



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, 2017, 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.

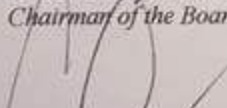
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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.


REYNALDO P. BANTUG
Chairman of the Board


ENG HUN CHUAH
President


OSCAR C. KHO, JR.
Group Chief Financial Officer

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Series of 2018
Signed this MAY 10 2018 day of

FERDINAND D. AVABAO
NOTARY PUBLIC
Until December 31, 2019
Appointment No. 16w2018-2019)
For Pasig City, Palawan and San Juan City
Attorney's Roll No. 46377
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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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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 Matters

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.

Impairment Testing of Goodwill

The risk

As at December 31, 2017, the Group has goodwill amounting to P1.5 billion. Under PFRS, the Group is required to test goodwill for impairment annually.

Goodwill 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 assumptions on future market and economic conditions, including cash flow projections, growth rates and discount rates. The key assumptions and sensitivities to the impairment test are disclosed in Note 11 to the consolidated financial statements.

Our response

We performed the following audit procedures, among others, around impairment testing of goodwill:

- We obtained the Group's discounted cash flow model that tests the carrying value of goodwill;
- We evaluated the reasonableness of key assumptions used by management in deriving the recoverable amount. These procedures included using our own internal valuation specialist to evaluate the key inputs and assumptions for growth and discount rates;
- We reviewed 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;
- We evaluated the adequacy of the disclosures in respect of impairment of goodwill in the consolidated financial statements.

Valuation of Investment Properties

The risk

Beginning January 1, 2017, the Group measures its investment properties at fair value. The carrying amount of the Group's investment properties as at December 31, 2017 amounted to P6.2 billion. The net changes in fair value attributable to investment properties amounted to P703.5 million for the year ended December 31, 2017. Fair values of the investment properties were assessed by management based on valuations performed and reported by an independent appraiser. The determination of the fair values involves significant judgments and estimation in selecting the appropriate valuation method and in determining the underlying assumptions. Any unreasonable bases used in these judgments could result in a material misstatement of the net income and investment properties account.

The valuation methods and key assumptions are disclosed in Note 9 to the consolidated financial statements.



Our response

We performed the following audit procedures to assess the valuation of investment properties included, among others:

- We evaluated the Group's controls over data used in the valuation of investment property portfolio and management's review of the evaluations;
- We evaluated the competence and objectivity of the independent appraiser engaged by the Group and held discussions with the independent appraiser to understand the valuation methods and assumptions used;
- We assessed the suitability of valuation methods used and reasonableness of key assumptions adopted in the valuations, within our understanding of the market environment and improvements or development in the properties;
- We evaluated the adequacy of the disclosures in respect of valuation of impairment properties in the consolidated financial statements.

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, 2017 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-AR-1, Group A, valid until May 31, 2020

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2016

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

PTR No. 6615134MD

Issued January 3, 2018 at Makati City

May 11, 2018

Makati City, Metro Manila



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

The Stockholders and Board of Directors
Leisure 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, 2017 and 2016, included in this Form 17-A, and have issued our report thereon dated May 11, 2018.

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

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

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
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Issued January 3, 2018 at Makati City

May 11, 2018
Makati City, Metro Manila

**LEISURE & RESORTS WORLD CORPORATION
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015**

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

		December 31		January 1
			2016	2016
	Note	2017	(As restated - Note 28)	(As restated - Note 28)
ASSETS				
Current Assets				
Cash	4	P424,583,323	P712,997,230	P338,802,543
Receivables - net	5	842,749,215	737,035,130	778,033,823
Advances to a casino project	25	-	3,762,000,000	4,780,000,000
Playing cards	6	32,777,872	35,044,044	37,709,669
Due from related parties	21	155,000,000	1,800,000	18,835,517
Prepaid expenses and other current assets	7	232,448,724	261,482,418	321,259,102
Total Current Assets		1,687,559,134	5,510,358,822	6,274,640,654
Noncurrent Assets				
Property and equipment - net	8, 13	2,023,479,032	1,859,370,353	1,530,538,764
Investment properties - net	9, 28	6,037,941,999	728,709,400	711,995,250
Investments and advances - net	10, 28	4,352,875,600	3,957,782,977	3,336,072,197
Available for sale financial asset	10	153,309,029	182,396,184	115,911,244
Deferred tax assets - net	22	238,185,533	336,168,150	186,701,197
Goodwill - net	11	1,502,067,704	1,453,344,478	1,453,344,478
Other noncurrent assets - net	12	767,071,613	600,285,638	989,892,531
Total Noncurrent Assets		15,074,930,510	9,118,057,180	8,324,455,661
		P16,762,489,644	P14,628,416,002	P14,599,096,315
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	14	P1,541,803,177	P784,925,839	P1,846,349,239
Short-term loans payable	13	2,382,346,330	1,189,324,000	1,211,094,749
Current portion of long-term loans payable	13	293,910,516	2,942,473,998	716,503,799
Current portion of obligations under finance lease	18	-	220,955	3,740,533
Due to a related party	21	9,070,691	9,070,691	9,070,691
Income tax payable		46,082,138	129,469,303	98,297,045
Total Current Liabilities		4,273,212,852	5,055,484,786	3,885,056,056
Noncurrent Liabilities				
Long-term loans payable - net of current portion	13	2,960,197,208	436,395,960	3,358,663,471
Retirement benefits liability	19	225,279,182	150,109,113	125,653,644
Deposits	10, 18	109,990,867	4,421,800	4,445,300
Obligations under finance lease - net of current portion	18	-	-	220,955
Deferred tax liabilities	22, 28	268,941,157	162,365,553	163,511,535
Total Noncurrent Liabilities		3,564,408,414	753,292,426	3,652,494,905
		7,837,621,266	5,808,777,212	7,537,550,961

Forward

	Note	December 31		January 1
		2017	2016 (As restated - Note 28)	2016 (As restated - Note 28)
Equity				
Equity Attributable to Owners of the Parent Company				
Capital stock	15	P2,849,852,512	P2,849,852,512	P2,849,852,512
Additional paid-in capital - common		1,114,028,555	1,114,028,555	1,114,028,555
Treasury shares		(89,405,347)	(79,864,266)	(71,142,419)
Retirement benefits reserve		(63,226,874)	(44,112,307)	(40,936,438)
Revaluation surplus		62,142,500	-	-
Fair value reserve		47,181,438	76,268,593	9,783,653
Foreign currency translation reserve		(2,099,981)	(434,274)	(434,274)
Other reserve		(1,294,351)	(1,294,351)	(1,294,351)
Retained earnings	28	4,379,108,901	4,298,999,625	2,787,799,906
		8,296,287,353	8,213,444,087	6,647,657,144
Non-controlling Interests	2	628,581,025	606,194,703	413,888,210
Total Equity		8,924,868,378	8,819,638,790	7,061,545,354
		P16,762,489,644	P14,628,416,002	P14,599,096,315

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				
		2017	2016 (As restated - Note 28)	2016 (As restated - Note 28)
	<i>Note</i>			
REVENUES				
Electronic bingo	16, 26	P4,335,682,089	P4,511,977,403	P3,443,133,605
Traditional bingo	16	2,203,605,691	2,331,211,277	2,258,500,291
Service and hosting fees	10, 17	1,088,064,463	1,866,742,326	1,602,083,123
Income from junket operations	26	855,588,806	894,388,540	1,045,943,776
Rent income	9, 18	463,350,087	397,385,417	211,721,519
Commission income	26	247,768,115	268,653,683	297,241,621
Rapid bingo	16, 26	231,344,036	262,811,873	267,128,770
Share in gaming revenue of a casino project	25	76,400,864	208,533,866	59,036,485
Compensation fee from a casino project	25	65,995,956	128,502,833	75,836,610
Pull tabs	16	15,644,756	17,715,410	9,441,338
		9,583,444,863	10,887,922,628	9,270,067,138
COSTS AND OPERATING EXPENSES				
Franchise fees and taxes	16, 17	3,887,880,592	4,691,725,486	3,946,755,050
Payouts	16	1,549,117,950	1,602,054,715	1,614,423,667
Salaries and other benefits		712,730,658	545,127,717	420,606,435
Rent	18	672,978,405	635,803,172	623,202,690
Contracted services		507,507,774	499,947,638	496,007,000
Depreciation and amortization	12, 28	492,645,814	351,476,986	280,552,695
Bandwidth and co-location costs	10	475,211,023	-	-
Communications and utilities		320,079,032	292,516,294	239,973,167
Advertising and promotion		254,844,823	235,925,879	204,189,567
Taxes and licenses		177,140,938	98,998,687	61,328,997
Professional and directors' fees		111,687,372	89,222,639	67,598,159
Representation and entertainment		110,202,337	132,741,844	61,965,979
Transportation and travel		98,928,979	71,229,283	54,087,028
Repairs and maintenance		86,310,319	62,269,298	29,796,154
Playing cards	6	79,269,030	84,927,286	68,632,463
Loss on impairment of advances	10	26,136,049	-	-
Loss on impairment of receivables	5	18,737,774	67,284,572	-
Loss on impairment of property and equipment	8	15,628,492	-	-
Loss on impairment of other noncurrent assets	12	12,864,994	-	-
Others		120,815,592	163,206,042	17,190,055
		9,730,717,947	9,624,457,538	8,186,309,106
OPERATING INCOME (LOSS)		(147,273,084)	1,263,465,090	1,083,758,032

Forward

Years Ended December 31				
			2016 (As restated - Note 28)	2016 (As restated - Note 28)
	<i>Note</i>	2017		
OTHER INCOME (EXPENSES) - Net				
Equity in net earnings of associates	10	P446,730,491	P818,821,941	P566,373,871
Unrealized gains on changes in fair values of investment properties	9, 28	256,852,850	16,714,150	17,068,150
Finance expense	20	(169,860,776)	(381,992,190)	(285,007,568)
Equity in net earnings of joint ventures	10	61,000,669	143,668,761	98,131,397
Finance income	20	44,589,655	280,229,331	244,782,955
Foreign exchange gain - net		2,083,457	21,769,337	9,971,225
Other income - net	20	248,766,689	120,271,476	181,545,949
		890,163,035	1,019,482,806	832,865,979
INCOME BEFORE INCOME TAX				
		742,889,951	2,282,947,896	1,916,624,011
INCOME TAX EXPENSE	22, 28	256,073,201	186,814,418	193,449,387
NET INCOME		486,816,750	2,096,133,478	1,723,174,624
Attributable to:				
Owners of the Parent Company		430,275,524	1,824,673,362	1,483,347,802
Non-controlling interest		56,541,226	271,460,116	239,826,822
		486,816,750	2,096,133,478	1,723,174,624
OTHER COMPREHENSIVE INCOME (LOSS) - Net				
Items that will be reclassified to profit or loss				
Revaluation gain (loss) of available for sale financial asset	10	(29,087,155)	66,484,940	9,783,653
Foreign currency translation loss		(1,665,707)	-	(295,148)
Items that will never be reclassified to profit or loss				
Revaluation surplus, net of tax	8, 9	89,182,693	-	-
Remeasurement loss on retirement benefits, net of tax	19	(19,899,719)	(2,433,492)	(15,362,220)
		38,530,112	64,051,448	(5,873,715)
TOTAL COMPREHENSIVE INCOME				
		P525,346,862	P2,160,184,926	P1,717,300,909
Attributable to:				
Owners of the Parent Company		P442,550,595	P1,887,982,433	P1,482,994,961
Non-controlling interest		82,796,267	272,202,493	234,305,948
		P525,346,862	P2,160,184,926	P1,717,300,909
Basic Earnings Per Share	23	P0.2444	P1.4070	P1.1220
Diluted Earnings Per Share		P0.2290	P1.3183	P1.0513

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	Note	Capital Stock		Additional Paid-in Common	Treasury Shares	Retirement Benefits Reserve	Revaluation Surplus	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non- controlling Interests	Total Equity
		Common Shares	Preferred Shares											
Balance at January 1, 2017, as restated	28	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P79,864,266)	(P44,112,307)	P -	P76,268,593	(P434,274)	(P1,294,351)	P4,298,999,625	P8,213,444,087	P606,194,703	P8,819,638,790
Net income for the year		-	-	-	-	-	-	-	-	-	430,275,524	430,275,524	56,541,226	486,816,750
Other comprehensive income (loss)		-	-	-	-	(19,114,567)	62,142,500	(29,087,155)	(1,665,707)	-	-	12,275,071	26,255,041	38,530,112
Total comprehensive income (loss) for the year		-	-	-	-	(19,114,567)	62,142,500	(29,087,155)	(1,665,707)	-	430,275,524	442,550,595	82,796,267	525,346,862
Effect of change in interest in an investment	10	-	-	-	-	-	-	-	-	-	(29,938,371)	(29,938,371)	39,646,055	9,707,684
Treasury shares acquired	15	-	-	-	(9,541,081)	-	-	-	-	-	-	(9,541,081)	-	(9,541,081)
Cash dividends	15	-	-	-	-	-	-	-	-	-	(320,227,877)	(320,227,877)	(100,055,000)	(420,283,877)
Balance at December 31, 2017		P1,199,852,512	P1,650,000,000	P1,114,028,555	(P89,405,347)	(P63,226,874)	P62,142,500	P47,181,438	(P2,099,981)	(P1,294,351)	P4,379,108,901	P8,296,287,353	P628,581,025	P8,924,868,378

Forward

Years Ended December 31

Note	Attributable to Owners of the Parent Company													
	Capital Stock		Additional Paid-in Capital - Common		Treasury Shares	Retirement Benefits Reserve	Fair Value Reserve	Foreign Currency Translation Reserve		Other Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
	Common Shares	Preferred Shares	Common	Common	Shares	Reserve	Reserve	Reserve	Reserve	Reserve	Earnings		Interests	
Restatements	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Balance at January 1, 2016, as restated	1,199,852,512	1,650,000,000	1,114,028,555	(71,142,419)	(40,936,438)	9,783,653	(434,274)	(1,294,351)	2,787,799,906	6,647,657,144	413,888,210	7,061,545,354		
Net income, previously reported	-	-	-	-	-	-	-	-	1,055,380,073	1,055,380,073	271,460,116	1,326,840,189		
Restatements	-	-	-	-	-	-	-	-	769,293,289	769,293,289	-	769,293,289		
Net income, as restated	-	-	-	-	-	-	-	-	1,824,673,362	1,824,673,362	271,460,116	2,096,133,478		
Other comprehensive income (loss)	-	-	-	-	(3,175,869)	66,484,940	-	-	-	63,309,071	742,377	64,051,448		
Total comprehensive income (loss) for the year	-	-	-	-	(3,175,869)	66,484,940	-	-	1,824,673,362	1,887,852,433	272,202,493	2,160,184,926		
Incorporation of a subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	-	-	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, as restated	P1,199,852,512	P1,650,000,000	P1,114,028,555	P(79,864,266)	P(44,112,307)	P76,268,593	P(434,274)	P(1,294,351)	P4,288,999,625	P8,213,444,087	P606,194,703	P8,819,638,790		

Forward

Years Ended December 31

	Note	Attributable to Owners of the Parent Company											Total	Non-controlling Interests	Total Equity
		Common Shares	Preferred Shares	Additional Paid-in Capital - Common	Treasury Shares	Retirement Benefits Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings					
Balance at January 1, 2015, as previously reported	28	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P31,095,092)	P -	(P139,126)	P -	P1,202,705,994	P5,064,210,424	P367,102,909	P5,431,313,333		
Restatements		-	-	-	-	-	-	-	-	385,978,412	385,978,412	-	385,978,412		
Balance at January 1, 2015, as restated		1,199,852,512	1,650,000,000	1,114,028,555	(71,142,419)	(31,095,092)	-	(139,126)	-	1,588,684,406	5,450,188,836	367,102,909	5,817,291,745		
Net income, previously reported		-	-	-	-	-	-	-	-	1,030,422,003	1,030,422,003	239,826,822	1,270,248,825		
Restatements	28	-	-	-	-	-	-	-	-	452,925,799	452,925,799	-	452,925,799		
Net income for the year, as restated		-	-	-	-	-	-	-	-	1,483,347,802	1,483,347,802	239,826,822	1,723,174,624		
Other comprehensive income (loss)		-	-	-	-	(9,841,346)	9,783,653	(295,148)	-	-	(352,841)	(5,520,874)	(5,873,715)		
Total comprehensive income (loss) for the year		-	-	-	-	(9,841,346)	9,783,653	(295,148)	-	1,483,347,802	1,482,994,961	234,305,948	1,717,300,909		
Acquisition of non-controlling interests	10	-	-	-	-	-	-	-	(1,294,351)	-	(1,294,351)	(8,708,677)	(10,003,028)		
Cash dividends	15	-	-	-	-	-	-	-	-	(284,232,302)	(284,232,302)	(178,811,970)	(463,044,272)		
Balance at December 31, 2015		P1,199,852,512	P1,650,000,000	P1,114,028,555	(P71,142,419)	(P40,936,438)	P9,783,653	(P434,274)	(P1,294,351)	P2,787,799,906	P6,647,657,144	P413,888,210	P7,061,545,354		

See Notes to the Consolidated Financial Statements.

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

	Note	Years Ended December 31		
		2017	2016 (As restated - Note 28)	2016 (As restated - Note 28)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P742,889,951	P2,282,947,896	P1,916,624,011
Adjustments for:				
Depreciation and amortization	8, 12	492,645,814	351,476,986	280,552,695
Equity in net earnings of associates	10	(446,730,491)	(818,821,941)	(566,373,871)
Unrealized gain on changes in fair values of investment properties	9, 28	(256,852,850)	(16,714,150)	(17,068,150)
Gain on pre-termination of advances to a casino project	25	(199,494,851)	-	-
Retirement benefits	19	172,345,591	20,058,574	13,521,414
Finance expense	20	169,860,776	381,992,190	285,007,568
Equity in net earnings of joint ventures	10	(61,000,669)	(143,668,761)	(98,131,397)
Finance income	20	(44,589,655)	(280,229,331)	(244,782,955)
Loss on impairment of advances	10	26,136,049	-	-
Net impairment losses on receivables	5	18,737,774	67,284,572	-
Loss on impairment of property and equipment	8	15,628,492	23,876,816	-
Loss on impairment of other noncurrent assets		12,864,994	-	-
Unrealized foreign exchange gain - net		(3,811,380)	(21,769,337)	(9,383,576)
Operating income before working capital changes		638,629,545	1,846,433,514	1,559,965,739
Decrease (increase) in:				
Receivables		(48,114,167)	(22,995,513)	(300,856,522)
Playing cards		2,266,172	2,665,625	(9,799,011)
Prepaid expenses and other current assets		29,767,442	(98,426,153)	(75,912,459)
Increase (decrease) in:				
Trade and other payables		425,447,435	(896,430,103)	271,871,716
Due to a related party		-	-	(100,000)
Deposits		(4,016,197)	(23,500)	23,500
Cash generated from operations		1,043,980,230	831,223,870	1,445,192,963
Income taxes paid		(170,615,600)	(256,594,004)	(152,653,331)
Benefits paid	19	(94,213,563)	-	-
Interest received		6,969,655	3,609,331	132,983
Net cash provided by operating activities		786,120,722	578,239,197	1,292,672,615

Forward

Years Ended December 31				
			2016	2016
	<i>Note</i>	2017	(As restated - Note 28)	(As restated - Note 28)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash given up from acquisition of subsidiaries and sites	11	(P74,400,000)	P -	(P619,212,000)
Additions to:				
Property and equipment	8	(610,719,393)	(696,092,399)	(1,153,257,645)
Investment properties		(4,888,210,589)	-	-
Investments and advances		146,906,200	337,285,071	(301,895,360)
Other noncurrent assets		(164,956,741)	381,513,901	(362,261,996)
Decrease (increase) in due from related parties		(106,901,348)	17,035,517	(13,346,752)
Effects of change in control in an investment		45,582,977	-	-
Interest received		37,620,000	276,620,000	274,790,413
Dividends received	10	-	114,000,000	180,000,000
Proceeds from advances to a casino project		3,961,494,851	1,018,000,000	(538,513,964)
Proceeds from disposal of property and equipment		-	-	135,296,438
Net cash provided by (used in) investing activities		(1,653,584,043)	1,448,362,090	(2,398,400,866)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable	13	5,233,804,606	1,209,602,329	2,500,073,432
Payments of loans payable	13	(4,161,381,258)	(1,927,670,390)	(883,990,682)
Dividends paid		(310,989,652)	(541,946,442)	(207,640,216)
Interest paid	13	(169,860,776)	(385,373,950)	(295,605,524)
Proceeds from acquisition by non-controlling interest	15	-	5,000,000	-
Payments for acquisition of treasury shares	15	(9,541,081)	(8,721,847)	-
Payments of obligations under finance lease		(220,955)	(3,740,533)	(7,962,278)
Net cash provided by (used in) financing activities		581,810,884	(1,652,850,833)	1,104,874,732
EFFECT OF EXCHANGE RATE CHANGES ON CASH		(2,761,470)	444,233	1,398,985
NET INCREASE (DECREASE) IN CASH		(288,413,907)	374,194,687	545,466
CASH AT BEGINNING OF YEAR		712,997,230	338,802,543	338,257,077
CASH AT END OF YEAR	4	P424,583,323	P712,997,230	P338,802,543

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 which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Available-for-sale financial assets	Fair value
Investment properties	Fair value
Retirement benefits liability	Present value of the defined benefits obligation

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on May 10, 2018.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as at December 31, 2017 and 2016:

Subsidiaries	Percentage of Ownership		Country of Incorporation
	2017	2016	
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	80	Philippines
First Cagayan Leisure and Resort Corporation (FCLRC)	69.68	69.68	Philippines
First Cagayan Converge Data Center, Inc. (FCCDCI)***	57.81	41.80	Philippines
Bingo Bonanza (HK) Limited (BBL)**	60	60	Hong Kong

*Incorporated on May 20, 2016 and started its commercial operations in October 2017.

**Non-operating subsidiary.

***Consolidated effective January 1, 2017 through FCLRC and LRDCSI at 60% and 20%, respectively.

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

	LRDCSI	FCLRC	BBL	FCCDCI
Non-controlling interests percentage	20.00%	30.32%	40.00%	42.19%
Current assets	P28,831,692	P1,796,713,369	P60,652	P179,049,403
Noncurrent assets	16,400,000	695,863,923	33,437	378,463,233
Current liabilities	(20,103,650)	(573,057,236)	(87,144,381)	(241,633,914)
Noncurrent liabilities	-	(82,273,472)	-	(102,057,037)
Net assets (liabilities)	25,128,042	1,837,246,584	(87,050,292)	213,821,685
Carrying amount of non-controlling interests	5,025,608	557,053,164	(34,820,117)	90,211,369
Revenue	4,292,492	423,284,360	-	660,487,611
Net income for the year	456,172	8,817,121	-	117,466,739
Other comprehensive income	-	86,593,144	-	-
Total comprehensive income	456,172	95,410,265	-	117,466,739
Net income allocated to non-controlling interests	91,234	2,673,351	-	49,559,217
Other comprehensive income allocated to non-controlling interests	-	26,255,041	-	-
Cash flows from operating activities	20,350,059	157,124,808	-	109,311,150
Cash flows used in investment activities	(16,400,000)	(28,237,086)	-	(129,275,411)
Cash flows used in financing activities	-	(35,993,012)	-	-
Net increase (decrease) in cash	P3,950,059	P92,894,710	P -	(P19,964,261)

	December 31, 2016		
	LRDCSI	FCLRC	BBL
Non-controlling interests percentage	20.00%	30.32%	40.00%
Current assets	P25,000,000	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)	25,000,000	2,097,674,208	(87,050,292)
Carrying amount of non-controlling interests	5,000,000	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	P -	(P22,015,600)	P -

ABLE

ABLE, a wholly-owned subsidiary, 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	
	2017	2016
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 Heaven 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	
	2017	2016
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	90
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.

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

Subsidiaries	Percentage of Ownership
	2017
AB Leisure Asia Holdings Inc. (ABLAHI)	100
AB Leisure Holdings Philippines Corp. (ABLHPC)	100
G-L Real Estate JV Corporation (GL-JV)	100
G-Boracay Land Holdings Inc. (GBLHI)	100
G-Boracay Alpha Holdings Inc. (GBAHI)	100
G-Boracay Beta Holdings Inc. (GBBHI)	100
G-Boracay Gamma Holdings Inc. (GBGHI)	100

These indirect subsidiaries were incorporated in 2017 for a future project. The land for such project was acquired in 2017 amounting to P4,759,548,749 (see Note 9).

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.

BCGLC

BCGLC was registered with the SEC on February 26, 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%.

On July 24, 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

LRDCSI was registered with SEC on May 20, 2016 and started its operation in October 2017. LRDCSI is a technology company engaged in aggregating data and telecommunication services. LRDCSI'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 LRDCSI.

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 an individual stockholder 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.

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 17).

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.

On January 1, 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI with a par and issue value of P1 for a total consideration of P16,400,000 to LRDCSI.

By virtue of the Deed of Absolute Sale of Share of Stock entered into by IPVI and LRDCSI, LRWC obtained a 57.81% effective interest and control in FCCDCI through its direct subsidiaries FCLRC and LRDCSI at 60% and 20% equity stake in FCCDCI, respectively. Thus, due to the effect of the 20% additional equity interest, FCCDCI is consolidated into the Group effective January 1, 2017.

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. Intra-group balances and transactions, including intra-group 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 estimates, judgments and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. However, uncertainty about these estimates, judgments 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 Parent Company operates and the currency that mainly influences the revenue and expenses.

Determination and Classification of Joint Arrangement

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 venture is structured in a separate incorporated entity. The joint venture agreement requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements. The Group has determined its involvement in joint arrangement and determined that its investment is classified as joint venture.

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.

In prior years, 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 interest in unconsolidated investment in FCCDCI is determined to be immaterial in prior years consolidated financial statements (see Note 10).

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 Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment properties, the appraisers used a valuation technique based on comparable market data available for such property.

Investment properties amounted to P6,037,941,999 and P728,709,400 as at December 31, 2017 and 2016, respectively. Unrealized gains on changes in fair values of investment properties recognized in profit or loss amounted to P256,852,850, P16,714,150, and P17,068,150 in 2017, 2016 and 2015, respectively (see Notes 9 and 28).

Distinction Between Investment Property and Property and Equipment

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. Property and equipment 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, land improvements and building 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 the properties which are classified as operating leases. 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 properties which are classified as operating leases.

Rent expense recognized in profit or loss in 2017, 2016, and 2015 amounted to P672,978,405, P635,803,172 and P623,202,690, respectively, while rent income recognized in profit or loss in 2017, 2016, and 2015 amounted to P518,343,958, P530,977,426 and P314,184,771, respectively (see Notes 18 and 20).

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, 2017 and 2016, the carrying amounts of goodwill arising from business combinations amounted to P1,502,067,704 and P1,453,344,478, respectively (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. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

As at December 31, 2017 and 2016, the aggregate carrying amounts of receivables and due from related parties of the Group amounted to P997,749,215 and P738,835,130, respectively. As at December 31, 2017 and 2016, the related allowance for impairment losses on receivables and due from related parties amounted to P133,810,814 and P81,213,223, respectively (see Notes 5 and 21).

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 2017 and 2016. As at December 31, 2017 and 2016, the playing cards were valued at cost amounting to P32,777,872 and P35,044,044, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment and Airstrip Improvements

The Group annually reviews the estimated useful lives of property and equipment 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 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 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
Gaming equipment	Property and equipment	5 years
Office furniture and fixtures and equipment	Property and equipment	5 years
Network equipment	Property and equipment	10 years
Condominium unit	Property and equipment	25 years
Airstrip improvements	Airstrip improvements	10 years or license agreement, whichever is shorter

There are no changes in estimated useful lives in 2017 and 2016.

Estimating Useful Lives of Intangible Assets - 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 lives of lease rights to have finite life which is the period of the related leased agreement.

Impairment Losses of Nonfinancial Assets Other than Goodwill

The Group assesses impairment on nonfinancial assets such as property and equipment, investments and advances, airstrip improvements and lease rights when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

There are no indicators of impairment on the Group's property and equipment, investments and advances other than the advances to Eco Leisure, airstrip improvements and lease rights for the years ended December 31, 2017, 2016 and 2015.

As at December 31, 2017 and 2016, the following are the carrying amounts of the Group's nonfinancial assets other than goodwill:

	<i>Note</i>	2017	2016
Property and equipment - net	8	P2,023,479,032	P1,859,370,353
Investments and advances - net	10, 28	4,352,875,600	3,957,782,977
Airstrip improvements - net	12	37,186,496	40,279,488
Lease rights - net	12	24,000,000	30,000,000

As at December 31, 2017 and 2016, the related allowance for impairment loss on investments and advances amounted to P87,336,049 and P61,200,000, respectively (see Note 10).

Impairment of Goodwill

Goodwill is 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 amounts and any resulting impairment losses could have a material adverse impact on the results of operations.

The impairment testing of goodwill utilized significant unobservable inputs (Level 3) to determine fair value.

The key assumptions on impairment testing of goodwill are presented in Note 11. The Group has not recognized any impairment loss on goodwill as at December 31, 2017 and 2016.

As at December 31, 2017 and 2016, the carrying amounts of goodwill amounted P1,502,067,704 and P1,453,344,478, respectively (see Note 11).

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, 2017 and 2016, retirement benefits liability amounted to P225,279,182 and P150,109,113, respectively (see Note 19).

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, 2017 and 2016, the Group recognized deferred tax assets amounted to P238,185,533 and P336,168,150, respectively (see Note 22).

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, 2017 and 2016.

Estimating 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 cases at the Supreme Court and Court of Tax Appeals. The Group's estimates of the probable costs for the resolution of these cases have been developed in consultation with outside legal counsel handling the prosecution and defense of these matters and are based on an analysis of potential results. The Group currently does not believe that the cases will have a material adverse effect on its consolidated financial statements. It is possible, however, that the future consolidated financial statements could be materially affected by changes in the estimates or in the effectiveness of strategies relating to its proceeding (see Note 26).

The Group has not recognized any provision as at December 31, 2017 and 2016 (see Note 26).

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, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards and interpretations starting January 1, 2017 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.

- *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.
- *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.
- *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:
 - *Clarification of the scope of the standard (Amendments to PFRS 12, Disclosure of Interests in Other Entities)*. 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.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are issued for annual periods beginning after January 1, 2017. 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, 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 assessed that its loans and receivables will continue to be classified at amortized cost and AFS financial asset will be classified similarly as fair value through other comprehensive income. The Group is currently assessing and has yet to reasonably estimate the change from an incurred loss model to the new expected credit loss model in measuring impairment loss. Upon adoption of the new standard, the Group will update its disclosure in accordance with the revised guidance on the classification, measurement and impairment of financial assets.

- *PFRS 15, Revenue from Contracts with Customers* replaces, *PAS 11, Construction Contracts, PAS 18, Revenue, International Financial Reporting Interpretations Committee (IFRIC) 13, Customer Loyalty Programmes, IFRIC 18, Transfer of Assets from Customers and Standard Interpretation Committee (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 currently assessing and has yet to reasonably estimate the potential impact of PFRS 15. Upon adoption of the new standard, the Group will update its disclosure in accordance with the new revenue recognition model.

- *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 interpretation clarifies 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 and has yet to reasonably estimate the potential impact of PFRS 16. The Group plans to adopt this new standard on leases on the required effective date.

- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 Income Taxes when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Group's chosen tax treatment. If it is not probable that the tax authority will accept the Group's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9).* The amendments cover the following areas:
 - Prepayment features with negative compensation. The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

- Modification of financial liabilities. The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e., the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

- *Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28).* The amendment requires the application of PFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests (LTIs) that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PFRS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any prior years' PAS 28 loss absorption. If necessary, prior years' PAS 28 loss allocation is trued-up in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

- *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.

Financial Assets

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, 2017 and 2016.

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 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.

The Group's cash, receivables, due from related parties, advances to a casino project, rental deposits, performance cash deposits and betting credit funds, 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.

Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group has no financial liabilities at FVPL as at December 31, 2017 and 2016.

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

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

Derecognition of Financial Assets and Financial Liabilities

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 impairment 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.

Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time. These typically comprise prepayments for commissions, taxes and licenses and rental.

Prepaid expenses are classified in the consolidated statements of financial position as current assets when the cost of goods or goods related to the prepaid expenses are expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

Other current assets represent resources that are expected to be used up within one year after the reporting date. These typically comprise advances to contractors and suppliers, input value-added tax (VAT), etc.

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 earnings of associates" and "Equity in net earnings of joint ventures" accounts, respectively in the profit or loss. 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 earnings of associates" and "Equity in net earnings of joint ventures" accounts in the profit or loss.

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.

Assets Held for Sale

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable. For the sale to be highly probable, (a) an appropriate level of management must be committed to a plan to sell the asset, (b) an active program must have been initiated, (c) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and (e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and its depreciation or amortization ceases.

The Group presents assets classified as held for sale and liabilities related to assets held for sale separately from other assets and other liabilities, respectively, in the consolidated statement of financial position. These assets and liabilities shall not be offset and presented as a single amount and the major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the consolidated statement of financial position or in the notes. Impairment loss is recognized for any subsequent write-down of the asset to fair value less costs to sell. Gain for any subsequent increase in fair value less costs to sell of an asset is also recognized but not in excess of the cumulative impairment loss that has been previously recognized.

If the Group has classified an asset as held for sale but the criteria as set out above are no longer met, the Group ceases to classify the asset as held for sale, the Group measures a noncurrent asset that ceases to be classified as held for sale at the lower of (a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and (b) its recoverable amount at the date of the subsequent decision not to sell.

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.

When the use of a property changes from property and equipment to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in revaluation reserve. Any loss is recognized in profit or loss.

Investment Properties

Investment properties consist of land, 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 Group adopted the fair value model for accounting for its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts using cost approach and sales comparison approach. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

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

Transfers are made to investment properties 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 properties 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 properties to owner-occupied properties or real estate inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If owner-occupied properties become investment properties, the Group accounts for such properties in accordance with the policy stated under property and equipment up to the date of change in use. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation is transferred to retained earnings.

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 lease term.

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 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, airstrip improvements and lease rights 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.

Unearned Fees

Unearned fees pertain 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.

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.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Dividend distribution to the Group's shareholder is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved and declared by the Group's Board of Directors.

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 profit or loss. 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

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. Revenue from bandwidth and co-location services are recognized as the services are performed. 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 represent 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. Measurements of segment assets and liabilities include adjustments to the prior carrying amounts of the identifiable segment assets and segment liabilities of a company acquired in a business combination accounted for as a purchase, even if those adjustments are made only for the purpose of preparing consolidated financial statements and are not recorded in either the parent's or the subsidiary's separate financial statements.

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>	2017	2016
Cash on hand and payout fund		P83,202,600	P76,523,976
Cash in banks	12, 13	341,380,723	636,473,254
		P424,583,323	P712,997,230

Cash in banks earn interest at the respective bank deposit rates. Interest income recognized in 2017, 2016, and 2015 amounted to P6,969,655, P3,609,331, and P132,983, respectively (see Note 20).

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 27.

5. Receivables

	<i>Note</i>	2017	2016
Trade receivables		P573,555,132	P653,884,194
Advances to third parties		240,375,595	18,497,582
Management fee and commission		89,268,657	79,068,657
Receivables from concessionaires		18,492,730	18,613,777
Advances to officers and employees	21	19,018,702	12,888,616
Others		35,849,213	35,295,527
		976,560,029	818,248,353
Less allowance for impairment losses		133,810,814	81,213,223
		P842,749,215	P737,035,130

As at December 31, 2017 and 2016, 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 2017 and 2016 are as follows:

		2017	2016
Balance at beginning of year		P81,213,223	P13,928,651
Effect of consolidation of FCCDCI	10	33,859,817	-
Provisions during the year		18,737,774	67,284,572
Balance at end of year		P133,810,814	P81,213,223

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

Allowance for impairment losses on trade receivables amounted to P92,356,141 and P58,496,324 as at December 31, 2017 and 2016, respectively.

Advances to Third Parties

Advances to third parties consist mainly of funds provided to a future project reimbursable from the project partner. These advances are noninterest-bearing, unsecured and collectible on demand.

Allowance for impairment losses on advances to third parties amounted to P18,737,774 and nil as at December 31, 2017 and 2016, 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 "Techzone 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, 2017 and 2016.

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 as at December 31, 2017 and 2016, respectively.

The Group's exposure to credit risk relating to receivables excluding advances to officers and employees is disclosed in Note 27.

6. Playing Cards

This account consists of:

	2017	2016
At cost:		
Bingo cards	P30,990,537	P34,024,346
Others	1,787,335	1,019,698
	P32,777,872	P35,044,044

The playing cards are valued at cost as at December 31, 2017 and 2016. The cost of playing cards charged to profit or loss in 2017, 2016, and 2015 amounted to P79,269,030, P84,927,286, and P68,632,463, respectively.

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

7. Prepaid Expenses and Other Current Assets

	2017	2016
Prepaid expenses	P155,903,905	P110,908,868
Advances to contractors and suppliers	25,997,309	123,998,588
Creditable withholding tax	27,548,336	-
Input value-added tax (VAT)	19,168,703	21,700,593
Others	3,830,471	4,874,369
	P232,448,724	P261,482,418

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 down payment to vendors that will be applied against future deliveries of goods and performance of services.

8. Property and Equipment

The movements in this account are as follows:

	Land	Leasehold Improvements	Aircraft and Transportation Equipment (Notes 13 and 14)	Gaming Equipment	Office Furniture, Fixtures and Equipment	Network Equipment	Condominium Unit	Construction in Progress	Total
Cost									
January 1, 2016	P185,546,674	P866,670,507	P447,031,050	P323,487,630	P429,492,923	P -	P7,146,816	P -	P2,259,375,600
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	-	2,923,356,084
Assets acquired through business combination	-	-	-	-	750,086	-	-	-	750,086
Assets from the consolidation of FCCDCI	814,000	18,213,177	3,273,214	-	6,595,053	223,943,352	-	-	252,838,796
Additions	-	121,855,954	18,941,975	337,826,000	150,131,137	108,018,721	-	3,052,032	739,825,819
Retirement/ reclassification	(186,078,447)	(19,539,942)	-	(187,093)	(9,328,638)	-	-	-	(215,134,120)
December 31, 2017	282,227	1,279,520,568	510,582,253	907,126,798	661,963,898	331,982,073	7,146,816	3,052,032	3,701,636,665
Accumulated Depreciation and Amortization									
January 1, 2016	-	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	-	1,063,985,731
Assets from the consolidation of FCCDCI	-	18,094,895	2,475,250	-	5,699,689	117,776,427	-	-	144,046,261
Depreciation and amortization	-	205,734,718	37,624,541	97,766,571	121,503,709	20,683,697	239,586	-	483,552,822
Retirement/ reclassification	-	(8,459,965)	-	(54,663)	(4,912,553)	-	-	-	(13,427,181)
December 31, 2017	-	752,365,498	164,107,027	212,665,321	405,065,371	138,460,124	5,494,292	-	1,678,157,633
Carrying Amount									
December 31, 2016	P185,546,674	P621,995,529	P364,359,828	P454,534,478	P231,041,734	P -	P1,892,110	P -	P1,859,370,353
December 31, 2017	P282,227	P527,155,070	P346,475,226	P694,461,477	P256,898,527	P193,501,949	P1,652,524	P3,052,032	P2,023,479,032

In 2017, the Group reclassified its land rights amounting to P186,078,447 to investment properties due to change in use of the asset. Revaluation surplus resulting from the reclassification amounted to P106,752,553 in 2017 (see Note 9).

Noncash Investing Activity

The Company has unpaid acquisitions of property and equipment amounting to P129,106,426 as at December 31, 2017, which are included under "Trade and other payables" account in the consolidated statement of financial position.

9. Investment Properties

This account consists of:

	Note	Land	Land Improvements	Building	Total
January 1, 2016*		P458,785,250	P14,102,000	P239,108,000	P711,995,250
Unrealized gain on changes in fair values of investment properties		13,108,150	177,000	3,429,000	16,714,150
December 31, 2016*		471,893,400	14,279,000	242,537,000	728,709,400
Additions		4,759,548,749	-	-	4,759,548,749
Transfer from property and equipment, at cost	8	186,078,447	-	-	186,078,447
Revaluation surplus		106,752,553	-	-	106,752,553
Unrealized gains on changes in fair values of investment properties		249,054,850	121,000	7,677,000	256,852,850
December 31, 2017		P5,773,327,999	P14,400,000	P250,214,000	P6,037,941,999

*As restated, see Note 28

In November 2017, the Group acquired parcels of land in Boracay, Aklan for future project use. The fair value of the land approximates its acquisition cost as it was acquired close to December 31, 2017 and categorized as Level 3 in the fair value hierarchy.

The land transferred from property and equipment to investment property represents land rights in CSEZFP. In 2017, the management reassessed the use of the assets and plans to use the land for capital appreciation.

In 2010 and 2012, the Group purchased these from land owners who were granted free patent by the government in accordance with Republic Act (RA) 10023, also known as the Free Patent Act. Legal ownership is yet to be transferred after the prohibition period of five (5) years in accordance with the said RA. While the legal ownership is not yet transferred, the rights of ownership is already with the Group at the time of the execution of the transaction.

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 and 2012 amounting to P140,967,803 is exercisable as at 2013. In 2017, the legal ownership of the parcel of land in Brgy. Rapuli, Sta. Ana, Cagayan amounting to P45,110,644 was transferred to the Group. No transfer of legal ownership was made on the two (2) properties as at December 31, 2017.

The estimated fair value of the parcels of land in CSEZFP amounted to P292,831,000 as at December 31, 2017. Revaluation surplus, net of tax, recognized under other comprehensive income amounted to P89,182,693 in 2017.

The following table provides the fair value hierarchy of the Group's investment properties as at December 31, 2017 and 2016:

Fair value Hierarchy		2017	2016
Land	Level 3	P5,969,894,699	P600,555,240
Land Improvements	Level 3	14,400,000	14,279,000
Building	Level 3	250,214,000	242,537,000
		P6,234,508,699	P857,371,240

The Group's investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent appraiser.

Valuation Techniques and Significant Unobservable Inputs

The fair values of the investment properties were arrived at using the Sales comparison approach for land and Cost Approach for buildings and land improvements.

Sales comparison approach is an approach that considers available market evidences. The aforesaid approach is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The unobservable inputs to determine the market value of the property are the following: location characteristics, size, improvements and developments, and time element.

Cost approach is an approach that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The appraiser particularly used the Reproduction Cost (New) less depreciation. In the context of the valuation, the depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration and functional, and economic obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available.

Rental income from investment properties which are included under "Rent income" account in profit or loss amounted to P17,984,919, P15,984,293 and P27,758,752 in 2017, 2016 and 2015, respectively (see Note 18). Direct costs attributable to rental income on investment properties arising from amortization, repairs and maintenance, real property tax and rent expense amounted to P18,481,665, P16,303,077 and P9,861,832 in 2017, 2016 and 2015, respectively.

10. Investments and Advances and Available for Sale Financial Asset

Investments and Advances

	Percentage of Ownership	2017	Percentage of Ownership	2016 (As restated - see Note 28)
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
Insular Gaming Corp. (Insular)				
Common shares	40%	199,800	40%	199,800
		271,399,800		271,399,800
Accumulated equity in net earnings:				
Balance at beginning of year		1,442,224,041		623,402,100
Share in net income from Techzone		445,350,693		818,821,941
Insular		1,379,798		-
		1,888,954,532		1,442,224,041
Dividends received from insular		(400,000)		-
		1,888,554,532		1,442,224,041
Balance at end of year		2,159,954,332		1,713,623,841
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
Effect of change in interest in FCCDCI		(15,000,000)		-
		750,938,000		765,938,000
Accumulated equity in net income:				
Balance at beginning of year		175,525,284		145,856,523
Share in net income from FCCDCI		-		98,527,205
Effect of consolidation of FCCDCI		(52,858,127)		-
Share in net income from HEPI		61,000,669		45,141,556
		183,667,826		289,525,284
Dividends declared by FCCDCI		-		(114,000,000)
		183,667,826		175,525,284
Balance at end of year		934,605,826		941,463,284
Advances				
Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC)		966,578,042		892,934,105
HEPI		142,420,099		268,330,408
BLRI		138,978,241		144,241,925
AB Fiber Corp.		31,696,665		31,696,665
Eco Leisure		26,136,049		26,136,049
Land Owners		14,539,781		-
Others		24,745,914		-
		1,345,094,791		1,363,339,152
Allowance for impairment losses		(87,336,049)		(61,200,000)
		1,257,758,742		1,302,139,152
		4,352,318,900		3,957,226,277
Other investments - at cost		556,700		556,700
		P4,352,875,600		P3,957,782,977

As at January 1, 2016, the balance of investments and advances previously reported and as restated amounted to P2,915,198,452 and P3,336,072,197, respectively. The restatement pertains to the reclassification from investment and advances to land held for disposal and investment properties amounting to P5,365,128 and P6,542,009, respectively (see Note 28).

The investment properties of TPI were stated at fair value to conform to the accounting policy of the Group (see Note 28).

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 was received by BLRI from 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 P29,250,164, P30,169,710 and P31,160,074 as at December 31, 2017, 2016, and 2015, respectively. Unrecognized share in net income amounted to P919,546, P990,364, and P596,409 in 2017, 2016 and 2015, respectively.

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 P7,305,138 and P13,750,000 in 2017 and 2016, respectively.

The investment and advances to BLRI was provided with a valuation allowance amounting to P61,200,000 as at December 31, 2017 and 2016.

The summarized financial information of BLRI and the reconciliation of the presented summary of information to the carrying amounts of its interest in an associate are as follows:

	2017	2016
Current assets	P11,047,820	P8,738,611
Noncurrent assets	39,703,229	52,543,992
Current liabilities	184,057,600	187,040,011
Noncurrent liabilities	10,860,663	21,474,960
Total net liabilities	(144,167,214)	(147,232,368)
Investment in preferred shares	20,000,000	20,000,000
Equity attributable to common shares	(164,167,214)	(167,232,368)
Group's share in net assets	(49,250,164)	(50,169,710)
Accumulated recognized share in net losses as at end of year for preferred shares	20,000,000	20,000,000
Accumulated unrecognized share in net losses as at end of year	29,250,164	30,169,710
Carrying amount of interest in an associate	P -	P -
Revenues	P28,749,494	P28,583,780
Net income/total comprehensive income	3,065,154	3,301,213
Group's unrecognized share of total comprehensive income	P919,546	P990,364

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 and the reconciliation of the presented summary of information to the carrying amounts of its interest in an associate are as follows:

	2017	2016 (As restated - see Note 28)
Current assets	P341,975,649	P452,487,839
Noncurrent assets	4,852,292,907	4,083,939,813
Current liabilities	271,850,714	438,985,786
Noncurrent liabilities	647,268,374	712,993,784
Total net assets	4,275,149,468	3,384,448,082
Carrying amount of interest in an associate	P2,137,574,734	P1,692,224,041
Revenues	P280,781,415	P230,549,354
Net income/total comprehensive income	890,701,386	1,637,643,882
Group's share of total comprehensive income	P445,350,693	P818,821,941

Insular

Insular is a 40%-owned associate of ABLE Parent. Insular was incorporated in the Philippines and is engaged in providing amusement and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games.

The summarized financial information of Insular and the reconciliation of the presented summary of information to the carrying amounts of its interest in an associate are as follows:

	2017	2016
Current assets	P2,196,568	P510,995
Noncurrent assets	1,863,317	1,976,151
Current liabilities	1,110,390	1,987,146
Total net assets	2,949,495	500,000
Group's share in net assets	1,179,798	200,000
Difference from cost on acquisition	(200)	(200)
Carrying amount of interest in an associate	P1,179,598	P199,800
Revenues	P50,090,416	P -
Net income/total comprehensive income	3,449,495	-
Group's share of total comprehensive income	P1,379,798	P -

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 March 10, 2016, the Amended Articles of Incorporation of HEPI amending Article II Primary Purpose, Article IV extending the term of the corporate existence of HEPI to another fifty (50) years from July 30, 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 and the reconciliation of the presented summary of information to the carrying amounts of its interest in a joint venture are as follows:

	2017	2016
Current assets (including cash - 2017: P144,911,207, 2016: P67,927,259)	P696,518,658	P562,745,307
Noncurrent assets	2,479,508,896	2,461,220,504
Current liabilities (including current financial liabilities excluding trade and other payables - 2017: P660,566,314, 2016: P658,349,759)	887,887,503	929,676,080
Noncurrent liabilities (including noncurrent financial liabilities - 2017: P962,572,562, 2016: P902,068,224)	1,298,550,534	1,216,423,207
Total net assets	989,589,517	877,866,524
Other comprehensive income	(775,016,646)	(730,846,646)
Total net assets after adjustment	214,572,871	147,019,878
Share in net assets	109,432,164	74,980,138
Premium on acquisition	798,625,019	798,625,019
True-up adjustment	26,548,643	-
Carrying amount of interest in a joint venture	P934,605,826	P873,605,157
Revenues	P557,845,067	P681,346,593
Net income/total comprehensive income	67,552,993	88,512,855
Group's share of total comprehensive income	P34,452,026	P45,141,556

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.

The advances to Eco Leisure was fully provided with a valuation allowance amounting to P26,136,049 as at December 31, 2017.

FCCDCI

On November 14, 2007, FCLRC and IP Converge Data Center Corporation (IPCDCC), a wholly owned subsidiary of listed firm IPVG Corp., formed a joint venture corporation with the name First Cagayan Converge Data Center Inc. The joint venture corporation was formed to engage in the business of information technology such as IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution, premium dial up access, voice over internet protocol, IP-wide area network services and other value-added services. Presently, FCCDCI provides a range of services to Internet Gaming Operators at the CSEZFP for a fee.

FCCDCI commenced its commercial operations on January 1, 2008, thus, since then, FCLRC's statement of income includes 60% equity in net earnings from FCCDCI.

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

Date of Declaration	Dividend Per Share		Total Dividends	
	PhP	USD	PhP	USD
January 18, 2016	2.00	0.04	50,000,000	1,049,318
March 31, 2016	3.40	0.07	85,000,000	1,845,018
November 4, 2016	2.20	0.04	55,000,000	1,100,000

The summarized financial information of FCCDCI and the reconciliation of the presented summary of information to the carrying amounts of its interest in a joint venture are as follows:

	2016
Current assets (including cash - P45,582,977)	P281,390,753
Noncurrent assets	123,654,570
Current liabilities (including current financial liabilities excluding trade and other payables - P110,362,559)	311,079,512
Total net assets	93,965,811
Translation differences	19,131,067
Total net assets after adjustment	113,096,878
Carrying amount of interest in a joint venture	P67,858,127
Revenues	P673,019,396
Net income/total comprehensive income	164,212,009
Group's share of total comprehensive income	P98,527,205

On January 1, 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI with a par and issue value of P1 for a total consideration of P16,400,000 to LRDCSI.

In prior years, the management of the Group believes that it has control over FCCDCI, however, the Group's interests in unconsolidated investment in FCCDCI is determined to be immaterial in the consolidated financial statements. The Group consolidated FCCDCI effective January 1, 2017 following the acquisition of LRDCSI of 20% ownership in FCCDCI. As a result, the Group's ownership interest in FCCDCI increased to P57.81% and total investments in joint ventures amounting to P67,858,127 were derecognized. The excess of the cost of additional interest acquired over the net carrying amounts of the assets and liabilities of FCCDCI amounting to P29,938,372 is recognized under "Retained earnings" account in the equity. The consolidation of FCCDCI in the Group resulted in recognition of non-controlling interest amounting to P39,656,055.

FCCDCI and LRDCSI provide advanced information technology infrastructure services for businesses such as co-location, internet services, connectivity, business continuity and disaster recovery, and managed professional services. Service agreements with the customers are renewable annually, and require a security deposit equivalent to one to two months of current service or recurring fees. The security deposit is forfeited in favor of FCCDCI and LRDCSI in the event the customer pre-terminates the agreement without cause or when FCCDCI and LRDCSI exercise its right to terminate the agreement.

The Group recognized service fees from FCCDCI and LRDCSI amounting to P664,780,103, in 2017 and nil in 2016 and 2015, which is included under "Service and hosting fee" account in profit or loss. As at December 31, 2017 and 2016, customers' deposits from FCCDCI and LRDCSI included under "Deposits" account in the consolidated statements of financial position amounted to P105,569,067 and nil, respectively.

FCCDCI and LRDCSI have a service agreement for bandwidth and co-location, including hosting and internet connection with IPCDCC. The Group recognized the amount of bandwidth and co-location in profit or loss amounted to P475,211,023 in 2017 and nil in 2016 and 2015.

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 Lal-lo 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 and was upgraded in 2017. Upon submission of all the requirements needed by the Civil Aviation Authority of the Philippines (CAAP), the airport received its first commercial flight in March 2018.

As at December 31, 2017, 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 transferred to investment properties account and the land committed where the airport was built, is part of the investments committed in the Master Development Plan under the license agreement (see Note 17). The recent regulatory developments indicate potential impairment indicators which triggered an impairment testing using fair value less cost sell. There is no impairment loss for the years ended December 31, 2017, 2016 and 2015.

As at December 31, 2017, the recoverable amount of advances to CLPDC and CPVDC was based on the Group's share in fair value less costs of disposal of the investments. The management determined the recoverable amount of the significant assets based on the valuations performed by an accredited independent appraiser and categorized as Level 3 fair value based on the inputs. The fair values of the investments were arrived using the Market Data Approach for land and Cost Approach for buildings and improvements. The valuation techniques and significant unobservable inputs of the two methods are discussed in Note 9.

Management believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the investment in FCLRC would exceed the recoverable amount.

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, 2017 and 2016.

Available for Sale Financial Asset (AFS)

	2017	2016
Balance at beginning of year	P182,396,184	P115,911,244
Unrealized gain (loss) during the year	(29,087,155)	66,484,940
Balance at end of year	P153,309,029	P182,396,184

The market prices of DFNN common shares as at December 31, 2017 and 2016 is P7.01 and P8.34, respectively.

On August 13, 2015, the LRWC's advances to DFNN 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 P18,105,263 and P2,671,783 common shares as at the date of conversion were P5.15 and P6.04 per share, respectively. No interest income was recognized in profit or loss in 2017 and 2016.

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" account in the consolidated statements of financial position as at December 31, 2017 and 2016.

11. Business Combination and Goodwill

As at December 31, goodwill consist of:

	2017	2016
Cost		
Balance at beginning of year	P1,485,422,930	P1,485,422,930
Additions	48,723,226	-
Balance at end of year	1,534,146,156	1,485,422,930
Accumulated Impairment Losses	32,078,452	32,078,452
Carrying Amount	P1,502,067,704	P1,453,344,478

The carrying amount of goodwill is allocated to the CGUs are as follows:

	2017	2016
TGXI	P598,273,933	P598,273,933
ABLE and other bingo units		
ABLE Parent	415,723,887	415,723,887
Topnotch	163,835,800	163,835,800
Others*	145,701,876	96,978,650
BCGLC	149,858,702	149,858,702
FCLRC	28,673,506	28,673,506
	P1,502,067,704	P1,453,344,478

*Various bingo entities which the goodwill is individually insignificant.

Acquisitions through ABLE

In 2017, the Group acquired six (6) bingo sites for a total consideration of P58,000,000. The sites purchased qualified as businesses in accordance with PFRS 3, *Business Combinations* which resulted into a provisional goodwill of P48,723,226. The goodwill represents fair value of expected synergies. Below are the provisional amounts of identifiable assets acquired:

Total Consideration	P58,000,000
Cash performance bonds	7,000,000
Refundable deposits	1,526,688
Fixed assets	750,086
Total Identifiable Net Assets at Fair Value	9,276,774
Goodwill	P48,723,226

The acquisition is in line with the Group's goal to expand its bingo operations.

The initial accounting for the acquisition of these entities has only been provisionally determined pending the finalization of necessary market valuations and determined based on management's estimate of the likely values. As allowed under the relevant standard, the Group will recognize any adjustment to those provisional values as an adjustment to goodwill upon determining the final values of identifiable assets and liabilities within twelve (12) months from the acquisition date.

None of the goodwill recognized is expected to be deductible for income tax purposes.

The Group's consolidated revenue would have increased by P37,414,724 and its income before tax would have increased by P434,898, for the year ended December 31, 2017 had this acquisition taken place on January 1, 2017. Total revenue and income before tax of acquired sites included in the 2017 consolidated statement of profit or loss and other comprehensive income amounted to P84,844,742 and P1,102,885, respectively. Income before income tax effects are computed using reasonable allocation of cost and expenses.

Key Assumptions on Impairment Testing of Goodwill

The Group performs impairment testing of goodwill annually. The recoverable amount of the cash generating units containing the goodwill is based on the value-in-use which is determined on discounting the future cash flows to be generated from the continuing use of the cash generating units.

The following are the key assumptions used by the management in the estimation of the recoverable amount:

Gross Revenues. Gross revenues of the Group 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.

The revenue growth rates used for the gross revenues are as follows:

	2017	2016
TGXI	6.7%	4.0%
BGCLC	6.0%	6.0%
ABLE and other units	4.0% - 6.0%	4.0% - 6.0%
FCLRC	10.8%	6.0%

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 Group'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 pre-tax discount rates used are as follows:

	2017	2016
TGXI	8.2%	6.9%
BGCLC	6.6%	12.7%
ABLE and other units	6.2%	5.9%
FCLRC	11.4%	12.1%

Terminal 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 terminal growth rates used in the cash flow projections for all cash generating units are 3.2% and 4% in 2017 and 2016, respectively.

In 2017, the management has identified that a reasonable change of the following assumptions would cause the carrying amount to equal the recoverable amounts of TGXI and ABLE Parent.

	Revenue Growth Rate	Discount Rate
TGX I	5.4%	10.49%
ABLE Parent	2.8%	8.6%

In 2017, the management assessed reasonable changes for other key assumptions and has not identified any that could cause the carrying amounts to exceed the recoverable values of TGXI and ABLE Parent. Management believes that any reasonable change in any of the key assumptions would not cause the carrying amounts of the cash generating units for BCGLC, FCLRC and other bingo units to exceed the recoverable values.

In 2016, the management has identified that a reasonable change of the following key assumptions would cause the carrying amounts to equal the recoverable amount of TGXI and FCLRC.

	Revenue Growth Rate	Discount Rate
FCLRC	3.7%	15.0%
TGX I	0.45%	23.0%

Management assessed reasonably possible changes for other key assumptions and has not identified any that could cause the carrying amounts to exceed the recoverable values of TGXI and FCLRC. Management believes that any reasonable change in any of the key assumptions would not cause the carrying amounts of the cash generating units for BCGLC and ABLE and other bingo units.

The recoverable amounts of ABLE and TGXI are estimated to exceed their carrying amounts as at December 31, 2017 by P503 million and P326 million, respectively.

The recoverable amounts of ABLE and FCLRC are estimated to exceed their carrying amount as at December 31, 2016 by P453 million and P753 million, respectively.

12. Other Noncurrent Assets

	<i>Note</i>	2017	2016 (As restated - see Note 28)	2015 (As restated - see Note 28)
Rental deposits	18	P362,093,223	P330,662,338	P301,548,039
Cash performance bonds	16	237,805,000	176,860,000	114,478,659
Cash in bank - restricted	13	88,768,075	-	446,356,631
Airstrip improvements - net	17	37,186,496	40,279,488	43,372,480
Performance cash deposits and betting credit funds		7,600,000	-	10,800,000
Operating licenses		4,253,690	4,253,690	4,253,690
Advances for a business venture		-	-	49,852,911
Advanced regulatory fee on ICBG2		-	12,864,994	12,864,994
Others		29,365,129	35,365,128	6,365,127
		P767,071,613	P600,285,638	P989,892,531

Airstrip Improvements

The movements in this account are as follows:

Cost	P103,099,734
Accumulated Depreciation	
January 1, 2016	59,727,254
Depreciation	3,092,992
December 31, 2016	62,820,246
Depreciation	3,092,992
December 31, 2017	65,913,238
Carrying Amount	
December 31, 2016	P40,279,488
December 31, 2017	P37,186,496

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 16).

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.

Impairment loss amounting to P12,864,994 was recognized in 2017.

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.

In 2017, performance cash deposits and betting credit funds amounting to P7,600,000 are reimbursable to Inter-active Entertainment Solutions Technology (IEST), one of TGXI's existing service provider.

Others

Others consist of land held for contribution and lease rights. Land held for contribution pertains to parcels of land named to the Group where the CZEZFP Airport in Cagayan will be built. The Group intends to convert its advances to CLPDC which it will eventually contribute the parcels of land to CPVDC.

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.

The movements in lease rights are as follows:

Cost	P35,000,000
Accumulated Amortization	
January 1, 2016	-
Amortization	5,000,000
December 31, 2016	5,000,000
Amortization	6,000,000
December 31, 2017	11,000,000
Carrying Amount	
December 31, 2016	P30,000,000
December 31, 2017	P24,000,000

13. Loans Payable

- a. In May 2013, ABLGI entered into a financing agreement with BDO Unibank, Inc. (BDO) for the purpose of funding ABLGI's contribution pursuant to the Operating Agreement with Belle Corporation (see Note 25). 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 2016, the Group 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, ABLGI 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 25).

As at December 31, 2016, in relation to the termination agreement, the remaining loan balance was reclassified to current as ABLGI intends to settle the loan in 2017 out of the proceeds from Belle's payments of ABLGI's interest in the Project.

Terms and conditions are as follows:

	December 31, 2016		Carrying Amount
	Interest Rate	Maturity Date	
Long Term BDO	5.75% - 6.25%	May 2013 - May 2021	P2,768,636,744
Less current portion			2,768,636,744
			P -

On March 31, 2017, the Group fully paid the remaining loan balance out of the proceeds from Belle's payment of the Group's interest in the Project.

On November 29, 2017, ABLGI executed an Omnibus Loan and Security Agreement (OLSA) with BDO to partially finance the equity investment which GL-JV has undertaken to use for the purpose of acquiring land in Boracay. The loan amounted to P2,500,000,000, which is payable in full on the final repayment date in November 2022. Interest rate approximates 5.66% per annum and is subject to change depending on the higher of (a) three (3) month Philippine Dealing System Treasury Reference Rate (PDST-R2) plus applicable spread of 2.5% divided by 0.95 or (b) 28-day Time Deposit Facility Rate plus applicable spread of 1% divided by 0.95. Interest is payable on a quarterly basis.

Among the provisions of the agreement, ABLGI is mandated to establish two bank accounts, a DSRA and a Debt Service Payment Account (DSPA). Both accounts are to be maintained at a certain level of funding to facilitate ABLGI's loan and interest payments to BDO. In the event that funding in the DSPA is insufficient to cover payments of interest, BDO is authorized to directly debit the DSRA to maintain the required funding level. ABLGI is required to pay a front-end fee equivalent to zero point seventy-five percent (0.75%) of the total amount of loan. Transaction costs that are directly attributable on the issuance of loan amounted to P44,024,948 which were amortized over the life of the loan. Outstanding balance of the loan as at December 31, 2017 amounted to P2,456,708,801.

In consideration of the commitment of BDO to fund the ABLGI's equity investment, ABLGI, GL-JV, ABLAHI and ABLHPC has assigned to BDO its respective rights, titles and interest to all monies standing in the DSRA and DSPA, and other bank accounts created for this particular purpose, project receivables (collectively termed as "Assigned Collaterals"), as well as the proceeds, products, fruits of the aforementioned Assigned Collaterals. The Group has classified its cash included under the DSRA and DSPA as "Cash in bank - restricted" account under other noncurrent assets in the consolidated statements of financial position amounting to P72,060,412 (see Note 12).

As a part of the loan agreement with BDO, the Group is required to comply with affirmative financial ratios such as debt-to-equity which the Group complied with as at December 31, 2017.

In addition, the loan is guaranteed by the following entities, (1) GL-JV, (2) ABLAHI, (3) ABLHPC, (4) LRWC, (5) ABLE, (6) TGXI, (7) PIKI, (8) BCGLC and (9) FCLRC.

The loan is likewise secured by project agreements, chattels and real assets owned by either one of the parties to the agreement. Mortgaged properties and mortgaged shares are as follows:

Mortgaged Properties	Note	Carrying Amount
Land	9	P4,759,548,749
Investment property	9	171,300,000
		P4,930,848,749

Mortgaged Shares	Shareholder	No of Shares	Carrying Amount
GL-JV	ABLHPC	5,000,000	P500,000,000
ABLHPC	ABLAHI.	3,750,000	375,000,000
GBLHI	ABLGI	3,000,000	300,000,000
TGXI	LRWC	930,000	93,000,000
			P1,268,000,000

- b. In November 2017, ABLGI entered into short-term loan agreements with local finance companies, namely, Classic Finance Inc. and Fortune Gate Holiday Philippines Inc, to partially finance the acquisition of land in Boracay by GL-JV. The loans amounting to P999,580,000 shall be payable in one year. Annual interest rate ranges from 6%-12% subject to change depending on the prevailing financial and monetary conditions. In consideration of the loan from Fortune Gate Holiday Philippines, ABLGI pledged 47,801 shares of stock of HEPI, which is owned by LRWC, for a total amount of P47,801,000.
- c. In July 2014, LRWC entered into a short-term loan facility with Asia United Bank (AUB) to facilitate the financing of the acquisition of TGXI. The maximum loanable amount is P650,000,000 which can be availed in a single or multiple release 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, 2017. 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 P594,810,705 and P591,821,707 as at December 31, 2017 and 2016, respectively.

Terms and conditions are as follows:

December 31, 2017			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
AUB	6.18%	June 2015 - May 2020	P314,166,667
Less current portion			130,000,000
			P184,166,667

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

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

Terms and conditions are as follows:

December 31, 2017			
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
AUB	5.25%	December 2017 - March 2018	P150,000,000

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

- d. 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. The carrying amounts of the aircrafts amounted to P241,800,257 and P258,586,318 as at December 31, 2017 and 2016, respectively.

Terms and conditions are as follows:

December 31, 2017			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO	6%	September 2015 - November 2020	P111,067,436
Less current portion		September 2015 - November 2020	36,862,283
			P74,205,153

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

- e. In 2016, FCLRC entered into auto loan agreement with chattel mortgage with United Coconut Planters Bank (UCPB) for the purchase of a vehicle. The loan amounted to P2,613,600 payable in 24 monthly installments beginning November 25, 2016 to October 25, 2018. The carrying amount of the vehicle amounted to P2,570,900 and P3,227,300 as at December 31, 2017 and 2016, respectively.

Terms and conditions are as follows:

December 31, 2017			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
FCLRC	8.60%	November 2016 - October 2018	P1,138,829
Less current portion		November 2016 - October 2018	1,138,829
			P -

December 31, 2016			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
FCLRC	8.60%	November 2016 - October 2018	P2,411,060
Less current portion		November 2016 - October 2018	1,272,231
			P1,138,829

- f. In 2016, ABLE entered into long-term loan agreements with Unionbank of the Philippines (Unionbank) and BDO for the purchase of transportation equipment amounting to P18,987,600. The loans are secured by the transportation equipment as chattel mortgage. The carrying amounts of transportation equipment amounted to P17,717,937 and P18,857,850 as at December 31, 2017 and 2016, respectively.

Terms and conditions are as follows:

December 31, 2017			
	Interest Rates	Maturity Dates	Carrying Amount
Long Term			
Unionbank	8.11% - 8.49 %	September 2018 - April 2020	P10,775,113
Less current portion			5,510,123
			5,264,990
BDO	8.60 % - 9.23 %	September 2019 - November 2020	4,629,123
Less current portion			1,678,601
			2,950,522
			P8,215,512
<hr/>			
December 31, 2016			
	Interest Rates	Maturity Dates	Carrying Amount
Long Term			
Unionbank	8.11%	September 2018 - December 2019	P5,338,508
Less current portion			3,708,803
			1,629,705
BDO	8.60 % - 9.23 %	September 2019 - May 2020	12,528,761
Less current portion			4,135,438
			8,393,323
			P10,023,028

- g. Short-term loans of ABLE have maturity dates of up to May 28, 2018. The short-term loans are from the credit facility with BDO, Philippine Bank of Communications (PBCOM), United Coconut Planters Bank (UCPB) and Philippine Business Bank (PBB). 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 5% and 4.5% for BDO, 4.75% for UCPB, 5.5% and 4.75% for PBCOM and 9% for PBB as at December 31, 2017 and 2016, respectively.

The covenant requires 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, 2017 and 2016, the carrying amount of LRWC's shares of stock held by ABLE used as collateral for the loan from BDO amounted to P67,458,323. The fair value of the collateral amounted to P268,484,126 and P267,134,959 as at December 31, 2017 and 2016, respectively.

Terms and conditions are as follows:

December 31, 2017			
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
UCPB	4.75%	August 31, 2017 - May 31, 2018	P647,000,000
BDO	5.0%	February 2017 - January 2018	398,950,000
PBB	9.0%	October 2017 - January 2018	100,000,000
PBCOM	5.5%	May 2017 - April 2018	86,816,330
			P1,232,766,330

December 31, 2016			
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
UCPB	4.50%	October 2016 - March 2017	P417,800,000
BDO	4.75%	December 2016 - January 2017	390,500,000
PBCOM	4.25%	December 2016 - April 2017	78,524,000
			P886,824,000

- h. In December 2017, BCGLC obtained a long-term loan facility from AUB to partially finance its capital expenditures and to pay advances from related parties used for expansion projects. The maximum loanable amount is P500,000,000 available in lump sum or staggered releases. The loan is payable in thirty-six (36) equal monthly payments based on initial drawdown. Annual interest rate is the higher of (a) the sum of one-year PDST-R2 plus a spread of 3.0% or (b) 5.875% floor rate, subject to annual repricing. Interest is payable monthly based on the carrying amount of the loan. The loan is secured by (a) Comprehensive Surety Agreement by the Parent Company, (b) 60% ownership in BCGLC's shares of stocks, (c) Assignment of accounts wherein BCGLC is mandated to establish two bank accounts, Revenues, Proceeds, and Disbursement Account (RPDA) and Debt Service Revenue Account (DSRA). The RPDA is established to accommodate the revenues, proceeds and disbursement related to the loan availed. The DSRA is to be maintained at a certain level of funding equivalent to one (1) month of amortization. BCGLC has no financial covenants to maintain.

Initial drawdown was made in December 2017 amounting to P350,000,000.

Cash in the DSRA is classified as "Cash in bank - restricted" account under other noncurrent assets in the consolidated statements of financial position amounted to P16,707,663 as at December 31, 2017 (see Note 12).

Terms and conditions are as follows:

December 31, 2017			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
AUB	6.22%	December 2017 - December 2020	P350,000,000
Less current portion		December 2017 - December 2020	116,666,667
			P233,333,333

- i. In 2017, BCGLC entered into auto loan agreements with chattel mortgage with Unionbank and BDO Unibank, Inc. for the purchase of service vehicles. The loans amounted to P6,421,600 payable in 36 monthly installments beginning July 2017 until 2020. The carrying amount of the vehicles amounted to P7,154,600 as at December 31, 2017.

Terms and conditions are as follows:

December 31, 2017			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
Unionbank	8.11%	August 2017 - July 2020	P3,087,275
Less current portion		January 2018 - December 2018	1,105,096
			P1,982,179

December 31, 2017			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO Unibank, Inc.	8.60%	July 2017 - June 2020	P2,534,480
Less current portion		January 2018 - December 2018	948,917
			P1,585,563

Interest expense on loans payable recognized in profit or loss amounted to P166,534,829, P381,992,190 and P245,027,485 in 2017, 2016, and 2015, respectively (see Note 20).

The reconciliation of movements of loans payable to cash flows arising from financing liabilities are as follows:

	Long Term Loans	Short Term Loans	Total
January 1, 2017	P3,378,869,958	P1,189,324,000	P4,568,193,958
Movements:			
Proceeds from loans payable	2,819,341,205	2,414,463,401	5,233,804,606
Payments of loans payable	(2,939,940,187)	(1,221,441,071)	(4,161,381,258)
Total changes from financing cash flows	(120,598,982)	1,193,022,330	1,072,423,348
Other changes:			
Other non-cash transactions	(4,163,252)	-	(4,163,252)
Total loan-related changes	(124,762,234)	1,193,022,330	1,068,260,096
December 31, 2017	P3,254,107,724	P2,382,346,330	P5,636,454,054

Interest expense on loans payable amounting to P166,534,829 was paid during the year.

14. Trade and Other Payables

	Note	2017	2016
Unearned revenues	17	P155,782,854	P158,388,065
Payable to government agencies		131,073,341	71,874,516
Payable to suppliers		61,226,476	-
Payable to PAGCOR	16	56,218,340	84,905,396
Output VAT		24,481,635	-
Payable to CEZA	17	13,687,186	44,280,424
Rent payable		8,049,862	42,763,340
Accrued expenses and other payables:			
Payable to machine owners		522,809,864	51,852,057
Dividends payable	15	298,928,577	189,634,352
Contracted services		166,571,746	62,729,529
Salaries, wages and benefits		55,930,035	15,140,999
Interest payable		-	17,549,404
Others		47,043,261	45,807,757
		P1,541,803,177	P784,925,839

Payable to government agencies pertain to payments for final withholding taxes and other regulatory agencies.

Payable to PAGCOR includes franchise fees that are remitted twice weekly.
 Payable to machine owners pertains to owners' share for the use of bingo machines and are payable on a 30-day credit terms.

The Group's exposure to liquidity risk relating to trade and other payables is disclosed in Note 27.

15. Equity

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

	2017		2016		2015	
	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 and 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, 2017, the Parent Company has a total of 1,199,852,512 issued and outstanding common shares and 1,832 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. The management plans to extend the redemption of preferred shares which is due in July 2018.

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, 2017, the Parent Company has a total of 1,650,000,000 issued and outstanding preferred shares and five (5) stockholders.

Declaration of Cash Dividends

Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2017 and 2016 as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
May 30, 2017	June 16, 2017	P70,125,000	P0.0425
December 13, 2017	December 26, 2017	70,125,000	0.0425
May 31, 2016	June 14, 2016	70,125,000	0.0425
July 14, 2016	March 3, 2017	70,125,000	0.0425

Cash dividends declared by the BOD to common stockholders of the Parent Company in 2017 and 2016 as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
June 30, 2017	September 29, 2017	P95,988,201	P0.080
June 30, 2017	March 2, 2018	83,989,676	0.070
July 14, 2016	September 30, 2016	95,988,201	0.080
July 14, 2016	March 3, 2017	83,989,676	0.070

As at December 31, 2017 and 2016, unpaid dividends, included under "Trade and other payables" account in the consolidated statements of financial position, amounted to P298,928,577 and P189,634,352, respectively (see Note 14).

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.

ABLE acquired additional 2,142,000 common shares of LRWC at cost amounting to P9,541,081 in 2017 and 1,405,400 common shares at cost amounting to P8,721,847 in 2016.

ABLE has a total of 36,500,000 preferred shares (at cost of P36,500,000) as at December 31, 2017 and 2016.

As at December 31, 2017 and 2016, ABLE has a total of 23,822,100 (at cost of P52,905,347) and 21,680,100 (at cost of P43,364,266) common shares, respectively, of LRWC. These are accounted as treasury shares in the consolidated financial statements.

Declaration of Cash Dividends

Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2017 and 2016 as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
May 29, 2017	June 16, 2017	P70,125,000	P0.0425
December 12, 2017	December 26, 2017	70,125,000	0.0425
May 31, 2016	June 14, 2016	70,125,000	0.0425
July 14, 2016	March 3, 2017	70,125,000	0.0425

Cash dividends declared by the BOD to common stockholders of the Parent Company in 2017 and 2016 as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
June 29, 2017	September 29, 2017	P95,988,201	P0.080
June 29, 2017	March 2, 2018	83,989,676	0.070
July 14, 2016	September 30, 2016	95,988,201	0.080
July 14, 2016	March 3, 2017	83,989,676	0.070

LRWC declared dividends to preferred and common stockholders of the Group. In 2017 and 2016, ABLE received dividends amounting to P6,715,475 and P6,754,234, respectively, 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.

Revaluation Surplus

Revaluation surplus pertains to accumulated gains and losses to revaluation of the FCLRC's land (see Note 8).

Fair Value Reserve

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

Foreign Currency Translation Reserve

The assets and liabilities of the subsidiary with transactions denominated in currencies other than Philippine peso are translated using the applicable closing exchange rates on the reporting date. The income and expenses of the subsidiary with transactions denominated in currencies other than Philippine peso are translated using the exchange rates at the date of transactions. Foreign currency differences are recognized in other comprehensive income and accumulated in the "Foreign currency translation reserve" account in the consolidated statements of financial position.

16. 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.

Revenue from traditional bingo games amounted to P2,203,605,691, P2,331,211,277 and P2,258,500,291 for the years ended December 31, 2017, 2016 and 2015, respectively.

As at December 31, 2017 and 2016, ABLE and its subsidiaries deposited cash performance bonds with PAGCOR totalling P38,750,000 and P28,700,000, 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.

Revenue from electronic bingo games amounted to P4,335,682,089, P4,511,977,403 and P3,443,133,605 for the years ended December 31, 2017, 2016 and 2015, respectively.

As at December 31, 2017 and 2016, ABLE and its subsidiaries deposited cash performance bonds with PAGCOR totaling P198,155,000 and P147,260,000, 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.

Revenue from rapid bingo amounted to P231,344,036, P262,811,873 and P267,128,770 for the years ended December 31, 2017, 2016 and 2015, respectively.

As at December 31, 2017 and 2016, ABLE deposited cash performance bonds amounting to P900,000, 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 P15,644,756, P17,715,410 and P9,441,338 for the years ended December 31, 2017, 2016 and 2015, respectively.

Franchise fees included in "Franchise fees and taxes" account in profit or loss amounted to P3,146,477,008, P3,282,491,908 and P2,592,845,298, in 2017, 2016 and 2015, respectively.

17. 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 "Trade and other payables" account in the consolidated statements of financial position amounted to P127,830,615 and P158,388,065 as at December 31, 2017 and 2016, respectively (see Note 14); and
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 included in "Franchise fees and taxes" account in the profit or loss amounted to P196,058,813, P847,085,501 and P718,467,635 in 2017, 2016, and 2015, respectively. Interest expense on unpaid CEZA fees recognized in profit or loss amounted to P3,325,947, nil and P39,395,612 in 2017, 2016 and 2015, respectively (see Note 20). The Group's revenues from FCLRC's service and hosting fees amounted to P423,284,360, P1,866,742,326 and P1,602,083,123 in 2017, 2016, and 2015, 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 2017, 2016, and 2015, this is included as current tax, which amounted to P13,174,114, P56,775,955, and P46,679,826, respectively (see Note 22).

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 square meters. 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.

On November 24, 2017, FCLRC and CEZA signed a supplemental agreement which provides for the following:

- CEZA retains the 25-year appointment of FCLRC as a non-exclusive Licensor for interactive gaming;
- CEZA shall also grant appointment of FCLRC for land-based gaming after it has complied with all requirements;
- To protect FCLRC's interest and investment as the pioneer Licensor, CEZA effectively restricted itself from directly issuing Gaming Licenses to FCLRC's current and previous licensees; and
- All applicants for gaming licenses from CEZA shall post the amount of USD100 million as an investment commitment. In consideration of the significant actual and future investments attributable to FCLRC, CEZA shall credit such investments towards the investment commitment compliance of applications for gaming licenses coursed through FCLRC.

18. Lease Agreements

Group as Lessee

Operating Lease

- 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 two (2) to three (3) years with escalation clauses ranging from 3% to 5%. 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. The lease period ranges from one (1) to seven (7) years with approximate annual escalation rates ranging from 5% to 10%.
- 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 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 5% escalation every two years.

The lease agreements are non-cancellable and provide for, among others, rental deposits which are refundable upon termination of the lease. The rental deposits recognized in the consolidated statements of financial position as at December 31, 2017 and 2016 amounted to P362,093,223 and P330,662,338, respectively (see Note 12).

Rent expense recognized in profit or loss in 2017, 2016, and 2015 amounted to P672,978,405, P635,803,172 and P623,202,690, respectively.

Minimum lease payments as at December 31 are as follows:

	2017	2016
Less than one year	P380,922,517	P325,852,543
Between one and five years	490,410,931	406,400,619
More than five years	223,227,878	285,688,303
	P1,094,561,326	P1,017,941,465

Finance Lease

ABLE entered into vehicle financing agreements with a transportation equipment supplier, 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.

As at December 31, 2017 and 2016, minimum lease payments under finance lease for vehicles amounted to nil and P220,955, respectively.

In 2017, ABLE paid its remaining obligation under finance lease in cash amounting to P220,955.

The cash transaction for the movement in obligations under finance lease by ABLE amounted to P220,955 which is presented in the consolidated statements of cash flows for the year ended December 31, 2017.

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 2017, 2016 and 2015 amounted to P463,350,087, P397,385,417 and P211,721,519, respectively.

Rent deposits refundable to the lessee included under "Deposits" account in the consolidated statements of financial position amounted to P4,421,800 as at December 31, 2017 and 2016.

Minimum lease receivables as at December 31 are as follows:

	2017	2016
Within one year	P22,262,354	P10,110,484
Between one and five years	97,684,810	40,652,040
More than five years	97,660,947	105,935,967
	P217,608,111	P156,698,491

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 2017, 2016 and 2015 amounted to P54,993,871, P133,592,009, and P102,463,252, respectively (see Note 20).

19. 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 of ABLE are primarily based on the number of years of service of covered employees, as well as their fixed monthly salary. Under the provisions of the retirement plan, the mandatory retirement age is sixty-five (65), with at least five (5) years of service and the retirement benefit is equal to two hundred percent (200%) of the plan salary per year of service. The retirement benefits of FCLRC 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, 2017. The following tables summarize the components of retirement expense recognized in the profit or loss of ABLE and FCLRC:

Retirement Expense

	ABLE			FCLRC		
	2017	2016	2015	2017	2016	2015
Current service cost	P13,049,647	P12,143,396	P6,792,679	P1,387,875	P1,616,659	P2,636,949
Past service cost	146,243,252	-	-	4,252,370	-	-
Interest cost on defined benefit obligation	6,917,162	5,799,310	3,424,716	495,285	499,209	667,070
Net retirement expense	P166,210,061	P17,942,706	P10,217,395	P6,135,530	P2,115,868	P3,304,019

Changes in the Present Value of Defined Benefit Obligation

	ABLE		FCLRC	
	2017	2016	2017	2016
Present value of defined benefit obligation at beginning of year	P138,725,530	P113,808,589	P11,383,583	P11,845,055
Past service cost	146,243,252	-	4,252,370	-
Current service cost	13,049,647	12,143,396	1,387,875	1,616,659
Interest cost	6,917,162	5,799,310	495,285	499,209
Benefits paid	(82,028,027)	-	(12,185,536)	-
Actuarial loss/(gain)	(5,696,701)	6,974,235	2,734,742	(2,577,340)
Present value of defined benefit obligation at end of year	P217,210,863	P138,725,530	P8,068,319	P11,383,583

The movement in retirement benefits reserve taken up under other comprehensive income and consolidated statements of changes in equity are as follows:

	ABLE			FCLRC		
	2017	2016	2015	2017	2016	2015
Actuarial loss (gain) from:						
Financial assumptions	(P3,264,813)	(P8,358,169)	P30,138,720	(P1,220,661)	(P465,090)	(P3,856,265)
Experience adjustments	45,460,832	15,332,404	(13,615,984)	6,022,049	(2,112,250)	(2,539,739)
Demographic assumptions	(47,892,720)	-	8,799,566	(2,066,646)	-	(1,640,963)
	(P5,696,701)	P6,974,235	P25,322,302	P2,734,742	(P2,577,340)	(P8,036,967)

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

	ABLE		FCLRC	
	2017	2016	2017	2016
Discount rate at end of year	5.78%	5.67%	5.72%	5.54%
Future salary increases	4.00%	4.00%	4.00%	5.00%

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

	ABLE		FCLRC	
	2017	2016	2017	2016
Average expected future service years	21.38	19.92	16.61	15.23

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	(26,871,409)	32,141,821	(812,912)	960,712
Future salary growth	34,349,376	(29,037,697)	1,024,571	(877,664)

Assumptions for mortality rate are based on the 2017 Philippine Intercompany Mortality Table. Assumptions for disability rates are based on the 1952 Disability Study, Period 2, Benefit 5.

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:

	2017				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
ABLE	P217,210,863	P1,453,902,643	P2,978,954	P26,284,311	P1,424,639,378
FCLRC	8,068,319	57,172,098	909,242	1,421,053	54,841,803
	P225,279,182	P1,511,074,741	P3,888,196	P27,705,364	P1,479,481,181

	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

20. Finance Income/Finance Expense/Other Income

Finance income consists of:

	Note	2017	2016	2015
Interest income on advances to a casino project	25	P37,620,000	P276,620,000	P240,000,000
Interest income on cash in banks	4	6,969,655	3,609,331	132,983
Interest income on convertible loan		-	-	4,649,972
		P44,589,655	P280,229,331	P244,782,955

Finance expense consists of:

	Note	2017	2016	2015
Interest expense on loans payable	13	P166,534,829	P381,992,190	P245,027,485
Interest expense on unpaid CEZA fees	17	3,325,947	-	39,395,612
Interest expense on obligations under finance lease		-	-	584,471
		P169,860,776	P381,992,190	P285,007,568

Other income - net consists of:

	<i>Note</i>	2017	2016	2015
Rent income	18	P54,993,871	P133,592,009	P102,463,252
Gain on termination of contract	25	199,494,851	-	-
Management fee	5	12,000,000	8,400,000	49,000,000
Commission		-	-	19,868,657
Others - net		(17,722,033)	(21,720,533)	10,214,040
		248,766,689	P120,271,476	P181,545,949

21. 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	2017	P2,803,396	P -	P9,070,691	Demandable; non-interest bearing; to be settled in cash	Unsecured
		2016 2015	- -	- -	9,070,691 -		
Individual stockholder	Cash advances	2017	5,000,000	5,000,000	-	Demandable; non-interest bearing; to be settled in cash	Unsecured; no impairment
		2016 2015	- 6,225,689	1,800,000 -	- -		
Advances to affiliates	Cash advances	2017	-	150,000,000	-	Demandable; non-interest bearing; to be settled in cash	Unsecured; no impairment
		2016 2015	- -	- -	- -		
Total		2017		P155,000,000	P9,070,691		
Total		2016		P1,800,000	P9,070,691		

Advances to affiliates consist mainly of advances to Cyberpoint Holdings and Management Corporation (CHMC), a holding company which owns 3.7% of LRTC's outstanding shares, for working capital requirements.

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 P869,906,052 as at December 31, 2017.

All intragroup transactions are eliminated during consolidation are unsecured, non-interest bearing and payable on demand. Related party transactions are to be settled in cash.

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:

	2017	2016	2015
Salaries and employee benefits	P29,320,544	P29,215,425	P30,435,529
Directors' fees	15,535,000	18,140,000	10,458,500

22. Income Taxes

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

	<i>Note</i>	2017	2016 (As restated - see Note 28)	2015 (As restated - see Note 28)
Current tax expense	17	P93,352,092	P337,225,438	P277,323,526
Deferred tax expense (benefit)		162,721,109	(150,411,020)	(83,874,139)
		P256,073,201	P186,814,418	P193,449,387

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

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

	2017	2016 (As restated - see Note 28)	2015 (As restated - see Note 28)
Income before income tax	P742,889,951	P2,282,947,896	P1,916,624,011
Income tax using statutory tax rate of 30%	P222,866,985	P684,884,369	P574,987,203
Additions to (reductions in) income taxes resulting from tax effects of:			
Change in unrecognized deferred tax assets	198,001,204	-	-
Gross income on service fees subject to 5%	(158,471,648)	(215,398,726)	(182,218,064)
Equity in net earnings of associates	(134,019,147)	(245,646,582)	(169,912,161)
Nondeductible operating expenses	107,597,140	7,158,784	71,722
Equity in net earnings of joint ventures	(18,300,201)	(43,100,628)	(29,439,419)
Expired NOLCO	40,489,765	-	-
Interest income subject to final tax	(2,090,897)	(1,082,799)	(39,894)
	P256,073,201	P186,814,418	P193,449,387

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

	<i>Note</i>	2017	2016	2015
NOLCO		P234,513,222	P256,855,101	P122,999,494
Retirement expense	19	3,579,311	45,032,734	37,696,609
MCIT		93,000	14,311,535	8,607,097
Impairment losses on receivables	5	-	24,363,967	7,672,466
Difference in tax base and carrying amount of investment property and property and equipment		-	(4,395,187)	9,725,531
		P238,185,533	P336,168,150	P186,701,197

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

	2017	2016 (As restated - see Note 28)	2015 (As restated - see Note 28)
Unrealized gain on changes in fair value of investment properties	P254,484,697	P159,858,983	P154,844,738
Discount on loans payable	12,987,360	2,506,570	8,666,797
Unrealized gain on foreign exchange differences	1,469,100	-	-
	P268,941,157	P162,365,553	P163,511,535

The movements of deferred tax assets and liabilities are recognized as follows:

	2017	2016	2015
Amount credited to profit or loss:			
Unrealized gain on changes in fair value of investment properties	P77,055,854	P5,014,245	P5,120,445
Impairment losses on receivables	24,363,967	(16,691,501)	-
NOLCO	22,341,879	(133,855,607)	(70,894,515)
Retirement liability	17,186,171	(5,372,722)	(28,579,249)
MCIT	14,218,535	(5,704,438)	-
Discount on loans payable	10,480,790	(6,160,227)	-
Difference in tax base and carrying amount of investment property and property and equipment	(4,395,187)	14,120,718	10,479,180
Unrealized gain on foreign exchange differences	1,469,100	-	-
Amount credited to OCI:			
Retirement liability	24,267,252	(1,963,403)	(1,923,115)
Unrealized gain on changes in fair value of investment properties	17,569,860	-	-
	P204,558,221	(P150,612,935)	(P85,797,254)

As at December 31, 2017, the Group's unrecognized deferred tax assets pertain to the following items:

	Tax Base	Amount
NOLCO	P398,396,700	P119,519,010
Retirement benefits liability	145,202,843	43,560,853
Allowance for impairment loss	56,496,870	16,949,061
Impairment loss on property and equipment	14,464,632	4,339,390
Advanced regulatory fee on instant games	12,864,993	3,859,498
MCIT	9,773,392	9,773,392
		P198,001,204

Deferred tax assets were not recognized because the management believes it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2017	P378,806,488	P -	P378,806,488	December 31, 2020
2016	494,657,433	-	494,657,433	December 31, 2019
2015	344,803,013	(38,159,497)	306,643,516	December 31, 2018
2014	130,086,306	(130,086,306)	-	December 31, 2017
	P1,348,353,240	(P168,245,803)	P1,180,107,437	

The details of MCIT which can be claimed as credit against future RCIT liabilities are as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2017	P1,997,658	P -	P1,997,658	December 31, 2020
2016	2,327,460	-	2,327,460	December 31, 2019
2015	5,541,274	-	5,541,274	December 31, 2018
2014	365,232	(365,232)	-	December 31, 2017
	P10,231,624	(P365,232)	P9,866,392	

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

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 of the Group are duly organized and existing under the laws of the Philippines having existing agreements with PAGCOR.

The Group determined its income taxes on these components on the premise that the results from casino operations are no longer subject to regular income taxes in pursuant to Sec 13(2) of Presidential Decree 1869 (PAGCOR Charter) which states that "the five (5%) percent franchise tax of the gross revenue or earnings derived by PAGCOR and all its contractees and licensees shall be due and payable quarterly to the National Government and shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority". The Group assessed that it is exempt from the corporate income tax on these components pursuant to the Supreme Court's decision to a tax case which categorically held PAGCOR and its contractees and licensees exempt from the payment of corporate income tax and other taxes.

23. Earnings Per Share

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

	2017	2016 (As restated - see Note 28)	2015 (As restated - see Note 28)
Net income attributable to Parent Company	P430,275,524	P1,824,673,362	P1,483,347,802
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)	293,128,024	1,687,525,862	1,346,200,302
Adjusted weighted average number of shares outstanding (b)	1,199,230,595	1,199,356,645	1,199,852,512
Basic earnings per share (a/b)	P0.2444	P1.4070	P1.1220

Diluted earnings per share is computed as follows:

	2017	2016 (As restated - see Note 28)	2015 (As restated - see Note 28)
Income attributable to ordinary stockholders of the Parent Company (a)	P293,128,024	P1,687,525,862	P1,346,200,302
Adjusted weighted average number of shares outstanding (b)	1,199,230,595	1,199,356,645	1,199,852,512
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)	1,279,905,595	1,280,031,645	1,280,527,512
Diluted earnings per share (a/d)	P0.2290	P1.3183	P1.0513

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

24. 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 2017 is as follows:

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	P1,088,064,464	P1,302,243,973	P7,034,044,688	P160,381,738	P -	(P1,290,000)	P9,553,444,863
Results							
Segment results	127,853,302	114,211,498	118,395,720	(115,579,286)	(400,254,006)	8,099,688	(147,273,084)
Unallocated corporate expenses	-	-	-	-	-	-	-
Results from Operating Activities							
Finance income	164,800	40,124	181,036	44,177,946	25,749	-	(147,273,084)
Finance expense	(12,012,534)	(163,745)	(47,740,434)	(72,118,144)	(37,825,919)	-	44,589,655
Rent/other income	54,715,677	(1,419,562)	(371,879)	197,267,474	(1,425,021)	-	(169,860,776)
Foreign exchange loss - net	(3,212,039)	-	-	4,897,000	398,496	-	248,766,689
Equity in net earnings of a joint venture	-	-	-	-	61,000,669	-	2,083,457
Equity in net earnings of associates	-	-	1,379,798	445,350,693	-	-	61,000,669
Unrealized gain on AFS	-	-	-	-	(29,087,155)	-	446,730,491
Unrealized gain on changes in fair values of investment properties	-	-	-	-	-	-	(29,087,155)
Revaluation surplus - net of tax	89,182,693	-	-	256,852,850	-	-	256,852,850
Foreign currency translation loss	(1,665,707)	-	-	-	-	-	89,182,693
Remeasurements of defined benefit liability - net of tax	(2,589,549)	-	(17,310,170)	-	-	-	(19,899,719)
Income tax (benefits)	(22,798,629)	(3,720,318)	(95,742,791)	(204,698,692)	70,887,229	-	(256,073,201)
Total Comprehensive Income							P525,346,862
Other Information							
Segment assets	P2,938,140,059	P1,712,485,743	P2,906,664,092	P7,831,786,004	P1,632,671,279	(P1,708,040,658)	P15,313,706,519
Investments at cost	138,308,170	-	513,470,659	1,730,866,955	4,282,954,597	(5,216,817,256)	1,448,783,125
Total Assets							P16,762,489,644
Segment liabilities	P1,034,379,507	P1,557,998,694	P3,018,708,817	P5,238,964,211	P1,438,933,558	(P4,451,363,521)	P7,837,621,266
Unallocated corporate liabilities	-	-	-	-	-	-	-
Total Liabilities							P7,837,621,266
Capital expenditures	P133,892,678	P330,268,722	P521,970,388	P4,407,575,140	P55,667,640	P -	P5,449,374,568
Depreciation and amortization	38,296,126	88,895,513	300,690,539	3,032,930	61,730,706	-	492,645,814

Analysis of financial information by business segment in 2016 (as restated) 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	1,019,656,826	691,849,315	2,434,720,528	631,797,768	-	-	4,778,024,437
Unallocated corporate expenses	-	-	-	-	-	-	3,514,559,347
Results from Operating Activities							
Finance income	68,027	16,798	372,402	279,749,680	22,424	-	1,263,465,090
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)	34,644,705	8,299,845	723,726,338	(771,858,234)	(381,992,190)
Foreign exchange loss - net	21,769,337	-	-	-	-	-	120,271,476
Equity in net earnings of joint ventures	98,527,205	-	-	-	45,141,556	-	21,769,337
Equity in net earnings of an associate	-	-	-	818,821,941	66,484,940	-	143,668,761
Unrealized gain on AFS	-	-	-	-	-	-	818,821,941
Unrealized gain on changes in fair values of investment properties	-	-	-	16,714,150	-	-	66,484,940
Remeasurements of defined benefit liability - net of tax	-	-	(2,433,492)	-	-	-	16,714,150
Income tax (benefits)	(59,858,142)	(1,780,894)	(136,322,727)	(120,944,826)	132,092,171	-	(2,433,492)
Total Comprehensive Income							
							P2,160,184,926
Other Information							
Segment assets	P2,553,369,162	P1,125,718,396	P3,212,997,132	P8,088,997,774	P5,369,385,512	(P7,382,252,932)	P12,968,215,044
Investments at cost	76,759,577	-	532,253,908	507,353,948	4,295,333,961	(3,751,500,436)	1,660,200,958
Total Assets							P14,628,416,002
Segment liabilities							
Unallocated corporate liabilities	P426,364,579	P989,473,615	P2,575,605,506	P4,065,570,296	P905,338,923	(P3,153,575,707)	P5,808,777,212
Total Liabilities							P5,808,777,212
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	3,605,604	8,962,688	-	351,476,986

Analysis of financial information by business segment in 2015 (as restated) 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	165,531,201	-	-	3,645,316,647
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)	1,093,758,032
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	-	-	-	-	-	-	98,131,397
Foreign currency translation gain	(295,148)	-	-	566,373,871	-	-	566,373,871
Unrealized gain on AFS	-	-	-	-	9,783,653	-	(295,148)
Unrealized gain on changes in fair values of investment properties	-	-	-	17,068,150	-	-	17,068,150
Remeasurements of defined benefit liability - net of tax	(15,362,220)	-	-	-	-	-	(15,362,220)
Income taxes	(47,757,166)	(21,955,239)	(139,525,456)	142,091,363	(126,302,889)	-	(193,449,387)
Total Comprehensive Income							P1,717,300,909
Other Information							
Segment assets	P3,056,748,668	P906,780,946	P2,667,644,352	P2,772,263,350	P1,273,256,500	(P2,379,883,998)	P8,296,809,818
Investments at cost	81,757,510	-	639,394,002	5,252,332,896	4,181,076,412	(3,852,274,323)	6,302,286,497
Total Assets							P14,599,096,315
Segment liabilities	P1,731,261,233	P823,542,187	P2,447,573,065	P5,034,543,827	P1,212,416,464	(P3,711,785,815)	P7,537,550,961
Unallocated corporate liabilities	-	-	-	-	-	-	-
Total Liabilities							P7,537,550,961
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	19,483,067	909,361	82,212,244	280,552,695

There were no intersegment sales recognized among reportable segments in 2017, 2016 and 2015. 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.

25. Memorandum of Agreement

On January 14, 2011, ABLGI 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, ABLGI, 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 ABLGI, 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 P4,000,000,000 (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, ABLGI 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 ABLGI 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, ABLGI shall continue to be entitled to receive an amount equivalent to its rights under the operating agreements.

The termination agreement was finalized on March 31, 2017. ABLGI received P4,072,000,000, which comprised of: (1) payment for an outstanding loan of Belle to ABLGI amounting to P3,762,000,000, and (2) P310,000,000, of which P110,505,149 was treated as a repayment of advances to Belle while the remaining P199,494,851 was recorded under "Other Income" account in profit or loss, representing assignment of rights in relation to the Advisory services rendered to the Philippine Consortium in favor of Belle (see Note 20). Effective March 31, 2017, the Group shall be deemed to have divested its economic interest in the Project.

As at December 31, 2017 and 2016, the carrying amounts of advances to a casino project in relation to the termination agreement amounted to nil and P3,762,000,000.

The compensation fee from a casino project amounted to P65,995,956, P128,502,833 and P75,836,610 in 2017, 2016 and 2015, respectively. The share in gaming revenue of a casino project amounted P76,400,864, P208,533,866 and P59,036,485 in 2017, 2016 and 2015, respectively. Interest income on advances to a casino project amounted to P37,620,000, P276,620,000 and P240,000,000 in 2017, 2016 and 2015, respectively (see Note 20).

26. Other Matters

Electronic Bingo and Rapid Bingo

The revenues from electronic bingo and rapid bingo are presented in the profit or loss net of the share of owners of electronic bingo and rapid bingo machines as follows:

Electronic bingo

	2017	2016	2015
Gross receipts from electronic bingo	P5,558,566,783	P5,798,985,970	P4,414,273,852
Less share of owners of electronic bingo machines	1,222,884,694	1,287,008,567	971,140,247
Net revenues	P4,335,682,089	P4,511,977,403	P3,443,133,605

Rapid bingo

	2017	2016	2015
Gross receipts from rapid bingo	P248,535,550	P277,206,615	P280,866,046
Less share of owners of rapid bingo machines	17,191,514	14,394,742	13,737,276
Net revenues	P231,344,036	P262,811,873	P267,128,770

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 P855,588,806, P894,388,540 and P1,045,943,776 in 2017, 2016 and 2015, respectively.

Revenues from e-Casino

ABLE generates income from e-casino representing operator's share in e-Casino game winnings. E-Casino offers popular casino games such as baccarat, poker and roulette via computer terminals. Income generated from these operations which amounted to P16,203,347, P11,164,963 and P2,188,499 in 2017, 2016, and 2015, respectively, are presented as part of "Commission income" account in profit and loss.

The Group's revenue from TGXI's commission income from PeGS which amounted to P231,564,768, P257,488,720 and P295,053,122 in 2017, 2016 and 2015, 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 statement of financial position and consolidated statement of 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.

27. 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 is not actively engaged in the trading of financial assets for speculative purposes nor does it write options.

The BOD of the Group 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 is responsible for overseeing and managing the risks that the Group may encounter. The BOD develops 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, 2017 and 2016, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	<i>Note</i>	2017	2016
Loans and Receivables			
Cash in banks	4	P341,380,723	P636,473,254
Receivables - net*	5	823,730,513	724,146,514
Rental deposits	12	362,093,223	330,662,338
Cash performance bonds	12	237,805,000	176,860,000
Performance cash deposits and betting credit funds	12	7,600,000	-
Due from related parties	21	155,000,000	1,800,000
Advances to a casino project	25	-	3,762,000,000
		1,927,609,459	5,631,942,106
AFS Financial Asset			
		153,309,029	182,396,184
		P2,080,918,488	P5,814,338,290

*Excluding advances to officers and employees amounting to P19,018,702 and P12,888,616 as at December 31, 2017 and 2016, respectively.

Cash in Banks

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:

	2017		2016	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P530,941,504	P -	P699,843,839	P -
Past due 1 - 30 days	117,648,598	-	16,917,485	-
Past due 31 - 60 days	1,333,500	-	2,257,649	-
More than 60 days	326,636,427	133,810,814	99,229,380	81,213,223
	P976,560,029	P133,810,814	P818,248,353	P81,213,223

The Group has recognized impairment losses on trade receivables of ABLE amounting to P18,737,774 and P8,788,249 in 2017 and 2016, respectively, due to cessation of operations of its debtors. The remainder of the movement of impairment allowance for the year ended December 31, 2017 are related to the effect of business combination of FCCDCI.

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 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 are the advances to BLRI and HEPI, an associate and a joint venture, respectively, 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:

	2017			Total
	Grade A	Grade B	Grade C	
Loans and receivables:				
Cash in banks	P341,380,723	P -	P -	P341,380,723
Receivables:	-	-	-	
Trade and other receivables	512,448,774	-	-	512,448,774
Due from related parties	-	155,000,000	-	155,000,000
Receivables from concessionaires	-	18,492,730	-	18,492,730
Rental deposits	-	362,093,223	-	362,093,223
Cash performance bonds	-	237,805,000	-	237,805,000
Performance cash deposits and betting credit funds	-	7,600,000	-	7,600,000
AFS financial asset	153,309,029	-	-	153,309,029
	P1,007,138,526	P780,990,953	P -	P1,788,129,479
	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	681,230,062	-	-	681,230,062
Receivables from concessionaires	-	18,613,777	-	18,613,777
Due from related parties	-	1,800,000	-	1,800,000
Rental deposits	-	330,662,339	-	330,662,339
Cash performance bonds	-	176,860,000	-	176,860,000
Advances to a casino project	-	3,762,000,000	-	3,762,000,000
AFS financial asset	182,396,184	-	-	182,396,184
	P1,500,099,500	P4,289,936,116	P -	P5,790,035,616

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, 2017 and 2016, the total commitment under the line of credit is P2,150,000,000 and P1,250,000,000, respectively. As at December 31, 2017 and 2016, the Group has drawn P1,732,766,330 and P1,189,324,000, 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	2017		
			6 Months or Less	6-12 Months	1-5 Years
Other Financial Liabilities					
Trade and other payables	P1,160,559,821	P1,160,559,821	P1,160,559,821	P -	P -
Short-term and long-term loans payable	5,636,454,054	5,878,673,177	2,175,460,115	500,000,000	3,203,213,062
Due to a related party	9,070,691	9,070,691	9,070,691	-	-
Deposits	109,990,867	109,990,867	109,990,867	-	-
	P6,916,075,433	P7,158,294,556	P3,455,081,494	P500,000,000	P3,203,213,062

* Excluding statutory payables amounting to P381,243,256.

	Carrying Amount	Contractual Cash Flow	2016		
			6 Months or Less	6-12 Months	1-5 Years
Other Financial Liabilities					
Trade and other payables	P425,477,438	P425,477,438	P425,477,438	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	-
Deposits	4,421,800	4,421,800	-	-	4,421,800
	P5,007,384,842	P5,027,429,117	P4,459,753,420	P116,805,886	P450,869,811

* Excluding statutory payables amounting to P359,448,401.

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:

	2017		2016	
	In USD	In PhP	In USD	In PhP
Cash in banks	\$363,168	P18,132,978	\$888,501	P44,176,270
Trade receivables	330,014	16,477,599	3,837,951	190,822,924
Rental deposits	378,254	18,886,222	-	-
Trade and other payables	(1,086,067)	(54,227,325)	(4,076,196)	(202,668,465)
Net asset (liability)	(\$14,631)	(P730,526)	\$650,256	P32,330,729

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

	2017	2016
PHP average rate	49.96	49.77
PHP spot rate	49.93	49.72

Sensitivity Analysis

A 2% strengthening of the Philippine peso against the US dollars would have increased equity and net income by P14,611 in 2017 and decreased equity and net income by P646,615 in 2016.

A 2% weakening of the Philippine peso against the US dollars as at December 31, 2017 and 2016 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 2017 and 2016.

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, 2017 and 2016 follows:

Change in Interest Rates (in Basis Points)	2017	2016
300bp rise	(P5,204,934)	(P11,459,766)
225bp rise	(3,903,700)	(8,594,824)
300bp fall	5,204,934	11,459,766
225bp fall	3,903,700	8,594,824

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, 2017, that could be brought by changes in equity indices with all other variables held constant, are as follows:

<u>Change in Quoted Prices of Investments Carried at Fair Value</u>	<u>2017</u>
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/Deposits/Short-term Loans Payable

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

Long-term Loans Payable

Long-term 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, 2017 and 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, 2017 and 2016. The Group is not subject to externally-imposed capital requirements.

28. Restatements

- a. The Group changed its accounting policy with respect to the subsequent measurement of investment properties from cost to fair value model, with the changes in fair values recognized in profit or loss. The Group believes that the change in the valuation method better reflects the reasonable value of its investment properties and therefore provides more relevant information to management and users of the consolidated financial statements.

The change in the measurement of investment properties resulted in the reversal of accumulated depreciation and amortization amounting to P54,215,291 and P45,266,017 as at December 31, 2016 and January 1, 2016, respectively, and depreciation expense amounting to P8,949,274 and P8,358,935 for the years ended December 31, 2016 and 2015, respectively.

In addition, accumulated unrealized gain on changes in fair value of investment properties amounted to P728,709,400 and P711,995,250 as at December 31, 2016 and January 1, 2016, respectively. Deferred tax liabilities on the accumulated unrealized gain on changes in fair value of investment properties amounted to P159,858,983 and P154,844,738 as at December 31, 2016 and January 1, 2016, respectively.

The investment properties of TPI were stated at fair value to conform to the accounting policy of the Group. The Group's share in net earnings of TPI increased by P748,644,110 and P432,690,882 for the years ended December 31, 2016 and 2015, respectively.

- b. Management reviewed the Group's advances to CPVDC and CLPDC which include cost of parcels of land. The parcels of land should have been recognized by the Group as land properties and not part of the advances. Accordingly, the Group reclassified the cost of parcels of land from advances to land held for disposal and investment properties amounting to P5,365,128 and P6,452,009, respectively.

Summary of Quantitative Impacts

The following tables summarize the impacts of the above changes on the consolidated statements of financial position and consolidated statements of profit or loss and other comprehensive income.

The impact of the changes as at December 31, 2016 is as follows:

	<i>Ref</i>	As Previously Reported	Restatements	As Restated
Consolidated Statement of Financial Position				
Noncurrent Assets				
Investment properties - net	<i>a, b</i>	P135,535,900	P593,173,500	P728,709,400
Investment and advances - net	<i>b</i>	2,788,265,122	1,169,517,855	3,957,782,977
Other noncurrent assets - net	<i>b</i>	594,920,510	5,365,128	600,285,638
Noncurrent Liability				
Deferred tax liabilities	<i>a</i>	2,506,570	159,858,983	162,365,553
Equity				
Retained earnings		2,690,802,125	1,608,197,500	4,298,999,625

	<i>Ref</i>	As Previously Reported	Restatements	As Restated
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Depreciation and amortization	<i>a</i>	P360,426,260	(P8,949,274)	P351,476,986
Equity in net earnings of associates	<i>a</i>	70,177,831	748,644,110	818,821,941
Unrealized gain on changes in fair values of investment properties	<i>a</i>	-	16,714,150	16,714,150
Income tax expense		181,800,173	5,014,245	186,814,418
Net income attributable to:				
Owners of the Parent Company		1,055,380,073	769,293,289	1,824,673,362
Non-controlling interest		271,460,116	-	271,460,116

The impact of the changes as at January 1, 2016 is as follows:

	<i>Ref</i>	As Previously Reported	Restatements	As Restated
Consolidated Statement of Financial Position				
Noncurrent Assets				
Investment properties - net	<i>a, b</i>	P144,485,174	P567,510,076	P711,995,250
Investment and advances - net	<i>b</i>	2,915,198,452	420,873,745	3,336,072,197
Other noncurrent assets - net	<i>b</i>	984,527,403	5,365,128	989,892,531
Noncurrent Liability				
Deferred tax liabilities	<i>a</i>	8,666,797	154,844,738	163,511,535
Equity				
Retained earnings		1,948,895,695	838,904,211	2,787,799,906

	<i>Ref</i>	As Previously Reported	Restatements	As Restated
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Depreciation and amortization	<i>a</i>	P288,911,630	(P8,358,935)	P280,552,695
Equity in net earnings of associates	<i>a</i>	133,682,989	432,690,882	566,373,871
Unrealized gain on changes in fair values of investment properties	<i>a</i>	-	17,068,150	17,068,150
Income tax expense		188,257,219	5,192,168	193,449,387
Net income attributable to:				
Owners of the Parent Company		1,030,422,003	452,925,799	1,483,347,802
Non-controlling interest		239,826,822	-	239,826,822

The restatements did not have significant impact in the consolidated statements of cash flows for the years ended December 31, 2016 and 2015.

COVER SHEET

For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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

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Form Type

A A F S

Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

--

Company's Telephone Number/s

--

Mobile Number

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No. of Stockholders

1,832

Annual Meeting (Month / Day)

July 29

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Oscar C. Kho Jr.

Email Address

oscar.kho@lrwc.com.ph

Telephone Number/s

(02) 638-5557

Mobile Number

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CONTACT PERSON'S ADDRESS

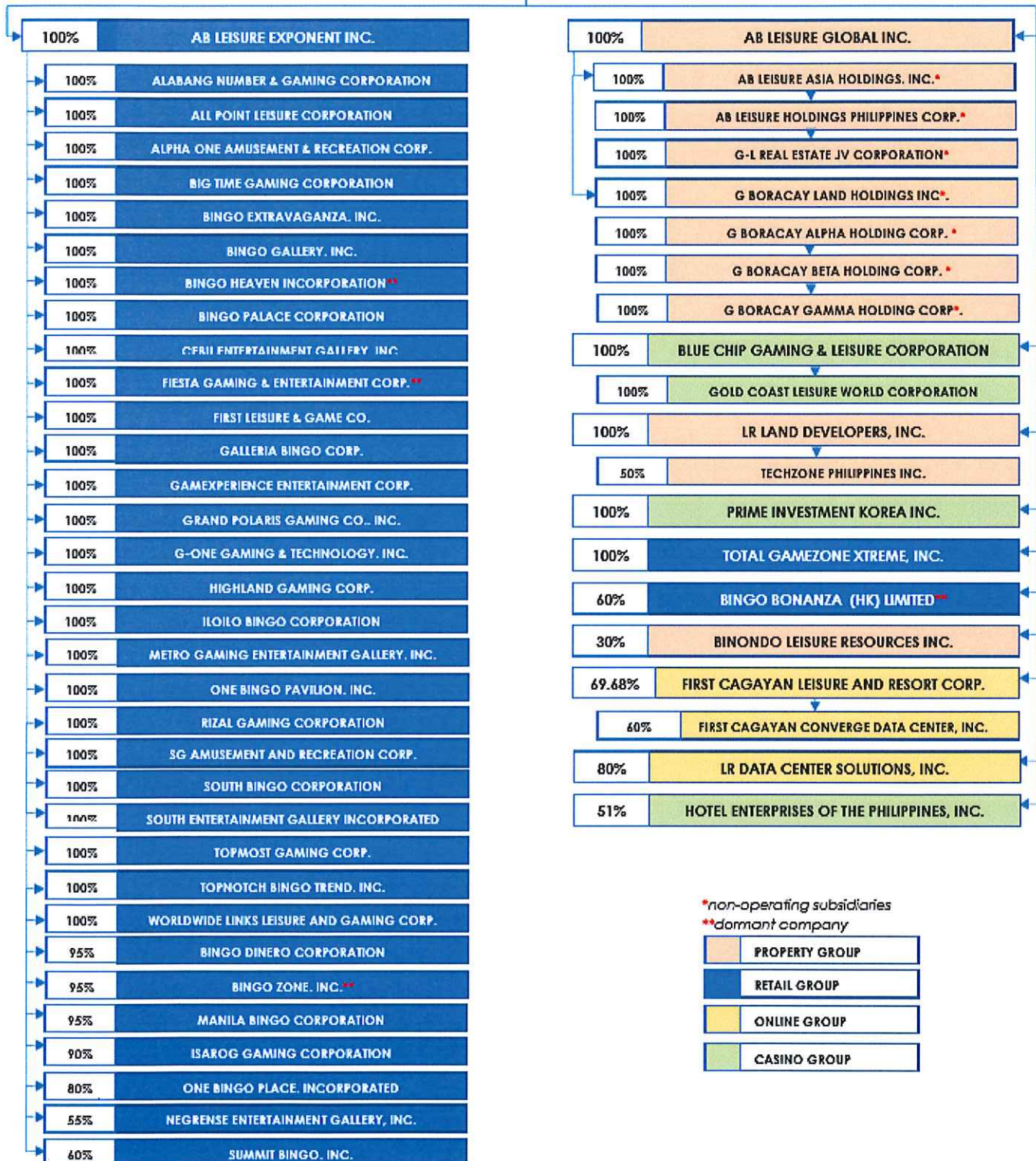
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Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact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

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

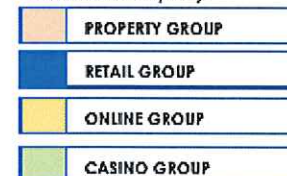
**LEISURE & RESORTS WORLD CORPORATION
MAP OF CONGLOMERATE
AS OF DECEMBER 31, 2017**

LEISURE & RESORTS WORLD CORPORATION



*non-operating subsidiaries

**dormant company



LEISURE AND RESORTS WORLD CORPORATION AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		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			✓
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		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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 (2014)		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
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	✓		
	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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	✓		
	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
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		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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	✓		
	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
	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		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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]			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
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			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures	✓		
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✓
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			✓
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	✓		
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy	✓		
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test	✓		
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓

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.

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE A Financial Assets

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARES OR PRINCIPAL AMOUNT OF BONDS AND NOTES	AMOUNT SHOWN IN THE BALANCE SHEET	VALUE BASED ON MARKET QUOTATION AT END OF REPORTING DATE	INCOME RECEIVED AND ACCRUED
Cash in banks	N/A	P341,380,723	P341,380,723	-
Receivables – net	N/A	823,730,513	823,730,513	-
Rental deposits	N/A	362,093,223	362,093,223	-
Cash performance bonds	N/A	237,805,000	237,805,000	-
Performance cash deposits and betting credit funds	N/A	7,600,000	7,600,000	-
Due from related parties	N/A	155,000,000	155,000,000	-
AFS financial asset - DFNN, Inc.	20,777,046	153,309,029	153,309,029	-
		P2,080,918,488	P2,080,918,488	-

LEISURE AND RESORTS WORLD CORPORATION

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	P12,888,616	P35,095,860	(P28,965,774)	P -	P19,018,702	P -	P19,018,702
Officers	-	-	-	-	-	-	-
Total	P12,888,616	P35,095,860	(P28,965,774)	P -	P19,018,702	P -	P19,018,702

LEISURE AND RESORTS WORLD CORPORATION

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

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
AB Leisure Exponent, Inc.	P282,630,365	P -	(P169,913,334)	P -	P112,717,031	P -	P112,717,031
AB Leisure Global, Inc.	-	-	-	-	-	-	-
Blue Chip Gaming and Leisure Corporation	539,745,982	-	(304,406,734)	-	235,339,248	-	235,339,248
LR Land Developers Inc.	1,050,926,808	127,438,032	-	-	127,438,032	1,050,926,808	1,178,364,840
Prime Investment Korea Inc.	131,964,675	-	(131,964,675)	-	-	-	-
Total Gamezone Xtreme Incorporated	146,765,148	-	(5,218,980)	-	141,546,168	-	141,546,168
Total	P2,152,032,978	P127,438,032	(P611,503,723)	P -	P617,040,479	P1,050,926,808	P1,667,967,287

LEISURE AND RESORTS WORLD CORPORATION

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 (DEDUCTIONS)	BALANCE AT END OF PERIOD
Goodwill - net	P1,453,344,478	P48,723,226	P -	P -	P -	P1,502,067,704
Other Assets						
Airstrip improvements - net	40,279,488	-	(3,092,992)	-	-	37,186,496
Operating licenses	4,253,690	-	-	-	-	4,253,690
Total Other Assets	44,533,178	-	(3,092,992)	-	-	41,440,186
Total Intangible Assets	P1,497,877,656	P48,723,226	(P3,092,992)	P -	P -	P1,543,507,890

LEISURE AND RESORTS WORLD CORPORATION

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"	"Long term debt - net of noncurrent portion"
Banco de Oro		P -	5.66% payable in full in November 2022 P2,456,708,801
Banco de Oro		36,862,283	6.00% payable from September 2015 to August 2020 74,205,153
BDO Unibank, Inc.		948,917	8.60% payable from July 2017 to June 2020 1,585,563
Banco de Oro		1,678,601	8.60% payable from January 2016 to September 2019 2,950,522
United Coconut Planters Bank Unionbank		1,138,829 1,105,096	8.60% payable from November 2016 - October 2018 1,982,179
Unionbank		5,510,123	8.11% payable from August 2017 to July 2020 5,264,990
Asia United Bank		130,000,000	8.60% payable from January 2016 to September 2019 184,166,667
Asia United Bank		116,666,667	6.18% payable from June 2015 to May 2020 233,333,333
		P293,910,516	6.22% payable from December 2017 to December 2020 P3,003,488,405

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE G Guarantees of Securities of Other Issuers

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR WHICH THIS STATEMENT IS FILED	TITLE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED AND OUTSTANDING	AMOUNT OWNED BY PERSON FOR WHICH THIS STATEMENT IS FILED	NATURE OF GURANTEE
NOT APPLICABLE				

LEISURE AND RESORTS WORLD CORPORATION

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				
Preferred shares	2,500,000,000	1,650,000,000	82,500,000	389,502,407	37,690,726	772,659,379

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 2017	P449,536,663
Adjustments in previous year's reconciliation	(256,332,830)
Unappropriated Retained Earnings, as adjusted, beginning	193,203,833
Net income for the current year based on the face of AFS	264,180,175
Less: Non-actual/unrealized income net of tax	
Equity in net income of a joint venture	(61,000,669)
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	4,762,266
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	207,941,772
Add (Less):	
Dividend declarations during the period	(320,227,877)
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Treasury shares	-
Unappropriated Retained Earnings, as adjusted, 31 December 2017	P80,917,728