



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Leisure & Resorts World Corporation and Subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's consolidated financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

Signature of Reynaldo P. Bantug, Chairman and President

Signature of Rizalito S. Oades, SVP and Group CFO

APR 12 2017

Signed this ___ day of ___

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ATTY. JOSE B. DULNUAN
NOTARY PUBLIC
FOR THE CITY OF MANDALUYONG
Until December 31, 2017
COMMISSION NO. 458-16
IBP LIFETIME NO. 0995268 / IFUGAO
PTR NO. 69252527, 1-3-17, Cainta, Rizal
ROLL NO. 26304
MCLE COMP. NO. V-0022171, 6-15-16
VALID UNTIL 04-14-2019
D22-AB GUVENTVILLE II, D.M. GUEVARA ST,
MALUWAY, MANDALUYONG CITY
TEL 532-8858, 5334664
email: jbdulnuan@gmail.com



**LEISURE & RESORTS WORLD CORPORATION
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014**



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of Leisure and Resorts World Corporation (the "Parent Company") and Subsidiaries (collectively known as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Goodwill and Nonfinancial Assets

Refer to Notes 10 and 11 in the Group financial statements.

The risk

As at December 31, 2016, the Group has goodwill amounting to P1.5 billion and investments totaling P1.1 billion. Under PFRS, the Group is required to test goodwill for impairment annually and test nonfinancial assets for impairment when there are impairment indicators.

Goodwill and nonfinancial assets with impairment indicators may be impaired when the recoverable amount of the related cash generating unit falls below its carrying amount. The impairment test requires the exercise of significant judgments about future market conditions, including growth rates and discount rates. The key assumptions and uncertainties to the impairment tests are disclosed in Notes 10 and 11 to the consolidated financial statements.

Our response

Our audit procedures included, among others, obtaining the Group's discounted cash flow model that tests the carrying value of goodwill, and evaluating the reasonableness of key assumptions used by management in coming up with the discounted cash flow. These procedures included using our own internal valuation specialist to evaluate the key inputs and assumptions for growth and discount rate; reviewing the cash flows used, with comparison to recent performance, trend analysis and market expectations, and by reference to prior year's forecast, where relevant, and assessing whether the Group has achieved them.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Dindo Marco M. Dioso.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 1387-A, Group A, valid until April 30, 2017

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2016

Issued October 18, 2016; valid until October 17, 2019

PTR No. 5904925MD

Issued January 3, 2017 at Makati City

April 12, 2017

Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Leisure & Resorts World Corporation (the "Parent Company") and Subsidiaries (collectively known as the "Group") as at and for the years ended December 31, 2016 and 2015, included in this Form 17-A, and have issued our report thereon dated April 12, 2017.

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

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



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

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'D. M. M. Dioso' with a stylized flourish at the end.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 1387-A, Group A, valid until April 30, 2017

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2013

Issued December 2, 2013; valid until October 17, 2019

PTR No. 5320746MD

Issued January 3, 2017 at Makati City

April 12, 2017

Makati City, Metro Manila

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

				December 31		
				Note	2016	2015
ASSETS						
Current Assets						
Cash	4	P712,997,230			P338,802,543	
Receivables - net	5	737,035,130			778,033,823	
Advances to a casino project	26	3,762,000,000			-	
Playing cards	6	35,044,044			37,709,669	
Due from related parties	22	1,800,000			18,835,517	
Prepaid expenses and other current assets	7	261,482,418			321,259,102	
Total Current Assets		5,510,358,822			1,494,640,654	
Noncurrent Assets						
Property and equipment - net	8, 13, 14	1,859,370,353			1,530,538,764	
Investment properties - net	9	135,535,900			144,485,174	
Investments and advances - net	10	2,788,265,122			2,915,198,452	
Available for sale financial asset	10	182,396,184			115,911,244	
Advances to a casino project	26	-			4,780,000,000	
Deferred tax assets - net	23	333,661,580			178,034,400	
Goodwill - net	11	1,453,344,478			1,453,344,478	
Other noncurrent assets - net	12	594,920,510			984,527,403	
Total Noncurrent Assets		7,347,494,127			12,102,039,915	
				P12,857,852,949	P13,596,680,569	
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	15	P784,925,839			P1,846,349,239	
Short-term loans payable	13	1,189,324,000			1,211,094,749	
Current portion of long-term loans payable	13	2,942,473,997			716,503,799	
Current portion of obligations under finance lease	14	220,955			3,740,533	
Due to a related party	22	9,070,691			9,070,691	
Income tax payable		129,469,303			98,297,045	
Total Current Liabilities		5,055,484,785			3,885,056,056	
Noncurrent Liabilities						
Long-term loans payable - net of current portion	13	436,395,961			3,358,663,471	
Retirement benefits liability	20	150,109,113			125,653,644	
Rent deposits	19	4,421,800			4,445,300	
Obligations under finance lease - net of current portion	14	-			220,955	
Total Noncurrent Liabilities		590,926,874			3,488,983,370	
				5,646,411,659	7,374,039,426	

Forward

		December 31	
	Note	2016	2015
Equity			
Equity Attributable to Owners of the Parent Company			
	16		
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		(79,864,266)	(71,142,419)
Retirement benefits reserve		(44,112,307)	(40,936,438)
Fair value reserve		76,268,593	9,783,653
Foreign currency translation reserve		(434,274)	(434,274)
Other reserve		(1,294,351)	(1,294,351)
Retained earnings		2,690,802,125	1,948,895,695
		6,605,246,587	5,808,752,933
Non-controlling Interests	2	606,194,703	413,888,210
Total Equity		7,211,441,290	6,222,641,143
		P12,857,852,949	P13,596,680,569

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2016	2015	2014
REVENUES				
Electronic bingo	17, 27	P4,511,977,403	P3,443,133,605	P2,633,936,560
Traditional bingo	17	2,331,211,277	2,258,500,291	1,581,318,194
Service and hosting fees	18	1,866,742,326	1,602,083,123	1,352,708,024
Income from junket operations	11	894,388,540	1,045,943,776	394,791,325
Rent income	9, 19	397,385,417	211,721,519	113,637,161
Rapid bingo	17, 27	262,811,873	267,128,770	283,668,087
Commission income	11	268,653,683	297,241,621	120,097,012
Share in gaming revenue of a casino project	26	208,533,866	59,036,485	7,075,317
Compensation fee from a casino project	26	128,502,833	75,836,610	89,019,980
Pull tabs	17	17,715,410	9,441,338	4,082,300
		10,887,922,628	9,270,067,138	6,580,333,960
COSTS AND OPERATING EXPENSES				
Franchise fees and taxes	17, 18	4,691,725,486	3,946,755,050	2,747,955,495
Payouts - traditional bingo	17	1,602,054,715	1,614,423,667	1,141,657,213
Rent	19	635,803,172	623,202,690	435,829,466
Salaries and other benefits		545,127,717	420,606,435	354,719,924
Contracted services		499,947,638	496,007,000	275,455,505
Depreciation and amortization	8, 9, 12	360,426,260	288,911,630	147,063,645
Communications and utilities		292,516,294	239,973,167	239,143,270
Advertising and promotion		235,925,879	204,189,567	101,904,930
Representation and entertainment		132,741,844	61,965,979	75,550,420
Taxes and licenses		98,998,687	61,328,997	51,521,741
Professional and directors' fees		89,222,639	67,598,159	64,377,377
Playing cards	6	84,927,286	68,632,463	28,823,882
Transportation and travel		71,229,283	54,087,028	41,374,228
Impairment losses on receivables	5	67,284,572	-	3,009,459
Repairs and maintenance		62,269,298	29,796,154	2,488,627
Others		163,206,042	17,190,055	50,867,603
		9,633,406,812	8,194,668,041	5,761,742,785
OPERATING INCOME		1,254,515,816	1,075,399,097	818,591,175

Forward

		Years Ended December 31		
	Note	2016	2015	2014
OTHER INCOME (EXPENSES) -				
Net				
Finance expense	21	(P381,992,190)	(P285,007,568)	(P240,827,836)
Finance income	21	280,229,331	244,782,955	227,550,705
Equity in net earnings of joint ventures	10	143,668,761	98,131,397	140,290,278
Equity in net income of an associate	10	70,177,831	133,682,989	40,749,264
Foreign exchange gain (loss) - net		21,769,337	9,971,225	18,061,896
Other income - net	21	120,271,476	181,545,949	86,464,541
		254,124,546	383,106,947	272,288,848
INCOME BEFORE INCOME TAX		1,508,640,362	1,458,506,044	1,090,880,023
INCOME TAX EXPENSE	23	181,800,173	188,257,219	156,793,068
NET INCOME		1,326,840,189	1,270,248,825	934,086,955
Attributable to:				
Owners of the Parent Company		1,055,380,073	1,030,422,003	749,838,900
Non-controlling interest		271,460,116	239,826,822	184,248,055
		1,326,840,189	1,270,248,825	934,086,955
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss				
Revaluation of available for sale financial assets	10	66,484,940	9,783,653	-
Foreign currency translation gain (loss)		-	(295,148)	31,912
Item that will never be reclassified to profit or loss				
Remeasurement loss on retirement benefits, net of tax	20	(2,433,492)	(15,362,220)	(3,915,083)
TOTAL COMPREHENSIVE INCOME		P1,390,891,637	P1,264,375,110	P930,203,784
Attributable to:				
Owners of the Parent Company		P1,118,689,144	P1,030,069,162	P746,073,166
Non-controlling interest		272,202,493	234,305,948	184,130,618
		P1,390,891,637	P1,264,375,110	P930,203,784
Basic Earnings Per Share	24	P0.7656	P0.7445	P0.5194
Diluted Earnings Per Share		0.7174	0.6976	0.4862

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	Attributable to Owners of the Parent Company															
	Capital Stock		Additional Paid-In Capital		Retirement Benefits Reserve			Fair Value Reserve		Foreign Currency Translation Reserve		Other Reserve		Retained Earnings	Total	Non-controlling Interests
Note	Common Shares	Preferred Shares	Common	Treasury Shares	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Earnings			
Balance at January 1, 2016	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	P9,783,653	(P40,936,438)	(P434,274)	(P1,294,351)	P1,948,895,695	P5,808,752,933	P413,888,210	P6,222,641,143				
Net income for the year	-	-	-	-	-	-	-	-	1,055,380,073	1,055,380,073	271,460,116	1,326,840,189				
Other comprehensive income (loss)	-	-	-	-	66,484,940	(3,175,869)	-	-	-	63,309,071	742,377	64,051,448				
Total comprehensive income (loss) for the year	-	-	-	-	66,484,940	(3,175,869)	-	-	1,055,380,073	1,118,689,144	272,202,493	1,390,891,637				
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,000,000	5,000,000				
Treasury shares acquired	-	-	-	(8,721,847)	-	-	-	-	-	(8,721,847)	-	(8,721,847)				
Cash dividends	-	-	-	-	-	-	-	-	(313,473,643)	(313,473,643)	(84,896,000)	(398,369,643)				
Balance at December 31, 2016	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P79,864,266)	P78,266,593	(P44,112,307)	(P434,274)	(P1,294,351)	P2,690,802,125	P6,605,246,587	P606,194,703	P7,211,441,290				

Forward

Years Ended December 31

	Attributable to Owners of the Parent Company										
	Capital Stock	Additional	Retirement	Fair Value	Foreign	Other	Retained	Total	Non-	Total	
Note	Common	Paid-in	Benefits	Reserve	Currency	Reserve	Earnings	Reserve	controlling	Equity	
	Shares	Common	Reserve	Reserve	Translation	Reserve			Interests		
Balance at January 1, 2015	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P31,095,092)	P -	P1,202,795,994	P5,084,210,424	P367,102,909	P5,431,313,333	
Net income for the year	-	-	-	-	-	-	1,030,422,003	1,030,422,003	239,826,822	1,270,248,825	
Other comprehensive income (loss)	-	-	(9,841,346)	-	(295,148)	-	-	(352,841)	(5,520,874)	(5,873,715)	
Total comprehensive income (loss) for the year	-	-	(9,841,346)	-	(295,148)	-	1,030,422,003	1,030,069,162	234,305,948	1,264,375,110	
Acquisition of non-controlling interests	11	-	-	-	-	(1,294,351)	-	(1,294,351)	(8,708,677)	(10,003,028)	
Cash dividends	16	-	-	-	-	-	(284,232,302)	(284,232,302)	(178,811,970)	(463,044,272)	
Balance at December 31, 2015	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P40,938,438)	P9,783,653	P1,948,895,695	P5,808,752,933	P413,888,210	P6,222,641,143	

Forward

Years Ended December 31

	Attributable to Owners of the Parent Company										
	Capital Stock		Additional	Foreign			Retained		Total		Non-
Note	Common	Preferred	Paid-in	Treasury	Retirement	Currency	Translation	Earnings	Reserve	controlling	Total Equity
	Shares	Shares	Common	Shares	Reserve	Translation	Reserve			Interests	
Balance at January 1, 2014	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P27,297,446)	(P171,038)	P684,380,819	P4,549,650,983	P186,767,291	P4,736,418,274	
Net income for the year	-	-	-	-	(3,797,648)	31,912	749,838,900	749,838,900	184,248,065	934,086,955	
Other comprehensive income (loss)	-	-	-	-	(3,797,648)	31,912	(231,513,725)	(3,765,734)	(117,437)	(3,883,171)	
Total comprehensive income (loss) for the year	-	-	-	-	(3,797,648)	31,912	(231,513,725)	(3,765,734)	(117,437)	(3,883,171)	
Cash dividends	-	-	-	-	-	-	-	-	-	-	
Balance at December 31, 2014	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P31,095,092)	(P139,126)	P1,202,705,994	P5,064,210,424	P367,102,909	P5,431,313,333	

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P1,508,640,362	P1,458,506,044	P1,090,880,023
Adjustments for:				
Depreciation and amortization	8, 9, 12	360,426,260	288,911,630	147,063,645
Finance expense	21	381,992,190	285,007,568	240,827,836
Finance income	21	(280,229,331)	(244,782,955)	(227,550,705)
Equity in net earnings of joint ventures	10	(143,668,761)	(98,131,397)	(140,290,278)
Equity in net income of an associate	10	(70,177,831)	(133,682,989)	(40,749,264)
Net impairment losses on receivables	5	67,284,572	-	3,009,459
Loss on retirement of property and equipment	8	23,876,816	-	8,235,303
Unrealized foreign exchange loss (gain) - net		(21,769,337)	(9,383,576)	3,888,313
Retirement benefits	20	20,058,574	13,521,414	12,130,663
Operating income before working capital changes		1,846,433,514	1,559,965,739	1,097,444,995
Decrease (increase) in:				
Receivables		(22,995,513)	(300,856,522)	925,785
Playing cards		2,665,625	(9,799,011)	(18,063,707)
Prepaid expenses and other current assets		(98,426,153)	(75,912,459)	(48,081,334)
Increase (decrease) in:				
Trade and other payables		(896,430,103)	271,871,716	457,255,143
Due to related parties		-	(100,000)	(10,028,005)
Rent deposits		(23,500)	23,500	-
Cash generated from operations		831,223,870	1,445,192,963	1,479,452,877
Income taxes paid		(256,594,004)	(152,653,331)	(135,176,121)
Interest received		3,609,331	132,983	240,705
Interest paid		-	-	(22,992,517)
Net cash provided by operating activities		578,239,197	1,292,672,615	1,321,524,944

Forward

		Years Ended December 31		
	<i>Note</i>	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash given up from acquisition of subsidiaries		P -	(P619,212,000)	(P535,080,034)
Additions to:				
Property and equipment	8	(696,092,399)	(1,153,257,645)	(211,567,925)
Investment properties	9	-	-	(50,000,000)
Proceeds from disposal of property and equipment		-	135,296,438	936,741
Interest received		276,620,000	274,790,413	165,000,000
Dividends received	10	114,000,000	180,000,000	-
Decrease (increase) in:				
Due from related parties		17,035,517	(13,346,752)	79,851,964
Advances to a casino project		1,018,000,000	(538,513,964)	-
Investments and advances		337,285,071	(301,895,360)	(360,238,545)
Other noncurrent assets		381,513,901	(362,261,996)	(452,114,585)
Net cash provided by (used in) investing activities		1,448,362,090	(2,398,400,866)	(1,363,212,384)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable	13	1,209,602,329	2,500,073,432	990,449,055
Payments of loans payable		(1,927,670,390)	(883,990,682)	(626,196,583)
Interest paid		(385,373,950)	(295,605,524)	(92,812,281)
Dividends paid		(541,946,442)	(207,640,216)	(177,884,060)
Payments of obligations under finance lease		(3,740,533)	(7,962,278)	(9,691,016)
Payments for acquisition of treasury shares	16	(8,721,847)	-	-
Proceeds from acquisition by non controlling interest	16	5,000,000	-	-
Net cash provided by (used in) financing activities		(1,652,850,833)	1,104,874,732	83,865,115
EFFECT OF EXCHANGE RATE CHANGES ON CASH				
		444,233	1,398,985	336,542
NET INCREASE IN CASH		374,194,687	545,466	42,514,217
CASH AT BEGINNING OF YEAR		338,802,543	338,257,077	295,742,860
CASH AT END OF YEAR	4	P712,997,230	P338,802,543	P338,257,077

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on April 12, 2017.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial asset which is measured at fair market value and retirement benefits liability which is measured as present value of the defined benefit obligation.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as at December 31, 2016 and 2015:

Subsidiaries	Percentage of Ownership		Country of Incorporation
	2016	2015	
AB Leisure Exponent, Inc. (ABLE)	100	100	Philippines
AB Leisure Global, Inc. (ABLGI)	100	100	Philippines
LR Land Developers, Inc. (LRLDI)	100	100	Philippines
Prime Investment Korea, Inc. (PIKI)	100	100	Philippines
Total Gamezone Xtreme Incorporated (TGXI)	100	100	Philippines
Blue Chip Gaming and Leisure Corporation (BCGLC)	100	100	Philippines
LR Data Center and Solutions Inc. (LRDCSI)*	80	-	Philippines
First Cagayan Leisure and Resort Corporation (FCLRC)	69.68	69.68	Philippines
Bingo Bonanza (HK) Limited (BBL)**	60	60	Hong Kong

*Newly incorporated subsidiary

**Non-operating subsidiary.

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

	December 31, 2016	
	FCLRC	BBL
Non-controlling interests percentage	30.32%	40.00%
Current assets	P1,848,506,509	P60,652
Noncurrent assets	670,832,337	33,437
Current liabilities	(298,713,258)	(87,144,381)
Noncurrent liabilities	(122,951,380)	-
Net assets (liabilities)	2,097,674,208	(87,050,292)
Carrying amount of non-controlling interests	636,014,820	(34,820,117)
Revenue	1,866,742,326	-
Net income for the year	895,317,005	-
Other comprehensive income	2,448,473	-
Total comprehensive income	897,765,478	-
Net income allocated to non-controlling interests	271,460,116	-
Other comprehensive income allocated to non-controlling interests	742,377	-
Cash flows from operating activities	263,725,526	-
Cash flows from investment activities	8,857,945	-
Cash flows used in financing activities	(294,599,071)	-
Net decrease in cash	(P22,015,600)	P -

As at December 31, 2016, the Group's NCI in LRDCSI representing 20% NCI percentage amounted to P5,000,000.

	December 31, 2015	
	FCLRC	BBL
Non-controlling interests percentage	30.32%	40.00%
Current assets	P1,981,734,899	P60,652
Noncurrent assets	740,233,377	33,437
Current liabilities	(1,085,084,742)	(87,144,381)
Noncurrent liabilities	(156,974,804)	-
Net assets (liabilities)	1,479,908,804	(87,050,292)
Carrying amount of non-controlling interests	448,708,327	(34,820,117)
Revenue	1,602,083,123	-
Net income for the year	790,985,56	-
Other comprehensive income	(18,208,687)	-
Total comprehensive income	772,776,874	-
Net income allocated to non-controlling interests	239,826,822	-
Other comprehensive income allocated to non-controlling interests	(5,520,874)	-
Cash flows from operating activities	900,900,265	-
Cash flows used in investment activities	(522,867,661)	-
Cash flows used in financing activities	(371,722,466)	-
Net increase in cash	P6,310,138	P -

ABLE

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

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

Subsidiaries	Percentage of Ownership	
	2016	2015
Alabang Numbers & Gaming Corporation	100	100
Allpoint Leisure Corporation	100	100
Alpha One Amusement and Recreation Corp.	100	100
Big Time Gaming Corporation	100	100
Bingo Extravaganza, Inc.	100	100
Bingo Gallery, Inc.	100	100
Bingo Palace Corporation	100	100
Cebu Entertainment Gallery, Inc.	100	100
Fiesta Gaming and Entertainment Corporation*	100	100
First Leisure & Game Co., Inc.	100	100
Galleria Bingo Corporation	100	100
Gamexperience Entertainment Corp.	100	100
Grand Polaris Gaming Co., Inc.	100	100
G-One Gaming & Technology, Inc.	100	100
Highland Gaming Corporation	100	100
Iloilo Bingo Corporation	100	100
Metro Gaming Entertainment Gallery, Inc.	100	100
Rizal Gaming Corporation	100	100
SG Amusement and Recreation Corp.	100	100
South Bingo Corporation	100	100
South Entertainment Gallery Incorporated	100	100

Forward

Subsidiaries	Percentage of Ownership	
	2016	2015
Topmost Gaming Corp.	100	100
Topnotch Bingo Trend, Inc. (Topnotch)	100	100
One Bingo Pavilion Inc.	100	100
Worldwide Links Leisure and Gaming Corporation	100	100
Bingo Dinero Corporation	95	95
Bingo Zone, Inc.*	95	95
Manila Bingo Corporation	95	95
Isarog Gaming Corporation	90	100
One Bingo Place, Incorporated	80	80
Summit Bingo, Inc.	60	60
Negrense Entertainment Gallery, Inc.	55	55

*Non-operating subsidiaries.

ABLGI

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

LRLDI

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

PIKI

PIKI was registered with the SEC on November 9, 2012. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. On July 3, 2013, PIKI obtained a Grant of Authority from Philippine Amusement and Gaming Corporation (PAGCOR) for the privilege and authority to bring in pre-registered non-Philippine junket players (with passports bearing Philippine arrival dates no later than five (5) days prior to the initial entry in the Gaming Rooms) to play the designated junket Gaming Rooms at PAGCOR's Casino Filipino - Midas, with a minimum gaming table mix to be determined by PAGCOR. On March 22, 2013, the Parent Company acquired 100% of PIKI's outstanding capital stock. PIKI started its operations on July 26, 2013.

TGXI

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

BCGLC

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

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

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

LRDCSI

On 20 May 2016, LRDCSI was registered with SEC. LRDCSI is a technology company engaged in aggregating data and telecommunication services. The company's revenue model involves acquiring services from local and foreign technology and telecommunications companies at wholesale rates, bundling said services and then reselling the services at retail rates. The premium for such activity is warranted given the bespoke and higher level of customer engagement provided by the company. LRDCSI's portfolio includes solutions related to data center co-location, Internet, private leased lines, mobile and voice platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in all industry sectors including land based and online gaming operators. The authorized capital stock of LRDCSI is P100,000,000, divided into 100,000,000 shares with par value of P1 per share, of which P25,000,000 has been subscribed and paid. LRWC owns 80% of the outstanding capital stock of LRDCSI while Jaime Enrique Y. Gonzales owns 20%.

FCLRC

FCLRC was incorporated on April 26, 2000 and is a Cagayan Special Economic Zone and Freeport (CSEZFP) registered enterprise. FCLRC has an existing License Agreement with the Cagayan Economic Zone Authority (CEZA) to develop, operate and conduct internet and gaming enterprises and facilities in the CSEZFP. Pursuant to the License Agreement, CEZA issued the "CEZA Master Licensor Certificate" certifying that FCLRC is duly authorized to regulate and monitor, on behalf of CEZA, all activities pertaining to the licensing and operation of interactive games. FCLRC is 69.68% owned by the Parent Company.

BBL

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

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

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

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

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

Transactions Eliminated on Consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated. Unrealized gains from transactions with the equity accounted investees are eliminated against the investment to the extent of the Group's interest in investee. Unrealized losses are eliminated in the same way as unrealized gains, to the extent that there is no evidence of impairment.

Functional and Presentation Currency

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

Use of Estimates, Judgments and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Actual results may differ from these estimates, judgments and assumptions.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the estimates and judgments are revised and in any future periods affected.

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

Determination of Functional Currency

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

Determination and Classification of Joint Arrangements

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

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

The Group, through FCLRC, has 60% ownership in First Cagayan Converge Data Center, Inc. (FCCDCI) in which purpose is to engage in information technology and communications, such as, but not limited to Internet Protocol Systems products and their improvements and other services related thereto, such as co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution to the licensed locators of FCLRC, as well as CEZA.

The management of the Group believes that it has control over FCCDCI through voting rights, contract, funding agreements, or other means. The Group receives and transfers management fees and other fees in respect of its asset management businesses. However, the Group's interests in unconsolidated investment in FCCDCI is determined to be immaterial in the consolidated financial statements.

The Group's total interest in the net assets and net income of the unconsolidated investment in FCCDCI is P49,425,442 and P68,653,757 in 2016, and P75,727,037 and P51,270,972 in 2015, respectively.

Fair Value Measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

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

Fair Value of Investment Properties

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

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

The fair values of investment properties are based on the rental values determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/ or rate of return a prudent lessor generally expects on the return on its investment. Estimated fair values of investment properties amounted to P192,113,542 and P207,073,123 as at December 31, 2016 and 2015, respectively (see Note 9).

Distinction between Investment Property and Owner-occupied Property

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

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

Operating Leases - Group As Lessee and As Lessor

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

Rent expense recognized in profit or loss in 2016, 2015, and 2014 amounted to P635,803,172, P623,202,690 and P435,829,466, respectively, while rent income recognized in profit or loss in 2016, 2015, and 2014 amounted to P523,177,426, P314,184,771 and P194,842,404, respectively (see Notes 19 and 21).

Finance Leases - Group as Lessee

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

As at December 31, 2016 and 2015, the carrying amounts of leased vehicles and equipment, included under "Property and equipment" account in the consolidated statements of financial position amounted to P7,721,411 and P15,443,975, respectively (see Note 14).

Acquisition Accounting

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

As at December 31, 2016 and 2015, the carrying amount of goodwill arising from business combinations amounted to P1,453,344,478 (see Note 11).

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

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

As at December 31, 2016 and 2015, the aggregate carrying amount of receivables and due from related parties of the Group amounted to P738,835,130 and P796,869,340, respectively. As at December 31, 2016 and 2015, the related allowance for impairment losses on receivables and due from related parties amounted to P81,213,223 and P13,928,651, respectively (see Notes 5 and 22).

Estimating Net Realizable Value of Playing Cards

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

No playing cards were written down to their net realizable values in 2016 and 2015. As at December 31, 2016 and 2015, the playing cards were valued at cost amounting to P35,044,044 and P37,709,669, respectively (see Note 6).

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

The Group annually reviews the estimated useful lives of property and equipment, investment properties and airstrip improvements based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

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

The estimated useful lives are as follows:

	Classification	Number of Years
Leasehold improvements	Property and equipment	5 years or lease term, whichever is shorter
Aircraft and transportation equipment	Property and equipment	5 - 15 years
Bingo equipment and paraphernalia	Property and equipment	5 years
Office furniture and fixtures and equipment	Property and equipment	5 years
Land improvements	Investment properties	20 years
Building	Investment properties	20 - 25 years
Airstrip improvements	Airstrip improvements	25 years or license agreement, whichever is shorter
Condominium unit	Property and equipment	25 years

There are no changes in estimated useful lives in 2016 and 2015.

Estimated Useful Lives of Intangible Assets - Goodwill, Operating Licenses and Lease Rights

The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The management assessed the useful life of goodwill and operating licenses to be indefinite, while lease rights was assessed to have finite life which is the period of the related leased agreement.

Impairment Losses of Nonfinancial Assets

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

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

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

Management assessed that there are no impairment loss on the Group's property and equipment, investment properties, investments and advances, airstrip improvements, lease rights and operating licenses for the years ended December 31, 2016, 2015 and 2014 (see Notes 8, 9, 10, and 12).

As at December 31, 2016 and 2015, the following are the carrying amounts of nonfinancial assets:

	<i>Note</i>	2016	2015
Property and equipment	8	P1,859,370,353	P1,530,538,764
Investment properties	9	135,535,900	144,485,174
Investments and advances	10	2,788,265,122	2,915,198,452
Goodwill	11	1,453,344,478	1,453,344,478
Airstrip improvements	12	40,279,488	43,372,480
Lease rights	12	30,000,000	-
Operating licenses	12	4,253,690	5,253,690

As at December 31, 2016 and 2015, the related allowance for impairment loss on investments and advances amounted to P61,200,000 (see Note 10).

Estimating Retirement Benefits Liability

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

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

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

As at December 31, 2016 and 2015, retirement benefits liability amounted to P150,109,113 and P125,653,644, respectively (see Note 20).

Estimating Realizability of Deferred Tax Assets

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

As at December 31, 2016 and 2015, the Group recognized deferred tax assets amounting to P333,661,580 and P178,034,400, respectively (see Note 23).

Asset Retirement Obligation

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

The Group determined that there is no significant asset retirement obligation as at December 31, 2016 and 2015.

Provisions and Contingencies

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

The Group has several tax assessments and legal cases arising from the ordinary course of business. The Group's management and legal counsel believe that the eventual liabilities under these matters, if any, will not have material effect on the consolidated financial statements.

No provision for probable losses is recognized as at December 31, 2016 and 2015 (see Note 27).

3. Summary of Significant Accounting Policies

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

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

The Group has adopted the following amendments to standards and interpretations starting January 1, 2016 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.

- *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.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets)*. The amendments to PAS 38 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 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.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards. 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:
 - *Changes in method for disposal (Amendment to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations).* 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.

- *Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities and PAS 28, Investments in Associates and Joint Ventures)* 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 is available 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.
- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* 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.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are issued for annual periods beginning after January 1, 2016. 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, 2017

- *Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes)*. The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

- *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following are the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2017, none of which has a significant effect on the consolidated financial statements of the Group:
 - *Clarification of the scope of the standard (Amendments to PFRS 12).* The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments are applied retrospectively, with early application permitted.

Effective January 1, 2018

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

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

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

- *PFRS 15, Revenue from Contracts with Customers* replaces, 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.

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 15.

- *Transfers of Investment Property (Amendments to PAS 40, Investment Property)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e., an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

- *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration.* The amendments clarify that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following are the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018, none of which has a significant effect on the consolidated financial statements of the Group:
 - *Measuring an associate or joint venture at fair value (Amendments to PAS 28).* The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

Effective January 1, 2019

- *PFRS 16, Leases supersedes 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.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

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

Deferral of the Local Implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Financial Instruments

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

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

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

The Group has no HTM investments and FVPL financial assets and liabilities as at December 31, 2016 and 2015.

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

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

Cash includes cash on hand, payout funds and cash in banks which are stated at face value. Cash equivalents which are included in cash in banks, are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition.

The Group's cash, receivables, due from related parties, advances to a casino project, rental deposits, performance cash deposits and betting credit funds, advances for a business venture, advanced regulatory fee on ICBG2 and cash performance bonds, included under "Other noncurrent assets" account are included in this category.

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Derecognition of Financial Instruments

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Group generally regards fair value decline as being significant when the decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

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. Increases in fair value after impairment are recognized directly in other comprehensive income.

Classification of Financial Instruments between Debt and Equity

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

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

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

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

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

Determination of Fair Value

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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

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

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

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

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

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

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

Playing Cards

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

Transactions under Common Control

Transactions under common control entered into in contemplation of each other and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly controlled entities are accounted for using book value accounting.

Investments and Advances

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. Significant influence is the power to participate in the financial and operating policies of the investee, but is not control or joint control over those policies.

A joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions, and over which the parties have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are accounted for using the equity method in the consolidated financial statements. Under the equity method, investments in associates and joint ventures are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the share of net assets, less any impairment in value. When the Group's share of losses exceeds the cost of the investments in associates and joint ventures, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates and the joint ventures. The carrying amount of the investments are adjusted to recognize the changes in the Group's share of net assets of the associates or joint ventures since the acquisition date. Goodwill relating to the associates or joint ventures is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of associates or joint ventures are recognized as "Equity in net income of an associate" and "Equity in net earnings of joint ventures" accounts, respectively, in the consolidated statements of income and other comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the shares of stock of associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in associates or joint ventures are impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of associates or joint ventures. Such impairment loss is recognized as part "Equity in net income of an associate" and "Equity in net earnings of joint ventures" accounts in the consolidated statements of profit or loss and other comprehensive income.

Upon loss of significant influence over the associates or joint control over the joint ventures, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in shares of stock of associates or joint ventures upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

Property and Equipment

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Unearned Fees

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

Operating Licenses

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

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

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

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

Lease Rights

The Group's lease rights pertain to acquired rights and interests in the sublease agreement entered upon by the Group. Lease rights are stated at cost less accumulated amortization and impairment in value, if any. Lease rights are amortized on a straight-line basis over the remaining lease period of seven years.

Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Costs and operating expenses" account in the consolidated statements of profit or loss.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the profit or loss. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the profit or loss.

Goodwill

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

Capital Stock and Additional Paid-in Capital

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issuance of common and preferred shares are recognized as a deduction from relevant additional paid-in capital, and if none or insufficient, to be deducted from retained earnings, net of any tax effects. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Treasury Shares

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

Non-controlling Interests

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

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

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

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

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

Revenue Recognition

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

Electronic Bingo (E-Bingo)

Revenue is recognized upon conclusion of the game. The revenue is net of payouts and share of machine owners.

Traditional Bingo

Revenue is recognized upon sale of bingo cards.

Rapid Bingo

Revenue is recognized upon sale of rapid bingo cards. The revenue is net of share of machine owners.

Pull Tabs

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

Service and Hosting Fees

Service fees are recognized upon processing of locators' application for a franchise. Hosting fees are recognized upon accrual of the gaming levy to locators based on their reported revenue as defined in the license agreement.

Share in Gaming Revenue of a Casino Project

Share in gaming revenue is recognized based on a percentage of Premium Leisure and Amusement, Inc.'s (PLAI) earnings before interest, taxes, depreciation and amortization, or a percentage of PLAI's Net Win in a Casino Project, whichever is higher as defined in the operating agreement.

Compensation Fee from a Casino Project

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

Commission Income

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

Income from Junket Operations

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

Rent Income

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

Costs and Expenses Recognition

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

Payouts - Traditional Bingo represents payments to winners of traditional bingo games. This is recognized as expense upon conclusion of the game.

Leases

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

Finance Leases

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

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

Operating Leases

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

Employee Benefits

Short-term Benefits

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

Retirement Benefits Liability

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

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

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

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

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

Finance and Other Income and Finance Expenses

Finance income comprises of interest income on cash and cash equivalents, advances to a casino project, advances to joint venture and convertible loan that are recognized in profit or loss.

Interest Income is recognized as it accrues in profit or loss using the effective interest rate method, net of final tax.

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

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

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

Income Taxes

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

Current Tax

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

Deferred Tax

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

Foreign Operations

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

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

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

Segment Reporting

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

Earnings Per Share

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

Related Party Transactions and Relationships

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

Provisions

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

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

Contingencies

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

Events After the Reporting Date

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

4. Cash

	<i>Note</i>	2016	2015
Cash on hand and payout fund		P76,523,976	P67,528,753
Cash in banks	<i>13</i>	636,473,254	271,273,790
		P712,997,230	P338,802,543

Cash in banks earn interest at the respective bank deposit rates. Interest income recognized in 2016, 2015, and 2014 amounted to P3,609,331, P132,983, and P240,705, respectively (see Note 21).

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

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

5. Receivables

	Note	2016	2015
Trade receivables		P653,884,194	P668,029,046
Management fee and commission		79,068,657	68,868,657
Receivables from concessionaires		18,613,777	13,918,720
Advances to officers and employees	22	12,888,616	11,404,890
Advances to third parties		18,497,582	18,999,784
Others		35,295,527	10,741,377
		818,248,353	791,962,474
Less allowance for impairment losses		81,213,223	13,928,651
		P737,035,130	P778,033,823

As at December 31, 2016 and 2015, based on assessment made by the management, the Group recognized allowance for impairment losses covering those receivables considered as individually impaired.

The movements in allowance for impairment losses in 2016 and 2015 are as follows:

	2016	2015
Balance at beginning of year	P13,928,651	P13,928,651
Provisions during the year	67,284,572	-
Balance at end of year	P81,213,223	P13,928,651

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

Allowance for impairment losses on trade receivables amounted to P58,496,324 and nil as at December 31, 2016 and 2015, respectively.

Management Fee and Commission

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

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

Advances to Officers and Employees

The Group grants noninterest-bearing advances to its officers and employees. These advances are subject to liquidation within 12 months from the date granted or collectible in cash upon demand.

Allowance for impairment losses on advances to officers and employees amounted to P1,375,257 as at December 31, 2016 and 2015.

Other Receivables

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

Allowance for impairment losses on other receivables amounted to P21,341,642 and P12,553,394 as at December 31, 2016 and 2015, respectively.

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

6. Playing cards

This account consists of:

	2016	2015
At cost:		
Bingo cards	P34,024,346	P31,010,118
Others	1,019,698	6,699,551
	P35,044,044	P37,709,669

The playing cards are valued at cost as at December 31, 2016 and 2015. The cost of playing cards charged to profit or loss in 2016, 2015, and 2014 amounted to P84,927,286, P68,632,463, and P28,823,882, respectively.

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

7. Prepaid Expenses and Other Current Assets

	2016	2015
Prepaid expenses	P110,908,868	P82,724,144
Advances to contractors and suppliers	123,998,588	159,759,964
Input value-added tax (VAT)	21,700,593	13,606,676
Creditable withholding tax	-	49,661,091
Others	4,874,369	15,507,227
	P261,482,418	P321,259,102

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

Advances to contractors and suppliers are downpayment to vendors that will be applied against future deliveries of goods and performance of services.

Others pertain to deposits made by the Group to a third party in connection with the assignment of rights over lease agreements.

8. Property and Equipment

The movements in this account are as follows:

Cost	Land	Leasehold Improvements	Aircraft and Transportation Equipment (Notes 13 and 14)	Bingo Equipment and Paraphernalia	Office Furniture, Fixtures and Equipment	Condominium Unit	Construction In Progress	Total
January 1, 2015	P186,078,447	P466,042,886	P171,436,728	P105,309,527	P229,716,205	P4,791,748	P14,910,000	P1,178,285,541
Additions	-	378,262,621	275,594,322	274,350,271	215,240,363	2,355,068	7,455,000	1,153,257,645
Disposals/reclassifications	(531,773)	22,365,000	-	(56,172,168)	(15,463,645)	-	(22,365,000)	(72,167,586)
December 31, 2015	185,546,674	866,670,507	447,031,050	323,487,630	429,492,923	7,146,816	-	2,259,375,600
Additions	-	308,410,183	41,336,014	246,000,261	100,345,941	-	-	696,092,399
Retirement of assets	-	(16,089,311)	-	-	(16,022,604)	-	-	(32,111,915)
December 31, 2016	185,546,674	1,158,991,379	488,367,064	569,487,891	513,816,260	7,146,816	-	2,923,366,084
Accumulated Depreciation and Amortization								
January 1, 2015	-	246,000,213	67,441,605	80,585,541	132,131,551	1,872,808	-	528,031,718
Assets acquired through business combination	-	15,137,010	-	-	-	-	-	15,137,010
Depreciation and amortization	-	91,991,474	29,200,808	24,306,900	125,020,039	1,358,978	-	271,878,199
Disposals/reclassifications	-	-	-	(70,746,446)	(15,463,645)	-	-	(86,210,091)
December 31, 2015	-	353,128,697	96,642,413	34,145,995	241,687,945	3,231,786	-	728,836,836
Depreciation and amortization	-	188,325,804	27,364,823	80,807,418	44,863,029	2,022,920	-	343,383,994
Retirement of assets	-	(4,458,651)	-	-	(3,776,448)	-	-	(8,235,099)
December 31, 2016	-	536,995,850	124,007,236	114,953,413	282,774,526	5,254,706	-	1,063,986,731
Carrying Amount								
December 31, 2015	P185,546,674	P513,541,810	P350,388,637	P289,341,635	P187,804,978	P3,915,030	P-	P1,530,538,764
December 31, 2016	P185,546,674	P621,995,529	P364,359,828	P454,534,478	P231,041,734	P1,892,110	P-	P1,859,370,353

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

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

Right to transfer ownership for land rights acquired in 2010 amounting to P101,567,814 is exercisable as at 2013. No transfer of legal ownership was made as at December 31, 2016.

9. Investment Properties

The movements in this account are as follows:

	Land Improvements	Building	Total
Cost			
January 1, 2015, December 31, 2015 and December 31, 2016	P46,000,000	P143,751,191	P189,751,191
Accumulated Depreciation			
January 1, 2015	9,200,000	27,707,082	36,907,082
Depreciation	2,211,370	6,147,565	8,358,935
December 31, 2015	11,411,370	33,854,647	45,266,017
Depreciation	2,831,776	6,117,498	8,949,274
December 31, 2016	14,243,146	39,972,145	54,215,291
Carrying Amount			
December 31, 2015	P34,588,630	P109,896,544	P144,485,174
December 31, 2016	P31,756,854	P103,779,046	P135,535,900

The fair value of investment properties amounted to P192,113,542 and P207,073,123 as at December 31, 2016 and 2015, respectively. This is categorized as Level 3 fair value measurement based on the inputs used in the valuation.

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

Rental income derived from the investment properties which are recognized under "Rent income" account in profit or loss amounted to P8,184,293 and P30,192,879 in 2016 and 2015, respectively (see Note 19). Direct costs attributable to rental income on investment properties arising from amortization, repairs and maintenance, real property tax and rent expense amounted to P16,302,329 and P15,342,764, in 2016 and 2015, respectively.

10. Investments and Advances and Available for Sale Financial Asset

	Percentage of Ownership	2016	Percentage of Ownership	2015
Investments				
Associates:				
Binondo Leisure Resources, Inc. (BLRI)				
Preferred shares		P20,000,000		P20,000,000
Common shares	30%	1,200,000	30%	1,200,000
Techzone Philippines, Inc. (Techzone)				
Common shares	50%	250,000,000	50%	250,000,000
		271,200,000		271,200,000
Accumulated equity in net earnings:				
Balance at beginning of year		190,711,218		57,028,229
Share in net income from Techzone		70,177,831		133,682,989
		260,889,049		190,711,218
Balance at end of year		532,089,049		461,911,218
Joint ventures:				
First Cagayan Converge Data Center, Inc. (FCCDCI)	60%	15,000,000	60%	15,000,000
HEPI	51%	750,938,000	51%	750,938,000
		765,938,000		765,938,000
Accumulated equity in net income:				
Balance at beginning of year		145,856,523		227,725,126
Share in net income from FCCDCI		98,527,205		73,580,595
Share in net income from HEPI		45,141,556		24,550,802
		143,668,761		98,131,397
Dividends declared by FCCDCI		(114,000,000)		(180,000,000)
		175,525,284		145,856,523
Balance at end of year		941,463,284		911,794,523
Advances:				
AB Fiber Corp.		31,696,665		31,696,665
BLRI		144,241,925		157,991,925
Cagayan Land Property Development Corporation (CLPDC)		153,118,171		153,118,171
Cagayan Premium Ventures Development Corporation (CPVDC)		751,633,071		737,347,287
Eco Leisure		26,136,049		26,136,049
FCCDCI		-		44,047,374
HEPI		268,330,408		451,179,027
		1,375,156,289		1,601,516,498
Allowance for impairment losses		(61,200,000)		(61,200,000)
		1,313,956,289		1,540,316,498
Other investments - at cost		2,787,508,622		2,914,022,239
		756,500		1,176,213
		P2,788,265,122		P2,915,198,452

BLRI

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

On January 31, 2008, a provisional Grant of Authority (GOA) was received by BLRI from the Philippine Amusement and Gaming Corporation (PAGCOR) to operate a Bingo Boutique to cover traditional, electronic and new rapid bingo operations and distribution/selling of pull tabs or break-open cards at the Binondo Suites Manila. On October 24, 2008, BLRI's bingo boutique started its commercial operations. In 2010, BLRI ceased its bingo boutique operations and entered into an operating lease agreement with PAGCOR as a lessor for the use of its gaming facilities and to Dragon Enterprises, Inc. for its store space. In 2014, BLRI ceased its hotel operations and entered into an additional operating lease agreement as a lessor with Chinatown Lai Lai Hotel, Inc.

LRWC recognized its share in net loss of BLRI up to the extent of investment cost. Unrecognized accumulated equity in net loss of BLRI amounted to P25,314,999, P26,305,363 and P26,901,772, as at December 31, 2016, 2015, and 2014, respectively. Unrecognized share in net income amounted to P990,364 and P596,409 in 2016 and 2015, respectively and the unrecognized share in net loss amounted to P2,420,786 in 2014.

LRWC provided a valuation allowance amounting to P61,200,000 to the investment and advances to BLRI as at December 31, 2016 and 2015.

On March 30, 2012, the Group and BLRI entered into a restructuring agreement for the payment of the latter's advances. The agreement provides for, among others, the commitment of BLRI to pay the carrying amount in five annual installments. The agreement also provides for the assignment of future rent income of BLRI from PAGCOR to the Group. Collections amounting to P25,183,883 were made in 2013 pertaining to the currently payable balance pursuant to the restructuring agreement.

In February 2015, the Group and BLRI entered into a new restructuring agreement for the remaining advances. BLRI committed to pay the amount of P14,000,000 in 2015 and P15,000,000 per year thereafter until all advances are fully settled. The Group received payment of P13,750,000 each in 2016 and 2015.

The summarized financial information of BLRI follows:

	2016	2015
Current assets	P9,875,852	P15,979,741
Noncurrent assets	52,543,992	64,989,922
Current liabilities	188,177,253	231,826,956
Noncurrent liabilities	21,474,960	-
Revenues	29,181,995	27,893,710
Net income/total comprehensive income	3,301,212	1,988,031

Techzone

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

The summarized financial information of Techzone follows:

	2016	2015
Current assets	P562,806,685	P478,646,711
Noncurrent assets	1,833,215,838	1,542,136,597
Current liabilities	438,985,786	460,652,698
Noncurrent liabilities	712,993,784	626,129,091
*Net income/total comprehensive income	140,355,661	267,365,979

*Including catch-up adjustment in net income amounting to P110,318,846 in 2016.

HEPI

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

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

The summarized financial information of HEPI follows:

	2016	2015
Current assets (including cash - 2016: P67,927,259, 2015: P54,352,995)	P513,928,023	P567,859,594
Noncurrent assets	2,450,320,462	2,286,519,962
Current liabilities (including current financial liabilities excluding trade and other payables - 2016: P638,349,759, 2015: P1,224,227,775)	920,376,386	283,015,538
Noncurrent liabilities (including noncurrent financial liabilities - 2016: P902,068,224, 2015: P610,882,267)	1,216,423,207	2,070,186,146
Net income	88,512,855	48,138,827

Advances to HEPI

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

Advances to Eco Leisure

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

FCCDCI

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

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

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

Cash dividends declared by the BOD for the years ended December 31, 2016 and 2015 are as follow:

Date of Declaration	Dividend Per Share		Total Dividends	
	PhP	USD	PhP	USD
January 29, 2016	2.00	0.04	50,000,000	1,049,318
April 8, 2016	3.40	0.07	85,000,000	1,842,419
September 30, 2016	2.20	0.05	55,000,000	1,134,021
February 10, 2015	6.00	0.14	150,000,000	3,385,240
August 26, 2015	4.00	0.09	100,000,000	2,140,412
December 07, 2015	2.00	0.04	50,000,000	1,060,896

The summarized financial information of FCCDCI follows:

	2016	2015
Current assets (including cash - 2016: P46,040,468, 2015: P84,132,202)	P302,962,293	P349,938,017
Noncurrent assets	127,423,253	36,414,720
Current liabilities (including current financial liabilities excluding trade and other payables - 2016: P163,724,446, 2015: P115,512,641)	312,165,487	205,222,244
Service fees	673,019,396	544,218,762
*Net income/total comprehensive income	164,212,009	122,634,356

**Including catch-up adjustment in net income amounting to P2,622,353 in 2016.*

Advances to FCCDCI

The advances is in relation to the joint venture agreement between FCLRC and IPCDCC. 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, LRWC entered into a convertible loan agreement with DFNN. The loan amounting to P86,000,000 at the option of LRWC, can be converted into common shares at a rate of one common share for every P4.75 of the outstanding loan. The loan shall earn interest of 8.5% per annum until the issuance and delivery of the common shares. The Group recognized interest income on convertible loan which amounted to nil, P4,649,972, and P7,310,000 for the years ended December 31, 2016, 2015 and 2014, respectively (see Note 21).

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

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

The conversion resulted to 8.76% equity ownership of LRWC over DFNN. As management does not intend to hold the investment for trading, the total converted amount of P98,690,971 has been classified as "Available for Sale Financial Asset" in the consolidated statements of financial position as at December 31, 2016 and 2015.

Available for Sale Financial Asset (AFS)

	2016	2015
Balance at beginning of year	P115,911,244	P98,690,971
Acquisition of 1,093,000 shares	-	7,436,620
Unrealized gain for the year	66,484,940	9,783,653
	P182,396,184	P115,911,244

The market prices of DFNN common shares as at December 31, 2016 and 2015 is P8.34 and P5.30, respectively.

Advances to CPVDC and CLPDC

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

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

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

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

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

As at December 31, 2016, CLPDC and LRLDI have not executed the separate agreement mentioned above. The Group intends to convert the advances into shares of stocks upon consolidation and issuance of land titles.

The advances to CLPDC and CPVDC, including the land in the "Property and Equipment" account are part of the investments committed in the Master Development Plan under the license agreement (see Note 18). The recent regulatory developments indicate potential impairment indicators which triggered an impairment testing using value-in-use method. There is no impairment loss for the year ended December 31, 2016.

Advances to AB Fiber Corp.

On December 8, 2011, the Group entered into an agreement with AB Fiber Corp. for the subscription of 90,000 shares. In relation to this, deposits for future stock subscriptions were made by FCLRC amounting to P9,000,000 as at December 31, 2016 and 2015.

11. Business Combination and Goodwill

As at December 31, goodwill consist of:

	2016	2015
Cost	P1,485,422,930	P1,485,422,930
Less accumulated impairment losses	32,078,452	32,078,452
	P1,453,344,478	P1,453,344,478

Business Combination

Direct Acquisition by LRWC

a. Acquisition of TGXI by LRWC:

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

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

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

The goodwill of P494,890,133 represents the fair value of expected synergies arising from the acquisition of TGXI.

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

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

The Group's revenue from TGXI's commission income from PeGS for the years ended December 31, 2016, 2015 and 2014 amounted to P268,653,683, P297,241,621 and P120,097,012, respectively.

b. Acquisition of PIKI by LRWC:

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

Junket Operations

On July 3, 2013, PAGCOR awarded PIKI the authority to bring pre-registered non-Philippine junket players to play in the junket Gaming Rooms at PAGCOR's Casino Filipino - Midas, with a minimum gaming table mix to be determined by PAGCOR. The Group's revenue from PIKI's junket operations amounted to P894,388,540, P1,045,943,776 and P394,791,325 in 2016, 2015 and 2014, respectively.

c. Acquisition of BCGLC by LRWC:

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

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

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

Acquisition through ABLE

a. Acquisition of Topnotch by ABLE:

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

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

Consideration	P200,000,000
Assets:	
Cash	10,943,966
Property and equipment	37,935,040
Other assets	26,679,934
Liabilities:	
Trade and other payables	(39,394,740)
Total identifiable net assets at fair value	36,164,200
Goodwill	P163,835,800

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

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

The Group's revenue from the bingo operations of Topnotch for the years ended December 31, 2016 and 2015 amounted to P905,264,063 and P768,403,410, respectively.

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

Key Assumptions on Impairment Testing of Goodwill

The Company performs impairment testing annually. The recoverable amount of the acquired investment is determined using the value in-use method.

The cash flow projections includes and specifies estimates for five (5) years and terminal growth rate thereafter. The following are the key assumptions used by the management in the estimation of the recoverable amount:

Gross Revenues. Gross revenues of the Company over the next five (5) years are projected to grow in line with the economy or with the nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective territories will be flat on the assumption that it will also grow at par with the economy.

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

Discount Rate. Discount rates are derived from the Company's Weighted Average Cost of Capital (WACC) which is used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including, but not limited to, five-year government bond yield, bank lending rates and market risk premium. The discount rates used range from 6% to 14%, and 10% to 12%, in 2016 and 2015, respectively.

Growth Rate. The long-term rate used to extrapolate the cash flow projections of the acquired investments beyond the period covered by the recent budget excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the cash flow projections. The growth rates used in the cash flow projection is 4% and 6% in 2016 and 2015, respectively.

In 2015, the management believes that no reasonably possible change in the key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

In 2016, the management has identified that a reasonably possible change in discount rate and growth rate would cause the carrying amount to exceed the recoverable amount of TGXI and FCLRC. The discount rate which would cause the carrying amount of TGXI and FCLRC to equal the recoverable amount is 23% and 15%, respectively. The growth rate which would cause the carrying amount of TGXI and FCLRC to equal the recoverable amount is 0.45% and 3.7 %, respectively.

Management believes that no reasonably possible change in the key assumptions would cause the carrying value of the other CGUs to materially exceed their recoverable amount.

12. Other Noncurrent Assets

	Note	2016	2015
Rental deposits	19	P330,662,339	P301,548,039
Cash performance bonds	17	176,860,000	114,478,659
Airstrip improvements - net	18	40,279,488	43,372,480
Lease rights		30,000,000	-
Advanced regulatory fee on ICBG2		12,864,993	12,864,993
Operating licenses		4,253,690	5,253,690
Cash in bank - restricted	13, 26	-	446,356,631
Advances for a business venture		-	49,852,911
Performance cash deposits and betting credit funds		-	10,800,000
		P594,920,510	P984,527,403

Airstrip Improvements

The movements in this account are as follows:

Cost	P103,099,734
Accumulated Depreciation	
January 1, 2015	51,052,758
Depreciation	8,674,496
December 31, 2015	59,727,254
Depreciation	3,092,992
December 31, 2016	62,820,246
Carrying Amount	
December 31, 2015	P43,372,480
December 31, 2016	P40,279,488

Cash Performance Bonds

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

Advanced Regulatory Fee on ICBG2

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

Operating Licenses

The operating licenses represent grants and authority from PAGCOR as follows:

Acquisition of bingo parlors by ABLE Subsidiaries:

- In 2010, Metro Gaming Entertainment Gallery, Inc., a subsidiary, acquired a bingo parlor located at 2L, SM Supercenter Molino, Molino, Bacoor, Cavite for P7,500,000. A portion of the purchase price amounting to P2,280,568 was paid for the Grant of Authority from PAGCOR and the balance of P5,219,432 represents the purchase price for the acquisition of the related leasehold improvements, bingo equipment and paraphernalia, fixtures, rental and all other deposits with SM Prime Holdings, Inc.

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

Performance Cash Deposits and Betting Credit Funds

PAGCOR granted TGXI the privilege to establish, install, maintain, and operate PeGS. For each PeGS, TGXI has a performance cash deposits with PAGCOR amounting to P100,000 and maintains betting credit funds amounting to P100,000. Performance cash deposits and betting credit funds are posted through Philweb Corporation (Philweb).

In August 2016, Philweb ceased operations after PAGCOR did not renew its gaming license. The related performance cash deposits and betting credit funds of P10,800,000 was refunded to TGXI in 2016.

Lease Rights

Lease rights pertain to costs incurred in acquiring the properties under a sublease arrangement located at Subic Bay Freeport Zone. Lease rights are amortized over the lease term. As at December 31, 2016, the carrying amount and accumulated amortization of the lease rights amounted to P30,000,000 and P5,000,000, respectively.

13. Loans Payable

- a. In May 2013, ABLGI entered into a financing agreement with BDO Unibank, Inc. (BDO) for the purpose of funding ABLGI's contribution pursuant to the Operating Agreement with Belle Corporation (see Note 26). The loan amounted to P4,000,000,000 which is payable in 20 equal consecutive quarterly installments on its respective repayment dates up to February 20, 2019. Annual interest rate approximates 5.75% which is subject to change depending on the prevailing Bangko Sentral ng Pilipinas (BSP) thirty (30) day Reversed Repurchase Agreement Rate plus applicable spread of 225 basis points.

On December 1, 2015, the maturity date of the financing agreement with BDO was extended from February 20, 2019 to May 21, 2021. BDO also extended an additional loan facility to ABLGI amounting to P1,100,000,000 for the purpose of financing the additional capital call of Belle Corporation and repayment of advances made by the stockholders of ABLGI. This loan shall be payable in 22 consecutive equal quarterly installments beginning February 20, 2016 until May 21, 2021. Annual interest rate approximates 6.25% which is subject to change depending on the prevailing BSP-30 day Reversed Repurchase Agreement Rate plus applicable spread of 225 basis points.

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

In consideration of the commitment of BDO to fund ABLGI's contribution, ABLGI has assigned to BDO all of its respective rights, titles and interests to all monies standing in the DSRA and BRA as well as ABLGI's Belle payments (collectively, the "Assigned Collaterals"), which includes the proceeds, products and fruits of the aforementioned Assigned Collaterals. In 2015, ABLGI has classified its cash included under the DSRA and BRA as "Cash in bank - restricted" under other assets account in the consolidated statements of financial position see Note 12). Cash in the DSRA and BRA totaled P446,356,631 as at December 31, 2015. Furthermore, ABLGI has restricted part of its retained earnings to the amount of Belle payments received, which amounted to P315,836,610 as at December 31, 2015.

In 2016, ABLGI has classified its cash included under the DSRA and BRA in "Cash" account in the consolidated statements of financial position. Cash in the DSRA and BRA totaled P258,165,817 as at December 31, 2016.

On November 4, 2016, the Group entered into a termination agreement with Belle Corporation in relation to the MOA and its implementing agreements for the casino project effective March 31, 2017 (see Note 26). The Group intends to pay the remaining loan balance out of the proceeds from Belle's payment of the Group's interest in the casino project.

As part of the loan agreement with BDO, the Group is required to comply with affirmative financial ratios such as current, debt-to-equity and debt service coverage ratios, which the Group did not meet as at December 31, 2015. However, BDO issued written notifications of waiver of any technical breach or non-compliance with the resulting financial ratios. As at December 31, 2016, the loan balance was classified as current because this will be paid within the following year.

Terms and conditions are as follows:

December 31, 2016			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO	5.75% - 6.25%	May 2013 - May 2021	P2,768,636,744
Less current portion			2,768,636,744
			P -
December 31, 2015			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO	6.25%	May 2013 - May 2021	P3,322,508,696
Less current portion			553,800,110
			P2,768,708,586

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

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

As a part of the loan agreement with AUB, the Group is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Group complied with as at December 31, 2016. This is payable up to 180 days from the date of release of proceeds and secured by a chattel mortgage over LRWC's shares of stocks held by ABLE and stockholders amounting to P149,449,926. The fair value of the mortgaged shares of stocks amounted to P591,821,707 and P1,763,509,127 as at December 31, 2016 and 2015, respectively.

Terms and conditions are as follows:

December 31, 2016			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
AUB	6.18%	June 2015 - May 2020	P444,166,667
Less current portion			130,000,000
			P314,166,667

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

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

Terms and conditions are as follows:

December 31, 2016			
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
AUB	5%	May 2016 - March 2017	P302,500,000

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

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

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

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

Terms and conditions are as follows:

December 31, 2016			Carrying Amount
	Interest Rate	Maturity Date	
Long Term			
BDO	6%	September 2015 - August 2020	P145,788,218
Less current portion		December 2015 - November 2020	34,720,782
			P111,067,436

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

- d. In 2016, FCLRC and ABLE obtained long term loans with UnionBank of the Philippines which have maturity dates of up to September 2019.

Terms and conditions are as follows:

December 31, 2016			Carrying Amount
	Interest Rate	Maturity Date	
Long Term			
FCLRC	8.60%	January 2016 - September 2019	P2,411,060
Less current portion		January 2016 - September 2019	1,272,231
			P1,138,829

December 31, 2016			Carrying Amount
	Interest Rate	Maturity Date	
Long Term			
ABLE	8.60%	January 2016 - September 2019	P17,867,269
Less current portion		January 2016 - September 2019	7,844,240
			P10,023,029

- e. Short-term loans of ABLE have maturity dates of up to March 28, 2017. The short-term loans are from the credit facility with BDO, Philippine Bank of Communications (PBCOM) and United Coconut Planters Bank (UCPB). The loan from BDO are secured by LRWC's shares of stock and real property owned by an individual stockholder of LRWC. The loan from PBCOM and UCPB are unsecured. The interest rates of short-term loans are 4.5% for BDO and UCPB and 4.75% for PBCOM as at December 31, 2016 and 2015.

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

As at December 31, 2016 and 2015, the carrying amount of LRWC's shares of stock held by ABLE used as collateral for the loan from BDO amounted to P411,495,770. The fair value of the collateral amounted to P1,629,523,249 and P4,855,650,086 as at December 31, 2016 and 2015, respectively.

Terms and conditions are as follows:

December 31, 2016			
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
PBCOM	4.25%	December 2016 - April 2017	P78,524,000
BDO	4.75%	December 2016 - January 2017	390,500,000
UCPB	4.50%	October 2016 - March 2017	417,800,000
			P886,824,000
December 31, 2015			
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
PBCOM	4.75%	December 2015 - April 2016	P45,978,000
BDO	4.50%	December 2015 - January 2016	398,999,137
UCPB	4.50%	December 2015 - March 2016	421,800,000
			P866,777,137

- f. BCLGC obtained a short-term loan from Unionbank for the purchase of a delivery vehicle which is secured by a chattel mortgage. The carrying amount of the short-term loan amounted to nil and P117,612 as at December 31, 2016 and 2015, respectively.

Interest expense on loans payable recognized in profit or loss amounted to P381,992,190, P245,027,485 and P211,286,386 in 2016, 2015, and 2014, respectively (see Note 21).

14. Obligations under Finance Lease

In 2014 and 2013, ABLE entered into vehicle financing agreements with a local bank, which are payable in monthly installments on their respective repayment dates up to July 16, 2017 and August 15, 2016, respectively. Annual interest rates approximate 6.50% which are subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso. The vehicles serve as lien in the financing agreements.

Obligations under finance lease for vehicles are payable as follows:

	2016		
	Principal	Interest	Minimum Lease Payments
Less than one year	P220,955	P -	P220,955
Between one and five years	-	-	-
	P220,955	P -	P220,955

2015

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

As at December 31, 2016 and 2015, the carrying amount of leased vehicles, included under "Property and equipment" account in the consolidated statements of financial position amounted to P7,721,411 and P15,443,975, respectively (see Note 8).

Interest expense on obligation under finance lease recognized in profit or loss amounted to nil, P584,471, and P1,213,659 in 2016, 2015, and 2014 respectively (see Note 21).

15. Trade and Other Payables

	Note	2016	2015
Unearned revenues	18	P158,388,065	P352,765,283
Payable to PAGCOR	17	84,905,396	129,720,912
Payable to government agencies		71,874,516	-
Payable to CEZA	18	44,280,424	544,235,453
Rent payable	19	42,763,340	54,791,303
Accrued expenses and other payables:			
Dividends payable	16	189,634,352	333,211,151
Contracted services		62,729,529	127,937,403
Payable to machine owners		51,852,057	54,753,826
Communication and utilities		19,759,660	23,878,562
Interest payable	13	17,549,404	20,931,164
Salaries, wages and benefits		15,140,999	-
Capital expenditures		-	13,312,977
Advertising payable		-	153,747,848
Others		26,048,097	37,063,357
		P784,925,839	P1,846,349,239

Payable to PAGCOR includes franchise fees that are remitted twice weekly.

16. Equity

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

	2016		2015		2014	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
CAPITAL STOCK						
Authorized:						
Common shares - P1 par value	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000
Issued:						
Balance at beginning and end of year	1,199,852,512	P1,199,852,512	1,199,852,512	P1,199,852,512	1,199,852,512	P1,199,852,512
Authorized:						
Preferred shares - P1 par value	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000	2,500,000,000	P2,500,000,000
Issued:						
Balance at beginning of year	1,650,000,000	1,650,000,000	1,650,000,000	1,650,000,000	1,650,000,000	1,650,000,000
Issuances during the year	-	-	-	-	-	-
Balance at end of year	1,650,000,000	P1,650,000,000	1,650,000,000	P1,650,000,000	1,650,000,000	P1,650,000,000

Increase in Authorized Capital Stock

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

Registration of Securities under the Securities Regulation Code

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of LRWC were registered and may be offered for sale at an offer price of P1.33 per common share. As at December 31, 2016, the Parent Company has a total of 1,199,852,512 issued and outstanding common shares and 1,840 stockholders.

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

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

Listing of Preferred Shares and Warrants

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

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

As at December 31, 2016, the Parent Company has a total of 1,650,000,000 issued and outstanding preferred shares and 4 stockholders.

Declaration of Cash Dividends

Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2016 and 2015 as follows:

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Amount</u>	<u>Amount Per Share</u>
July 14, 2016	September 30, 2016	P95,988,201	P0.0800
July 14, 2016	March 3, 2017	83,989,676	0.0700
July 2, 2015	June 30, 2015	70,125,000	0.0425
July 2, 2015	December 29, 2015	70,125,000	0.0425

Cash dividends declared by the BOD to common stockholders of the Parent Company in 2016 and 2015 as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
May 31, 2016	June 14, 2016	P70,125,000	P0.0425
December 9, 2016	December 23, 2016	70,125,000	0.0425
July 10, 2015	February 26, 2016	71,991,151	0.060
July 10, 2015	September 29, 2015	71,991,151	0.060

As at December 31, 2016 and 2015, unpaid dividends, included under "Trade and other payables" account in the consolidated statements of financial position, amounted to P189,634,352 and P333,211,151, respectively (see Note 15).

Acquisition of LRWC Shares by ABLE

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

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

In 2016, ABLE acquired additional 1,405,400 common shares of LRWC at cost amounting to P8,721,847.

As at December 31, 2016 and 2015 ABLE has a total of 36,500,000 preferred shares (at cost of P36,500,000) and 21,680,100 common shares (at cost of P43,364,266) of LRWC. These are accounted as treasury shares in the consolidated financial statements.

In 2016, LRWC declared dividends to preferred and common stockholders of the Group. ABLE received dividends amounting to P6,754,234 which are eliminated in the consolidated financial statements.

Retirement Benefits Reserve

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

Fair Value Reserve

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

17. Gaming Licenses to Operate Bingo Games

a. Operation of Traditional Bingo Games

PAGCOR awarded ABLE and its subsidiaries the authority to operate and conduct traditional bingo games, as well as the betting aspect thereof, within the confines of the game sites. The Licenses for various periods ranging from October 2014 to September 2018 are subject to renewal after one (1) to (2) two years upon mutual agreement of both parties.

ABLE and its subsidiaries pay PAGCOR 15% of its gross bingo card sales as franchise fee.

As at December 31, 2016 and 2015, ABLE and its subsidiaries deposited cash performance bonds with PAGCOR totaling P28,700,000 and P21,700,000, respectively, to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 12).

b. Operation of Electronic Bingo Games

PAGCOR awarded ABLE and its subsidiaries the authority to operate and conduct electronic bingo games, as well as the betting aspect thereof, within the confines of the game sites. The Licenses for various periods ranging from October 2014 to September 2018 are subject to renewal after one (1) to (2) two years upon mutual agreement of both parties.

ABLE and its subsidiaries pay PAGCOR 50% of its revenue less payouts as franchise fee. (see Note 23).

As at December 31, 2016 and 2015, ABLE and its subsidiaries deposited cash performance bonds with PAGCOR totaling P147,260,000 and P92,578,659, respectively, to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 12).

c. Operation of New Rapid Bingo System (NRBS)

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

As at December 31, 2016 and 2015, ABLE deposited cash performance bonds amounting to P900,000 and P200,000, respectively, with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 12).

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

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

Revenue from distribution of sale of Pull-tabs or Break-Open Cards amounted to P17,715,410, P9,441,338 and P4,082,300 for the years ended December 31, 2016, 2015 and 2014, respectively.

Franchise fees included in "Franchise fees and taxes" account in profit or loss amounted to P3,282,491,908, P2,592,845,298 and P1,938,061,203, in 2016, 2015 and 2014, respectively.

18. License Agreement

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

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

Subsequent to the signing of the license agreement, FCLRC and CEZA signed a supplemental agreement which provides for the following:

1. Appointment of FCLRC as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP;
2. FCLRC is authorized to assist CEZA in its functions as a regulator for interactive gaming activities on behalf of CEZA in accordance with Part 5 of CSEZFP Interactive Gaming Rules and Regulations;
3. The authorization of FCLRC as Master Licensor shall be exclusive for twenty-five years starting from November 7, 2006 or until 2031;
4. FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, FCLRC is authorized to collect from sub-licenses an annual fixed amount for the first year of operations and thereafter, from sportsbook operators. The amount collected is recognized by FCLRC as unearned fees and recognized the revenue over term of the license. Unearned fees included under "Unearned revenues" account in the consolidated statements of financial position amounted to P158,388,065 and P352,765,283 as at December 31, 2016 and 2015, respectively (see Note 15);
5. FCLRC must pay CEZA, on a monthly basis to commence upon the start of actual operations of FCLRC, an amount equivalent to one percent (1%) of the monthly gross winnings payable not later than the seventh (7th) day of the subsequent month. Starting on the sixth (6th) year after the start of FCLRC's operation, FCLRC shall pay a minimum guaranteed amount of \$250,000 each month. Unpaid CEZA fees are charged with interest of 12% per annum. CEZA fees recognized in the profit or loss amounted to P847,085,501, P718,467,635 and P605,002,530 in 2016, 2015, and 2014, respectively. Interest expense on unpaid CEZA fees recognized in profit or loss amounted to nil, P39,395,612, and P28,327,791 in 2016, 2015, and 2014, respectively (see Note 21). The Group's revenues from FCLRC's service and hosting fees amounted to P1,866,742,326, P1,602,083,123 and P1,352,708,024 in 2016, 2015, and 2014, respectively.

FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local, and national, shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the national government five percent (5%) of locators' gross income less allowable deductions. In 2016, 2015, and 2014, this is included as current tax, which amounted to P59,858,142, P46,742,602, and P40,141,797, respectively (see Note 23).

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

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

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

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

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

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

19. Lease Agreements

Group as Lessee

- i. ABLE Group entered into several lease agreements for office space, warehouse and spaces where ABLE Group's sites conduct their bingo operations. The term of the lease agreements with various lessors varies from one (1) to ten (10) years with escalation clauses ranging from 3% to 10%. The lease amounts are computed based on certain percentages of gross revenues or on a fixed rate per square meter which are generally determined on an annual basis.
- ii. FCLRC entered into 25-year lease agreements with the municipality of Cagayan up to December 7, 2031, and with CEZA up to June 30, 2031, respectively, or until FCLRC serves as its Master Licensor. The lease amounts are computed on a fixed rate per square meter subject to a 5% escalation every three years. FCLRC also entered into other lease contracts with various lessors up to a term of one (1) year which are renewable. The lease amounts are generally determined on an annual basis.
- iii. BCGLC Group entered into a lease agreement for the operation of its initial site in Pampanga in 2014. BCGLC Group also obtained the rights from Palmgold Corporation under existing lease agreements as part of the acquisition of its four (4) sites in 2015. The lease amounts are computed based on certain percentages of net income or on a fixed rate per square meter which are generally determined on an annual basis.
- iv. LRWC entered into several lease agreements for its office spaces. The term of the lease agreements with various lessors varies from three (3) to five (5) years with escalation ranging from 3% to 5%. The lease amounts are computed on a fixed rate per square meter which are generally determined on an annual basis.
- v. TGXI entered into several lease agreements for the PeGS' locations and office space renewable by mutual agreement of both parties generally under the same terms and conditions. The lease period ranges from one (1) to five (5) years with annual escalation clauses ranging from 3% to 10%.
- vi. ABLGI entered into a 25-year lease agreement for a parcel of land in Sta.Cruz, Manila from January 1, 2015 to December 31, 2039. The lease amount is computed on a fixed rate per square meter subject to a 5% escalation every two years.

The lease agreements are non-cancellable and provides for, among others, rental deposits which are refundable upon termination of the leases. The rental deposits recognized in the consolidated statements of financial position as at December 31, 2016 and 2015 amounted to P330,662,339 and P301,548,039, respectively (see Note 12).

Rent expense recognized in profit or loss in 2016, 2015, and 2014 amounted to P635,803,172, P623,202,690 and P435,829,466 respectively.

Minimum lease payments as at December 31 are as follows:

	2016	2015
Less than one year	P325,852,543	P274,194,446
Between one and five years	406,400,619	417,485,964
More than five years	285,688,303	165,083,357
	P1,017,941,465	P856,763,767

Group as Lessor

Rent Income Recognized as Revenue

- a. As an authorized representative of Munich Management Limited, a foreign corporation duly organized and registered in British Virgin Islands, BCGLC entered into an agreement with the PAGCOR for the sublease of the slot machines owned by Entertainment Gaming (Philippines), Inc., including the proprietary system of linking and networking of individual units of slot machine within the PAGCOR Club - Leisure World Bacolor located at King's Royal Hotel and Leisure Park, Bacolor, Pampanga. The lease is for the period of three (3) years until June 30, 2016, which was subsequently renewed for six (6) months until December 31, 2016, and renewable thereafter. In 2015, BGLC acquired slot machines from four (4) PAGCOR clubs with existing lease agreements with PAGCOR.

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

- b. LRLDI leases its investment properties under non-cancellable operating lease agreements. The leases are for a period ranging from two (2) to five (5) years with escalation rate ranging from 5% to 10%.
- c. ABLGI leases its investment property for a period of twenty (20) years until December 31, 2034 with escalation rate of 3% every three years. The lessee may pre-terminate the lease agreement without obligation to pay termination costs.

Total rent income recognized in profit or loss in 2016, 2015 and 2014 amounted to P397,385,417, P211,721,519 and P113,637,161, respectively.

Rent deposits returnable to the lessee amounted to P4,421,800 and P4,445,300 as at December 31, 2016 and 2015, respectively. Minimum lease receivables as at December 31 are as follows:

	2016	2015
Within one year	P10,110,484	P17,749,027
Between one and five years	40,652,040	70,996,108
More than five years	105,935,967	-
	P156,698,491	P88,745,135

Rent Income Recognized as Other Income

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

Rent income recognized in profit or loss in 2016, 2015 and 2014 amounted to P133,592,009, P102,463,252, and P81,205,243, respectively (see Note 21).

20. Retirement Benefits

The Group's actuarial valuations are obtained on a periodic basis. The retirement benefits are determined using the projected unit credit method.

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

The Group's latest actuarial valuation reports are dated December 31, 2016. The following tables summarize the components of retirement expense recognized in the consolidated statements of profit or loss and other comprehensive income of ABLE and FCLRC:

Retirement Expense

	ABLE			FCLRC		
	2016	2015	2014	2016	2015	2014
Current service cost	P12,143,396	P6,792,679	P5,973,580	P1,616,659	P2,636,949	P2,312,413
Interest cost on defined benefit obligation	5,799,310	3,424,716	3,224,624	499,209	667,070	620,046
Net retirement expense	P17,942,706	P10,217,395	P9,198,204	P2,115,868	P3,304,019	P2,932,459

Changes in the Present Value of Defined Benefit Obligation

	ABLE		FCLRC	
	2016	2015	2016	2015
Present value of defined benefit obligation at beginning of year	P113,808,589	P78,268,892	P11,845,055	P16,578,003
Current service cost	12,143,396	6,792,679	1,616,659	2,636,949
Interest cost	5,799,310	3,424,716	499,209	667,070
Actuarial loss/(gain)	6,974,235	25,322,302	(2,577,340)	(8,036,967)
Present value of defined benefit obligation at end of year	P138,725,530	P113,808,589	P11,383,583	P11,845,055

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

	ABLE			FCLRC		
	2016	2015	2014	2016	2015	2014
Actuarial loss (gain) from:						
Financial assumptions	(P8,358,169)	P30,138,720	P7,442,051	(P465,090)	(P3,856,265)	P976,914
Experience adjustments	15,332,404	(13,615,984)	(2,402,396)	(2,112,250)	(2,539,739)	(582,087)
Demographic assumptions	-	8,799,566	-	-	(1,640,963)	-
	P6,974,235	P25,322,302	P5,039,655	(2,577,340)	(P8,036,967)	P394,827

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

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

	ABLE		FCLRC	
	2016	2015	2016	2015
Discount rate at end of year	5.67%	5.14%	5.54%	4.91%
Future salary increases	4.00%	4.00%	5.00%	5.00%

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

	ABLE		FCLRC	
	2016	2015	2016	2015
Average expected future service years	19.92	22.54	15.23	15.34

Sensitivity Analysis

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

	ABLE		FCLRC	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(13,950,274)	16,636,853	(659,764)	766,250
Future salary growth	17,419,713	(14,809,927)	817,628	(717,284)

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

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

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

Funding

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

Asset-liability Matching

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

Maturity analysis of the benefit payments:

	2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
ABLE	P138,725,530	P797,371,608	P33,459,462	P24,022,518	P739,889,628
FCLRC	11,383,583	42,785,787	4,886,854	3,509,421	34,389,512
	P150,109,113	P840,157,395	P38,346,316	P27,531,939	P774,279,140

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

21. Finance Income/Finance Expense/Other Income

Finance income consists of:

	<i>Note</i>	2016	2015	2014
Interest income on advances to a casino project	26	P276,620,000	P240,000,000	P220,000,000
Interest income on cash in banks	4	3,609,331	132,983	240,705
Interest income on convertible loan	10	-	4,649,972	7,310,000
		P280,229,331	P244,782,955	P227,550,705

Finance expense consists of:

	<i>Note</i>	2016	2015	2014
Interest expense on loans payable	13	P381,992,190	P245,027,485	P211,286,386
Interest expense on unpaid CEZA fees	18	-	39,395,612	28,327,791
Interest expense on obligations under finance lease	14	-	584,471	1,213,659
		P381,992,190	P285,007,568	P240,827,836

Other income - net consists of:

	<i>Note</i>	2016	2015	2014
Rent income	19	P133,592,009	P102,463,252	P81,205,243
Management fee	5	8,400,000	49,000,000	-
Commission	5	-	19,868,657	-
Others - net		(21,720,533)	10,214,040	5,259,298
		P120,271,476	P181,545,949	P86,464,541

22. Related Party Disclosures

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

Categories	Nature of Transaction	Year	Amount of Transactions for the Year	Outstanding Balance		Terms	Conditions
				Due from Related Parties	Due to a Related Party		
Longview Holdings Corporation	Cash advances	2016	P -	P -	P9,070,691	Demandable; non-interest bearing	Unsecured
		2015	-	-	9,070,691		
Individual stockholders	Cash advances	2016	-	1,800,000	-	Demandable; non-interest bearing	Unsecured; no impairment
		2015	6,225,689	18,835,517	-		
Total		2016		P1,800,000	P9,070,691		
Total		2015		P18,835,517	P9,070,691		

All intra-group balances, transactions, including income and expenses and profits and losses resulting from intra-group transactions are eliminated. Intergroup balances and transactions before eliminations amounted to P2,194,124,887 as at December 31, 2016.

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

	2016	2015	2014
Salaries and employee benefits	P29,215,425	P30,435,529	P22,416,556
Directors' fees	18,140,000	10,458,500	6,720,000

23. Income Taxes

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

	Note	2016	2015	2014
Current tax expense	18	P337,427,353	P268,804,313	P162,664,461
Deferred tax benefit		(155,627,180)	(80,547,094)	(5,871,393)
		P181,800,173	P188,257,219	P156,793,068

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

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

	2016	2015	2014
Income before income tax	P1,508,640,362	P1,458,506,044	P1,090,880,023
Income tax using statutory tax rate of 30%	P452,592,109	P437,551,813	P327,264,007
Additions to (reductions in) income taxes resulting from tax effects of:			
Gross income on service fees subject to 5%	(212,713,945)	(179,710,383)	(208,279,606)
Equity in net income (loss) of an associate	(21,053,349)	(40,104,897)	(2,037,463)
Equity in net earnings of a joint venture	(43,100,628)	(29,439,419)	(23,451,938)
Interest income subject to final tax	(1,082,799)	(39,895)	(45,994)
Nondeductible operating expenses	7,158,785	-	59,301,186
Change in unrecognized deferred tax assets	-	-	4,042,876
	P181,800,173	P188,257,219	P156,793,068

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

	2016	2015
NOLCO	P257,344,794	P122,999,494
Difference in tax base and carrying amount of property and equipment	(4,882,880)	9,725,531
MCIT	14,311,535	8,607,097
Impairment losses on receivables	24,363,967	7,672,466
Retirement expense	45,032,734	37,696,609
Discount on loans payable	(2,506,570)	(8,666,797)
Deferred tax asset - net	P333,661,580	P178,034,400

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

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Year of Expiration
2016	P5,704,438	P -	P -	P5,704,438	2019
2014	8,607,097	-	-	8,607,097	2017
	P14,311,535	P -	P -	P14,311,535	

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

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Year of Expiration
2016	P489,036,633	P -	P -	P489,036,633	2019
2015	232,181,152	-	-	232,181,152	2018
2014	134,965,884	-	-	134,965,884	2017
2013	42,851,277	41,218,967	1,632,310	-	2016
	P899,034,946	P41,218,967	P195,940,414	P1,071,293,616	

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

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

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

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

The Group made legal opinion on the implications of the Supreme Court's decision in the case of *Bloomberry Resorts and Hotels, Inc. vs. Bureau of Internal Revenue* in relation to the contract entered by PIKI, BCGLC and HEPI with PAGCOR. These components are duly organized and existing under the laws of the Philippines having existing agreements with PAGCOR.

The Bloomberry case categorically held that all licensees and/or contractees of PAGCOR are subject only to 5% Franchise Tax pursuant to Sec. 13(2)(b), in relation to Sec. 13(2)(a), of PD 1869. Hence, the income of the components of the Group are subject only to 5% Franchise Tax in lieu of all other taxes, including corporate income tax.

24. Earnings Per Share

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

	2016	2015	2014
Net income attributable to Parent Company	P1,055,380,073	P1,030,422,003	P749,838,900
Dividends on preferred shares	(140,250,000)	(140,250,000)	(140,250,000)
Effect of AFS - preferred shares held by ABLE	3,102,500	3,102,500	3,102,500
Income attributable to ordinary stockholders of the Parent Company (a)	918,232,573	893,274,503	612,691,400
Adjusted weighted average number of shares outstanding (b)	1,199,356,645	1,199,852,512	1,179,577,812
Basic earnings per share (a/b)	P0.7656	P0.7445	P0.5194

Diluted earnings per share is computed as follows:

	2016	2015	2014
Income attributable to ordinary stockholders of the Parent Company (a)	P918,232,573	P893,274,503	P612,691,400
Adjusted weighted average number of shares outstanding (b)	1,199,356,645	1,199,852,512	1,179,577,812
Effect of dilutive potential common shares* (c)	80,675,000	80,675,000	80,675,000
Adjusted weighted average number of shares outstanding (d=b+c)	1,280,031,645	1,280,527,512	1,260,252,812
Diluted earnings per share (a/d)	P0.7174	P0.6976	P0.4862

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

25. Segment Information

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

Online

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

Casino

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

Retail

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

Property

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

Analysis of financial information by business segment in 2016 is as follows:

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	P1,866,742,326	P1,275,789,664	P7,392,369,646	P353,020,992	P -	P -	P10,887,922,628
Results							
Segment results	1,019,666,826	691,849,315	2,434,720,528	622,848,494	-	-	4,769,075,163
Unallocated corporate expenses	-	-	-	-	-	-	3,555,520,507
Results from Operating Activities							
Finance income	68,027	16,798	372,402	279,749,680	22,424	-	1,213,554,656
Finance expense	(67,909,735)	(5,057)	(60,513,363)	(205,467,348)	(48,096,687)	-	280,229,331
Rent/other income	133,592,009	(8,133,187)	34,844,705	8,299,845	764,687,498	(771,858,234)	(381,992,190)
Foreign exchange loss - net	21,749,337	-	-	-	-	-	161,232,636
Equity in net earnings of joint ventures	98,527,205	-	-	-	45,141,556	-	21,749,337
Equity in net earnings of an associate	-	-	-	70,177,831	-	-	143,668,761
Foreign currency translation gain	-	-	-	-	-	-	70,177,831
Unrealized gain on AFS	-	-	-	-	66,484,940	-	66,484,940
Remeasurements of defined benefit liability - net of tax	-	-	(2,433,492)	-	-	-	(2,433,492)
Income taxes	(59,858,142)	(1,780,894)	(136,322,727)	(115,930,581)	132,092,171	-	(181,800,173)
Total Comprehensive Income							
	(59,858,142)	(1,780,894)	(136,322,727)	(115,930,581)	132,092,171	-	P1,390,891,637
Other Information							
Segment assets	P2,553,369,162	P1,125,718,396	P3,212,997,132	P6,317,593,063	P5,369,385,512	(P7,382,252,932)	P11,196,810,333
Investments at cost	76,759,577	-	532,253,908	507,353,948	4,296,175,619	(3,751,500,436)	1,661,042,616
Total Assets							
	P2,630,128,739	P1,125,718,396	P3,745,251,040	P6,824,946,991	P9,665,561,131	(P11,133,753,368)	P12,857,852,949
Segment liabilities							
Unallocated corporate liabilities	P426,364,579	P989,473,615	P2,575,605,606	P3,903,204,743	P905,338,923	(P3,153,575,707)	P5,646,411,659
Total Liabilities							
	P426,364,579	P989,473,615	P2,575,605,606	P3,903,204,743	P905,338,923	(P3,153,575,707)	P5,646,411,659
Capital expenditures							
Depreciation and amortization	P28,002,437	P256,875,462	P334,815,606	P1,765,209	P74,633,685	P -	P696,092,399
	35,839,218	53,567,957	249,501,519	12,554,878	8,962,688	-	360,426,260

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

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	P1,602,083,123	P1,227,472,416	P6,275,445,625	P165,065,974	P -	P -	P9,270,067,138
Results							
Segment results	885,018,000	527,651,979	2,067,115,467	157,172,266	-	-	3,636,957,712
Unallocated corporate expenses	-	-	-	-	-	-	2,561,558,615
Results from Operating Activities							
Finance income	119,084	17,119	5,787,863	240,000,501	552,742,297	(553,883,909)	1,075,399,097
Finance expense	(43,970,602)	(62,014)	(38,534,203)	(163,997,620)	(38,443,129)	-	244,782,955
Rent/other income	105,909,557	-	29,403,465	37,014,864	9,218,063	-	(285,007,568)
Foreign exchange loss - net	9,971,225	-	-	-	-	-	181,545,949
Equity in net earnings of joint ventures	73,580,595	24,550,802	-	-	-	-	9,971,225
Equity in net earnings of an associate	-	-	-	133,682,989	-	-	98,131,397
Foreign currency translation gain	(295,148)	-	-	-	-	-	133,682,989
Unrealized gain on AFS	-	-	-	-	9,783,653	-	(295,148)
Remeasurements of defined benefit liability - net of tax	(15,362,220)	-	-	-	-	-	9,783,653
Income taxes	(47,757,166)	(21,955,239)	(139,525,456)	(51,412,597)	72,393,239	-	(15,362,220)
Total Comprehensive Income							
Other Information							P1,264,375,110
Segment assets	P3,056,748,668	P906,780,946	P2,667,644,352	P1,775,166,173	P1,273,256,500	(P2,379,883,998)	P7,299,712,641
Investments at cost	81,757,510	-	639,394,002	5,247,014,327	4,181,076,412	(3,852,274,323)	6,296,967,928
Total Assets							P13,596,680,569
Segment liabilities	P1,731,261,233	P823,542,187	P2,447,573,065	P4,871,032,292	P1,212,416,464	(P3,711,785,815)	P7,374,039,426
Unallocated corporate liabilities	-	-	-	-	-	-	-
Total Liabilities							P7,374,039,426
Capital expenditures	P275,594,322	P131,099,600	P713,225,604	P -	P33,338,119	P -	P1,153,257,645
Depreciation and amortization	8,908,461	11,321,941	157,717,621	27,842,002	909,361	82,212,244	288,911,630

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

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	P1,371,407,490	P489,729,020	P4,623,065,920	P96,095,297	P36,233	P -	P6,580,333,960
Results							
Segment results	766,404,960	284,837,258	2,685,004,717	96,095,297	36,233	-	3,832,378,465
Unallocated corporate expenses	-	-	-	-	-	-	3,013,787,290
Results from operating activities							
Finance income	18,170,616	3,860	98,150	220,011,112	257,328,863	(268,061,896)	818,591,175
Finance expense	(34,182,730)	(283,060)	(17,570,530)	(178,091,321)	(13,535,865)	2,835,670	227,550,705
Rent/other income	83,812,235	5,382,049	12,462,670	-	(7,632,267)	(7,560,146)	(240,827,836)
Foreign exchange loss - net	18,061,896	-	-	-	-	-	86,464,541
Equity in net earnings of joint ventures	74,540,583	65,749,695	-	-	-	-	18,061,896
Equity in net loss of an associate	-	-	-	40,749,264	-	-	140,290,278
Foreign currency translation gain	-	-	115,930,790	-	31,912	(115,930,790)	40,749,264
Remeasurements of defined benefit liability - net of tax	(387,325)	-	(3,527,758)	-	-	-	(3,915,083)
Income taxes	(40,625,825)	(26,927,441)	(99,129,412)	(37,308,321)	38,369,418	8,828,513	(156,793,068)
Total Comprehensive Income							
							P930,203,784
Other Information							
Segment assets	P -	P266,726,378	P2,123,964,192	P -	P6,042,932,827	(P5,606,937,128)	P2,826,686,269
Investments at cost	1,444,213,734	-	272,618,055	-	4,532,724,543	(3,302,335,092)	2,947,221,240
Unallocated corporate assets	-	-	-	-	-	-	5,172,893,383
Total Assets							
							P10,946,800,892
Segment liabilities							
Unallocated corporate liabilities	P1,797,072,604	P253,903,938	P1,339,734,910	P -	P1,928,822,042	(P3,141,289,604)	P2,178,243,890
Total Liabilities							
							3,337,243,669
							P5,515,487,559
Capital expenditures	P863,505	P9,159,022	P174,186,698	P50,055,357	P27,303,343	P -	P261,567,925
Depreciation and amortization	19,544,970	6,219,603	104,413,398	15,271,200	1,614,474	-	147,063,645

There were no intersegment sales recognized among reportable segments in 2016, 2015 and 2014. 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 benefits liability, and due to related parties. Capital expenditures on noncurrent assets represent additions to property and equipment and investment properties. Noncash expenses pertain to depreciation and amortization expense attributable to reportable segments.

26. Memorandum of Agreement

On January 14, 2011, the Group entered into several agreements with Belle Corporation (Belle) and Premium Leisure and Amusement, Inc. (PLAI) ("ABLGI Agreements") 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 Group, Belle, Belle Grande Resource Holdings, Inc. ("BGRHC") and PLAI entered into a Memorandum of Agreement ("MOA") effectively terminating its ABLGI Agreements. In consideration for the waiver of the ABLGI's 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 from the Project which is presented in profit or loss as "Share in gaming revenue of a casino project" account. These are to be paid to ABLGI upon actual receipt by Belle and PLAI of the lease income and gaming revenue from the Project.

In addition, ABLGI made advances to BGRHC on March 20, 2013 amounting to P4 billion (the "ABLGI Advance") as funding to the Project. In December 2014, the MOA was amended to operationalize the terms and conditions of the ABLGI Advance which provided that such was extended to BGRHC as a loan. The ABLGI advance is payable within 12 years from and after the Transfer Date. Payments shall be made in 13 annual installments to commence on the fifth anniversary of the Transfer Date and annually thereafter. Interest rates range from 4.05% to 6.55%. The difference between the 30% share in the net lease income of the Project and the principal and interest payments on the ABLGI advance is the annual compensation fee component which BGRHC shall pay to ABLGI starting on the first anniversary of the Transfer Date and annually thereafter until the termination of the Project's license. This is presented in profit or loss as "Compensation fee from a casino project" account.

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

On November 4, 2016, the Group entered into a termination agreement with Belle in relation to the MOA and its implementing agreements for the Project effective March 31, 2017. Under the agreement, Belle shall pay the Group P5,090,000,000 representing the advances to a casino project amounting to P4,780,000,000 and a final consideration for the share in PLAI's casino operations amounting to P310,000,000. Of the total consideration, P1,020,000,000 was paid upon the execution of the agreement and the balance will be paid on the effectivity of the termination agreement. Unless and until full payment of all the amounts, the Group shall continue to be entitled to receive an amount equivalent to its rights under the operating agreements.

As at December 31, 2016, the carrying amount of advances to a casino project in relation to the termination agreement is P3,762,000,000.

The compensation fee from a casino project amounted to P128,502,833, P75,836,610 and P89,019,980 in 2016, 2015 and 2014, respectively. The share in gaming revenue of a casino project amounted P208,533,866, P59,036,485 and P7,075,317 in 2016, 2015 and 2014, respectively. Interest income on advances to a casino project amounted to P276,620,000, P240,000,000 and P220,000,000 in 2016, 2015 and 2014, respectively (see Note 21).

27. Other Matters

Electronic Bingo and Rapid Bingo

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

	2016	2015	2014
Gross receipts from electronic bingo	P5,795,836,878	P4,414,273,852	P3,339,751,073
Less share of owners of electronic bingo machines	1,283,859,475	971,140,247	705,814,513
Net revenues	P4,511,977,403	P3,443,133,605	P2,633,936,560

The revenues from rapid bingo are also presented in the consolidated statements of profit or loss and other comprehensive income net of the share of owners of rapid bingo machines.

Revenues from E-Casino

ABLE generates income from e-casino representing operator's share in ECasino game winnings. Ecasino offers popular casino games such as baccarat, poker and roulette via computer terminals. Income generated from these operations which amounted to P11,164,962, P2,188,499 and nil in 2016, 2015, and 2014, respectively, are presented as part of "Commission income" account in profit and loss .

Contingencies

The Group currently has several tax assessments and legal cases. The Group's estimate of the probable costs for the resolution of these assessments has been developed in consultation with management as well as outside legal counsel handling these matters and is based on an analysis of potential results. The Group currently does not believe that these tax assessments and legal cases will have a material adverse effect on its consolidated financial position and consolidated financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No provision for probable losses were made in relation to these tax and legal assessments.

28. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

The BOD has a Risk Oversight Committee which responsible for overseeing and managing risk that the Group may encounter. They develop proper strategies and measures to avoid or at least minimize such risk incorporating the Group's established risk management policies.

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

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

Credit Risk

Credit risk represents the risk of loss the Group would incur if customers and counterparties fail to perform their contractual obligations. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. Further, the Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

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

	<i>Note</i>	2016	2015
Loans and receivables:			
Cash in banks	4	P636,473,254	P271,273,790
Receivables - net	5	737,035,130	778,033,823
Rental deposits	12	330,662,339	301,548,039
Cash performance bonds	12	176,860,000	114,478,659
Performance cash deposits and betting credit funds	12	-	10,800,000
Due from related parties	22	1,800,000	18,835,517
Advances to a casino project	26	3,762,000,000	4,780,000,000
		5,644,830,723	6,274,969,828
AFS financial asset		182,396,184	115,911,244
		P5,827,226,907	P6,390,881,072

Cash in Banks/Short-term Investments

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

Receivables

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

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

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

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

The aging of receivables is as follows:

	2016		2015	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P699,843,839	P -	P592,169,379	P -
Past due 1 - 30 days	16,917,485	-	75,849,736	-
Past due 31 - 60 days	2,257,649	-	68,868,657	-
More than 60 days	99,229,380	81,213,223	55,074,702	13,928,651
	P818,248,353	P81,213,223	P791,962,474	P13,928,651

As at December 31, 2016, the Group has recognized impairment for the trade receivables of LRLDI and TGXI amounting to P56,074,116, and P2,422,208, respectively due to cessation of operations of their debtors. The remainder of the impairment allowance as at December 31, 2016 are related to advances to officers and employees and other receivables which have indicated that they are not expecting to pay their outstanding balances.

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

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days.

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 rental and other deposits upon termination of the lease agreements.

Cash Performance Bonds//Performance Cash Deposits and Betting Credit Funds

The Group's exposure to credit risk is negligible as PAGCOR has sufficient funds to settle these upon the expiration of the respective license agreements.

AFS Financial Assets

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

Due from Related Parties

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

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

Advances to a Casino Project

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

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

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

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

	2016			Total
	Grade A	Grade B	Grade C	
Loans and receivables:				
Cash in banks	P636,473,254	P -	P -	P636,473,254
Receivables:				
Trade and other receivables	699,843,839	5,688,898	-	705,532,737
Receivables from concessionaires	-	18,613,777	-	18,613,777
Advances to officers and employees	-	12,888,616	-	12,888,616
Due from related parties	-	1,800,000	-	1,800,000
Rental deposits	-	330,662,339	-	330,662,339
Advances to a casino project	-	3,762,000,000	-	3,762,000,000
AFS financial asset	182,396,184	-	-	182,396,184
	P1,518,713,277	P4,131,651,630	P -	P5,650,366,907

	2015			Total
	Grade A	Grade B	Grade C	
Loans and receivables:				
Cash in banks	P271,273,790	P -	P -	P271,273,790
Receivables:				
Trade and other receivables	753,430,213	-	-	753,430,213
Receivables from concessionaires	-	13,198,720	-	13,198,720
Advances to officers and employees	-	11,404,890	-	11,404,890
Due from related parties	-	18,835,517	-	18,835,517
PAGCOR rental deposits	-	301,548,039	-	301,548,039
Advances to a casino project	-	4,780,000,000	-	4,780,000,000
AFS financial asset	115,911,244	-	-	115,911,244
	P1,140,615,247	P5,124,987,166	P -	P6,265,602,413

Liquidity Risk

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

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

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. As at December 31, 2016 and 2015, the total commitment under the line of credit is P1,300,000 and P1,350,000,000, respectively. As at December 31, 2016 and 2015, the Group has drawn P1,189,324,000 and P1,210,977,137, respectively. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates (see Note 13).

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

	Carrying Amount	Contractual Cash Flow	2016		
			6 Months or Less	6-12 Months	1-5 Years
Nonderivative Financial Liabilities					
Trade and other payables, excluding unearned fees*	P554,663,258	P554,663,258	P554,663,258	P -	P -
Short-term and long-term loans payable	4,568,193,958	4,588,238,233	4,034,055,027	107,735,195	446,448,011
Obligations under finance lease	220,955	220,955	220,955	-	-
Due to a related party	9,070,691	9,070,691	-	9,070,691	-
Rent deposit	4,421,800	4,421,800	-	-	4,421,800
	P5,136,570,662	P5,156,614,937	P4,588,939,240	P116,805,886	P450,869,811

	Carrying Amount	Contractual Cash Flow	2015		
			6 Months or Less	6-12 Months	1-5 Years
Nonderivative Financial Liabilities					
Trade and other payables, excluding unearned fees*	P1,493,583,956	P1,493,583,956	P1,266,122,826	P226,854,567	P606,563
Short-term and long-term loans payable	5,286,262,019	2,110,472,043	513,253,328	165,610,661	1,431,608,054
Obligations under finance lease	3,961,488	4,071,670	3,151,021	699,694	220,955
Due to a related party	9,070,691	9,070,691	9,070,691	-	-
Rent deposit	4,445,300	4,445,300	-	-	4,445,300
	P6,797,323,454	P3,621,643,660	P1,791,597,866	P393,164,922	P1,436,880,872

* Excluding statutory payables.

Market Risk

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

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

Change in Prices

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

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

Foreign Currency Risk

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

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

	2016		2015	
	In USD	In PhP	In USD	In PhP
Cash in banks	888,501	44,220,691	721,496	33,953,593
Trade receivables	3,837,951	190,822,915	2,608,490	122,755,517
CEZA fees payable	(4,076,196)	202,668,489	(11,537,745)	(544,235,453)
Net asset (liability)	650,256	32,375,117	(8,207,759)	(387,526,343)

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

	2016	2015
PHP average rate	49.77	47.11
PHP spot rate	49.72	47.17

Sensitivity Analysis

A 2% strengthening of the Philippine peso against the US dollars would have decreased equity and net income by P647,502 in 2016 and increased equity and net income by P7,750,527 in 2015.

A 2% weakening of the Philippine peso against the US dollars as at December 31, 2016 and 2015 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk

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

Management is tasked to minimize interest rate risk through interest rate swaps and options, and having a mix of variable and fixed interest rates on its loans. Presently, the Group's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on PSDT-R2 plus a certain mark-up. The Group has not entered into interest rate swaps and options during 2016 and 2015.

The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Group's profit before tax for the years ended December 31, 2016 and 2015 follows:

Change in Interest Rates (in Basis Points)	2016	2015
300bp rise	(P11,459,766)	(P7,366,965)
225bp rise	(8,594,824)	(5,525,224)
300bp fall	11,459,766	7,366,965
225bp fall	8,594,824	5,525,224

1 basis point is equivalent to 0.01%.

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

Equity Price Risk

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated financial position as AFS financial asset (see Note 10).

The effect on equity, as a result of a possible change in the fair value of the Group's equity instruments held as AFS financial assets as at December 31, 2016, 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	2016
Increase by 10%	P18,239,618
Increase by 5%	9,119,809
Decrease by 10%	(18,239,618)
Decrease by 5%	(9,119,809)

Fair Values

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

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

The carrying amounts of cash, 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 rental deposits, cash performance bonds and performance cash deposits and betting credit funds approximate their fair values as management believes that the effect of discounting cash flows from these instruments is not significant.

Loans Payable

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

Obligations under Finance Lease

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

Available for Sale Financial Asset

The fair value of the available for sale financial asset is based on the quoted market price of the investment in equity as at December 31, 2016. The fair value is under Level 1 of the fair value hierarchy.

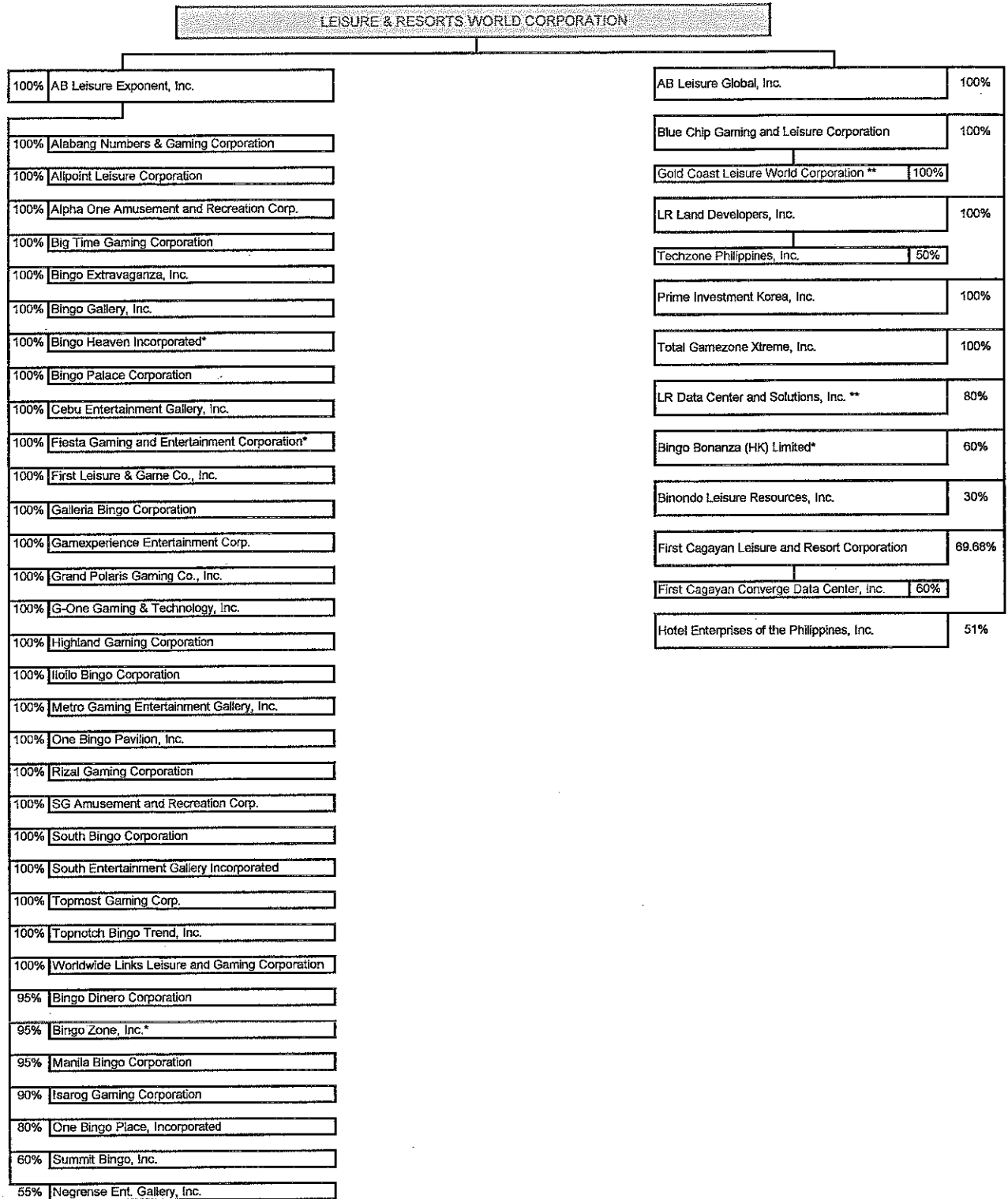
Capital Management

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

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

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

LEISURE & RESORTS WORLD CORPORATION
MAP OF CONGLOMERATE
As of December 31, 2016



*Non-operating subsidiaries.

**Newly incorporated subsidiaries.

LEISURE & RESORTS WORLD CORPORATION & SUBSIDIARIES
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND
INTERPRETATIONS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures			✓
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter- relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01- Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations			✓
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) – Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre- Completion Contracts			✓

Legend:

Adopted – means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

Not Adopted – means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

Not Applicable – means the standard or interpretation is not relevant at all to the operations of the entity.

Schedule B

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

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
Employees	8,910,929	15,775,465	(11,797,778)	-	12,888,616	-	12,888,616
Officers	-	-	-	-	-	-	-
Total	8,910,929	15,775,465	(11,797,778)	-	12,888,616	-	12,888,616

Schedule C

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

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
AB Leisure Exponent, Inc.	-	282,630,365	-	-	282,630,365	-	282,630,365
AB Leisure Global, Inc.	474,446,650	-	(474,446,650)	-	-	-	-
Blue Chip Gaming and Leisure Corpor	464,657,723	75,088,259	-	-	539,745,982	-	539,745,982
LR Land Developers Inc.	1,031,324,816	19,601,992	-	-	19,601,992	1,031,324,816	1,050,926,808
Prime Investment Korea Inc.	-	131,964,675	-	-	131,964,675	-	131,964,675
Total Gamezone Xtreme Incorporated	177,774,438	-	(31,009,290)	-	146,765,148	-	146,765,148
Total	2,148,203,627	509,285,292	(505,455,940)	-	1,126,708,163	1,031,324,816	2,152,032,979

Schedule D

Intangible Assets - Goodwill and Other Assets

DESCRIPTION	BALANCE AT BEG OF PERIOD	ADDITIONS AT COST	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHARGES ADDITIONS	BALANCE AT END OF PERIOD
Goodwill - net	1,453,344,478	-	-	-	-	1,453,344,478
Other Assets						
Airstrip improvements - net	43,372,480	-	(3,092,992)	-	-	40,279,488
Lease rights	35,000,000	-	(5,000,000)	-	-	30,000,000
Operating licenses	5,253,890	-	-	-	-	5,253,890
Total Other Assets	83,626,170	-	(8,092,992)	-	-	75,533,178
Total Intangible Assets	1,536,970,648	-	(8,092,992)	-	-	1,528,877,656

Schedule E

Long term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under "Current portion of long term debt"	Amount shown under caption "Long term debt"
Banco de Oro		2,768,638,744	-
Banco de Oro		25,120,923	82,472,907 6.00% payable from December 2015 to November 2020
Banco de Oro		9,599,859	28,584,529 6.00% payable from September 2015 to August 2020
Unionbank		9,116,471	11,161,858 8.60% payable from January 2016 to September 2019
Asia United Bank		130,000,000	314,166,667 6.18% payable from June 2015 to May 2020
		2,942,473,997	436,395,961

Schedule F

Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of Related Party	Balance at the Beginning of the Period	Balance at the End of the Period
Longview Holdings Corporation	9,070,691	9,070,691
TOTAL	9,070,691	9,070,691

Schedule H

Capital Stock

Title of Issue	Number of Shares Authorised	Number of shares issued and outstanding as shown under related Balance Sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,500,000,000	1,199,852,512		387,675,907	37,651,426	774,525,179
Preferred shares	2,500,000,000	1,650,000,000	82,500,000			

LEISURE & RESORTS WORLD CORPORATION
26th Floor, West Tower, PSE Center
Exchange Road, Ortigas Center, Pasig City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION

Figures are based from Parent Company's Financial Statements

Unappropriated Retained Earnings, 01 January 2016	P267,734,047
Adjustments in previous year's reconciliation	(141,867,538)
Unappropriated Retained Earnings, as adjusted, beginning	125,866,509
Net income for the current year based on the face of AFS	502,030,491
Less: Non-actual/unrealized income net of tax	
Equity in net income of a joint venture	(45,141,556)
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustments (M2M gains)	-
Fair value adjustments of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
Deferred income tax expense (benefit) for the period	(132,092,171)
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actually earned during the period	324,796,764
Add (Less):	
Dividend declarations during the period	(320,227,877)
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Treasury shares	-
Others	62,768,437
Unappropriated Retained Earnings, as adjusted, 31 December 2016	P193,203,833