

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

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

**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

1,705
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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

Carmelita D. L. Chan
----------------------

Email Address

--

Telephone Number/s

886-0133
----------

Mobile Number

--

**CONTACT PERSON'S ADDRESS**

--

*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.*



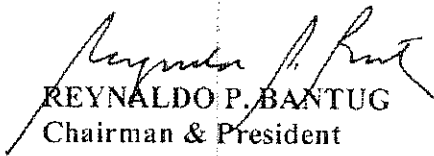
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**

The management of **LEISURE & RESORTS WORLD CORPORATION** (the "Company") is responsible for the preparation and fair presentation of the separate 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 separate 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 separate financial statements and submits the same to the stockholders.

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

Signed Under Oath By:

  
**REYNALDO P. BANTUG**  
 Chairman & President


  
**RIZALITO S. OADES**  
 SVP & Group CFO

15 April 2016

SUBSCRIBED AND SWORN before me this APR 15 2016 day of 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

Doc. No.: 171  
 Page No. 35  
 Book No. 07  
 Series of 2016

  
**ATTY. RICHARD I. ANGLIN**  
 NOTARY PUBLIC  
 FOR THE PROVINCE OF NEGROS OCCIDENTAL  
 OFFICE: 1000 P. O. BOX 1000, VICTORIA CITY, NEGROS OCCIDENTAL  
 1-714-1111  
 1-714-1111

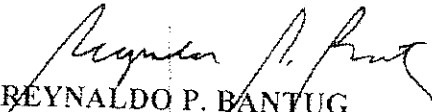


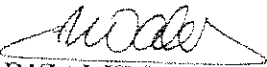
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

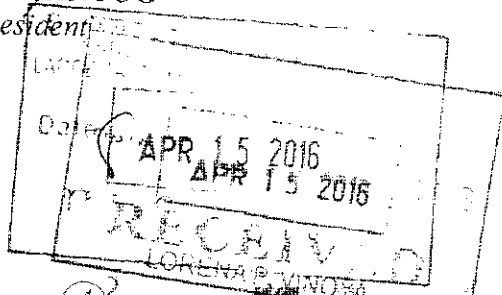
The management of **LEISURE & RESORTS WORLD CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of **LEISURE & RESORTS WORLD CORPORATION**, complete and correct in all material respects. Management likewise affirms that:

- (a) The Annual Income Tax Returns has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to the Philippines Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations no. 8-2007 and other relevant issues;
- (c) The **LEISURE & RESORTS WORLD CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
**REYNALDO P. BANTUG**  
Chairman & President

  
**RIZALITO S. OADES**  
SVP & Group CFO





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

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E-Mail ph.inquiry@kpmg.com

Branches: Subic - Cebu - Bacolod - Iloilo

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

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

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation (the "Company") as at and for the year ended December 31, 2015, on which we have rendered our report dated April 15, 2016

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

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

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

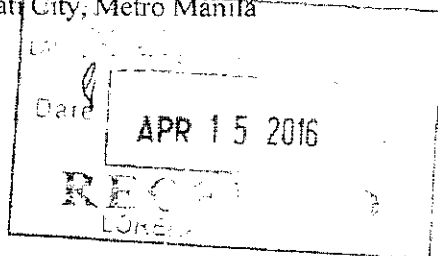
Issued December 2, 2013; valid until December 1, 2016

PTR No. 5320746MD

Issued January 4, 2016 at Makati City

April 15, 2016

Makati City, Metro Manila





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

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Internet www.kpmg.com.ph  
E-Mail ph-inquiry@kpmg.com

Branches: Subic - Cebu - Bacolod - Iloilo

## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation, which comprise the separate statements of financial position as at December 31, 2015 and 2014, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

#### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the separate financial statements present fairly, in all material respects, the unconsolidated financial position of Leisure & Resorts World Corporation as at December 31, 2015 and 2014, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Our audits were conducted for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information in Note 15 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

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

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

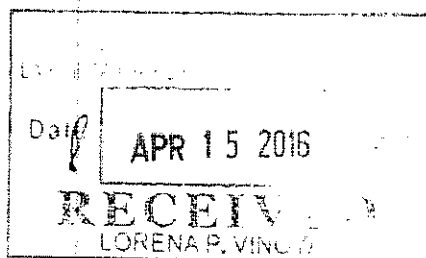
Issued December 2, 2013; valid until December 1, 2016

PTR No. 5320746MD

Issued January 4, 2016 at Makati City

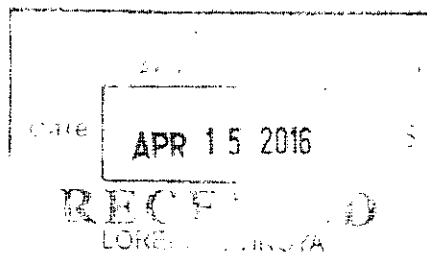
April 15, 2016

Makati City, Metro Manila



**LEISURE & RESORTS WORLD CORPORATION**

**SEPARATE FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

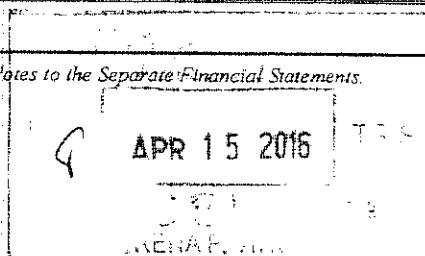


**LEISURE & RESORTS WORLD CORPORATION**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**

December 31

	Note	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		P17,414,771	P76,674,827
Receivables - net		518,464,000	250,925,097
Due from related parties - net		2,156,451,824	1,001,626,675
Prepaid expenses and other current assets		111,050,668	64,319,486
<b>Total Current Assets</b>		<b>2,803,381,263</b>	<b>1,393,546,085</b>
<b>Noncurrent Assets</b>			
Property and equipment - net	6	54,791,656	28,475,353
Investments and advances - net	7	4,515,326,694	4,578,859,813
Available for sale financial asset	7	115,911,244	-
Deferred tax assets	13	110,855,627	38,369,388
Rent deposits	11	3,608,169	3,588,169
<b>Total Noncurrent Assets</b>		<b>4,800,493,390</b>	<b>4,649,292,723</b>
		<b>P7,603,874,653</b>	<b>P6,042,838,808</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Dividend and other payables	8	P145,601,814	P329,833,781
Short-term loans payable	9	344,200,000	650,890,223
Current portion of long - term loans payable		130,000,000	-
Due to related parties	12	2,322,651,972	921,596,616
Income tax payable		93,000	-
<b>Total Current Liabilities</b>		<b>2,942,546,786</b>	<b>1,902,320,620</b>
<b>Noncurrent Liability</b>			
Noncurrent portion of long - term loans payable	9	444,166,667	-
<b>Total Liabilities</b>		<b>3,386,713,453</b>	<b>1,902,320,620</b>
<b>Equity</b>			
Capital stock	10	2,849,852,512	2,849,852,512
Additional paid-in capital		1,089,790,986	1,089,790,986
Retained earnings		267,734,049	200,874,690
Fair value reserve		9,783,653	-
<b>Total Equity</b>		<b>4,217,161,200</b>	<b>4,140,518,188</b>
		<b>P7,603,874,653</b>	<b>P6,042,838,808</b>

See Notes to the Separate Financial Statements.

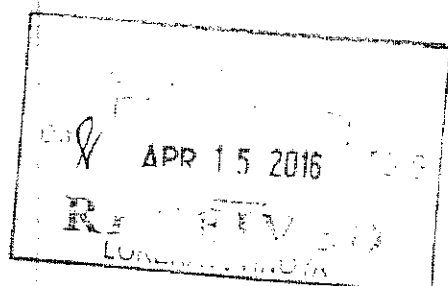




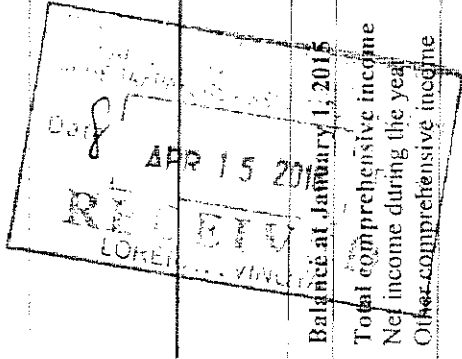
**LEISURE & RESORTS WORLD CORPORATION**  
**SEPARATE STATEMENTS COMPREHENSIVE INCOME**

		Years Ended December 31	
	Note	2015	2014
<b>DIVIDEND INCOME</b>	12	P518,080,000	P250,000,000
<b>OPERATING EXPENSES</b>			
Salaries and wages		65,495,149	44,736,013
Professional and directors' fees		44,212,187	29,193,390
Employee benefits		29,784,806	10,493,941
Impairment losses	5, 7, 12	21,600,000	44,207,774
Rent	11	20,854,700	10,018,377
Depreciation and amortization	6	7,021,816	1,614,474
Transportation and travel		5,531,042	4,442,407
Taxes and licenses		4,442,762	803,138
Postage and communications		4,356,916	1,958,711
Advertising and marketing		2,217,922	-
Listing and filing fees		1,885,776	1,200,210
Insurance		1,510,296	1,413,344
Representation and entertainment		1,033,909	2,118,458
Printing and office supplies		820,206	491,237
Others		10,585,251	7,976,453
		221,352,738	160,667,927
<b>INCOME FROM OPERATIONS</b>		296,727,262	89,332,073
<b>OTHER INCOME (EXPENSE)</b>			
Interest expense	9	(45,358,262)	(13,534,665)
Interest income	4, 7	4,662,297	7,328,863
Share in net income of a joint venture	7	24,550,802	65,749,695
Finance charges		(1,883,678)	-
<b>INCOME BEFORE INCOME TAX</b>		278,698,421	148,875,966
<b>INCOME TAX BENEFIT</b>	13	72,393,239	38,369,388
<b>NET INCOME</b>		351,091,660	187,245,354
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that will be reclassified to profit or loss</b>			
Revaluation of AFS	7	9,783,653	-
<b>TOTAL COMPREHENSIVE INCOME</b>		P360,875,313	P187,245,354

See Notes to the Separate Financial Statements.



**LEISURE & RESORTS WORLD CORPORATION**  
**SEPARATE STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**



	Note	Capital Stock		Additional Paid-in Capital	Retained Earnings	Fair Value Reserve	Total
		Common Shares	Preferred Shares				
Balance at January 1, 2015		P1,199,852,512	P1,650,000,000	P1,089,790,986	P200,874,690	P -	P4,140,518,188
Total comprehensive income		-	-	-	351,091,660	-	351,091,660
Net income during the year		-	-	-	-	9,783,653	9,783,653
Other comprehensive income		-	-	-	351,091,660	9,783,653	360,875,313
<b>Transaction with equity holders of the parent Company</b>							
Cash dividends	10	-	-	-	(284,232,301)	-	(284,232,301)
Balance at December 31, 2015		P1,199,852,512	P1,650,000,000	P1,089,790,986	P267,734,049	P9,783,653	P4,217,161,200
<b>Transaction with equity holders of the parent Company</b>							
Balance at January 1, 2014		P1,199,852,512	P1,650,000,000	P1,089,790,986	P249,867,537	P -	P4,189,511,035
Total comprehensive income		-	-	-	187,245,354	-	187,245,354
Net income during the year		-	-	-	-	-	-
<b>Transaction with equity holders of the parent Company</b>							
Cash dividends	10	-	-	-	(236,238,201)	-	(236,238,201)
Balance at December 31, 2014		P1,199,852,512	P1,650,000,000	P1,089,790,986	P200,874,690	P -	P4,140,518,188

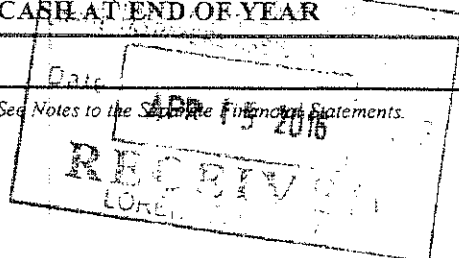
See Notes to the Separate Financial Statements.

**LEISURE & RESORTS WORLD CORPORATION**  
**SEPARATE STATEMENTS OF CASH FLOWS**

Years Ended December 31

	Note	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P278,698,421	P148,875,966
Adjustments for:			
Interest expense	9	45,358,262	13,534,665
Impairment losses	5, 7, 12	21,600,000	44,207,774
Depreciation	6	7,021,816	1,614,474
Interest income	4, 7	(4,662,297)	(7,328,863)
Share in net income of a joint venture	7	(24,550,802)	(65,749,695)
Operating income before working capital changes		323,465,400	135,154,321
Decrease (increase) in:			
Receivables		(785,618,903)	336,182,606
Prepaid expenses and other current assets		(46,731,182)	(62,466,074)
Increase in dividend and other payables		(184,231,967)	21,196,891
Cash generated from (used in) operations		(693,116,652)	430,067,744
Interest received		12,325	18,863
Net cash flows provided by (used in) operating activities		(693,104,327)	430,086,607
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in:			
Due from related parties		424,906,440	(489,019,123)
Investment and advances		63,533,119	(288,140,248)
Rental deposits		(20,000)	(3,442,219)
Additions to property and equipment	6	(33,338,119)	(27,303,343)
Cash given up from acquisition of NCI	7	(10,003,028)	(520,000,000)
Cash flows provided by (used in) investing activities		445,078,412	(1,327,904,933)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans		350,000,000	650,890,223
Payments of loans		(82,523,556)	-
Interest paid		(45,358,262)	(13,534,665)
Dividends paid		(342,951,633)	(157,867,643)
Increase (decrease) in due to related parties		309,599,310	409,612,486
Net cash flows provided by financing activities		188,765,859	889,100,401
<b>NET DECREASE IN CASH</b>		(59,260,056)	(8,717,925)
<b>CASH AT BEGINNING OF YEAR</b>		76,674,827	85,392,752
<b>CASH AT END OF YEAR</b>	4	P17,414,771	P76,674,827

See Notes to the Separate Financial Statements.



**LEISURE & RESORTS WORLD CORPORATION**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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**1. Reporting Entity**

Leisure & Resorts World Corporation (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. The Company is a public company under section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange, Inc. (PSE). The Company's primary purpose is to engage in realty development, focusing on leisure business which includes management and operation of the activities conducted therein pertaining to general amusement and recreation enterprise, hotel and gaming facilities, including but not limited to bingo parlors. Since 1999, however, the Company has functioned mainly as a holding company. On November 6, 2006, SEC approved the extension of the Company's corporate life until December 31, 2055.

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

**2. Basis of Preparation**

Statement of Compliance

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

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

Basis of Measurement

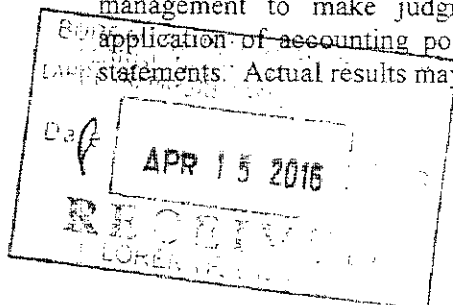
The separate financial statements have been prepared on a historical cost basis of accounting except for available for sale investments which is measured at fair value.

Functional and Presentation Currency

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

Use of Estimates and Judgments

The preparation of the separate financial statements in conformity with PFRSs requires management to make judgments, estimates and use assumptions that affect the application of accounting policies and the amounts reported in the separate 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 separate financial statements is as follows:

#### Judgment

##### *Determination of Functional Currency*

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

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

The Company determines a joint arrangement in accordance with its control over the entity or joint operations rather than its legal form. The Company's investment in a joint venture is 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 Company 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 Company has determined its involvement in joint arrangement and determined that its investment is classified as joint venture.

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 Company has no capacity to direct HEPI to enter into, or can veto any changes to, significant transactions for the benefit of the Company.

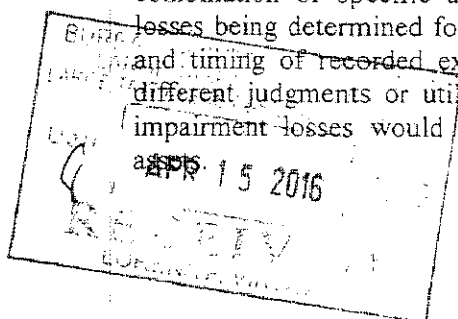
##### *Determining whether an Arrangement Contains a Lease*

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

#### Estimates

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

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



As at December 31, 2015 and 2014, the aggregate carrying amounts of receivables and due from related parties amounted to P2,674,915,824 and P1,252,551,772, respectively. As at December 31, 2015 and 2014, the related allowance for impairment losses amounted to P89,858,592 (see Notes 5 and 12).

*Estimating Useful Lives of Property and Equipment*

The Company reviews at each reporting date the estimated useful lives (EUL) of property and equipment based on the period over which the asset's future economic benefits are expected to be utilized or consumed. These are revised if expectations differ from previous estimates due to physical wear and tear and technical and commercial obsolescence.

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

The estimated useful lives are as follows:

	Number of Years
Leasehold improvements	5 or lease term, whichever is shorter
Office, furniture and fixtures, and equipment	5
Transportation equipment	5

The carrying amount of property and equipment amounted to P54,791,656 and P28,475,353 as at December 31, 2015 and 2014, respectively (see Note 6).

*Estimating Allowance for Impairment Losses on Nonfinancial Assets*

The Company assesses impairment on property and equipment and investments and advances when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the separate financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

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

	<i>Note</i>	2015	2014
Property and equipment - net	6	P54,791,656	P28,475,353
Investments and advances - net	7	4,515,326,694	4,578,859,813

As at December 31, 2015 and 2014, allowance for impairment loss on investment and advances amounted to P21,635,398 and P35,398.

Management assessed that there are no impairment indicators affecting the Company's property and equipment as at December 31, 2015 and 2014.

*Estimating Realizability of Deferred Tax Asset*

The Company reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Company's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses.

As at December 31, 2015 and 2014, the Company recognized deferred tax assets amounting to P110,855,627 and P38,369,388, respectively (see Note 13).

The Company has unrecognized deferred tax assets amounting to P31,904,030 (see Note 13)

*Provisions and Contingencies*

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

The Company has not recognized any provision as at December 31, 2015 and 2014.

### 3. Summary of Significant Accounting Policies

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

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

The Company 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 Company's separate 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, none of which has a significant effect on the separate financial statements of the Company:
  - *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 nonfinancial 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 Company has not applied the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate 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 separate 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 Company is assessing the potential impact on its separate 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 Company 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

The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting. Regular way purchases or sales of financial assets require delivery of assets within timeframe generally established by regulations or convention in the marketplace.

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

#### *Financial Assets*

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

#### (a) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the financial reporting date, in which case, these are classified as noncurrent assets. The Company's cash, receivables, due from related parties and rent deposits are classified as loans and receivables as at December 31, 2015 and 2014.

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

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 Company's investment in equity security included under "AFS financial asset" account is classified under this category (see Note 7).

The Company does not have HTM and FVPL financial assets as at December 31, 2015 and 2014.

#### (b) Initial Recognition and Derecognition

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

Financial assets are derecognized when:

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

(c) Subsequent Measurement

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

(d) Determination of Fair Value

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

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(e) Impairment

Financial assets not classified as at FVPL are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that the financial assets are impaired includes:

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

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

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

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

For equity instruments carried at fair value, the Company 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.

### *Financial Liabilities*

#### (a) Classification

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

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

As at December 31, 2015 and 2014, the Company has designated as other financial liabilities its dividend and other payables, short-term loans payable and due to related parties, and does not hold financial liabilities at FVPL.



(b) Initial Recognition and Derecognition

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

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

(c) Subsequent Measurement

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

*Offsetting Financial Instruments*

Financial assets and liabilities are offset and the net amount is presented in the separate statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented at gross in the statements of financial position.

*'Day 1' Profit*

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

*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 Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

#### Investments and Advances

The Company's investments in subsidiaries are accounted for under the cost method, while the investments in associates and joint ventures are accounted for under the equity method.

The investments in subsidiaries are carried in the Company's statement of financial position at cost less any impairment in value. Distributions from accumulated profits of the investee arising after the date of acquisition are recognized as dividend income from the investments. Any distribution in excess of the investor's accumulated profits are regarded as recovery of investments and are recognized as reduction of the costs of the investments.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The advances are accounted for as investments to companies over which the Company has positive intention of future ownership.

### Property and Equipment

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

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

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

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

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

### Impairment of Nonfinancial Assets

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

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

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

### Provisions

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

### Contingencies

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

### Capital Stock and Additional Paid-in Capital

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.

### Retained Earnings

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

### Revenue Recognition

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

#### *Dividend Income*

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

#### *Interest Income*

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

### Expense Recognition

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

### Operating Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

### Income Tax

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

#### *Current Tax*

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

#### *Deferred Tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities.

#### Related Party Transactions and Relationships

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

#### Events After the Reporting Date

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

#### 4. Cash

This account consists of:

	2015	2014
Cash in banks	P17,329,771	P76,644,827
Cash on hand	85,000	30,000
	P17,414,771	P76,674,827

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

Interest income recognized in profit or loss amounted to P12,326 and P18,863 in 2015 and 2014, respectively.

The Company's exposure to credit risk relating to cash is disclosed in Note 14.

#### 5. Receivables

This account consists of:

	Note	2015	2014
Dividends receivable	12	P518,080,000	P250,000,000
Advances to third parties		3,029,459	3,875,976
Advances to officers and employees		364,000	58,580
		521,473,459	253,934,556
Less allowance for impairment loss		3,009,459	3,009,459
		P518,464,000	P250,925,097

Advances to third parties represent cash advances made to third party companies which are engaged in similar gaming and amusement activities as the Company. These advances are noninterest-bearing, unsecured and collectible on demand. The Company provided allowance for impairment loss amounting to P3,009,459 in 2015 and 2014.

Advances to officers and employees are noninterest-bearing, unsecured and subject to liquidation within 12 months from the date granted or collectible in cash upon demand.

The Company's exposure to credit risk relating to receivables is disclosed in Note 14.

## 6. Property and Equipment

The movements in this account are as follows:

	Office, Furniture and Fixtures, Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>					
December 31, 2013	P3,225,711	P -	P -	P -	P3,225,711
Additions	10,334,843	1,393,500	665,000	14,910,000	27,303,343
December 31, 2014	13,560,554	1,393,500	665,000	14,910,000	30,529,054
Additions	13,712,665	-	12,170,454	7,455,000	33,338,119
Reclassification	-	-	22,365,000	(22,365,000)	-
December 31, 2015	27,273,219	1,393,500	35,200,454	-	63,867,173
<b>Accumulated Depreciation and Amortization</b>					
December 31, 2013	439,227	-	-	-	439,227
Depreciation and amortization	1,334,532	209,025	70,917	-	1,614,474
December 31, 2014	1,773,759	209,025	70,917	-	2,053,701
Depreciation and amortization	5,922,903	73,668	1,025,245	-	7,021,816
December 31, 2015	7,696,662	282,693	1,096,162	-	9,075,517
<b>Carrying Amount</b>					
December 31, 2014	P11,786,795	P1,184,475	P594,083	P14,910,000	P28,475,353
December 31, 2015	P19,576,557	P1,110,807	P34,104,292	P -	P54,791,656

## 7. Investments and Advances

This account consists of:

	Percentage of Ownership	2015	Percentage of Ownership	2014
<b>Investments</b>				
<b>Subsidiaries:</b>				
AB Leisure Exponent, Inc. (ABLE)	100%	P750,000,000	100%	P750,000,000
LR Land Developers, Inc. (LRLDI)	100%	225,000,000	100%	225,000,000
AB Leisure Global, Inc. (ABLGI)	100%	1,550,000,000	100%	1,550,000,000
Total Gamezone Xtreme Incorporated (TGXI)	100%	620,000,000	-	620,000,000
Prime Investment Korea Inc., (PIKI)	100%	1,000,000	100%	1,000,000
Blue Chip Gaming & Leisure Corporation (BCGLC)	100%	12,628,028	70%	2,625,000
First Cagayan Leisure & Resort Corporation (FCLRC)	69.68%	61,375,000	69.68%	61,375,000
Bingo Bonanza (HK) Limited (BBL)	60%	35,398		35,398
		3,220,038,426		3,210,035,398
<b>Associate:</b>				
Binondo Leisure Resources, Inc. (BLRI):				
Common shares	30%	1,200,000	30%	1,200,000
Preferred shares		20,000,000		20,000,000
		21,200,000		21,200,000
Advances for future stock subscription		400,000		400,000
		21,600,000		21,600,000
<b>Joint venture:</b>				
Hotel Enterprises of the Philippines, Inc. (HEPI) cost	51%	750,938,000	51%	750,938,000
<b>Accumulated share in net income (loss):</b>				
Balance at beginning of year		54,548,211		(11,201,484)
Share in net income during the year		24,550,802		65,749,695
Balance at end of year		79,099,013		54,548,211
		830,037,013		805,486,211
<b>Advances</b>				
Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure)		26,136,049		26,136,049
HEPI		439,150,604		414,159,933
DFNN, Inc. (DFNN)		-		101,477,620
		465,286,653		541,773,602
Allowance for impairment losses on investment in BBL and BLRI		(21,635,398)		(35,398)
		P4,515,326,694		P4,578,859,813

### Investment in ABLE

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

### Investment in LRLDI

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



#### Investment in ABLGI

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

#### Investment in TGXI

On July 21, 2014, the Company purchased 1,250,000 shares of TGXI representing 100% ownership at a price of P620,000,000. The purchase was ratified by the Company's BOD on October 23, 2014. The acquisition is in line with the Company's goal to expand and venture in other forms of gaming.

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

<b>Consideration</b>	<b>P620,000,000</b>
Assets:	
Cash	3,448,000
Property and equipment	65,267,316
Other asset	150,085,937
Liabilities:	
Trade and other payables	(801,253)
<b>Total identifiable net assets at fair value</b>	<b>218,000,000</b>
<b>Goodwill</b>	<b>P402,000,000</b>

The goodwill of P402 million represents the fair value of expected synergies arising from the acquisition of TGXI.

#### Investment in PIKI

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

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

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

#### Investment in BCGLC

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

On December 1, 2015, the Company acquired the remaining 30% of BCGLC's outstanding capital stock from non-controlling interests (NCI) owners for a total considerations amounting to P10,003,028. As a result, the Company's investment in BCGLC had increased to an amount equivalent to a proportionate percentage of non-controlling interests in net identifiable assets at the date of acquisition. The difference between considerations paid over carrying amount of non-controlling interests was recognized as a deduction to Retained Earnings amounting to P1,294,351.

#### Investment in FCLRC

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

#### Investment in BBL

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

The Company provided in full impairment loss on the investment in BBL amounting to P35,398.

#### Investment in BLRI

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

In 2015, LRWC provided full impairment loss on the investment in BLRI amounting to P21,600,000.

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
Net income(loss)/total comprehensive income (loss)	1,988,031	(8,069,286)

#### Investment in HEPI

In relation to the purchase agreement entered into by the Company and Eco Leisure, transfer of shares of stocks representing 51% ownership interest of Eco Leisure at HEPI was completed in 2013. Eco Leisure assigned 1% of its share to the Company, however both parties agreed that the rights, title and interest in and the assignment of the 1% interest merely pertains to legal ownership and the beneficial ownership shall still remain with Eco Leisure, thus HEPI is accounted for as a joint venture.

On 10 March 2016, the Amended Articles of Incorporation of HEPI amending Article II Primary Purpose, Article IV extending the term of the corporate existence of HEPI 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 is presented below.

	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 approximately 5% 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.

#### Advances to DFNN

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

On December 9, 2013, LRWC issued a Conversion Notice expressing its intention to convert into common shares the P86,000,000 principal and any interest earned until the issuance and delivery of common shares. Interest income recognized in profit or loss amounted to P4,649,971 and P7,310,000 in 2015 and 2014, respectively.

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 the management does not intended to hold the investment for trading, the total converted amount of P98,690,971 has been classified as "Available for sale financial asset" account in the separate statements of financial position.

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
	<b>P115,911,244</b>

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

**8. Dividend and Other Payables**

This account consists of:

	<i>Note</i>	2015	2014
Dividends payable	10	P142,116,151	P200,835,483
Unpaid balance on the acquisition of TGXI		-	100,000,000
Professional and directors' fees		-	15,912,130
Others		3,485,663	13,086,168
		<b>P145,601,814</b>	<b>P329,833,781</b>

Others consist of contracted services, utilities, and other miscellaneous expenses. These are unsecured and to be settled within one year.

**9. Loans Payable**

- a. On July 2014, the Company 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.

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.

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

As a part of the loan agreement of AUB, the Company is required to Company with affirmative financial ratios such as debt. To equity and debt service coverage ratio which the Company and its subsidiaries meet as at December 31, 2015. The loan is secured by shares of stock is served to stockholders. The fair value of shows of stock used as a of collected of amounted to P730,427,530.

- b. In 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

Total interest expense recognized in profit or loss amounted to P45,358,262 and P13,534,665 in 2015 and 2014, respectively.

## 10. Equity

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

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
<b>CAPITAL STOCK</b>				
Authorized:				
Common shares - P1 par value	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000
Issued common shares	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
Issued preferred shares	1,650,000,000	P1,650,000,000	1,650,000,000	P1,650,000,000

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

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of the Company were registered and may be offered for sale at an offer price of P1.33 per common share. As at December 31, 2014 the Company has a total of 1,199,852,512 issued and outstanding common shares and 1,850 stockholders.

#### Issuance of New Shares

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

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

#### Listing of Preferred Shares and Warrants

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

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

#### Declaration of Cash Dividends

Cash dividends declared by the BOD to preferred stockholders of the Company in 2015 and 2014 are as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
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	71,991,150	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 "Dividend and other payables" account in the separate statements of financial position, amounted to P142,116,151 and P200,835,483, respectively (see Note 8).

## 11. Lease Agreements

- a. The Company 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. The Company renewed the contract for a period of three (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.
- b. On March 5, 2014, the Company entered into operating lease arrangement for additional office spaces for five (5) 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.
- c. On March 28, 2014, the Company entered into operating lease arrangement for additional office spaces with Cirtek Land Corporation for five (5) 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

Minimum lease payments for the above lease agreements are as follows:

	2015	2014
Less than one year	P14,710,539	P11,196,400
Between one and five years	16,648,980	28,029,189
	<b>P31,359,519</b>	<b>P39,225,589</b>

The lease agreement is non-cancellable and provides for, among others, rent deposit which is refundable upon termination of the lease. As at December 31, 2015 and 2014, the Company recognized rent deposits in the separate statements of financial position amounting to P3,608,169 and P3,588,169 in 2015 and 2014, respectively. Rent expense incurred from the above lease agreements amounted to P20,854,700 and P10,018,377 in 2015 and 2014, respectively.

## 12. Related Party Disclosures

Other than those disclosed in Note 7, the Company's significant transactions and balances with related parties are as follow:

Categories	Nature of Transaction	Year	Note	Amount of Transactions for the Year	Outstanding Balance		Terms	Conditions
					Due from Related Parties	Due to Related Parties		
Subsidiary FCLRC	Cash advances	2015	a	P1,405,629,926	P -	P2,233,172,690	Demandable; non interest-bearing	Unsecured
LRLDI	Cash advances	2014	b	335,045,455	-	827,542,764	Demandable; non interest-bearing	Unsecured; no impairment
		2015		563,624,732	1,031,250,635			
ABLE	Dividends	2014	c	26,700,000	467,625,903	-	Demandable; non interest-bearing	Unsecured
		2015		518,088,000	-			
BCCGLC	Cash advances	2014	a	250,000,000	-	33,830,533	Demandable; non interest-bearing	Unsecured
		2015		(51,152,628)	-			
TGXI	Cash advances	2014	a	83,637,722	-	84,983,161	Demandable; non interest-bearing	Unsecured; no impairment
		2015		458,458,203	458,458,203			
ABLGH	Cash advances	2014	a	126,321,326	176,643,487	-	Demandable; non interest-bearing	Unsecured
		2015		50,322,161	50,322,161			
PHKI	Cash advances	2014	a	77,262,038	490,099,499	-	Demandable; non interest-bearing	Unsecured; no impairment
		2015		88,728,242	412,837,461			
BBL	Cash advances	2014	b	46,578,058	70,733,661	46,578,058	Demandable; non interest-bearing	Unsecured
		2015		43,322,161	-			
Stockholder Longview Holdings Corporation	Cash advances	2014		-	-	-	Demandable; non interest-bearing	Unsecured
Others		2014		9,070,691	-	9,070,691	Demandable; non interest-bearing	Unsecured
		2014		14,947,264	107,489	9,070,691		
<b>Total</b>		<b>2015</b>		<b>P2,156,451,824</b>	<b>P2,322,651,972</b>	<b>P2,322,651,972</b>		
<b>Total</b>		<b>2014</b>		<b>P1,001,626,675</b>	<b>P921,596,616</b>	<b>P921,596,616</b>		



- a. Cash advances to /from subsidiaries were intended for working capital requirements and to finance acquisitions and capital requirements.
- b. The total advances to BBL which were used for working capital purposes amounted to P86,849,133 and was fully provided with allowance for impairment losses as at December 31, 2015 and 2014.

The movements in allowance for impairment losses on the advances to BBL are as follows:

	2015	2014
Balance at beginning of year	P86,849,133	P45,650,818
Impairment losses during the year	-	41,198,315
Balance at end of year	P86,849,133	P86,849,133

- c. Dividend income consists of:

	2015	2014
ABLE	P100,000,000	P250,000,000
FCLRC	418,080,000	-
	P518,080,000	P250,000,000

The details of key management compensation are as follows:

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

As at December 31, 2015 and 2014, no retirement benefits cost was recognized as it is immaterial to the Company's separate financial statements.

### 13. Income Taxes

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

	2015	2014
Current tax	P93,000	P -
Deferred tax	(72,486,239)	(38,369,388)
	(P72,393,239)	(P38,369,388)

The Company is subject to the regular corporate income tax or minimum corporate income tax (MCIT), whichever is higher.

The reconciliation of income tax expense is as follows:

	2015	2014
Income before income tax	P278,698,421	P148,875,966
Income tax at statutory income tax rate of 30%	P83,609,526	P44,662,790
Additions to (reductions in) income taxes resulting from tax effects of:		
Dividend income exempt from tax	(155,424,000)	(75,000,000)
Share in net income of a joint venture	(7,365,240)	(19,724,909)
Impairment loss	6,480,000	-
Nondeductible expense	310,173	13,891,390
Interest income subjected to final tax	(3,698)	(2,198,659)
	(P72,393,239)	(P38,369,388)

The components of the Company's deferred tax asset pertain to the following carryforward benefits:

	2015	2014
NOLCO	P110,762,627	P38,369,388
MCIT	93,000	-
	P110,855,627	P38,369,388

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

Incurring In	Amount	Expired/ Applied/ Unrecognised	Balance	Tax Effect	Year of Expiry
2012	P26,375,075	(P26,375,075)	P -	P -	2015
2013	106,346,766	(106,346,766)	-	-	2016
2014	127,897,961	-	127,897,961	38,369,388	2017
2015	241,310,797	-	241,310,797	72,393,239	2018
	P501,930,599	(P26,375,075)	P475,555,524	P110,762,627	

The Company's unrecognized deferred tax assets amounted to P31,904,030, which pertains NOLCO for the year ended December 31, 2013, because management believes that future taxable profit would be available to allow the deferred tax asset to be utilized.

The carryforward benefit of the excess of MCIT over regular corporate income tax of P93,000 can be credited against income tax until December 31, 2018.

#### 14. Financial Risk and Capital Management Objectives and Policies

##### Financial Risk Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

A Risk Oversight Committee is responsible for overseeing and managing risk that the Company may encounter. They develop proper strategies and measures to avoid or at least minimize such risk incorporating the Company's established risk management policies.

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

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

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

#### Credit Risk

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

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

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

	<i>Note</i>	2015	2014
Loans and receivable:			
Cash in banks	4	P17,414,771	P76,644,827
Receivables - net	5	518,464,000	250,925,097
Due from related parties	12	2,156,451,824	1,001,626,675
Rent deposits	11	3,608,169	3,588,169
		<b>P2,695,938,764</b>	<b>P1,332,784,768</b>

*Cash in Banks*

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

*Receivables*

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

*Due from Related Parties*

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

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

*Rent Deposits*

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

The credit quality of the Company's cash in banks, receivables, due from related parties and rental deposits based on their historical experience with the Company has been defined as follows:

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

As at December 31, 2015 and 2014, the Company's cash in banks is classified under Grade A, while receivables, due from related parties and rent deposits are classified under Grade C.

### Liquidity Risk

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

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

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

	As at December 31, 2015				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6 - 12 Months	More than 12 Months
<b>Non-derivative Financial Liabilities</b>					
Dividend and other payables	P145,601,815	P145,601,815	P145,601,815	P -	P -
Short-term loans payable	344,200,000	345,634,167	345,634,167	-	-
Long-term loans payable	574,166,667	574,166,667	81,904,875	79,896,375	503,036,625
Due to related parties	2,322,651,972	2,322,651,972	-	2,322,651,972	-
	<b>P3,386,620,454</b>	<b>P3,478,725,829</b>	<b>P573,140,857</b>	<b>P2,402,548,347</b>	<b>P503,036,625</b>

	As at December 31, 2014			
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6 - 12 Months
<b>Non-derivative Financial Liabilities</b>				
Dividend and other payables*	P327,289,741	P327,289,741	P327,289,741	P -
Short-term loans payable	650,890,223	683,390,223	683,390,223	-
Due to related parties	921,596,616	921,596,616	-	921,596,616
	<b>P1,899,776,580</b>	<b>P1,932,276,580</b>	<b>P1,010,679,964</b>	<b>P921,596,616</b>

\* Excluding taxes payable

### Market Risk

Market risk is the risk that changes in market prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

### 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 Company is exposed to equity securities price risk because of investments held by the Company, which are classified in the separate 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 Company'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	
Increase by 10%	P11,591,124
Increase by 5%	5,795,562
Decrease by 10%	(11,591,124)
Decrease by 5%	(5,795,562)

#### *Interest Rate Risk*

The Company's exposure to changes in interest rates relate primarily to the Company'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 Company'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 Company 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 Company'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	P1,137,261	P195,000
300bp fall	(1,137,261)	(195,000)

*1 basis point is equivalent to 0.01%.*

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

#### *Fair Values*

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

##### *Cash*

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

##### *Receivables/Due from Related Parties /Rent Deposits/Dividend and Other Payables/Short-term Loans Payable/Due to Related Parties*

The carrying amounts of receivables, due from related parties, dividend and other payables, loans payable and due to related parties approximate their fair values due to liquidity, short maturity and nature of these financial instruments. The carrying amount of rent deposit approximates its fair value as the effect of discounting using the prevailing market rate is not significant.

##### *Long-term Loans*

The carrying amount amount of the long-term loans represents its market value since its interest rate is at market rate.

*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.

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

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

The BOD has overall responsibility for monitoring of capital in proportion to risk. The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company defines capital as equity, which includes capital stock, additional paid-in capital, retained earnings and fair value reserve. There were no changes in the Company's approach to capital management as at December 31, 2015 and 2014. The Company is not subject to externally-imposed capital requirements.

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

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. Following are the tax information required for the taxable year ended December 31, 2015:

**I. Based on RR No. 15-2010**

**A. Value Added Tax (VAT)**

	Amount
1. Input VAT	
Beginning of the year	P1,853,412
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	-
b. Goods other than for resale or manufacture	-
c. Capital goods subject to amortization	1,897,765
d. Capital goods not subject to amortization	85,269
e. Services lodged under cost of goods sold	1,200,693
f. Services lodged under other accounts	1,843,175
Balance at the end of the year	P6,880,314

**B. Excise Taxes**

None

C. Documentary Stamp Tax

In 2015, the Company's documentary stamp tax on loans amounted to P3,780,626.

D. Withholding Taxes

	Amount
Tax on compensation and benefits	P14,430,573
Final withholding taxes	8,145,007
Expanded withholding taxes	6,148,382
	P28,723,962

E. All Other Taxes

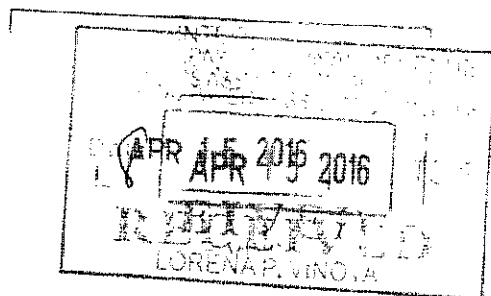
	Amount
<i>Other taxes paid during the year recognized under "Taxes and licenses" account in profit or loss</i>	
License and permit fees	P45,933
Others	616,203
	P662,136

F. Deficiency Tax Assessments

None

G. Tax Cases

None







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

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

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation (the "Company") as at and for the year ended December 31, 2015, on which we have rendered our report dated April 15, 2016

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has 1,705 stockholders owning one hundred (100) or more shares each.

**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