with related parties follow:

Categories	Nature of Transaction	Year	Amount of Transactions for the Year		Outstanding Balance		Terms	Conditions
			P	-	Due from Related Parties	Due to Related Parties		
Joint Venture								
FCCDCI	Rental of premises	2015	P -	-	P -	P -	Demandable; non interest-bearing	Unsecured; no impairment
	Cash advances	2014	1,080,000		P594,000	-		
		2015	-		-	-	Demandable; non interest-bearing	Unsecured; no impairment
		2014	-		221,006	-		
Others								
Longview Holdings Corporation	Cash advances	2015	-		-	9,070,691	Demandable; non interest-bearing	Unsecured
		2014	-		-	9,070,691		
Individual stockholders	Cash advances	2015	(6,225,689)		18,835,517	-	Demandable; non interest-bearing	Unsecured; no impairment
		2014	50,180,531		25,061,206	100,000		
Total		2015			P18,835,517	P9,070,691		
Total		2014			P25,876,212	P9,170,691		

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

	2015	2014	2013
Salaries and employee benefits	P30,435,529	P22,416,556	P22,579,668
Directors' fees	10,458,500	6,720,000	8,460,000

Unliquidated advances to officers and employees amounted to P11,404,890 and P6,073,900 as at December 31, 2015 and 2014, respectively. These advances are subject to liquidation within 12 months from the date granted or collectible in cash upon demand (see Note 5).

- 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, collectible upon demand and are expected to be settled in cash.

23. Income Taxes

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

	2015	2014	2013
Current tax	P268,804,313	P162,664,461	P87,308,494
Deferred tax	(80,547,094)	(5,871,393)	(7,204,212)
	P188,257,219	P156,793,068	P80,104,282

The Group's income tax expense consists of the 30% regular corporate income tax and the 5% gross income tax on FCLRC's licensing operations with CSEZFP and LRLDI operations (see Notes 17 and 18).

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

	2015	2014	2013
Income before income tax	P1,458,506,044	P1,090,880,023	P504,048,887
Income tax using statutory tax rate of 30%	P437,551,813	P327,264,007	P151,214,666
Additions to (reductions in) income taxes resulting from tax effects of:			
Gross income on service fees subject to 5%	(179,710,383)	(208,279,606)	(97,478,730)
Equity in net income (loss) of an associate	(40,104,897)	(2,037,463)	1,205,131
Equity in net earnings of a joint venture	(29,439,419)	(23,451,938)	(2,411,403)
Interest income subject to final tax	(39,895)	(45,994)	(474,749)
Non deductible operating expenses	-	59,301,186	5,642,468
Change in unrecognized deferred tax assets	-	4,042,876	36,848,994
Change in income tax regime	-	-	(14,442,095)
	P188,257,219	P156,793,068	P80,104,282

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

	<i>Note</i>	2015	2014
NOLCO		P122,999,494	P52,104,979
Difference in tax base and carrying amount of property and equipment	<i>11</i>	9,725,531	28,871,508
MCIT		8,607,097	8,607,097
Impairment losses on receivables		7,672,466	7,672,466
Retirement expense		37,696,609	7,194,245
Discount on loans payable		(8,666,797)	-
Deferred tax asset - net		P178,034,400	P104,450,295

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
2014	P8,607,097	P -	P -	P8,607,097	2017
2013	1,996,798	1,996,798	-	-	2016
	P10,603,895	P1,996,798	P -	P8,607,097	

The Group has NOLCO amounting to P410,842,644 and P276,839,284 where no deferred tax was recognized as at December 31, 2015 and 2014, 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
2015	P409,998,313	P -	P -	P409,998,313	2018
2014	173,683,264	-	-	173,683,263	2017
2013	237,159,381	-	-	237,159,381	2016
2012	67,295,289	27,615,386	39,679,903	-	2015
	P888,136,247	P27,615,386	P39,679,903	P820,840,957	

On April 23, 2013, the BIR issued Revenue Memorandum Circular (RMC) 33-2013 clarifying the taxability of PAGCOR, its contractees and licensees. Pursuant to Section 1 of Republic Act No. 9337, amending Section 27 (C) of the National Internal Revenue Code (NIRC), as amended, effective November 1, 2005, PAGCOR is no longer exempt from corporate income tax as it has been effectively omitted from the list of government-owned or controlled corporations that are exempt from income tax. Accordingly, PAGCOR and its contractees and licensees' income from its operations and licensing of gambling casinos, gaming clubs and other similar recreation or amusement places, gaming pools, and other related operations are subject to corporate income tax under the NIRC, as amended.

Until March 31, 2013, in accordance with PAGCOR's directives, ABLE continued to abide by the provisions of P.D. 1869 (as amended by R.A. 9487) whereby it pays the 5% franchise tax.

On July 9, 2013, a memorandum was issued by PAGCOR to all its bingo contractees and grantees clarifying that they are no longer subject to the 5% franchise tax, and are subject to the corporate income tax, instead. In compliance with the said RMC, ABLE has changed to corporate income tax as its basis for determining the tax expense starting second quarter of 2013.

On December 10, 2014, a resolution in favor of PAGCOR was rendered by the Supreme Court regarding the change from franchise tax to corporate income tax. The resolution pertains only to PAGCOR and not to its grantees and contractees.

24. Earnings Per Share

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

	2015	2014	2013
Income attributable to ordinary stockholders of the Parent Company (a)	P890,172,003	P612,691,400	P253,663,638
Adjusted weighted average number of shares outstanding *(b)	1,179,577,812	1,179,577,812	1,176,883,813
Basic earnings per share (a/b)	P0.7547	P0.5194	P0.2155

* Adjusted for the stock dividends declared in 2013.

Diluted earnings per share is computed as follows:

	2015	2014	2013
Income attributable to ordinary stockholders of the Parent Company (a)	P890,172,003	P612,691,400	P253,663,638
Adjusted weighted average number of shares outstanding (b)	1,179,577,812	1,179,577,812	1,176,883,813
Effect of dilutive potential common shares** (c)	80,675,000	80,675,000	49,500,000
Adjusted weighted average number of shares outstanding* (d=b+c)	1,260,252,812	1,260,252,812	1,226,383,813
Diluted earnings per share (a/d)	P0.7063	P0.4862	P0.2068

* Adjusted for the stock dividends declared in 2013.

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

25. Segment Information

The Group operates in four (4) reportable business segments, the online group, casino group, retail group and investment group, and only one (1) reportable geographical segment which is the Philippines. The description of the reportable segments are as follows:

Online

The online segment's primary activity is licensing of operators engaged in interactive gaming, as well as the establishment and setup of all the gaming infrastructures required in connection with the development, operation and conduct of internet server, telecommunication network, gaming enterprises, and other systems facilities.

Casino

The casino group is involved in hotel operation and casino marketing, junket operations, and arcade leasing.

Retail

The retail segment consists largely of venues providing amusements and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games. And with the acquisition of TGXI in July 2014, this business segment now currently includes PEGS offering online casino games. Multiple sites include Bingo Halls located in large popular malls, while Bingo Boutiques and eGames Stations are situated in strategic commercial establishments across the country.

Property

The property segment consists of an economic interest in one of the integrated resort operators in the Entertainment City and an investment in a joint venture property development project engaged in building a world-class Business Process Outsourcing center with offices for various locators.

Analysis of financial information by business segment in 2015 is as follows:

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	P1,602,083,123	P1,227,472,416	P6,275,445,625	P165,065,974	P -	P -	P9,270,067,138
Results							
Segment results	885,018,000	527,651,979	2,067,115,467	157,172,266	-	-	3,636,957,712
Unallocated corporate expenses	-	-	-	-	-	-	2,561,558,619
Results from operating activities							
Finance income	119,084	17,119	5,787,863	240,000,501	552,742,297	(553,883,909)	1,075,399,093
Finance expense	(43,970,602)	(62,014)	(38,534,203)	(163,997,620)	(38,443,128)	-	244,782,955
Rent/other income	105,909,557	-	29,403,465	37,014,864	9,218,064	-	(285,007,567)
Foreign exchange loss - net	9,971,225	-	-	-	-	-	181,545,950
Equity in net earnings of joint ventures	73,580,595	24,550,802	-	-	-	-	9,971,225
Equity in net earnings of an associate	-	-	-	133,682,989	-	-	98,131,397
Foreign currency translation gain	(295,148)	-	-	-	-	-	133,682,989
Unrealized gain on AFS	-	-	-	-	9,783,653	-	(295,148)
Remeasurements of defined benefit liability - net of tax	(15,362,219)	-	-	-	-	-	9,783,653
Income taxes	(47,757,166)	(21,955,239)	(139,525,456)	(51,412,597)	72,393,240	-	(15,362,219)
Total Comprehensive Income							
							P1,264,375,110
Other Information							
Segment assets	P3,056,748,668	P906,780,946	P2,667,644,352	P1,775,166,173	P1,273,256,500	(P2,379,883,998)	P7,306,078,855
Investments at cost	81,757,510	-	639,394,002	5,247,014,327	4,181,076,412	(3,858,640,537)	6,290,601,714
Total Assets							P13,596,680,569
Segment liabilities							
Unallocated corporate liabilities	P1,731,261,233	P823,542,187	P2,447,573,065	P4,871,032,292	P1,212,416,464	(P3,694,713,369)	P7,374,039,426
Total Liabilities							
Capital expenditures	P275,594,322	P131,099,600	P713,225,604	P -	P33,338,119	P -	P1,153,257,645
Depreciation and amortization	8,908,461	11,321,941	157,717,621	27,842,002	909,361	85,624,905	288,911,630

Analysis of financial information by business segment in 2014 is as follows:

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	P1,371,407,490	P489,729,020	P4,623,065,920	P96,095,297	P36,233	P -	P6,580,333,960
Results							
Segment results	766,404,960	284,837,258	2,685,004,717	96,095,297	36,233	-	3,832,378,465
Unallocated corporate expenses	-	-	-	-	-	-	3,013,787,290
Results from operating activities							
Finance income	18,170,616	3,860	98,150	220,011,112	257,328,863	(268,061,896)	818,591,175
Finance expense	(34,182,730)	(283,060)	(17,570,530)	(178,091,321)	(13,535,865)	2,835,670	227,550,705
Rent/other income	83,812,235	5,382,049	12,462,670	-	(7,632,267)	(7,560,146)	(240,827,836)
Foreign exchange loss - net	18,061,896	-	-	-	-	-	86,464,541
Equity in net earnings of joint ventures	74,540,583	65,749,695	-	-	-	-	18,061,896
Equity in net loss of an associate	-	-	-	40,749,264	-	-	140,290,278
Foreign currency translation gain	-	-	115,930,790	-	31,912	(115,930,790)	40,749,264
Remeasurements of defined benefit liability - net of tax	(387,325)	-	(3,527,758)	-	-	-	31,912
Income taxes	(40,625,825)	(26,927,441)	(99,129,412)	(37,308,321)	38,369,418	8,828,513	(3,915,083)
Total Comprehensive Income							P930,203,784
Other Information							
Segment assets	P -	P266,726,378	P2,123,964,192	P -	P6,042,932,827	(P5,606,937,128)	P2,826,686,269
Investments at cost	1,444,213,734	-	272,618,055	-	4,532,724,543	(3,302,335,092)	2,947,221,240
Unallocated corporate assets	-	-	-	-	-	-	5,172,893,383
Total Assets							P10,946,800,892
Segment liabilities	P1,797,072,604	P253,903,938	P1,339,734,910	P -	P1,928,822,042	(P3,141,289,604)	P2,178,243,890
Unallocated corporate liabilities	-	-	-	-	-	-	3,337,243,669
Total Liabilities							P5,515,487,559
Capital expenditures	P863,505	P9,159,022	P174,186,698	P50,055,357	P27,303,343	P -	P261,567,925
Depreciation and amortization	19,544,970	6,219,603	104,413,398	15,271,200	1,614,474	-	147,063,645

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

	Online Group	Casino Group	Retail Group	Investment Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	P859,554,770	P -	P4,043,990,307	P180,464,168	P641,094	(P23,838,586)	P5,060,811,753
Results							
Segment results	476,671,020	(14,308,405)	2,415,144,711	180,464,168	641,094	-	3,058,612,588
Unallocated corporate expenses	-	-	-	-	-	-	(2,706,857,212)
Results from operating activities							
Finance income	123,869	14,287	11,486,850	373,522	525,287,882	(396,049,136)	351,755,376
Finance expense	(45,516,685)	(15,846)	(10,633,155)	(114,062,405)	(12,024,377)	-	141,237,274
Rent/other income	100,534,856	97,908,681	-	38,521,863	-	(106,624,281)	(182,252,468)
Foreign exchange loss - net	(17,165,272)	-	-	-	-	-	130,341,119
Equity in net earnings of a joint venture	37,026,572	-	-	-	-	-	(17,165,272)
Equity in net loss of an associate	-	-	-	43,106,286	-	-	37,026,572
Foreign currency translation gain	(238,436)	-	-	-	-	-	43,106,286
Remeasurements of defined benefit liability - net of tax	(5,831,574)	-	(1,129,295)	-	-	-	(6,960,869)
Income taxes	(27,517,846)	(18,196,147)	(32,726,906)	-	(1,663,383)	-	(80,104,282)
Total Comprehensive Income							P416,745,300
Other Information							
Segment assets	P1,274,223,227	P34,994,990	P692,525,182	P197,714,039	P1,366,054,582	(P2,670,260,127)	P895,251,893
Investments at cost	-	-	756,500	-	-	-	756,500
Unallocated corporate assets	-	-	-	-	-	-	8,295,818,321
Total Assets							P9,191,826,714
Segment liabilities	P1,996,570,300	P82,371,707	P874,810,603	P389,332,366	P731,181,904	(P2,369,913,086)	P1,704,353,794
Unallocated corporate liabilities	-	-	-	-	-	-	2,751,054,646
Total Liabilities							P4,455,408,440
Capital expenditures	P4,929,800	P83,929	P92,382,040	P -	P4,300,591	P -	P101,696,360
Depreciation and amortization	27,379,090	4,957,845	77,132,041	4,141,642	10,642,805	-	124,253,423

There were no intersegment sales recognized among reportable segments in 2015, 2014 and 2013. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement obligation, and due to related parties. Capital expenditures on noncurrent assets represent additions to property and equipment and investment properties. Noncash expenses pertain to depreciation and amortization expense attributable to reportable segments.

26. Memorandum of Agreement

On January 14, 2011, LRWC and ABLGI 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, which was granted a Provisional License by PAGCOR to establish and operate a casino to be located within the Manila Bay Reclamation Area.

On March 20, 2013, ABLGI, LRWC, Belle, Belle Grande Resource Holdings, Inc. ("BGRHC") and PLAI entered into a Memorandum of Agreement ("ABLGI MOA") effectively terminating its ABLGI Agreements. In consideration for the waiver of the Group's rights under the ABLGI Agreements, Belle and PLAI have agreed to pay the Group, among others, an amount equivalent to the 30% interest in the net lease income of the Project and the 30% share in the gaming revenue derived from the Project which is presented in profit or loss as "Share in the gaming revenue from a casino project". These are to be paid to ABLGI upon actual receipt by Belle and PLAI of the lease income and gaming revenue from the Project.

In addition, ABLGI made advances to BGRHC on the same date ("Transfer Date") amounting to P4,000,000,000 (the "ABLGI Advance") as funding to the Project. In December 2014, the ABLGI MOA was amended to operationalize the terms and conditions of the ABLGI Advance which provided that such was extended to BGRHC as a loan. The ABLGI advance is payable within 12 years from and after the Transfer Date. Payments shall be made in 13 annual installments to commence on the fifth anniversary of the Transfer Date and annually thereafter. Interest rates range from 4.05% to 6.55%. The difference between the 30% share in the net lease income of the Project and the principal and interest payments on the ABLGI advance is the annual compensation fee component which BGRHC shall pay to ABLGI starting on the first anniversary of the Transfer Date and annually thereafter until the termination of the Project's license. This is presented in profit or loss as "Compensation fee from a casino project."

In 2015, the Belle made a capital call which ABLGI advanced an additional P780,000,000 to the Project.

The carrying amount of the advances to a casino project amounted to P4,780,000,000 and P4,241,486,036 as at December 31, 2015 and 2014. This includes the advances to contractors amounting to P241,486,036 which were made prior to the termination of the ABLGI Agreements.

The compensation fee amounted to P75,836,610, P89,019,980 and P42,964,168 in 2015, 2014 and 2013, respectively, while the share in gaming revenue amounted P59,036,485 and P7,075,317 in 2015 and 2014, respectively. Interest income amounted to P240,000,000, P220,000,000 and P137,500,000 in 2015, 2014 and 2013, respectively (see Note 21).

27. Other Matters

Rapid Bingo and Electronic Bingo

The revenues from e-bingo are presented in the consolidated statements of profit or loss and other comprehensive income net of the share of owners of e-bingo machines as follows:

	2015	2014	2013
Gross receipts from e-bingo	P4,414,273,852	P3,339,751,073	P2,587,083,417
Less share of owners of e-bingo machines	971,140,247	705,814,513	563,380,416
Net revenues	P3,443,133,605	P2,633,936,560	P2,023,703,001

Likewise, the revenues from rapid bingo are presented net of the share of owners of the machines amounting to P267,128,770, P283,668,087, and P356,589,861, in 2015, 2014, and 2013, respectively.

Revenue from ECasino

Income generated from e-casino represent operator's share in ECasino game winnings. ECasino offers popular casino games such as baccarat, poker and roulette via computer terminals. Income generated from these operations was presented as part of commission income in the statements of profit and loss which amounted to P2,188,499.

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.

On July 10, 2014, SEGI received the CTA's decision dated July 9, 2014 granting the Petition for Review, cancelling the assessment issued by the respondent and ordering the withdrawal of the WDL. The respondent filed a Motion for Reconsideration of the decision and SEGI filed its comment to the foregoing Motion for Reconsideration. On October 22, 2014, the CTA issued a resolution denying the Motion for Reconsideration filed by the respondent. On November 26, 2014, the respondent (now petitioner) elevated the matter to the CTA En Banc. The matter is pending consideration of the CTA En Banc.

- *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.

On April 22, 2014, SEGI received the Decision of the CTA partially granting the Petition for Review, cancelling and setting aside the deficiency VAT but ordering SEGI to pay the deficiency income tax plus interest and surcharge. On May 7, 2014, SEGI filed a Motion for Partial Reconsideration of the abovementioned Decision. On July 8, 2014, the CTA promulgated an Amended Decision granting the Motion for Partial Reconsideration filed by SEGI. Accordingly, the Decision dated April 15, 2014 was reversed and set aside, the Formal Letter of Demand, with attached Details of Discrepancies and Assessment Notices, the Final Notice Before Seizure and the Warrant of Distrainment and/or Levy, were all cancelled and set aside. On July 24, 2014, respondent filed a Motion for Reconsideration of the Amended Decision. On August 29, 2014, the CTA promulgated a Resolution denying the respondent's Motion for Reconsideration. On October 2, 2014, the respondent (now petitioner) elevated the matter to the CTA En Banc.

- *Highland Gaming Corporation (HGC) v. Commissioner of Internal Revenue, CTA Case No. 8730*

On December 19, 2013, HGC filed an Urgent Motion for Suspension of Collection of Taxes on account of petitioner's receipt of a Final Notice Before Seizure dated October 30, 2013. HGC filed its Formal Offer of Evidence on January 28, 2014. Subsequently, on April 7, 2014, HGC filed its Memorandum. On May 8, 2014, the CTA promulgated a Resolution denying HGC's Urgent Motion. Thus, on May 27, 2014, HGC filed a Motion for Reconsideration of the CTA's Resolution on the Urgent Motion. On October 14, 2014, the CTA promulgated a Resolution granting HGC's Motion for Reconsideration and directed the respondent to cease and desist from committing any or all acts to collect the alleged deficiency taxes for taxable year 2009. In Compliance with the CTA's Resolutions, HGC submitted the required surety bond and other supporting documentations. The bond and other supporting documents are pending approval by the CTA.

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

28. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

The BOD has a Risk Oversight Committee which responsible for overseeing and managing risk that the Group may encounter. They 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. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. Further, the Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Financial information on the Group's maximum exposure to credit risk as at December 31, 2015 and 2014, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	<i>Note</i>	2015	2014
Loans and receivables:			
Cash in banks	4	P271,273,790	P282,587,788
Receivables - net	5	778,033,823	477,177,301
Venue and rental deposits	7, 12	301,548,039	249,424,165
Cash and performance bonds	12	114,478,659	89,707,300
Guarantee deposits and betting credit funds	12	10,800,000	9,800,000
Due from related parties	22	18,835,517	25,876,212
Advances to a casino project	26	4,780,000,000	4,241,486,036
		P6,274,969,828	P5,376,058,802
AFS financial asset		115,911,244	-
		P6,390,881,072	P5,376,058,802

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:

	2015		2014	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P592,169,379	P -	P292,604,208	P -
Past due 1- 30 days	75,849,736	-	84,193,702	-
Past due 31- 60 days	68,868,657	-	72,542,760	-
More than 60 days	55,074,702	13,928,651	41,765,282	13,928,651
	P791,962,474	P13,928,651	P491,105,952	P13,928,651

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 P13,928,651 as at December 31, 2015 and 2014, respectively.

Venue and Rental 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/Guarantee Deposits and Betting Credit Funds

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.

AFS Financial Assets

The Group's exposure to credit risk is negligible as this pertains to the Group's investment in DFNN's shares that are listed on the PSE.

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.

Advances to a Casino Project

The Group has an insignificant exposure to credit risk on this account since the counterparty is a reputable entity with high quality external credit ratings.

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:

	2015			Total
	Grade A	Grade B	Grade C	
Loans and receivables:				
Cash in banks	P271,273,790	P -	P -	P271,273,790
Receivables:				
Trade and other receivables	753,430,213	-	-	753,430,213
Receivables from concessionaires	-	13,198,720	-	13,198,720
Advances to officers and employees	-	11,404,890	-	11,404,890
Due from related parties	-	18,835,517	-	18,835,517
PAGCOR venue and rental deposits	-	301,548,039	-	301,548,039
Advances to a casino project	-	4,780,000,000	-	4,780,000,000
AFS financial asset	115,911,244	-	-	115,911,244
	P1,140,615,247	P5,124,987,166	P -	P6,390,881,072
	2014			Total
	Grade A	Grade B	Grade C	
Cash in banks	P282,587,788	P -	P -	P282,587,788
Receivables:				
Trade receivables	97,517,693	176,067,156	123,914,115	397,498,964
Receivables from concessionaires	-	35,135,082	-	35,135,082
Advances to officers and employees	-	4,698,643	-	4,698,643
Other receivables:	-	-	-	-
Flexytech, Inc.	-	9,654,310	-	9,654,310
Kingloc Asia Limited	-	4,027,056	-	4,027,056
Vinta Gaming, Inc.	-	2,646,328	-	2,646,328
Arwen Gaming Consultancy Inc.	-	1,125,000	-	1,125,000
Others	-	22,391,918	-	22,391,918
Due from related parties	-	25,876,212	-	25,876,212
PAGCOR venue and rental deposits	-	249,424,165	-	249,424,165
Cash and performance bonds	-	89,707,300	-	89,707,300
Guarantee deposits and betting credit funds	-	9,800,000	-	9,800,000
Advances to a casino project	-	4,241,486,036	-	4,241,486,036
	P380,105,481	P4,872,039,206	P123,914,115	P5,376,058,802

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, 2015 and 2014, the total commitment under the line of credit is P1,350,000,000, respectively. As at December 31, 2015 and 2014, the Group had drawn P1,210,869,137 and P1,090,457,300, respectively. 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:

	Carrying Amount	Contractual Cash Flow	2015		
			6 Months or Less	6-12 Months	1-5 Years
Nonderivative Financial Liabilities					
Trade and other payables, excluding unearned fees*	P1,493,583,956	P1,493,583,956	P1,266,122,826	P226,854,567	P606,563
Short-term and long-term loans payable	5,286,262,019	2,018,366,667	513,253,328	165,610,661	1,431,608,054
Obligations under finance lease	3,961,488	4,071,670	3,151,021	699,694	220,955
Due to a related party	9,070,691	9,070,691	9,070,691	-	-
Rent deposit	4,445,300	4,445,300	-	-	4,445,300
	P6,797,323,454	P6,830,019,713	P1,758,156,008	P1,665,343,617	P3,396,616,478

	Carrying Amount	Contractual Cash Flow	2014		
			6 Months or Less	6-12 Months	1-5 Years
Nonderivative Financial Liabilities					
Trade and other payables, excluding unearned fees*	P1,394,805,380	P1,394,805,380	P1,185,475,866	P208,796,151	P533,363
Short-term and long-term loans payable	3,757,953,727	3,958,829,129	1,650,561,088	1,343,982,327	964,285,714
Obligations under finance lease	11,923,766	23,976,081	12,311,014	7,639,158	4,025,909
Due to a related party	9,170,691	9,170,691	9,170,691	-	-
Rent deposit	4,421,800	4,421,800	-	-	4,421,800
	P5,178,275,364	P5,391,203,081	P2,857,518,659	P1,560,417,636	P973,266,786

* 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.

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:

	2015		2014	
	In USD	In PhP	In USD	In PhP
Cash in banks	721,496	33,953,593	1,051,693	47,031,699
Trade receivables	2,608,490	122,755,517	2,284,578	102,166,341
CEZA fees payable	(11,537,745)	(544,235,453)	(6,706,008)	(299,892,669)
Net liability	(8,207,759)	(387,526,343)	(3,369,737)	(150,694,629)

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

	2015	2014
PHP average rate	47.11	44.40
PHP spot rate	47.17	44.72

Sensitivity Analysis

A 2% strengthening of the Philippine peso against the US dollars would have increased equity and net income by P7,750,527 and P3,013,893 in 2015 and 2014, respectively.

A 2% weakening of the Philippine peso against the US dollars as at December 31, 2015 and 2014 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk

The Group's exposure to changes in interest rates relate primarily to the Group's short-term and long-term debt obligations.

Management is tasked to minimize interest rate risk through interest rate swaps and options, and having a mix of variable and fixed interest rates on its loans. Presently, the Group's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on PSDT-R2 plus a certain mark-up. The Group has not entered into interest rate swaps and options during 2015 and 2014.

The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Group's profit before tax for the year ended December 31, 2015 and 2014 follows:

Change in interest rates (in basis points)	2015	2014
300bp rise	(P7,366,965)	(P6,424,704)
225bp rise	(5,525,224)	(4,834,778)
300bp fall	7,366,965	6,424,704
225bp fall	5,525,224	4,834,778

1 basis point is equivalent to 0.01%.

There is no other impact on the Group's equity other than those affecting the profit or loss.

Equity Price Risk

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated financial position as AFS financial asset (see Note 7).

The effect on equity, as a result of a possible change in the fair value of the Group's equity instruments held as AFS financial assets as at December 31, 2015, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Change in quoted prices of investments carried at fair value	2015
Increase by 10%	P11,591,124
Increase by 5%	5,795,562
Decrease by 10%	(11,591,124)
Decrease by 5%	(5,795,562)

Fair Values

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

Cash and Cash Equivalents/Receivables/Due from Related Parties/Advances to a Casino Project/Venue and Rental Deposits/Cash and Performance Bonds/Guarantee Deposits and Betting Credit Funds/Trade and Other Payables/Due to Related Parties/Rent Deposits

The carrying amounts of cash and cash equivalents, receivables, due from related parties, trade and other payables and due to related parties approximate their fair values due to the relatively short-term nature of these financial instruments. The carrying amounts of venue and rental deposits, cash performance bonds and guarantee deposits and betting credit funds approximate their fair values as management believes that the effect of discounting cash flows from these instruments is not significant.

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 approximate their carrying amount since the Group does not anticipate that the effect of discounting using the prevailing market rate is significant.

Available for Sale Financial Asset

The fair value of the available for sale financial asset is based on the quoted market price of the investment in equity as at 31 December 31, 2015. The fair value is under Level 1 of the fair value hierarchy.

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, 2015 and 2014. The Group is not subject to externally-imposed capital requirements.



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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Leisure & Resorts World Corporation (the "Parent Company") and Subsidiaries (collectively known as the "Group") as at and for the years ended December 31, 2015 and 2014, included in this Form 17-A, and have issued our report thereon dated April 15, 2016.

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 Group's management.

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E
- Reconciliation of Retained Earnings Available for Dividend Declaration

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 1387-A, Group A, valid until February 5, 2017

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2013

Issued December 2, 2013; valid until December 1, 2016

PTR No. 5320746MD

Issued January 4, 2016 at Makati City

April 15, 2016

Makati City, Metro Manila