# COVER SHEET

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SEC Registration Number

LEISURE & RESORTS WORLD CORPORATION & SUBSIDIARIES

(Company's Full Name)

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

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

**MR. RIZALITO S. OADES**

(Contract Person)

**(02) 638-5557**

(Company Telephone Number)

| 1 2 | 3 1 |
|---|---|
| *Month* | *Day* |

(Fiscal Year)

**17-Q**

(Form Type)

| | |
|---|---|
| *Month* | *Day* |

(Annual Meeting)

**Not Applicable**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

**Not Applicable**

Amended Articles Number/section

Total Amount of Borrowings

Total No. of Stockholders

Domestic | Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended March 31, 2016

2. Commission identification number 13174 3. BIR tax identification number 321-000-108-278

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

   MAKATI CITY, METRO MANILA, PHILIPPINES
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: ________ (SEC use only)

   26F, WEST TOWER, PSE CENTER, EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY
7. Address of registrant's principal office

   (02) 687-0370; 637-5292 to 93
8. Issuer's telephone number, including area code

9. Former name, former address and former fiscal year, if changed since last report

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

| Title of each class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| Common | 1,199,852,512/NA |
| Preferred | 1,650,000,000 |
| Warrants | 82,500,000 |

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

    Yes [ / ] No [ ]

12. Indicate by check mark whether the registrant:

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

    Yes [ / ] No [ ]

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

    Yes [ / ] No [ ]

## PART I – FINANCIAL INFORMATION

**Item 1. Financial Statements**

Please see attached.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Comparable Discussion on Material Changes in Results of Operations and Financial Condition

**LRWC Operations**

LRWC is functioning as a holding company with minimal operations. The Company is focusing its endeavor in supporting the productivity programs of its subsidiaries as grouped in the following segments: **RETAIL** (1) AB Leisure Exponent, Inc. (ABLE – 100% owned), (2) Total Gamezone Xtreme, Inc. (TGXI – 100% owned); **CASINO** (3) Prime Investment Korea, Inc. (PIKI – 100% owned), (4) Blue Chip Gaming and Leisure Corporation (BCGLC – 100% owned); **ONLINE** (5) First Cagayan Leisure and Resort Corporation (FCLRC – 69.68% owned); and **PROPERTY** (6) AB Leisure Global, Inc. (ABLGI – 100% owned); (7) LR Land Developers, Inc. (LRLDI – 100% owned).

Based on PFRS 3, Business Combination, LRWC has not amortized the goodwill on its investments in its subsidiaries. Instead, PFRS 3 requires for an annual test for goodwill impairment. On the basis of the test for impairment of goodwill, there is no need to provide for allowance for impairment for the first quarter of 2016.

LRWC's total operating expenses amounted to ₽87.4 million and ₽34.9 million during the first quarter of 2016 and 2015, respectively. The increase is largely due to higher people expenses and professional fees. The Company's focus is to enable shared services functions that will provide consistent managerial and administrative services to all of its subsidiaries, including marketing programs and initiatives. Other charges as of March 31, 2016 amounting to ₽5.6 million pertains to its equity share in a joint venture partially offset by interest expense on loans availed in 2015.

LRWC recorded its 51% share in the net results of Hotel Enterprises of the Philippines, Inc. (HEPI) beginning the third quarter of 2013. For the first quarter of 2016, LRWC's share in HEPI's net income amounted to ₽18.4 million or a decrease of ₽14.6M as compared to last year's first quarter share of ₽33.0 million.

Starting 2009, LRWC discontinued recording its 30% share in losses of Binondo Leisure Resources, Inc. (BLRI) as its investment balance has already been consumed.

**ABLE Operations**
**First Quarter 2016 vs. First Quarter 2015**

ABLE (popularly known as Bingo Bonanza Corporation), is the pioneer in professional bingo gaming in the Philippines. Philippine Amusement and Gaming Corporation (PAGCOR) granted ABLE and its subsidiaries the authority to operate bingo games pursuant to P.D. 1869. Since then, bingo outlets of ABLE and its subsidiaries have become community and entertainment centers, a source of revenue for the government, and a sponsor for fund-raising activities relating to social and educational programs.

*Revenues*

ABLE and its subsidiaries generated total revenues of ₱1,710.4 million for the first quarter of 2016, a significant improvement from the ₱1,329.1 million revenues for the same period last year. The increase is attributable to the revenue growth of all of its products: (1) Electronic Bingo (E-Bingo) by ₱290.0 million or 37.9%, (2) Traditional Bingo by ₱79.1 million or 15.8% (3) Rapid Bingo by ₱8.0 million or 12.6%, and (4) other bingo games by ₱4.1 million.

E-Bingo has become the Company's principal product line as its contribution has been increasing faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. The acquisition and opening of new bingo outlets also contributed to E-bingo's growth. For the first quarter of 2016, E-Bingo sales represented 79.4% to ABLE's total revenues or ₱1,055.1 million as compared to the 57.6% contribution amounting to ₱765.0 million during the same period last year. As of March 31, 2016, there were a total of 9,175 E-Bingo machines in 131 bingo parlors as compared to 7,411 E-Bingo machines in 105 bingo parlors in the first quarter of 2015.

On the other hand, revenues from Traditional Bingo grew by ₱79.1 million or 15.8% from ₱500.2 million of last year's first quarter to ₱579.3 million this quarter.

During the first quarter of 2016, sales from Rapid bingo contributed ₱71.5 million or 5.4% of total revenues as compared to ₱63.5 million or 4.8% contribution to total revenues for the same period last year. By the end of March 31, 2016, there were a total of 129 Rapid bingo terminals in 124 bingo parlors as compared to 83 Rapid bingo terminals in 75 bingo parlors for the first quarter of last year.

Overall, all products grew during the quarter resulting to the significant increase in total Revenues by ₱381.6 million or 28.7%.

*Expenses*

ABLE's consolidated costs and operating expenses for the first quarter of 2016 of ₱1,559.6 million increased by ₱292.5 million or 23.1% from ₱1,267.1 million in the first quarter 2015. The relative growth of revenues resulted to corresponding increase in Franchise fees and taxes and Payout amounting to ₱198.6 million and ₱16.0 million respectively. The opening of several new bingo parlors also resulted to higher operating costs such as: (1) Rentals and Utilities by ₱33.9 million; (2) Contracted services by ₱13.6 million; (3) Taxes and licenses by ₱3.0 million; and Depreciation by ₱23.5 million. The resulting expense from "Other Income (Charges)" account for the quarter amounting to ₱11.3 million is mainly attributable to higher interest expense payments from bank borrowings.

*Corporate Income Tax*

Effective November 01, 2005, Republic Act No. (R.A.) 9337, "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features," particularly Section 27(c), excluded PAGCOR from the provision which identifies government-owned or controlled corporations or agencies exempted from the corporate income tax.

Management believes that ABLE's payment of 5% Franchise Tax to the Bureau of Internal Revenue (BIR) was effectively equivalent to the payment of corporate income tax. Based on consultations with tax advisers, the management also believes that the collection of income tax in addition to the 5% Franchise Tax has no legal basis.

Pursuant to P.D. 1869, also known as PAGCOR Charter and as amended by R.A. 9487, the 5% Franchise Tax shall be in lieu of all kinds of taxes, incurred or otherwise, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. This exemption inures to the benefits of corporations, associations, agencies or otherwise, or individuals with whom PAGCOR has a contractual relationship in connection with the operations of casinos under the PAGCOR Franchise. Thus, the exemption referred to under PD 1869 is extended to its Bingo grantees/licensees.

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

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

On April 17, 2013, the applicability of RMC No. 33-2013 was clarified by PAGCOR in a Memorandum dated July 09, 2013 stating: "Pursuant to RMC No. 33-2013, PAGCOR's contractees and licensees, which include bingo grantees, are subject to income tax, under the National Internal Revenue Code (NIRC), as amended, and no longer subject to the 5% franchise tax. In view thereof, please be advised that effective the third quarter of this year, bingo grantees should no longer remit the 5% franchise tax. However, you ("bingo grantees") are now subject to income tax."

Hence, starting the second quarter of 2013, ABLE has stopped paying the 5% Franchise Tax to PAGCOR and began recognizing provisions for income tax instead.

For the first quarter of 2016, provision for income tax amounted to ₱41.9 million.

*Net Income*

ABLE's posted consolidated net income (net of minority share) more than doubled to ₱95.6 million for the first quarter of 2016 from same period last year of ₱42.5. The improvement in net income is a result of the increase in revenues slightly offset by corresponding increase in costs and operating expenses.

**TGXI Operations**
**First Quarter 2016 vs. First Quarter 2015**

On July 21, 2014, Leisure and Resorts World Corporation (LRWC) entered into an Asset and Share Purchase Agreement with Premiere Horizon Alliance Corporation (PHAC) to purchase the latter's 100% stake in Total Gamezone Xtreme, Inc. (TGXI), the assignee and purchaser of the assets, rights and interests of Digiwave Solutions, Inc. (DSI), the operator and licensee of Philippine Amusement and Gaming Corporation (PAGCOR) e-games stations.

To date, LRWC is the registered owner to One Hundred Percent (100%) of the TGXI's outstanding capital stock in the amount of Two Hundred Eighteen Million Pesos (₱218,000,000.00) divided into Two Million One Hundred Eighty Thousand (2,180,000) shares with par value of One Hundred Pesos (₱100).

TGXI generated ₱71.6 million in the first quarter of 2016 representing its share in revenues from the management and operation of the PAGCOR e-games stations (PeGS). Total operating expenses grew by ₱2.2 million or 3.2% from ₱67.5 to ₱69.7 million which mainly consists of: (1) People expenses including contracted services of ₱26.0 million; (2) Rentals and utilities of ₱22.1 million; (3) Depreciation of ₱8.9 million; and (4) Marketing expenses of ₱4.3 million.

As such, Net income registered a decline of at ₱1.1 or 44.4% million during the quarter.

**FCLRC Operations**
**First Quarter 2016 vs. First Quarter 2015**

The Cagayan Economic Zone Authority (CEZA), mandated by law to manage Cagayan Special Economic Zone and Free Port (CSEZFP), has authorized FCLRC to license, regulate and supervise the operations of registered online gaming enterprise in CSEZFP. FCLRC, on behalf of CEZA, can issue two types of licenses: (1) interactive gaming licenses which cover all types of online gaming including casinos, lotteries, bingo, sportsbook; and (2) restrictive licenses which limit the offerings to sports betting only. As the master licensor, FCLRC is entitled to half of the gaming levy imposed by CEZA on the gaming operators in the CSEZFP.

FCLRC generated ₱457.5 million gross revenues for the first quarter of 2016, representing a ₱91.4 million or 25.0% increase from last year's first quarter of ₱366.2 million. The increase in revenues is attributable to the increase in the locators' revenues in addition to the increase in the number of operating locators. For the period ending March 31, 2016, there were 132 licensed locators – 114 of which are operational and 18 are non-operational while for the period ending March 31, 2015, there were 110 licensed locators – 90 of which are operational and 20 non-operational. During the first quarter of 2016, hosting fees from restrictive and interactive gaming locators contributed 90.6% to total revenues or ₱414.7 million, while license application and renewal fees accounted for ₱42.8 million or 9.4%, as compared to the first quarter of 2015, wherein hosting fees contributed 90.2% to total sales or ₱339.2 million while application fees contributed 9.8% to total sales or ₱36.0 million for the same period effecting a growth of ₱84.5 million or 25.6% for hosting fees and a growth of ₱6.9 million or 19.1% for renewal and application fees.

FCLRC posted a net income of ₱256.5 million for the first quarter of 2016, a ₱92.1 million or 56.0% increase versus last year's ₱164.4 million. Total cost and operating expenses of ₱53.2 million decreased by ₱4.3 million or 7.4% from last year's ₱57.5 million. The decrease is mainly due to the Company's cost saving measures and overall financial prudence: (1) Administrative salaries and benefits of ₱1.4 million or 10.5%; (2) Professional fees of ₱0.1 million or 40.9%; (3) Communication and utilities of ₱0.3 million or 52.6%; and (4) Other expenses of ₱5.6 million or 22.0%. The decrease was partially offset by the increase in: (1) Rentals of ₱2.9 million or 44.3% and (2) Contracted services of ₱1.4 million. The resulting income in "Other Income (Charges)" account of ₱73.2 million or an increase of ₱41.9 million from last year's ₱31.3 million was mainly due to the following: (1) growth in the other income derived from the rental of gaming facility; and (2) increase in equity in net earnings of First Cagayan Converge Data Center, Inc. (FCCDCI) partially offset by an increase in interest expense due to new loans availed late last year.

First Cagayan Converge Data Center, Inc. (FCCDCI), a 60% owned subsidiary of FCLRC, posted a net income of ₱47.8 million and ₱33.7 million during the first quarters of 2016 and 2015, respectively, an ₱8.05million or 41.9% improvement due to higher posted revenues partially offset by an increase in direct costs and operating expenses.

**PIKI Operations**
**First Quarter 2016 vs. First Quarter 2015**

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

Net income of PIKI declined slightly by ₱3.8 million or 30.2% in the first quarter of 2016 from ₱12.5 million to ₱8.7 million. This is mainly due to lower net revenues during the quarter of ₱98.8 million from ₱129.2 of the same period last year partially offset by a decrease operating expenses of

₱25.1 million from ₱111.4 million to ₱80.3 million due to lower marketing expenses during the year.

**BCGLC Operations**
**First Quarter 2016 vs. First Quarter 2015**

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC operates a Slot Arcade at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacle, Bacolor, Pampanga under a license issued by the Philippine Amusement and Gaming Corporation (PAGCOR).

On 24 July 2015, BCGLC incorporated a subsidiary, Gold Coast Leisure World Corp. (GCLWC) with authorized capital stock of Fifteen Million Pesos (₱15,000,000.00) divided into One Hundred Fifty Thousand shares (150,000) with par value of ₱100.00, of which Three Million Seven Hundred Fifty Thousand Pesos (₱3,750,000.00) has been subscribed. GCLWC was incorporated to comply with Section 18, Chapter III of the Implementing Rules and Regulations of Republic Act No. 7227. GCLWC is on the process of acquiring an Enterprise Registration with the Subic Bay Metropolitan Authority.

On 17 December 2015 BCGLC received a letter from Philippine Amusement and Gaming Corporation (PAGCOR), informing that PAGCOR's its Board of Directors approved and confirmed the assignment in favor of BCGLC of the Contracts of Lease over four (4) PAGCOR VIP Clubs at (1) Venezia at Subic Bay Freeport Zone, Subic Zambales with Palmgold International Limited; (2) Pan Pacific, Malate Manila with Pacific Palm Corporation; (3) Paseo Premier Hotel, Sta. Rosa Laguna with Pacific Palm Corporation; and (4) Apo View Hotel, Davao City with Pacific Palm Corporation.

On 01 December 2015, LRWC purchased the remaining 30% or 11,250 shares from BCGLC's minority stockholders bringing its total ownership to 100%.

On 18 January 2016, BCGLC assigned the VIP Club at Venezia at Subic Bay Freeport Zone to its subsidiary, GCLWC.

On 28 January 2016, the Amended Contracts of Lease of three (3) VIP Clubs, namely Pan Pacific, Paseo Premier Hotel and Apo View Hotel were executed under the name of BCGLC, while the other VIP Club, Venezia at Subic Bay Freeport Zone was under the name of GCLWC.

Due to these developments, for the quarter ended March 31, 2016, consolidated BCGLC gross revenues grew to ₱69.6 million from ₱19.9 million of the first quarter of 2015. Operating expenses likewise increased to ₱47.4 million from ₱10.6 million for the same period last year. This resulted to a net income of ₱6.8 million for the quarter, a turnaround from last year's first quarter net loss of 0.5 million.

**ABLGI Operations**
**First Quarter 2016 vs. First Quarter 2015**

On January 14, 2011, LRWC and the ABLGI entered into several agreements (the "ABLGI Agreements") with Belle Corporation (Belle) and Premium Leisure and Amusement, Inc. (PLAI) for the leasing, fit out, and operation of an integrated casino development project to be located at Aseana Business Park, Paranaque City (the "Project"). PLAI is a member of a consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation, SM Commercial Properties, Inc., and PLAI, which was granted a Provisional License by PAGCOR to establish and operate a casino to be located within the Manila Bay Reclamation Area.

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

ABLGI began recognizing share in gaming revenue in December 2014 when gaming operations began.

In December 2014, the ABLGI MOA was amended to operationalize the terms and conditions of ABLGI's advances to BGHRC as funding to the project and provided that such shall be treated as a loan payable in annual installments commencing on the fifth anniversary of the transfer date. As such, the difference between the 30% share in the net lease income of the Project and the principal and interest payments on the ABLGI advance will be considered as the annual compensation fee.

For the first quarter of 2016, ABLGI recognized share in gaming revenue of ₱17.0 million, an increase of ₱1.7 million or 11.1% from same period last year of ₱15.3 million. Share in net lease income also increased to ₱57.5 million representing interest income and compensation fee for the first quarter. On the other hand, interest expense attributable to long-term borrowings to finance contribution to Belle Corporation incurred during the first quarter of 2016 increased to ₱54.6 million from the same period last year of ₱37.4 million due to the additional loan availed in December for Belle's additional capital call. Operating expenses during the quarter remained on same level as last year's first quarter.

With the higher share in lease income during the quarter, net income likewise increased to ₱45.8 million against the ₱15.5 million net income for the same quarter in 2015.

**LRLDI Operations**
**First Quarter 2016 vs. First Quarter 2015**

In 2010, LRLDI has completed its construction of the CyberPark building intended for lease. Accordingly, in the same year, LRLDI entered into various lease agreements as lessor with lease terms ranging from monthly to five (5) years.

LRLDI is also committed in supporting the development of Cagayan Special Economic Zone and Free Port (CSEZFP). In executing an agreement with Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC), LRLDI has established its support by investing funds into the Lal-Lo Airport Project, Cagayan Economic Zone and Freeport (CEZFP) International Airport Project, and other facilities within the CSEZFP. These projects aim to improve and further advance CSEZFP into a self-sustaining industrial zone.

During the first quarter of 2016, LRLDI's net income of ₱3.8 million was significantly lower than last year's ₱42.5 million due to the nonrecurring sale of condominium units last year of its associate Techzone Philippines, Inc. Income from operations remained relatively the same as same period last year.

**LRWC Consolidated Net Income**

As a result of the foregoing developments, LRWC posted a consolidated net income (net of minority share) more than doubled to ₱288.7 million for the first quarter of 2016 from the ₱231.0

million consolidated net income last year. The growth of ₽57.7 million or 25% is mainly due to the significant increases in net income of ABLE, FCLRC, and ABLGI.

**Financial Condition – March 31, 2016 vs. December 31, 2015**

On a consolidated basis, the Balance Sheet of Leisure & Resorts World Corporation (LRWC) and its subsidiaries – ABLE, TGXI, PIKI, BCGLC, FCLRC, ABLGI, and LRLDI – continue to improve. Total assets as of March 31, 2016 amounted to ₽13.6 billion, same level as of December 31, 2015. Significant increases in assets: (1) Receivables – Net by ₽23.0M mainly attributable to developing revenues of relatively new business and the growing existing businesses; (2) Cards, supplies and other inventories – ₽28.4 million largely due to increased cards to support the growing businesses; (3) Property and equipment – Net by ₽97.0 million mainly due to continuing expansion of gaming sites network; and (4) Investments and advances – net by ₽52.6 million attributable to equity share in net income of associates and joint ventures. These were offset by the decrease in Cash in DSRA used to pay loan amortization.

Total Liabilities decreased by ₽359.8 million mainly due to ₽444.7 Loans settlement partly offset by increase in Income Tax of ₽112.2 million on account of profit growth.

**Cash Flows – Three Months Ended March 31, 2016 vs. December 31, 2015**

Cash balance as of March 31, 2016 of ₽265.5 million decreased during the quarter since cash generated from operations were largely used to cover loan amortizations and business expansion.

Financial Instruments

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

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

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

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

The Group has no HTM investments, AFS financial assets, and FVPL financial assets and liabilities as of as the end of the first quarters of 2016 and 2015 respectively.

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

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

<u>Financial Risk Management</u>

**Financial Risk Management Objectives and Policies**

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

The Audit Committee performs oversight role over financial management 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 management 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 issues identified relating to the financial reporting of the Company to the BOD on a regular basis.

**Credit Risk**

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

Financial information on the Group's maximum exposure to credit risk as of the first quarter ending March 31, 2016 and as of December 31, 2015, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

| | **03/31/16** | 12/31/15 |
|---|---|---|
| Cash in banks | **P 177,439,551** | P 271,273,790 |
| Receivables – net | **801,006,581** | 778,033,823 |
| Due from related parties | **3,939,136** | 18,835,517 |
| Venue rental and other deposits | **333,887,542** | 301,548,039 |
| Guarantee deposits and betting credit funds | **10,800,000** | 10,800,000 |
| Cash and performance bonds | **128,112,525** | 114,478,659 |
| Advances to a casino project | **4,780,000,000** | 4,780,000,000 |
| | **P6,235,185,335** | P6,274,969,828 |

*Cash in Banks/Short-term Investments*
The management evaluates the financial condition of the banking industry and bank deposits/investments are maintained with reputable banks only.

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

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

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

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. As of March 31, 2016, there were no significant concentrations of credit risk.

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

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

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

*Cash and Performance Bonds/Guarantee Deposits and Betting Credit Funds*
The Group's exposure to credit risk is negligible as PAGCOR has sufficient funds to settle cash and performance bonds upon the expiration of the Grants.

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

**Liquidity Risk**

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

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

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short term loans, letters of credit, and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates.

**Market Risk**

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

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

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

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

*Interest Rate Risk*
The Group's exposure to the risk for changes in market interest rate relates primarily to its short-

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

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

<u>Fair Values</u>

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

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

The carrying amounts of cash and cash equivalents, receivables, due from related parties, trade and other payables and due to a related party approximate their fair values due to the relatively short-term nature of these financial instruments. The carrying amounts of venue rental and other deposits, cash and performance bonds and rent deposit approximate their fair values, because the effective interest rate used for discounting approximates the current market rate of interest for similar transactions.

**Investment in Other Shares of Stocks**

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

**Loans Payable**

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

**Obligations Under Finance Lease**

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

<u>Capital Management</u>

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

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

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as of March 31, 2016 and 2015. The Group is not subject to externally-imposed capital requirements.

Adoption of New or Revised Standards, Amendment to Standards and Interpretations

The Group has adopted the following amendments to standards and interpretations starting January 1, 2015 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

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

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* – Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

  - *Classification and measurement of contingent consideration* (*Amendments to PFRS 3*). The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to *PAS 32 Financial Instruments: Presentation*, rather than to any other PFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss.

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

  - *Scope exclusion for the formation of joint arrangements (Amendment to PFRS 3*). PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in *PFRS 11 Joint Arrangements* – i.e. including joint operations – in the financial statements of the joint arrangements themselves.

  - *Disclosures on the aggregation of operating segments* (*Amendment to PFRS 8*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- *Scope of portfolio exception (Amendment to PFRS 13)*. The scope of the PFRS 13 portfolio exception – whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met – has been aligned with the scope of PAS 39 and PFRS 9.

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

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

- *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 – e.g. loans.

- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

Standards Issued But Not Yet Adopted

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

***Effective January 1, 2016***

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

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

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

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

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

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

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

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

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

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

  - if an entity changes the method of disposal of an asset (or disposal group) – i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag – then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and

- if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

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

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

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

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

  - The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.

  - When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

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

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

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

Discussion and Analysis of Material Events and Uncertainties Known to Management

The Management of LRWC and subsidiary is not aware of any material events/and uncertainties that would address the past and would have impact on future operations of the following:

1. Any trends, demands, commitments, events or uncertainties that will have a material impact on LRWC's liquidity;
2. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
3. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period
4. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;
5. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales/revenues/income from continuing operations;
6. Any significant elements of income or loss that did not arise from LRWC continuing operations;
7. Any seasonal aspects that had a material effect on the financial condition and results of operations.

Plans for 2016

Retail Business Units continues to be the Group's strategic priority in terms of growing its venues network reach and depth, and most especially in the electronic bingo business which has been driving the revenue growth of the bingo market. ABLE plans to expand by applying for permits to open new bingo boutiques in high traffic areas around new SM and Robinson's Malls/Supercenters as well as bingo outlets in Metro Manila and select provincial areas. TGXI will likewise expand its retail market reach by acquiring more strategically located venues and offering better games to attract more players and increase customer spent.

FCLRC's plan is to invite and qualify more licensed and operating locators within the year. Major capital expenditures shall mainly support the development of the information technology (IT) and telecommunications facilities of CSEZFP and the development of Cagayan Business Park.

LRLDI plans to continue investing into the Lallo Airport Project of CPVDC for the following year in keeping with their commitment to support the development of CSEZFP.

BCGLC embarking on acquiring newer slot machines aimed at improving the games in all its arcade venues and correspondingly intensifying its marketing campaign to bring greater foot traffic on the casino floors.

ABLGI, as a result of the amendment of the agreement among LRWC, ABLGI, PLAI and Belle Corporation making way for the participation of a foreign partner in the casino project, will assist Belle Corporation in the funding of its own capital requirements in exchange for a share in the economic benefits to be derived by Belle and PLAI in the casino operation.

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

## PART II – OTHER INFORMATION

There is no significant information that needs to be reported under this section not previously reported in a report on SEC Form 17-C.

## SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **LEISURE & RESORTS WORLD CORPORATION**

Signature and Title: REYNALDO P. BANTUG, Chairman & President

Date: 5/13/2016

Signature and Title: RIZALITO S. OADES, SVP & Group CFO

Date: 13/5/2016

Signature and Title: DAISIREE GLYRA P. HORCA, Assistant Group Controller

Date: 5/13/16

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

| | | 31 March 2016 | 31 December 2015 |
|---|---|---|---|
| | *Schedule* | **Unaudited** | Audited |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *1* | P265,478,981 | P338,802,543 |
| Receivables – net | *2* | 801,006,581 | 778,033,823 |
| Playing cards | | 66,095,637 | 37,709,669 |
| Prepaid expenses and other current assets | *3* | 231,433,161 | 210,753,953 |
| Due from related parties | *2* | 3,939,136 | 18,835,517 |
| **Total Current Assets** | | **1,367,953,496** | 1,384,135,505 |
| **Noncurrent Assets** | | | |
| Property and equipment – net | *4* | **1,627,505,814** | 1,530,538,764 |
| Investment properties – net | *5* | **142,511,748** | 144,485,174 |
| Investments and advances – net | *6* | **3,194,252,975** | 3,141,614,845 |
| Advances to a casino project | *6* | **4,780,000,000** | 4,780,000,000 |
| Deferred tax assets | | **216,324,056** | 178,034,400 |
| Goodwill – net | | **1,457,344,478** | 1,453,344,478 |
| Other assets – net | *7* | **819,453,003** | 984,527,403 |
| **Total Noncurrent Assets** | | **12,237,392,074** | 12,212,545,064 |
| | | **P13,605,345,570** | P13,596,680,569 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | *8* | **P1,790,689,566** | P1,846,349,239 |
| Short-term loans payable | *10* | **970,799,137** | 1,211,094,749 |
| Current portion of long-term loans payable | *10* | **734,428,333** | 716,503,799 |
| Current portion of obligations under finance lease | | **3,674,546** | 3,740,533 |
| Due to related parties | *9* | **9,070,692** | 9,070,691 |
| Income tax payable | | **210,515,213** | 98,297,045 |
| **Total Current Liabilities** | | **3,719,177,486** | 3,885,056,056 |
| **Noncurrent Liabilities** | | | |
| Long-term loans payable - net of current portion | *10* | **3,136,365,129** | 3,358,663,471 |
| Retirement benefits liability | | **125,653,644** | 125,653,644 |
| Rent deposits | | **32,855,694** | 4,445,300 |
| Obligations under finance lease - net of current portio | | **220,955** | 220,955 |
| **Total Noncurrent Liabilities** | | **3,295,095,422** | 3,488,983,370 |
| | | **P7,014,272,908** | P7,374,039,426 |

*Forward*

| | | 31 March 2016 | 31 December 2015 |
|---|---|---|---|
| | ***Schedule*** | **Unaudited** | Audited |
| **Equity** | | | |
| **Equity Attributable to Equity Holders of the Parent Company** | | | |
| Capital stock | | **P2,849,852,512** | P2,849,852,512 |
| Additional paid-in capital - common | | **1,114,028,555** | 1,114,028,555 |
| Treasury shares | | **(71,142,419)** | (71,142,419) |
| Retained earnings | | **2,237,575,703** | 1,948,895,695 |
| Employee benefit reserve | | **(40,936,438)** | (40,936,438) |
| Fair value reserve | | **9,783,653** | 9,783,653 |
| Foreign currency translation reserve | | **(434,274)** | (434,274) |
| Other reserve | | **(1,294,351)** | (1,294,351) |
| | | **6,097,432,941** | 5,808,752,933 |
| **Non-controlling Interests** | | **493,639,721** | 413,888,210 |
| **Total Equity** | | **6,591,072,662** | 6,222,641,143 |
| | | **P13,605,345,570** | P13,596,680,569 |

*See Attachments to Unaudited Consolidated Financial Statements.*

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

| | Period Ended March 31 | |
|---|---|---|
| | **2016** | 2015 |
| **REVENUES** | | |
| Electronic bingo – net | **P1,055,069,214** | P765,024,478 |
| Traditional bingo | **579,318,855** | 500,201,814 |
| Service and hosting fees | **457,527,597** | 366,167,089 |
| Income from junket operations | **249,735,233** | 264,530,438 |
| Rent income | **77,128,060** | 27,429,561 |
| Commission income | **72,546,085** | 70,587,598 |
| Rapid bingo | **71,525,797** | 63,541,371 |
| Compensation fee from a casino project | **33,623,102** | - |
| Share in gaming revenue of a casino project | **16,966,416** | 15,277,161 |
| Pull tabs | **3,541,107** | 350,740 |
| | **2,616,981,466** | 2,073,110,250 |
| **COSTS AND OPERATING EXPENSES** | | |
| Franchise fees and taxes | **1,135,595,528** | 877,111,399 |
| Payouts - traditional bingo | **396,547,508** | 380,561,268 |
| Rent | **163,742,499** | 129,972,047 |
| Contracted services | **105,346,037** | 96,888,063 |
| Salaries and wages | **153,076,375** | 98,258,929 |
| Communications and utilities | **73,337,900** | 52,695,305 |
| Depreciation and amortization | **73,739,728** | 36,310,722 |
| Advertising and promotional activities | **47,777,629** | 68,096,939 |
| Professional and directors' fees | **30,981,002** | 11,545,365 |
| Cards and supplies | **28,368,467** | 25,254,014 |
| Taxes and licenses | **22,995,846** | 20,786,815 |
| Others | **49,332,324** | 68,416,322 |
| | **2,280,840,845** | 1,865,897,189 |
| **OPERATING INCOME** | **336,140,623** | 207,213,062 |
| **OTHER INCOME (EXPENSES)** | | |
| Finance expense | **(95,208,988)** | (68,047,042) |
| Finance income | **71,982,713** | 51,592,813 |
| Equity in net earnings of joint ventures and associates | **47,856,653** | 92,594,180 |
| Other income – net | **60,599,181** | 25,438,192 |
| | **85,229,560** | 101,578,143 |
| **INCOME BEFORE INCOME TAX** | **421,370,182** | 308,791,204 |
| **INCOME TAX EXPENSE** | **52,938,663** | 28,079,424 |
| **NET INCOME** | **P368,431,519** | 280,711,780 |
| **Attributable to:** | | |
| Owners of the Parent Company | **288,680,008** | 231,003,988 |
| Non-controlling interest | **79,751,511** | 49,707,792 |
| | **P368,431,519** | 280,711,780 |
| **Basic Earnings Per Share** | **P0.2432** | P0.1951 |
| **Diluted Earnings Per Share** | **P0.2279** | P0.1828 |

*See Notes to the Consolidated Financial Statements.*

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

| | Q1 2016 | Q1 2015 |
|---|---|---|
| Net Income | **288,680,007.78** | **231,003,988.13** |
| Less: | | |
| Dividends on preferred shares | | |
| Add: | | |
| Effect of AFS - preferred shares held by ABLE | **3,102,500.00** | **3,102,500.00** |
| Income attributable to ordinary stockholders of the Parent Company (a) | **291,782,507.78** | **234,106,488.13** |
| Adjusted weighted average number of shares outstanding *(b) | **1,199,852,512** | **1,199,852,512** |
| Basic earnings per share (a/b) | **0.2432** | **0.1951** |

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

**Diluted earnings per share is computed as follows:**

| | | |
|---|---|---|
| Income attributable to ordinary stockholders of the Parent Company *(a)* | **291,782,507.78** | **234,106,488.13** |
| Adjusted weighted average number of shares outstanding *(b)* | **1,199,852,512** | **1,199,852,512** |
| Effect of dilutive potential common shares** *(c)* | **80,675,000** | **80,675,000** |
| Adjusted weighted average number of shares outstanding* (d=b+c) | **1,280,527,512** | **1,280,527,512** |
| Diluted earnings per share (a/d) | **0.2279** | **0.1828** |

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

*** Adjusted for the convertible preferred shares.*

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**(Unaudited)**

**For the Three Months Ended March 31, 2016**

| | Capital Stock | | Additional | Retained | Employee | Other | Translation | Treasury | Minority | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common Shares | Preferred Shares | Paid-in Capital (Common) | Earnings | Benefit Reserve | Reserves | Gain (Loss) | Shares | Interests | Total |
| Balance at beginning of period | 1,199,852,512 | 1,650,000,000 | 1,114,028,555 | 1,948,895,695 | (40,936,438) | 8,489,302 | (434,274) | (71,142,419) | 413,888,210 | 6,222,641,143 |
| Dividends | | | | | | | | | | 0 |
| Translation gain/loss during the period | | | | | | | | | | 0 |
| Addition/Reduction | | | | | | | | | | 0 |
| Minority interests | | | | | | | | | 79,751,511 | 79,751,511 |
| Net income for the period | | | | 288,680,008 | | | | | | 288,680,008 |
| **Balance at end of the period** | 1,199,852,512 | 1,650,000,000 | 1,114,028,555 | 2,237,575,703 | (40,936,438) | 8,489,302 | (434,274) | (71,142,419) | 493,639,721 | 6,591,072,662 |

For the Three Months Ended March 31, 2015

| | Capital Stock | | Additional | Retained | Employee | Other | Translation | Treasury | Minority | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common Shares | Preferred Shares | Paid-in Capital (Common) | Earnings | Benefit Reserve | Reserves | Gain (Loss) | Shares | Interests | Total |
| Balance at beginning of period | 1,199,852,512 | 1,650,000,000 | 1,114,028,555 | 1,202,592,316 | (31,095,092) | 0 | (139,126) | (71,142,419) | 367,102,909 | 5,431,199,655 |
| Dividends | | | | | | | | | | 0 |
| Translation gain/loss during the period | | | | | | | | | | 0 |
| Paid-up capital-Preferred | | | | | | | | | | 0 |
| Minority interests | | | | | | | | | 49,707,792 | 49,707,792 |
| Net income for the period | | | | 231,003,988 | | | | | | 231,003,988 |
| Balance at end of year | 1,199,852,512 | 1,650,000,000 | 1,114,028,555 | 1,433,596,304 | (31,095,092) | 0 | (139,126) | (71,142,419) | 416,810,701 | 5,711,911,436 |

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Unaudited**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2016** | 2015 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before franchise and taxes | **1,504,027,047** | 1,157,823,179 |
| Adjustments for: | | |
| Depreciation | **73,739,728** | 36,310,722 |
| Equity in net loss (earnings) of an associate | **(47,856,653)** | (92,594,180) |
| Finance expense (income) - net | **23,226,275** | (16,454,229) |
| **Operating income before working capital changes** | **1,553,136,396** | 1,085,085,493 |
| Decrease (increase) in: | | |
| Receivables | **(22,972,758)** | (152,459,279) |
| Bingo cards | **(28,385,968)** | (14,759,044) |
| Prepaid expenses and other current assets | **(20,679,208)** | (17,231,022) |
| Increase (decrease) in: | | |
| Trade and other payables | **(27,249,279)** | 194,564,249 |
| Income tax payable | **112,218,168** | (20,931,733) |
| Retirement benefits liability | **0** | 900,000 |
| **Cash generated from operations** | **1,566,067,351** | 1,075,168,664 |
| Finance income (expense) - net | **(23,226,275)** | 16,454,229 |
| Franchise fees and taxes paid | **(1,135,595,528)** | (877,111,399) |
| **Net cash from operating activities** | **407,245,548** | 214,511,495 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Disposal (Acquisition) of property and equipment - net | **(170,706,778)** | (95,727,432) |
| Disposal (Acquisition) of investment property - net | **1,973,426** | (5,804,367) |
| Decrease (increase) in investments and advances | **(4,781,477)** | 55,542,374 |
| Decrease (increase) in deferred tax assets | **(38,289,656)** | (13,795,678) |
| Decrease (increase) in other assets | **161,074,400** | (41,754,436) |
| Increase (decrease) in deferred tax liabilities | | 0 |
| **Net cash provided (used) in investing activities** | **(50,730,085)** | (101,539,539) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Availment (payment) of loans - net | **(444,669,420)** | (122,122,423) |
| Availment (payment) of obligations under finance lease - net | **(65,987)** | (1,500,320) |
| Decrease (increase) in receivables from related parties | **14,896,381** | 14,405,000 |
| Increase (decrease) in payable to related parties | **1** | (0) |
| Increase (decrease) in translation gain/loss | | 0 |
| **Net cash provided (used) in financing activities** | **(429,839,025)** | (109,217,743) |
| **NET INCREASE (DECREASE) IN CASH** | **(73,323,562)** | 3,754,213 |
| **CASH AT BEGINNING OF PERIOD** | **338,802,543** | 338,257,077 |
| **CASH AT END OF PERIOD** | **265,478,981** | 342,011,290 |

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**
**Attachments to Unaudited Consolidated Financial Statements**
**As of March 31, 2016**

| | |
|---|---|
| **Schedule 1 - Cash and Cash Equivalents** | |
| Cash in banks | 177,439,551 |
| Cash on hand and payout fund | 88,039,431 |
| | **265,478,981** |

| | |
|---|---|
| **Schedule 3 - Prepaid Expenses and Other CurrrentAse** | |
| Prepayments | 57,346,675 |
| Adv to suppliers/creditors/contractors | 128,711,444 |
| Creditable withholding tax | 20,989,849 |
| Supplies | 66,095,637 |
| Input VAT | 19,272,703 |
| Others | 5,112,490 |
| | **297,528,797** |

| | |
|---|---|
| **Schedule 4 - Property and Equipment** | |
| Land | 185,546,674 |
| Leasehold rights & improvements | 921,163,871 |
| Transportation equipment | 449,199,682 |
| Office furniture, fixtures, and equipment | 483,852,422 |
| Bingo equipment and paraphernalia | 284,869,407 |
| Computer software | 52,433,290 |
| Building | 7,146,816 |
| Other fixed assets | 48,583,714 |
| | 2,432,795,875 |
| Less: Accumulated Depreciation | (805,290,061) |
| | **1,627,505,814** |

| | |
|---|---|
| **Schedule 5 - Investment Properties** | |
| Land improvements | 34,013,630 |
| Building | 108,498,118 |
| | **142,511,748** |

| | |
|---|---|
| **Schedule 6 - Investment and Advances** | |
| Associates: | |
| Cost | |
| Binondo Leisure Resources, Inc. (BLRI) - 30% | 21,600,000 |
| Techzone Philippines, Inc. (TPI) - 50% | 250,000,000 |
| | 271,600,000 |
| Accumulated equity in net income (loss) of an associate: | |
| Balance at beginning of year | |
| BLRI | (26,303,101) |
| TPI | 217,014,327 |
| Net equity in earnings (losses) for the first quarter | |
| BLRI | 0 |
| TPI | 771,837 |
| Balance at end of the quarter | |
| BLRI | (26,303,101) |
| TPI | 217,786,164 |
| | 191,483,063 |
| | **463,083,063** |
| Joint venture: | |
| Cost | |
| First Cagayan Converge Data Center Inc. (FCCDCI) -60% | 15,000,000 |
| Hotel Enterprises of the Philippines (HEPI) - 51% | 750,938,000 |
| | 765,938,000 |
| Accumulated equity in net income (loss) of a joint venture: | |
| Balance at beginning of year | |
| FCCDCI | 66,757,510 |
| HEPI | 92,580,416 |

| | |
|---|---|
| Net equity in earnings (losses) for the first quarter | |
| FCCDCI | 28,656,020 |
| HEPI | 18,428,797 |
| | |
| Balance at end of the quarter | |
| FCCDCI | 95,413,530 |
| HEPI | 111,009,212 |
| | 206,422,742 |
| | **972,360,742** |
| | |
| Advances: | |
| AB Fiber | 31,696,665 |
| Belle Corporation | 4,780,000,000 |
| BLRI | 159,013,513 |
| Cagayan Land Property Development Corporation (CLPDC) | 153,118,171 |
| Cagayan Premium Ventures Development Corporation (CPVDC) | 784,611,364 |
| DFNN, Inc. (DFNN) | 117,554,969 |
| Eco Leisure | 26,136,049 |
| FCCDCI | 44,047,374 |
| Hotel Enterprises of the Philippines (HEPI) | 481,874,567 |
| | 6,578,052,671 |
| Allowance for Impairment loss on advances | (40,000,000) |
| | **6,538,052,671** |
| | |
| Total | 7,973,496,475 |
| Other investments - at cost | 756,500 |
| | **7,974,252,975** |

**Schedule 7 - Other assets**

| | |
|---|---|
| Venue and rental deposits | 333,887,542 |
| Cash in bank - restricted | 260,465,604 |
| Cash and performance bonds | 128,112,525 |
| Airstrip improvements - net | 42,649,605 |
| Others | 54,337,728 |
| | **819,453,003** |

**Schedule 8 - Trade and Other Payables**

| | |
|---|---|
| Trade | 645,973,077 |
| Regulatory fees | 579,700,356 |
| Unearned hosting fees | 340,199,387 |
| Other accrued expenses | 224,816,746 |
| | **1,790,689,566** |

**Schedule 9 - Due to Related Party**

| | |
|---|---|
| Longview Holdings Corporation | 9,070,692 |
| | **9,070,692** |

**Schedule 10 - Short-term and Long-term Loans Payable**

| | |
|---|---|
| Short-term Loans Payable | |
| BDO | 398,999,137 |
| PBB | 100,000,000 |
| PBCOM | 50,000,000 |
| UCPB | 421,800,000 |
| **Total short-term** | **970,799,137** |
| | |
| Long-term Loans Payable | |
| Current Portion | |
| AUB | 130,000,000 |
| BDO | 604,428,333 |
| | |
| Noncurrent Portion | |
| AUB | 411,666,667 |
| BDO | 2,724,698,463 |
| | |
| **Total long-term** | **3,870,793,462** |

## LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
## Attachments to Unaudited Consolidated Financial Statements
## Schedule 2 – Receivables
## As of March 31, 2016

**1) Aging of Accounts Receivable**

| | TOTAL | 1-3 Months | 4-6 Months | 7 Months to 1 year | 1 year and above | Past due accounts and items in litigation |
|---|---|---|---|---|---|---|
| Type of Accounts Receivable | | | | | | |
| a) Trade Receivables | | | | | | |
| 1) Rent Receivable | 57,002,170 | 5,328,220 | 5,328,220 | 10,656,439.50 | 35,689,291 | |
| 2) Receivable from Locators | 146,051,610 | 146,051,610 | | | | |
| 3) Other Trade Receivables | 560,645,967 | 349,008,806 | 140,415,114 | 71,222,047 | | |
| Total Trade Receivables | 763,699,747 | 500,388,635 | 145,743,334 | 81,878,487 | 35,689,291 | - |
| b) Non-trade Receivables | | | | | | |
| 1) Advances to employees | 13,378,562 | 13,378,562 | | | | |
| 2) Others | 37,856,922 | 26,499,845 | 6,571,384 | 4,785,692 | | |
| | 51,235,484 | 39,878,408 | 6,571,384 | 4,785,692 | - | - |
| Allowance for impairment | (13,928,650) | | | | | |
| Net Non-trade Receivables | 37,306,834 | | | | | |
| **Total Accounts Receivable** | **801,006,581** | | | | | |
| c) Receivables from Related Parties | | | | | | |
| 1) Advances to Stockholders | 3,939,136 | | 3,939,136 | | | |
| **Total Due from Related Parties** | **3,939,136** | | | | | |

**2) Accounts Receivable Description**

| Types of Receivable | Nature and Description | Collection Period |
|---|---|---|
| a) Advances to non-consolidated affiliates | sale of bingo cards, promotional materials and other services | six (6) mos to one (1) yr |
| b) Advances to employees | company loan and other advances granted to employees | six (6) mos to one (1) yr |
| c) Advances to related parties - BLRI | rental and advances | six (6) mos to one (1) yr |
| d) Others | various advances and receivables | six (6) mos to one (1) yr |

**3) Normal Operating Cycle: 365 days**

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**
**Financial Soundness Indicators**
**As of March 31, 2016**

| Key Performance Indicator | Formula | 2016 | 2015 |
|---|---|---|---|
| Current Ratio | Current Assets / Current Liabilities | 36.8% | 35.3% |
| Debt to Equity Ratio | Total Liabilities / Stockholders' Equity | 106.4% | 97.5% |
| Asset to Equity Ratio | Total Assets / Stockholders' Equity | 206.4% | 197.5% |
| Payout Turnover | Net Revenues / Payout | 370.7% | 210.9% |
| Return on Average Equity | Net Income / Average Stockholders' Equity | 4.8% | 5.0% |
| Return on Average Assets | Net Income / Average Total Assets | 2.4% | 2.5% |
| Solvency Ratio | Net Income + Depreciation / Total Liabilities | 5.2% | 5.7% |
| Interest Coverage Ratio | Income Before Interest & Tax / Interest Expense | 4.60 | 6.06 |
| Net Book Value Per Share | Stockholders' Equity / Weighted Average Shares Outstanding | 5.49 | 4.76 |
| Earnings Per Share | Income attributable to ordinary stockholders of the Parent Company / Weighted Average Shares Outstanding | 0.2432 | 0.1951 |

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**
**Segment Information**
**As of Mach 31, 2016**

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

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

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

<u>Casino</u>
The casino group is involved in hotel operation and casino marketing, junket operations, and arcade leasing.

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

Analysis of financial information by business segment as of March 31 follows:

| | Online Group | Casino Group | Retail Group | Investment Group | Others | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| **Net Revenues** | | | | | | | |
| **External revenue** | 250,202,297 | 155,922,924 | 610,970,988 | 56,164,311 | - | **(75,861,336)** | **997,399,184** |
| **Results** | | | | | | | |
| Segment results | 196,970,902 | 22,197,890 | 152,743,352 | 51,664,284 | - | **(59,721,577)** | **363,854,851** |
| Unallocated corporate expenses | | | | | | | **(87,435,805)** |
| Results from operating activities | | | | | | | **276,419,045** |
| Finance expense - net | (16,998,490) | 2,232 | (10,513,894) | 17,097,664 | (12,813,788) | **5,153,942** | **(18,072,333)** |
| Other income | 61,521,923 | (106,446) | (722,583) | (100,155) | 6,443 | **(20,781,259)** | **39,817,923** |
| Equity in net earnings of jv and associates | 28,656,020 | - | - | 771,837 | 18,428,797 | **(8,688,505)** | **39,168,148** |
| Income taxes | (14,135,515) | (6,628,103) | (42,452,062) | (19,795,928) | 30,072,945 | **4,285,888** | **(48,652,775)** |
| **Total Comprehensive Income** | | | | | | | **288,680,008** |
| | | | | | | | |
| **Other Information** | | | | | | | |
| Segment assets | 3,824,171,578 | 1,015,218,288 | 3,141,894,109 | 6,886,630,625 | 5,530,689,851 | **(6,793,258,881)** | **13,605,345,570** |
| **Total Assets** | | | | | | | **13,605,345,570** |
| | | | | | | | |
| Segment liabilities | 2,073,861,501 | 916,513,956 | 2,354,125,959 | 4,685,844,716 | 1,337,331,706 | **(4,353,404,930)** | **7,014,272,908** |
| **Total Liabilities** | | | | | | | **7,014,272,908** |
| | | | | | | | |
| Capital expenditures | 4,829,449 | 96,545,875 | 68,082,894 | - | 4,605,788 | **-** | **174,064,005** |
| Depreciation and amortization | 7,968,754 | 6,887,684 | 55,077,989 | 1,272,659 | 2,532,641 | **-** | **73,739,728** |

There were no intersegment sales recognized between the four reportable segments for the three months ended March 31, 2016. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement obligation, and due to related parties. Capital expenditures on noncurrent assets represent additions to property and equipment and investment property. Noncash expenses pertain to depreciation and amortization expenses attributable to the four reportable segments.

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**
**Notes to Interim Consolidated Financial Statements**
**As of March 31, 2016**

1. The accompanying interim consolidated financial statements of Leisure & Resorts World Corporation (LRWC) and Subsidiaries are in compliance with Philippine Financial Reporting Standards (PFRS).

2. The same accounting policies and methods of computation are followed in the interim consolidated financial statements as compared with the most recent annual financial statements.

3. Currently the operations of LRWC is very minimal and functions as a holding company. However, its retail (AB Leisure Exponent, Inc. and Total Gamezone Xtreme, Inc.) and online (First Cagayan Leisure and Resort Corporation) segments, are operating on a daily basis including Sundays and Holidays, except on Maundy Thursday and Good Friday. Both segments are not seasonal in nature.

   Making up the casino segment, Prime Investment Korea, Inc., which began commercial operations in July of 2013, jointly conducts junket gaming operations within PAGCOR's Casino Filipino-Midas while Blue Chip Gaming and Leisure Corporation operates Slot Arcades under licenses issued by the Philippine Amusement and Gaming Corporation (PAGCOR).

   Under the property segment, AB Leisure Global Inc. began receiving share in gaming revenues of PLAI when the latter began gaming operations in December 2014 in addition to its share in net lease income of Belle. Another subsidiary under the property segment, LR Land Developers, Inc., is engaged in realty estate acquisition, development and tourism.

4. There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

5. Property and equipment, other noncurrent assets, and investments and advances are reviewed for impairment. There are no indications of possible impairment of these assets.

6. There were no reported estimates in prior financial years and there are no estimates that need to be reported in the current interim period.

7. LRWC and Subsidiaries do not have any issuances, repurchases, and repayments of debt and equity securities.

8. On 15 June 2015, the BOD approved the declaration of cash dividend equivalent to P0.0425 per share payable to all preferred stockholders of record as of 30 June 2015 and cash dividend of P0.0425 per share payable to all preferred stockholders of record as of 29 December 2015.

   On 09 July 2015, the BOD approved the declaration of cash dividend equivalent to P0.060 per share payable to all common stockholders of record as of 29 September 2015 and cash dividend of P0.060 per share payable to all common stockholders of record as of 26 February 2016.

9. There were no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period.

10. There were no changes in the composition of LRWC during the interim period. Likewise, there were no business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

11. LRWC and Subsidiaries do not have any contingent liabilities or contingent assets since the last annual balance sheet date nor do they have any current contingent liabilities or contingent assets.

12. There were no existing material contingencies and any other events or transactions that are material to an understanding of the current interim period.