COVER SHEET

1 3 1 7 4

SEC Registration Number

LEISURE & RESORTS WORLD

CORPORATION & SUBSIDIARIES

(Company's Full Name)

26th Floor, West Tower, PSE CenteR

Exchange Road Ortigas Center

Pasig City

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

MS. DIANA JANE B. GARBI

(Contract Person)

(02) 8 634-5099

(Company Telephone Number)

12 31

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2019

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

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

   PHILIPPINES
5. Province, country or other jurisdiction of incorporation or organization

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

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

   (632) 8 634-5099
8. Issuer's telephone number, including area code

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

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

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,417,500,000/NA
Preferred	1,650,000,000
Warrants	82,500,000

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

    Yes [/] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Name of Stock Exchange	Class of Securities Listed
Philippine Stock Exchange	Common - Preferred - Warrants

12. Indicate by check mark whether the registrant:

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

    Yes [/] No [ ]

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

    Yes [/] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

OVERVIEW

LRWC is functioning as a holding company with minimal operations. The Company is focusing its endeavor in supporting the productivity programs of its subsidiaries as grouped in the following segments: **CASINO** (1) Prime Investment Korea, Inc. (PIKI - 100% owned), (2) Blue Chip Gaming and Leisure Corporation (BCGLC - 100% owned),(3) Gold Coast Leisure World Corp. (GCLWC - 100% owned); **ONLINE** (4) First Cagayan Leisure and Resort Corporation (FCLRC - 69.68% owned),(5) LR Data Center and Solutions, Inc. (LRDCSI - 80% owned), (6) First Cagayan Converge Data Center Inc. (FCCDCI - 57.8%); **RETAIL** (7) AB Leisure Exponent, Inc. (ABLE - 100% owned), (8) Total Gamezone Xtreme, Inc. (TGXI - 100% owned); and **PROPERTY** (9) AB Leisure Global, Inc. (ABLGI - 100% owned), (10) LR Land Developers, Inc. (LRLDI - 100% owned).

On January 11, 2019, the shareholders approved the issuance of up to 1,300,147,488 common shares from the unissued capital stock through a private placement. In March and April 2019, 1,217,647,488 common shares were subscribed at ₱3.60 per share by virtue of the subscription agreements entered into by the Parent Company with its investors. The proceeds of the issuance will be used to refinance some loans, finance working capital and support expansion.

In May 2019, the new shares were issued to the new investors.

<u>PIKI</u>
PIKI was registered with Philippine Securities and Exchange Commission (SEC) on November 9, 2012 and started its commercial operations on July 26, 2013. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. Together with Philippine Amusement and Gaming Corporation (PAGCOR), PIKI executed a Junket Agreement to jointly conduct junket gaming operations within PAGCOR's Casino Filipino-Midas located at Midas Hotel and Casino in Roxas Boulevard, Pasay City.

<u>BCGLC and GCLWC</u>
On April 27, 2011, LRWC acquired 70% of BCGLC's outstanding capital stock. BCGLC operates Slot Arcades at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacle, Bacolor, Pampanga under a license issued by the PAGCOR. On July 24, 2015, BCGLC incorporated a subsidiary, GCLWC. GCLWC was incorporated to comply with Section 18, Chapter III of the Implementing Rules and Regulations of Republic Act No. 7227. GCLWC obtained its Certificate of Registration in Subic Bay Metropolitan Authority on August 2, 2016. On December 1, 2015, LRWC acquired the remaining 30% of BCGLC bringing its total ownership to 100%.

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

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

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

On March 16, 2018, BCGLC entered into a Lease and Technical Assistance Agreement with Entertainment Gaming Philippines, Inc. (EGP) for the lease of slot machines. By virtue of the Agreement, BCGLC shall be paid an amount equivalent to 16% of the Monthly Net Wins derived from the operations of the leased machines.

On January 16, 2019, BCGLC entered into an Asset Purchase Agreement with EGP for the sale of two (2) PAGCOR VIP Clubs at San Pedro Town Center, Laguna and Universal Park Mall, Sta. Cruz, Manila.

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

In the local scene, recent developments significantly affected FCLRC's business and operations due to the issuance on September 1, 2016 by the PAGCOR of the "Rules and Regulations for Philippine Offshore Gaming Corporations". The said PAGCOR Regulations was adopted to regulate the issuance of licenses which provide and participate in offshore gaming services or online games of chance via the Internet.

On November 24, 2017, FCLRC and CEZA signed a supplemental agreement which provides for the following: (1) CEZA retains the 25-year appointment of FCLRC as a non-exclusive Licensor for interactive gaming; (2) CEZA shall also grant appointment of FCLRC for land-based gaming after it has complied with all requirements; (3) 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; (4) 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.

FCLRC owns 60% of the outstanding capital stock of FCCDCI.

<u>LRDCSI</u>
On May 20, 2016, LRDCSI was registered and incorporated with SEC. 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 telecommunication 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 LRDCSI. LRDCSI's portfolio includes solutions related to data center co-location, Internet, private leased lines, mobile and video platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in the industry sectors including land based and online gaming operators. LRWC owns 80% of the outstanding capital of LRDCSI while one of the incorporators owns the remaining 20%.

LRDCSI owns 20% of the outstanding capital stock of FCCDCI effective January 1, 2017.

LRDCSI commenced its commercial operations on October 1, 2017.

FCCDCI

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. which was incorporated on November 14, 2007. 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. IPVG Corp. acquired IPCDCC's interest in FCCDCI and entered into a Deed of Subscription of Rights with IP E-Games Ventures, Inc. (IP E-Games), whereby IPVG Corp. assigned 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1. The assignment was made effective January 1, 2009. However, on April 13, 2011, the Board of Directors of both IP E-Games and IPCDCC jointly approved the sale of IP E-Games' 40% equity stake in FCCDCI for a total consideration of ₱120.0 million.

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription of Rights with IP Ventures, Inc. (IPVI), a third-party company, whereby IPCDCC assigned all rights and interests and participation to its 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1 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 ₱1 for a total consideration of ₱16.4 million to LRDCSI.

By virtue of the Deed of Absolute Sale of Share of Stock entered into by IPVI and LRDCSI, LRWC obtained a 57.808% 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.

ABLE

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

Site Count and Site Acquisitions

In 2017, ABLE through its subsidiaries, opened additional nine (9) sites, of which three (3) sites were built in the following locations: (1) Il Centro Sta. Lucia; (2) Imall Camarin Caloocan; and (3) Robinsons Las Pinas. The remaining six (6) sites were acquired by ABLE through its subsidiaries in the following areas: (4) St. Thomas Square, Matalino Quezon City; (5) Tanjuatco Building, Tanay; (6) FRC Mall Bacoor, Cavite; (7) Northwalk San Fernando, Pampanga; (8) Puregold Novaliches; and (9) ATI Building Don Domingo Centro 2 Tuguegarao. This resulted in goodwill amounting to P48.7 million.

In September 2018, ABLE opened two (2) new sites in the following locations: (1) GD Plaza Guiguinto Bulacan and (2) Mactan Marina Mall.

ABLE permanently closed four (4) sites in 2017 and two (2) sites in 2018.

In 2019, ABLE opened six (4) new sites in the following locations: (1) Plazuela De Iloilo Mall, Madurriao, (2) Metro Town Center, Las Pinas, (3) Robinsons General Santos, and (4) SM Makati Avenue, Makati City

As of September 30, 2019, ABLE has a total of 153 operational sites nationwide.

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

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

On April 6, 2018, PAGCOR issued a Memorandum, through its Assistant Vice President, GLDD, stating that on April 4, 2018, PAGCOR's BOD approved the reversion to 5% Franchise tax on income from bingo game operations and bingo sites. The implementation of the 5% Franchise tax on bingo game offerings shall take effect on January 1, 2018. By the virtue of the memorandum issued, ABLE no longer recognized provision for income tax starting January 1, 2018. In the same memorandum, PAGCOR effectively passed on the payment of the prize tax on winnings to either the player or the operator at its option.

<u>TGXI</u>
On July 21, 2014, LRWC entered into an Asset and Share Purchase Agreement with Premiere Horizon Alliance Corporation (PHAC) to purchase the latter's 100% stake in TGXI, the assignee and purchaser of the assets, rights and interests of Digiwave Solutions, Inc. (DSI), the operator and licensee of PAGCOR e-games stations.

Site Count
Due to the expiration of IPLMA license of Philweb last August 10, 2016, TGXI closed three (3) of its sites as well as 1,494 terminals in its 51 other sites.

The following month, TGXI received notices from PAGCOR informing that the PAGCOR's BOD issued an order to immediately cease the operations of its Electronic Games at its 17 sites due to non-compliance with the distance restriction guidelines under Section 2 of Regulation 3 of the Gaming Site Regulatory Manual (GSRM) for Bingo Games version 2.0. In response to this, LRWC sent a letter of reconsideration to PAGCOR.

From October to November 2016, PAGCOR allowed the re-opening of three (3) sites.

In February 2017, PAGCOR further allowed another site to be re-opened, while management decided to permanently close 12 sites.

In 2018, management decided to permanently close four (4) sites and open one (1) site.

As of September 30, 2019, TGXI has 36 operational sites.

ABLGI

In 2017, ABLGI incorporated 7 direct and indirect subsidiaries as follows:

Company	Incorporation Date	Nature of Business
AB Leisure Asia Holdings Inc.	August 30, 2017	Holding Company
AB Leisure Holdings Philippines Corp.	September 6, 2017	Holding Company
G-L Real Estate JV Corporation	September 15, 2017	Real Estate
G Boracay Land Holdings Inc.	October 10, 2017	Holding Company
G Boracay Alpha Holding Corp.	October 18, 2017	Holding Company
G Boracay Beta Holding Corp.	October 18, 2017	Holding Company
G Boracay Gamma Holding Corp.	October 18, 2017	Holding Company

In October 2017, LRWC signed an Omnibus Loan and Security Agreement (OLSA) for Two Billion Five Hundred Million Pesos (Php 2,500,000,000.00) with BDO Unibank, Inc. - Trust and Investment Group as Security Trustee and the Company, LRWC as Surety, for the acquisition, through its subsidiary, of 23 hectares of land property in Boracay for future project. The land properties were acquired the same year.

LRLDI

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

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

LRLDI has significant land properties in Cagayan which are carried at fair value.

LRLDI entered into a joint venture property development project in Makati with Total Consolidated Asset and Management, Inc. called Techzone Philippines, Inc (TPI). As envisioned, the planned building will be a world-class BPO center with offices for various BPO locators not limited to licensees of FCLRC.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 AS AGAINST SEPTEMBER 30, 2018

GROSS PROFIT

Breakdown of gross gaming revenues and its related direct costs are as follows:

	For the three months ended September 30			
	2019	**2018**	**Change**	**% Change**
CASINO				
Income from junket operations	**₽695,623,375**	₽968,186,975	(272,563,600)	-28.2%
Casino gaming revenues	**475,850,924**	372,761,515	103,089,409	27.7%
	1,171,474,299	1,340,948,490	**(169,474,191)**	**-12.6%**
ONLINE				
Service and hosting fees	**98,238,829**	88,154,101	10,084,728	11.4%
Bandwidth and co-location	**156,175,475**	173,347,027	(17,171,552)	-9.9%
	254,414,304	261,501,128	**(7,086,824)**	**-2.7%**
RETAIL				
Electronic bingo	**1,708,036,437**	1,511,289,116	196,747,321	13.0%
Traditional bingo	**550,825,761**	526,072,705	24,753,056	4.7%
Electronic games	**254,119,223**	241,480,073	12,639,150	5.2%
Rapid bingo	**74,896,120**	54,570,600	20,325,520	37.2%
Pull tabs	**4,696,280**	3,650,840	1,045,440	28.6%
	2,592,573,821	2,337,063,334	**255,510,487**	**10.9%**
PROPERTY				
Rent income	**9,107,935**	6,075,800	3,032,135	49.9%
Total gross gaming revenues	**4,027,570,359**	3,945,588,752	**81,981,607**	**2.1%**
Partner's share	**994,958,210**	1,124,811,412	129,853,202	11.5%
Franchise fees and taxes	**1,157,717,693**	1,017,816,255	(39,901,438)	-3.6%
Payout	**489,203,991**	356,441,208	(132,762,783)	-37.2%
Vendor share	**353,687,890**	326,249,916	(27,437,974)	-8.4%
Costs of bandwidth and co-location	**124,324,759**	130,269,887	5,945,128	4.6%
Other direct costs	**6,686,812**	6,978,941	292,128	4.2%
Total direct costs	**3,126,579,355**	3,062,567,619	**(64,011,736)**	**-2.1%**
Gross profit	**₽900,991,004**	₽883,021,133	**17,969,871**	**2.0%**

Consolidated Gross Profit

Despite the incremental prize tax of ₽25.1 million in the third quarter of 2019, consolidated Gross Profit increased by ₽18.0 million or 2.0% mainly due to the gross gaming revenue growth from the retail segment, casino gaming revenues from BCGLC and service and hosting fees from FCLRC.

Casino

PIKI (Income from junket operations) recorded a decline of ₽272.6 million or 28.2% in gross gaming revenue due to significantly lower turnover figures for the three-month period ended September 30, 2019 amounting to ₽17.1 billion against ₽28.3 billion of the same period last year. On the other hand, a slightly better average win rate of 4.0% was recorded in the third quarter of 2019 as compared to 3.4% in the same period last year.

BCGLC and GCLWC (Casino gaming revenues) registered considerably higher turnover figures in the third quarter of 2019 at ₽8.3 billion as compared to ₽6.1 billion in the third quarter of 2018. This resulted in an increase in gross gaming revenue of ₽103.1 million or 27.7% in 2019 Q3 as compared to the same period last year. The increase was brought about by aggressive marketing efforts and programs implemented by the business unit.

Online

FCLRC generated ₽98.2 million gross revenues during the third quarter of 2019, an increase of ₽10.1 million or 11.4% from last year's third quarter of ₽88.2 million. This was mainly due to the revenue growth from operations of the Company's locators.

FCCDCI and LRDCSI's combined gross revenue from bandwidth and co-location in 2019 Q3 amounted ₱156.2 million, a decline of ₱17.2 million or 9.9% as compared to 2018, this is despite the slight increase in the number of locators and volume. In order to compete with the local telcos, the business unit implemented pricing adjustments starting end of 2018. As of September 2019, FCCDCI and LRDCSI have 97 locators combined compared to 90 as of September 2018.

Retail

ABLE and its subsidiaries generated total gross gaming revenues of ₱2,369.7 million for the third quarter of 2019, an increase of ₱251.2 million or 11.9% from ₱2,118.5 million for the same period last year.

E-Bingo remained to be ABLE's principal product line as its contribution has been increasing faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. The continuing expansion through acquisition and opening of new bingo outlets also contributed to E-Bingo's growth. For the third quarter of 2019, E-Bingo represented 72.1% of ABLE's total revenues or ₱1,708.0 million as compared to the 71.0% contribution amounting to ₱1,511.3 million during the same period last year. As of September 30, 2019, there were a total of 11,064 E-Bingo machines in 153 bingo parlors as compared to 10,593 E-Bingo machines in 147 bingo parlors as of September 30, 2018.

Revenues from Traditional Bingo accounted 23.2% of ABLE's GGR in the third quarter of 2019 as against 24.8% in the same period of 2018.

During the third quarter of 2019, Rapid bingo contributed ₱74.9 million or 3.1% of ABLE's total revenues as compared to ₱54.6 million or 2.6% contribution to total revenues for the same period last year.

TGXI generated gross gaming revenues from electronic games amounting to ₱222.9 million, ₱4.3 million or 2.0% higher than the same period of previous year. This resulted from a higher win rate of 4.23% in 2019 compared to 4.08% despite the slight decline in turnover by ₱14.6M.

Vendor share and franchise fees and taxes increased relative to the segment's GGR growth. Payout likewise increased due to higher jackpots hit by regular bingo players and incremental prize tax.

Property

Since the effectivity of the Termination Agreement with Belle Group on March 31, 2017, ABLGI's sole source of revenue was the rent income from the lease of Binondo Suites. Rent income generated amounted to ₱2.1 million for the quarter.

LRLDI generated rent income from its lease of Cyberpark Buildings 1 and 2 and Techhub Makati. Rent income for the third quarter of 2019 amounted to ₱7.0 million.

On May 23, 2019, LRLDI managed to secure a five-year lease contract with a new tenant in Techhub Makati for ₱0.9 million per month. The lease commenced on July 1, 2019.

OPERATING EXPENSES

Overall operating expenses increased by ₱73.7 million or 9.0% mainly due to the following: (1) Interest expense by ₱86.9 million or 338% due to higher interest rates on existing loans; (2) Rentals and utilities by ₱14.0 million or 5.8% due to acquisition of Elixir and other retail sites and annual escalation rates; (3) Marketing expenses by ₱20.5 million or 41.2% due to retail and casino's marketing initiatives; (4) People expenses by ₱14.5 million or 5.4% due to higher rates of contracted services, offset by the effect of deferred tax asset recognition of ₱58.4 million and other costs savings.

CONSOLIDATED NET INCOME

The Group posted a consolidated net income (net of minority share) during the third quarter of 2019 amounting to ₱69.0 million or a decline by ₱15.0 million or 17.8% from last year's third quarter consolidated net income of ₱84.0 million despite the significant growth in gross gaming revenues. The slight decline was mainly due to: (1) higher interest expense as discussed above and (2) significant decline in PIKI's gross gaming revenue.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AS AGAINST SEPTEMBER 30, 2018

GROSS PROFIT

Breakdown of gross gaming revenues and its related direct costs are as follows:

	For the nine months ended September 30			
	2019	**2018**	**Change**	**% Change**
CASINO				
Income from junket operations	**₱2,072,286,425**	₱2,826,361,350	(754,074,925)	-26.7%
Casino gaming revenues	**1,402,927,956**	1,141,187,405	261,740,551	22.9%
	3,475,214,381	3,967,548,755	**(492,334,374)**	**-12.4%**
ONLINE				
Service and hosting fees	**358,201,932**	308,550,435	49,651,497	16.1%
Bandwidth and co-location	**457,799,308**	507,100,858	(49,301,550)	-9.7%
	816,001,240	815,651,293	**349,947**	**0.0%**
RETAIL				
Electronic bingo	**4,978,740,476**	4,481,022,489	497,717,987	11.1%
Traditional bingo	**1,682,629,386**	1,544,191,263	138,438,123	9.0%
Electronic games	**736,601,516**	691,819,880	44,781,636	6.5%
Rapid bingo	**207,349,045**	169,076,360	38,272,685	22.6%
Pull tabs	**13,580,350**	13,264,815	315,535	2.4%
	7,618,900,773	6,899,374,807	**719,525,966**	**10.4%**
PROPERTY				
Rent income	**22,415,521**	18,227,400	4,188,121	23.0%
Total gross gaming revenues	**11,932,531,915**	11,700,802,255	**231,729,660**	**2.0%**
Partner's share	**2,945,863,924**	3,301,382,498	355,518,574	10.8%
Franchise fees and taxes	**3,466,114,979**	3,309,996,339	(156,118,640)	-4.7%
Payout	**1,356,869,959**	1,056,359,452	(300,510,507)	-28.4%
Vendor share	**1,050,561,713**	983,866,339	(66,695,374)	-6.8%
Costs of bandwidth and co-location	**364,166,356**	379,379,864	15,213,508	4.0%
Other direct costs	**17,861,840**	20,220,493	2,358,653	11.7%
Total direct costs	**9,201,438,771**	9,051,204,985	**(150,233,786)**	**-1.7%**
Gross profit	**₱2,731,093,144**	₱2,649,597,270	**81,495,874**	**3.1%**

Consolidated Gross Profit

Consolidated Gross Profit increased by ₱81.5 million or 3.1% due to the revenue growth from BCGLC's casino gaming revenues, Retail segment's Bingo and E-casino, and Online segment's service and hosting fees.

Casino
Gross revenues from the Casino business registered a decline of ₱492.3 million or 12.4%.

PIKI's income from junket operations decreased by ₱754.5 million or 26.7% due to a significantly lower turnover of ₱54.2 billion in the first nine months of 2019 compared to previous year's September YTD turnover of ₱83.3 billion.

BCGLC and GCLWC's continuous marketing efforts and site renovations mainly contributed to its remarkable performance in the first nine months of 2019. Casino gaming revenues registered an increase of ₱261.7 million or 22.9% against last year resulting from higher turnover numbers amounting to ₱24.5 billion in 2019 compared to ₱17.6 billion in 2018. A record-breaking turnover was registered in the month of May amounting to ₱3.0 billion.

Online
Online division's revenue amounted to ₱816.0 million in 2019, a slight increase from last year's ₱815.7 million.

FCLRC generated ₱358.2 million gross revenues for the nine months ended September 30, 2019, an increase of ₱49.7 million or 16.1% from last year's nine-month revenue of ₱308.6 million. Hosting fees from restrictive and interactive gaming locators contributed ₱291.1 million or 81.3% of FCLRC's total revenues, while license application and renewal fees accounted for ₱67.2 million or 18.7%.

FCCDCI and LRDCSI implemented lower rates on its products starting 2018 to compete with local telecommunication companies causing gross revenues to decrease by ₱49.3 million or 9.7% from ₱507.1 million for the period ended September 30, 2018 to ₱457.8 million for the period ended September 30, 2019. Revenue from bandwidth contributed ₱407.2 million or 88.9% while co-location accounted for ₱50.6 million or 11.1% of the total gross revenues for the period ended September 30, 2019.

Retail
ABLE and its subsidiaries generated total year to date gross gaming revenues of ₱6,964.8 million, an increase of ₱702.7 million or 11.2% from ₱6,262.1 million of the same period last year. The increase was attributable to: (1) Traditional bingo by ₱138.4 million or 9.0%; (2) Electronic bingo by ₱497.7 million or 11.1%; (3) Rapid bingo by ₱38.3 million or 22.6% and (4) Electronic games by ₱27.9 million or 51.2%. Extensive marketing efforts implemented by the business unit brought about the overall revenue growth.

E-Bingo remained to be the Company's principal product line representing ₱4,978.7 million or 71.5% of ABLE's total revenues in 2019 as compared to the ₱4,481.0 million or 71.6% contribution during the same period last year.

Traditional Bingo contributed ₱1,682.6 million or 26.9% in 2019 as against ₱1,544.2 million or 24.7% in the same period of 2018.

In 2019, Rapid bingo accounted for ₱207.3 million or 3.0% of ABLE's total revenues as compared to ₱169.1 million or 2.7% contribution to total revenues for the same period last year.

TGXI's marketing initiatives resulted in an increase in its turnover numbers thereby increasing gross gaming revenues from electronic games by ₱16.8 million or 2.6% from ₱637.3 million in 2018 to ₱654.1 million in 2019.

Property
ABLGI's rent income from the lease of Binondo Suites amounted to ₱6.4 million for the period ended September 30, 2019. While LRLDI derived a year to date rent income from the lease of Cyberpark Buildings 1 and 2 and Techhub Makati amounting to ₱16.0 million.

The slight increase in rent income was brought about by the new lease customer in Techhub Makati and the 10% escalation from existing contracts.

OPERATING EXPENSES

Overall operating expenses increased by ₱296.3 million or 11.8%. Significant increases were as follows: (1) Interest expense by ₱293.3 million or 415.6% due to increased interest rates; (2) Rentals and utilities by ₱75.0 million due to Elixir and other retail site acquisitions and annual escalation rates; (3) Advertising and promotion by ₱75.2 million due to marketing initiatives by the casino and retail segments; (4) People expenses by 33.5 million; and (5) Taxes and licenses due to the real property taxes, offset by the effect of deferred tax asset recognition of ₱210.0 million and other costs savings.

CONSOLIDATED NET INCOME

The Group posted a consolidated net income (net of minority share) for the period ended September 30, 2019 amounting to ₱23.6 million or a 91.1% from 2018's consolidated net income of ₱266.0 million. The significant decline of ₱242.5 million is mainly due to the following: (1) increase in interest expense; (2) incremental payout tax on Retail's gross gaming revenues amounting to ₱75 million; and (3) PIKI's gross gaming revenue decline.

Financial Condition - September 30, 2019 vs. December 31, 2018

On a consolidated basis, the financial position of LRWC and its subsidiaries - PIKI, BCGLC, FCLRC, LRDCSI, FCCDCI, ABLE, TGXI, ABLGI, and LRLDI - continue to be on solid ground. Total assets as of September 30, 2019 amounted to ₱20.9 billion, an increase of ₱2.9 billion or 16.0% as compared to December 31, 2018 balance of ₱18.0 billion.

Cash Flows - Nine Months Ended September 30, 2019 vs. September 30, 2018

Cash balance as of September 30, 2019 amounted to ₱2.6 billion, a significant increase from December 31, 2018 by ₱2.1 billion or 484% due to the proceeds from the issuance of 1.2 billion common shares through a private placement.

<u>Discussion and Analysis of Material Events and Uncertainties Known to Management</u>

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

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

PLANS FOR 2019

CASINO

Product Improvement

Product improvement is the process of making meaningful product changes that result in new customers or increased benefits realized by existing customers. BCGLC will replace the existing old model of EGM and ETG to latest model.

At the same time, BCGLC will also replace those non-performing EGM to those games that have already been proven in major casinos in the Philippines in order to maximize gaming revenue.

Marketing and Promotion

BCGLC's marketing plan for 2019 will based on Product - increased the game mix, Price - various denomination games installed in each club to attract all level of players, and Promotion - intense marketing activities will be held in weekly, monthly and quarterly basis.

Club Enhancement

Transform the traditional PAGCOR VIP Club to a boutique style Casino which allows customer to enjoy their playing experience in a quiet and cozy gaming room.

RETAIL

The retail business units embarked on a "back-to-basics" philosophy in 2018. Essentially, gaming outlets providing traditional bingo games, electronic bingo machines and electronic casino terminals were given rudimentary makeover aimed specifically to deliver improved comfort to players. In addition, the gaming floor layouts were revised for better player circulation and wider spaces. Frontline personnel were re-trained for proper customer care and free food and drinks are available to players. These measures form part of the retail business units' player retention strategies.

In the second half of 2018, player acquisition programs were implemented led by the acceleration of the establishment of a loyalty program for electronic bingo players. This follows the successful loyalty program for electronic casino players launched in 2017. The other major steps undertaken in 2018 to attract new players to the venues include year-long promotions through tournaments and raffles, information campaigns via social media, diversification of product offerings through more electronic bingo machine brands and electronic casino virtual game content.

For 2019, additional gaming capacity will be in place through the construction of new venues and expansion of existing outlets with high playing volumes. Improving daily revenue per machine was observed throughout 2018 and growth is expected to continue in 2019 under the current operating and marketing strategies. By the second half of 2019, the retail group intends to shift more attention to establishing relatively large outlets that would offer multiple gaming products (i.e. electronic bingo, traditional bingo games offered digitally, electronic casino, sports betting) all under one roof.

ONLINE/PROPERTY

Following the clarification of the government's position regarding the licensing and regulation of entities involved in online gaming operations and ancillary support services through the issuance of Executive Order 13 in February 2017, FCLRC initiated efforts to put in place the critical elements that are necessary for the CSEZFP to regain its historical status of being the premier online gaming jurisdiction in Asia. Specifically, FCLRC has identified and taken steps to address the following:

Accessibility

FCLRC has determined that the main gateway to the CSEZFP will be through the Cagayan North International Airport located in the municipality of Lal-lo, approximately 80 kilometers southwest of FCLRC's business operations in Santa Ana. LRWC, through its wholly-owned subsidiary LR Land, funded over 50% of the development cost of CNIA through advances to airport owner and operator Cagayan Premium and may convert such advances into majority equity in the airport owner in the future. CEZA provided the other 50% funding for CNIA.

In 2018, a chartered airline servicing one of the locators in Santa Ana successfully launched its maiden flight between Macau and Lal-lo. The chartered airline now flies two round trips a week from Lal-lo to Macau. Also, in 2018, consultants were engaged to assist Cagayan Premium to obtain the authorization from the CAAP for CNIA to operate as a commercial airport. It is expected that with the appointment of trained airport personnel, planned upgrade of the passenger terminal, procurement of ground handling equipment and installation of navigational systems by the 4th quarter of 2019, CNIA will finally be able to operate as a fully-functional commercial airport.

Master-planned Business Park

Initially focusing on its 10-hectare property in Santa Ana (Cyberpark) for development, FCLRC is expanding its plans to cover a significantly larger area beyond Cyberpark. In doing so, FCLRC can properly envision and execute a master-planned development that incorporates office, residential and retail commercial buildings as well as recreational areas into a self-contained community catering to online gaming and financial technology companies. FCLRC expects actual master-planning work to commence early in the third quarter of 2019. Horizontal land development preparatory work should begin shortly after.

Licenses

To provide the appropriate regulatory environment to its infrastructural development plans, FCLRC successfully renewed its master licensor from CEZA in 2017. In addition, FCLRC was also awarded by CEZA the first land-based casino license in CSEZFP in late 2018. For 2019, FCLRC is angling to obtain a principal financial technology license and explore opportunities involving blockchain technology and cryptocurrency.

LRDCSI, has built a robust data network infrastructure in Cagayan that is connected to its Metro Manila facilities. Together, both the Cagayan and Metro Manila nodes offer world-class internet connectivity that is essential to online gaming operators. These nodes are, in turn, connected to LR Data nodes located in other countries in the Asia Pacific region. For 2018, additional capital expenditures are programmed to further improve the quality of this data network infrastructure and a new Tier One data center will be on the drawing board. For 2019, additional capital expenditures are programmed to improve facilities in both Cagayan and Manila as follows:

In Cagayan - (a) Initiate the plan including timelines and BOM for a redundancy path for the underground fiber facilities to further improve the stability and uptime of network facilities in the zone. Project implementation will be dependent on management direction and approval; (b) Expand the fiber network in preparation for new CEZA enterprise locators as well as the planned developments of LR Land/FCLRC; (c) Maximize use of existing fiber optic network to cater to retail markets within the zone; and (d) As planned in 2018, LRDCSI will move forward on the new data center facility in the zone and come up with the terms-of-reference for a purpose-built Tier-3 modular data center.

In Manila - (a) Complete the procurement of network equipment to enable end-to-end MPLS services further improving network service performance; (b) Maximize existing Cloud infrastructure to cater to more enterprise and non-gaming customers in Manila; (c) Extend the LRDATA cloud services to Taiwan thru the existing LRDATA Taiwan node to cater to growing gaming BPO operations in the country; and (d) Explore other VAS opportunities that may be offered not just to gaming customers but also to other enterprise customers.

PART II – OTHER INFORMATION

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

SIGNATURES

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

Registrant: **LEISURE & RESORTS WORLD CORPORATION**

Signature and Title: ENG HUN CHUAH, President

Date: 11/19/2019

Signature and Title: DIANA JANE B. GARBI, Group Controller

Date: 11/19/2019

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

	Note	**September 30, 2019**	December 31, 2018
ASSETS			
Current Assets			
Cash	*4*	**₱2,580,826,334**	₱442,130,215
Receivables	*5*	**1,225,488,775**	958,018,829
Due from related parties	*14*	**155,000,000**	155,000,000
Prepaid expenses and other current assets	*6*	**256,918,036**	154,145,907
Total Current Assets		**4,218,233,145**	1,709,294,951
Noncurrent Assets			
Property and equipment – net	*7*	**1,528,049,307**	1,758,184,141
Investment properties	*8*	**7,311,783,431**	7,306,688,427
Investments and advances	*9*	**4,771,644,127**	4,573,784,614
Financial assets at fair value through other comprehensive income (FVOCI)	*9*	**168,180,654**	168,180,654
Deferred tax assets		**318,984,916**	107,415,716
Goodwill	*13*	**1,566,217,333**	1,502,067,704
Other noncurrent assets – net	*10*	**1,060,331,351**	922,476,209
Total Noncurrent Assets		**16,725,191,119**	16,338,797,465
		₱20,943,424,264	₱18,048,092,416

LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*12*	**₱2,065,976,853**	₱1,927,286,036
Short-term loans payable	*11*	**1,031,577,682**	2,354,478,420
Current portion of long-term loans payable	*11*	**181,048,318**	168,102,479
Income tax payable		**6,066,251**	7,204,795
Total Current Liabilities		**3,284,669,104**	4,457,071,730
Noncurrent Liabilities			
Long-term loans payable - net of current portion	*11*	**3,368,158,743**	3,529,157,919
Retirement benefits liability		**142,857,601**	225,822,184
Deposits		**97,807,175**	95,732,478
Deferred tax liabilities		**649,925,022**	649,925,022
Total Noncurrent Liabilities		**4,258,748,541**	4,500,637,603
		7,543,417,645	8,957,709,333

(Forward)

	Note	September 30, 2019	December 31,2018
Equity			
Equity Attributable to the Parent Company			
Capital stock	*1*	**₱4,067,500,000**	₱2,849,852,512
Additional paid-in capital - common	*1*	**4,279,912,026**	1,114,028,555
Treasury shares		**(90,411,278)**	(90,411,278)
Retirement benefits reserve		**(35,673,952)**	(35,673,952)
Fair value reserve		**62,053,063**	62,053,063
Foreign currency translation reserve		**(2,099,981)**	(2,099,981)
Other reserve		**(19,488,495)**	(19,488,495)
Retained earnings		**4,656,756,771**	4,788,629,877
		12,918,548,154	8,666,890,301
Non-controlling Interests		**481,458,465**	423,492,782
Total Equity		**13,400,006,619**	9,090,383,083
		₱20,943,424,264	₱18,048,092,416

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	**2019**	2018
REVENUES				
Electronic bingo	**₱3,928,178,763**	₱3,497,156,150	**₱1,354,348,547**	₱1,185,039,200
Traditional bingo	**1,682,629,386**	1,544,191,263	**550,825,761**	526,072,705
Service and hosting fees	**358,201,933**	308,550,435	**98,238,829**	88,154,101
Income from junket operations	**538,794,471**	734,853,952	**180,862,078**	251,728,614
Rent income	**494,429,585**	416,295,300	**167,982,408**	135,591,326
Bandwidth and co-location	**457,799,307**	507,100,858	**156,175,475**	173,347,027
Commission income	**255,143,438**	225,064,285	**90,898,761**	76,373,010
Rapid bingo	**207,349,045**	169,076,360	**74,896,120**	54,570,600
Pull tabs	**13,580,350**	13,264,815	**4,696,280**	3,650,840
	7,936,106,278	7,415,553,418	**2,678,924,259**	2,494,527,423
COSTS AND OPERATING EXPENSES				
Franchise fees and taxes	**3,466,114,978**	3,263,793,418	**1,157,717,693**	1,071,613,335
Payouts - traditional bingo	**1,356,869,959**	1,056,359,452	**489,203,991**	356,441,208
Rent	**511,682,924**	473,064,246	**169,558,605**	163,326,226
Contracted services	**451,147,294**	383,032,479	**150,056,314**	125,598,633
Salaries and other benefits	**386,020,765**	420,663,232	**136,253,969**	146,163,266
Bandwidth and co-location costs	**364,166,356**	379,379,863	**124,324,759**	130,269,887
Depreciation and amortization	**308,907,080**	336,300,359	**100,659,612**	108,019,356
Communications and utilities	**259,188,540**	222,841,085	**85,039,314**	77,300,870
Advertising and promotion	**223,309,761**	148,104,339	**70,355,583**	49,809,433
Taxes and licenses	**102,482,019**	88,558,128	**27,963,424**	31,959,255
Repairs and maintenance	**62,306,829**	61,933,635	**13,662,427**	24,714,243
Professional and directors' fees	**63,792,274**	74,104,786	**23,097,311**	21,348,317
Playing cards	**50,719,770**	33,963,056	**17,525,379**	10,220,787
Transportation and travel	**30,778,351**	44,848,262	**4,412,105**	11,978,124
Others	**206,156,838**	200,891,528	**41,007,986**	67,500,827
	7,843,643,738	7,187,837,868	**2,610,838,472**	2,396,263,767
OPERATING INCOME	**₱92,462,540**	₱227,715,550	**₱68,085,787**	₱98,263,656

(Forward)

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	**2019**	2018
OTHER INCOME (EXPENSES) – Net				
Finance expense	**(₱364,779,774)**	(₱71,123,250)	**(₱113,403,833)**	(₱25,751,027)
Equity in net earnings of associates	**54,634,696**	57,594,163	**22,587,954**	15,854,007
Equity in net earnings of joint ventures	**82,797,825**	89,364,350	**40,676,318**	25,508,229
Finance income	**862,816**	555,739	**737,269**	3,997
Other income – net	**24,242,314**	22,459,588	**12,770,716**	(6,034,970)
	(202,242,123)	98,850,590	**(36,631,576)**	9,580,236
INCOME (LOSS) BEFORE INCOME TAX	**(109,779,583)**	326,566,140	**31,454,211**	107,843,892
PROVISION FOR INCOME TAX (BENEFIT)	**(191,302,160)**	18,739,065	**(52,665,155)**	6,180,913
NET INCOME	**₱81,522,577**	₱307,827,075	**₱84,119,366**	₱101,662,979
Equity Holders of the Parent Company	**₱23,556,894**	₱266,041,304	**₱69,036,213**	₱83,953,382
Non-controlling interest	**57,965,683**	41,785,771	**15,083,153**	17,709,597
	₱81,522,577	₱307,827,075	**₱84,119,366**	₱101,662,979
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss				
Revaluation of available for sale financial assets	-	40,240,879	-	40,240,879
TOTAL COMPREHENSIVE INCOME	**₱-**	₱348,067,954	**₱-**	₱141,903,858
Attributable to:				
Owners of the Parent Company	**₱23,556,894**	₱306,282,183	**69,036,213**	₱124,194,261
Non-controlling interest	**57,965,683**	41,785,771	**15,083,153**	17,709,597
	₱81,522,577	₱348,067,954	**84,119,366**	₱141,903,858
Basic Earnings Per Share	**(₱0.0640)**	₱0.1994	**(₱0.0414)**	₱0.0476
Diluted Earnings Per Share	**(₱0.0615)**	₱0.1868	**(₱0.0398)**	₱0.0446

See Notes to the Consolidated Financial Statements.

Basic earnings per share is computed as follows:

	For the Nine Months Ended September 30	
	2019	2018
Net Income attributable to Parent Company	**₱23,556,894**	₱306,282,183
Dividends on preferred shares	**(155,430,000)**	(70,125,000)
Effect of AFS - preferred shares held by ABLE	**3,102,500**	3,102,500
Income attributable to ordinary stockholders of the Parent Company (a)	**(128,770,606)**	239,259,683
Adjusted weighted average number of shares outstanding (b)	**2,011,617,504**	1,199,852,512
Basic earnings per share (a/b)	**(₱0.0640)**	₱0.1994

	For the Three Months Ended September 30	
	2019	2018
Net Income attributable to Parent Company	**₱ 69,036,213**	₱124,194,261
Dividends on preferred shares	**(155,430,000)**	(70,125,000)
Effect of AFS - preferred shares held by ABLE	**3,102,500**	3,102,500
Income attributable to ordinary stockholders of the Parent Company (a)	**(83,291,287)**	57,171,761
Adjusted weighted average number of shares outstanding (b)	**2,011,617,504**	1,199,852,512
Basic earnings per share (a/b)	**(₱0.0414)**	₱0.0476

Diluted earnings per share is computed as follows:

	For the Nine Months Ended September 30	
	2019	2018
Income attributable to ordinary stockholders of the Parent Company *(a)*	**(₱128,770,606)**	₱239,259,683
Adjusted weighted average number of shares outstanding *(b)*	**2,011,617,504**	1,199,852,512
Effect of dilutive potential common shares* *(c)*	**80,675,000**	80,675,000
Adjusted weighted average number of shares outstanding (d=b+c)	**2,092,292,504**	1,280,527,512
Diluted earnings per share (a/d)	**(₱0.0615)**	₱0.1868

**Adjusted for the convertible preferred shares.*

	For the Three Months Ended September 30	
	2019	2018
Income attributable to ordinary stockholders of the Parent Company *(a)*	**(₱83,291,287)**	₱57,171,761
Adjusted weighted average number of shares outstanding *(b)*	**2,011,617,504**	1,199,852,512
Effect of dilutive potential common shares* *(c)*	**80,675,000**	80,675,000
Adjusted weighted average number of shares outstanding (d=b+c)	**2,092,292,504**	1,280,527,512
Diluted earnings per share (a/d)	**(₱0.0398)**	₱0.0446

**Adjusted for the convertible preferred shares.*

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2019

	Attributable to Owners of the Parent Company												
	Capital Stock												
	Common Shares	**Preferred Shares**	**Additional Paid-in Capital - 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**
Balance at January 1, 2019	**₱1,199,852,512**	**₱1,650,000,000**	**₱1,114,028,555**	**(₱90,411,278)**	**(₱35,673,952)**	**-**	**₱62,053,063**	**(₱2,099,981)**	**(₱19,488,495)**	**₱4,788,629,877**	**₱8,666,890,301**	**₱423,492,782**	**₱9,090,383,083**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,556,894**	**23,556,894**	**57,965,683**	**81,522,577**
Other comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,556,894**	**23,556,894**	**57,965,683**	**81,522,577**
Cash dividends declared										**(155,430,000)**	**(155,430,000)**		**(155,430,000)**
Issuance of capital stock	**1,217,647,488**	**-**	**3,165,883,471**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,383,530,959**	**-**	**4,383,530,959**
Balance at September 30, 2019	**₱2,417,500,000**	**₱1,650,000,000**	**₱ 4,279,912,026**	**(₱90,411,276)**	**(₱35,673,952)**	**-**	**₱62,053,063**	**(₱2,099,981)**	**(₱19,488,495)**	**₱4,656,756,771**	**₱ 12,918,548,154**	**₱481,458,465**	**₱13,400,006,619**

For the Nine Months Ended September 30, 2018

	Attributable to Owners of the Parent Company												
	Capital Stock												
	Common Shares	Preferred Shares	Additional Paid-in Capital - Common	Treasury Shares	Retirement Benefits Reserve	Equity Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2018	₱1,199,852,512	₱1,650,000,000	₱1,114,028,555	(₱89,405,347)	(₱63,226,874)	₱62,142,500	₱47,181,438	(₱2,099,981)	(₱1,294,351)	₱4,379,108,901	₱8,296,287,353	₱628,581,025	₱8,924,868,378
Net income for the year	-	-	-	-	-	-	-	-	-	182,087,922	182,087,922	24,076,174	206,164,096
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	-	182,087,922	182,087,922	24,076,174	206,164,096
Treasury shares acquired	-	-	-	(1,005,929)	-	-	-	-	-	-	(1,005,929)	-	(1,005,929)
Cash dividends declared	-	-	-	-	-	-	-	-	-	(70,125,000)	(70,125,000)	-	(70,125,000)
Balance at September 30, 2018	₱1,199,852,512	₱1,650,000,000	₱1,114,028,555	(₱90,411,276)	(₱63,226,874)	₱62,142,500	₱47,181,438	(₱2,099,981)	(₱1,294,351)	₱4,491,071,823	₱8,312,881,470	₱652,657,199	₱9,059,901,545

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

	Period Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱109,779,583)**	₱326,566,140
Adjustments for:		
Depreciation and amortization	**333,396,949**	336,300,359
Finance expense	**364,779,774**	71,123,250
Equity in net earnings of associates	**(54,634,696)**	(57,594,163)
Equity in net earnings of joint ventures	**(82,797,825)**	(89,364,350)
Finance income	**(862,816)**	(555,739)
Operating income before working capital changes	**450,101,803**	586,475,497
Increase in:		
Receivables	**(267,469,946)**	(306,396,386)
Playing cards	**-**	(2,796,203)
Prepaid expenses and other current assets	**(102,772,129)**	(226,776,882)
Increase in:		
Trade and other payables	**187,812,245**	558,195,524
Deposits	**2,074,697**	9,061,274
Cash generated from operations	**269,746,670**	617,762,824
Income taxes paid	**(21,405,584)**	(50,826,721)
Benefits paid	**(85,664,583)**	-
Interest received	**862,816**	555,739
Net cash provided by operating activities	**163,539,319**	567,491,842
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments and advances	**(60,426,992)**	(95,554,198)
Property and equipment	**(104,549,128)**	(192,893,907)
Other noncurrent assets	**(145,489,129)**	(112,021,817)
Goodwill	**-**	(18,194,144)
Investment properties	**(5,095,004)**	(24,026,757)
Cash given up from acquisition of sites	**(10,571,057)**	-
Proceeds from disposal of property and equipment	**8,921,000**	-
Net cash used in investing activities	**(317,210,310)**	(442,690,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	**136,700,000**	371,895,935
Payments of loans payable	**(1,607,654,075)**	(352,934,120)
Dividends paid	**(255,430,000)**	(213,611,120)
Interest paid	**(364,779,774)**	(71,123,250)
Acquisition of treasury shares	**-**	(1,005,929)
Proceeds from issuance of capital stock - net of transaction costs	**4,383,530,959**	-
Net cash provided by (used in) financing activities	**2,292,367,110**	(266,778,484)
NET INCREASE (DECREASE) IN CASH	**2,138,696,119**	(141,977,465)
CASH AT BEGINNING OF YEAR	**442,130,215**	424,583,323
CASH AT END OF PERIOD	**₱2,580,826,334**	₱282,605,858

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED 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.

On January 11, 2019, the Parent Company called for a Special Stockholder's Meeting for the approval of the issuance of up to 1,300,147,488 common shares from the unissued capital stock through a private placement at a price based on a premium over the Parent Company's shares closing price on November 29, 2018.

The BOD approved and ratified the issuance and subscription of its 1,300,147,488 common shares at an issue price of ₱3.60 on the same date.

In March and April 2019, 1,217,647,488 common shares were subscribed at ₱3.60 per share by virtue of the subscription agreements entered into by the Parent Company with its investors. The proceeds from the issuance of will be used to refinance the Parent Company's existing obligations, for expansion programs and working capital requirements.

In May 2019, additional shares at ₱3.60 per share were issued to the investors.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

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
Financial assets at fair value through other comprehensive income	Fair value
Investment properties	Fair value
Retirement benefits liability	Present value of the defined benefits obligation

The consolidated financial statements are presented in Philippine peso, the Group's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019:

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that is passes the SPPI criterion and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine:

  - Current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
  - Net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Standards issued but not yet adopted
Pronouncements issued and effective but not yet adopted are listed below.

Effective January 1, 2019

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

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

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

Standards issued but not yet effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant’s ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

  The amendments are not applicable to the Group.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:
- it is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realized within twelve months after the financial reporting date; or
- it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the financial reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the financial reporting date.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities, and net retirement assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments – Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

   Upon adoption of PFRS 9 effective January 1, 2018

   Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

   The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

   In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

   The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

   Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trade) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

   The Group has cash, receivables, due from related parties, rental deposits and cash performance bonds classified as financial asset at amortized cost. It also has investment in equity securities classified as financial asset at FVOCI. The Group has no financial asset designated as FVPL.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial Assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets. The Group recognized an allowance from ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining ife of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in bank, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on ether 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in bank since initial recognition.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Effect prior to January 1, 2019

- *Initial Recognition of Financial* PFRS 9 *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement,* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. The adoption of PFRS 9 did not have a material impact on the Group financial statements.

  a) *Classification and measurement*

  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

  The assessment of the Group's business model was made at the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was based on the facts and circumstances at the initial recognition of the assets.

  The following are the changes in the classification of the Group's financial assets:

  - Cash, receivables, due from related parties, rental deposits and cash performance bonds previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as financial assets at amortized cost.

  - Quoted equity investment previously classified as available-for-sale (AFS) financial assets are now classified and measured as financial assets at FVOCI. The Group elected to classify irrevocably its investment in equity shares under this category as it intends to hold these investments for the foreseeable future. There was no impairment recognized in profit or loss for this investment in prior periods.

  The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

  b) *Impairment*

  The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets. The adoption of PFRS 9 ECL approach, however, did not materially impact the recognized impairment on the Group's financial assets such as cash in banks, receivables, due from related parties, rental deposits and cash performance bonds.

- PFRS 15, *Revenue from Contracts with Customers* – PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. The adoption of PFRS 15 did not have a significant impact on the Group's financial position and performance. The Group applied PFRS 15 to contracts that are not completed as of initial application date.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The amendments are not applicable to the Group.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.
  The amendments are not applicable to the Group since there are no activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

The amendments have no impact on the Group's consolidated financial statements.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its financial statements upon adoption of this interpretation.

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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.

<u>Offsetting Financial Instruments</u>
Financial assets and liabilities are offset and the net amount is reported in the Group consolidated statement 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 Group statements of financial position.

<u>Determination of Fair Value</u>
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, origin the absence of a principal market, or
- In the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Group.

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 Group 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) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

<u>Prepaid Expenses and Other Current Assets</u>
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), playing cards, etc.

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 consolidated statement of comprehensive income.

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

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

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

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

Property and Equipment

Property and equipment, except land, is carried at cost less accumulated depreciation and impairment losses, if any. Land is stated at cost less any impairment in value.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing it to working condition and location for its intended use. Subsequent expenditures that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset, in excess of the originally assessed standard of performance, will flow to the 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 is computed using the straight-line method over the estimated useful life (EUL) of the property and equipment over the following estimated useful lives:

	Number of Years
Leasehold improvements	5
Aircraft and transportation equipment	5 - 15
Gaming equipment	5
Office furniture and fixtures and equipment	5
Network equipment	10
Condominium unit	25
Airstrip improvements	10

There are no changes in estimated useful lives in 2019 and 2018.

Leasehold improvements are amortized over the estimated useful life of the improvements or the term of the lease, whichever is shorter.

The Group estimates the useful life of its airstrip improvement based on the period over which the asset is expected to be available for use. The Group initially assessed that benefit may be derived from this asset over five (5) to fifteen (15) years.

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

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

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, 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.

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 accounted under Other noncurrent assets - "Others" and stated at cost less accumulated amortization and impairment in value, if any and is. 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 consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income.

Goodwill

Goodwill acquired is initially measured as the excess of the cost of the acquisition over the Group'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 consolidated statement of comprehensive income.

Impairment of Nonfinancial Assets

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

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

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

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.

Revaluation Surplus
Revaluation surplus pertains to accumulated gains and losses to revaluation of LRLDI and FCLRC's land.

Fair Value Reserve
Fair value reserve represents cumulative net change in the fair value of FVOCI, net of tax effect, as at reporting date.

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.

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

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.

Revenue Recognition

Effective beginning January 1, 2018

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer except for some entities of the Group which act as agent in certain commission revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Electronic Bingo. Revenue from these bingo games are satisfied at a point in time and are recognized upon conclusion of each game cycle. The revenues is net of payments and share of machine vendors.

Traditional Bingo, Rapid Bingo and Pull Tabs. Revenue from these bingo games are satisfied at a point in time and are recognized upon sale of bingo cards.

Service and Hosting Fees. Revenue from bandwidth and co-location services are satisfied over time and are recognized as the services are performed. Service fees are satisfied at a point in time and are recognized upon processing of locators' application for a franchise. Hosting fees are satisfied over time and are recognized upon accrual of the gaming levy to locators based on their reported revenue as defined in the license agreement.

One time set-up charges. The one time set-up charge is recognized over the term of the contract.

Commission Income. Commission income is satisfied over time and is recognized when the related services are rendered based on a percentage of each PeGs' casino winnings. and gross gaming revenue of the junket.

Other income. Other income comprises miscellaneous income from operations and recognized at a point in time.

The following revenue streams are outside the scope of PFRS 15:

Rent Income. Income is recognized based on the percentage of the net wins (gross wins less payouts).

Interest Income. Interest Income is recognized as it accrues in profit or loss using the effective interest rate method.

<u>Costs and Expenses Recognition</u>
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.

<u>Leases</u>
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.

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

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

d. There is a substantial change to the asset.

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

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

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.

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 period, using tax rates enacted or substantively enacted by the end of reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, 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.

Deferred tax liabilities mainly arise from revaluation gains in investment properties.

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 a-re 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
For purposes of management reporting, the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. Such business segments are the bases upon which the Group reports its primary segment information.

Financial information on business segments is presented in Note 23 to the consolidated financial statements. The Group has one geographical segment and derives substantially of its revenues from domestic operations.

Earnings Per Share (EPS)
Basic EPS 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 EPS 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.

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 Period
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.

3. Significant Accounting Judgments, Estimates and Assumptions

Use of Estimates and Judgement
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 judgments and estimates in applying accounting policies that have the most significant effects on the amounts recognized in the Group financial statements is as follows:

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

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.

a. Hotel Enterprises of the Philippines, Inc. (HEPI)

   Although the Group has 51% ownership in HEPI, the shareholders' agreement provides for equal representation in the board of directors which is similar to a joint venture arrangement.

b. FCCDCI

   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.

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.

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.

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.

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

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

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

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

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.

<u>Estimates</u>

Definition of Default and Credit-Impaired Financial Assets
Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*. The borrower is more than 90 days past due on its contractual payments, which is consistent with the Group's definition of default.

- *Qualitative Criteria*. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where: a. The borrower is experiencing financial difficulty or is insolvent; b. The borrower is in breach of financial covenant(s); c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's ECL calculation.

Simplified Approach for Trade Receivables and Due from Related Parties
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Grouping of instruments for losses measured on collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The characteristics and any supplementary data used to determine groupings are outlined below.

Trade receivables and Due from Related Parties - Groupings for collective measurement

a) Currency
b) Type of patron

Macro-economic Forecasts and Forward-looking Information
Macro-economic forecasts is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

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.

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, non-financial investments and advances, airstrip improvements and lease rights for the period ended September 30, 2019 and December 31, 2018.

Estimating Retirement Benefits Liability. The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

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

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. As such, the Group has not recognized any provision as at September 30, 2019 and December 31, 2018.

Estimating Allowance for Creditable Withholding Taxes (CWT). The Group assesses its CWT for impairment at each reporting date. The Group considers the CWT as impaired whenever there are indicators that it would not be recoverable from the tax authority or it may not be creditable against future income tax dues.

4. Cash

	September 30, 2019	December 31, 2018
Cash on hand and payout fund	**₱86,140,923**	₱88,151,817
Cash in banks	**2,494,685,411**	353,978,398
	₱2,580,826,334	₱442,130,215

5. Receivables

	September 30, 2019	December 31, 2018
Trade receivables	**₱988,828,404**	₱755,183,221
Advances to third parties	**190,379,240**	169,351,047
Management fee and commission	**79,776,791**	89,113,657
Advances to stockholders	**53,232,344**	53,232,344
Marketing support fund	**82,784,120**	44,980,435
Advances to officers and employees	**28,702,052**	40,696,316
Receivables from concessionaires	**7,803,140**	12,237,394
Others	**35,999,320**	35,473,538
	1,467,505,411	1,200,267,952
Less allowance for impairment losses	**(242,016,636)**	(242,249,123)
	₱1,225,488,775	₱958,018,829

As at September 30, 2019 and December 31, 2018, the Group has recognized the following allowance for ECL/doubtful accounts:

	2019	2018
Trade receivables	**₱97,645,676**	₱97,645,676
Advances to third parties	**121,886,548**	121,886,548
Advances to officers and employees	**1,375,257**	1,375,257
Other receivables	**21,341,642**	21,341,642
	₱242,249,123	₱242,249,123

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

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

<u>Management Fee and Commission</u>
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”). There is no management fee charged in 2018 and 2019.

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

Marketing Support Fund
Marketing support fund pertains to the reimbursable advances made by the Group for the promotional activities relating to e-bingo machine and e-games platform provider.

Advances to Officers and Employees
The Group grants noninterest-bearing advances to its officers and employees. These advances are collectible in cash upon demand and/or through salary deductions.

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.

6. Prepaid Expenses and Other Current Assets

	September 30, 2019	December 31, 2018
Input value-added tax (VAT)	**₱192,276,772**	₱115,465,045
Prepaid expenses	**106,833,495**	68,204,203
Advances to contractors and suppliers	**25,008,419**	27,526,530
Playing cards	**6,164,171**	28,715,463
Creditable withholding tax (CWT)	**25,659,768**	16,875,433
Others	**12,841,408**	9,225,230
	368,784,033	266,011,904
Allowance for non-recoverable input VAT	**(111,865,997)**	(111,865,997)
	₱256,918,036	₱154,145,907

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.

7. Property and Equipment

The movements in this account are as follows:

	Land	Leasehold Improvements	Aircraft and Transportation Equipment	Gaming Equipment	Of11fice Furniture, Fixtures and Equipment	Network equipment	Condominium Unit	Construction in Progress	Total
Cost									
January 1, 2018	₱282,227	₱1,279,520,568	₱510,582,253	₱907,126,798	₱661,963,898	₱331,962,073	₱7,146,816	₱3,052,032	₱3,701,636,665
Additions	531,773	89,756,875	17,371,373	91,405,131	20,399,595	16,784,898	–	–	236,249,645
Retirement/ reclassification	–	3,052,032	–	–	–	–	–	(3,052,032)	–
December 31, 2018	814,000	1,372,329,475	527,953,626	998,531,929	682,363,493	348,746,971	7,146,816	–	3,937,886,310
Additions	–	50,761,017	–	4,367,478	28,777,620	20,643,013	–	–	104,549,128
Retirement	–	–	(8,921,000)	–	–	–	–	–	(8,921,000)
September 30, 2019	**814,000**	**1,423,090,492**	**519,032,626**	**1,002,899,407**	**711,141,113**	**369,389,984**	**7,146,816**	–	**4,033,514,438**
Accumulated Depreciation and Amortization									
January 1, 2018	–	752,365,498	164,107,027	212,665,321	405,065,371	138,460,124	5,494,292	–	1,678,157,633
Depreciation and amortization	–	190,925,128	42,832,177	92,263,599	144,748,918	30,572,987	201,727	–	501,544,536
December 31, 2018	–	943,290,626	206,939,204	304,928,920	549,814,289	169,033,111	5,696,019	_	2,179,702,169
Depreciation and amortization	–	126,856,169	27,917,169	129,483,404	2,054,148	38,172,965	1,279,107	–	325,762,962
September 30, 2019	**–**	**1,070,146,795**	**234,856,373**	**434,412,324**	**551,868,437**	**207,206,076**	**6,975,126**	**–**	**2,505,465,131**
Carrying Amount									
December 31, 2018	₱814,000	₱429,038,849	₱321,014,422	₱693,603,009	₱132,549,204	₱179,713,860	₱1,450,797	₱–	₱1,758,184,141
September 30, 2019	**₱814,000**	**₱352,943,697**	**₱284,176,253**	**₱568,487,083**	**₱159,272,676**	**₱162,183,908**	**₱171,690**	**₱–**	**₱1,528,049,307**

8. Investment Properties

This account consists of:

	Land	Land Improvements	Building	Total
January 1, 2018	₱5,773,327,999	₱14,400,000	₱250,214,000	₱6,037,941,999
Additions	28,167,937	4,494,469	1,142,222	33,804,628
Unrealized gains on changes in fair values of investment properties	1,250,000,269	(2,549,469)	(12,509,000)	1,234,941,800
December 31, 2018	**₱7,051,496,205**	**₱16,345,000**	**₱238,847,222**	**₱7,306,688,427**
Additions	5,095,004	-	-	5,095,004
September 30, 2019	**₱7,056,591,209**	**₱16,345,000**	**₱238,847,222**	**₱7,311,783,431**

9. Investments and Advances and Fair Value through Other Comprehensive Income

	Percentage of Ownership	**September 30, 2019**	Percentage of Ownership	December 31, 2018
Investments				
Associates:				
Binondo Leisure Resources, Inc. (BLRI)				
Preferred shares		**₱20,000,000**		₱20,000,000
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		**1,958,976,426**		1,888,554,532
Share in net income from				
Techzone		**54,634,696**		70,453,190
Insular		**–**		(31,296)
		2,013,611,122		1,958,976,426
Balance at end of period		**2,285,010,922**		2,230,376,226
Joint ventures:				
HEPI	**51%**	**750,938,000**	51%	750,938,000
Accumulated equity in net income:				
Balance at beginning of year		**300,107,396**		185,241,238
Share in net income from				
HEPI		**82,797,825**		114,866,158
		382,905,221		300,107,396
Balance at end of period		**₱1,133,843,221**		₱1,051,045,396

Forward

	Percentage of Ownership	2019	Percentage of Ownership	2018
Advances:				
Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC)		**₱1,017,090,583**		₱1,010,831,006
BLRI		**130,583,058**		134,333,058
Pacific Visionary		**94,139,697**		94,139,697
Land Owners		**35,570,338**		35,570,338
AB Fiber Corp.		**31,696,665**		31,696,665
Eco Leisure		**26,136,049**		26,136,049
HEPI		**–**		–
Others		**139,353,769**		81,436,354
		1,474,570,159		1,414,143,167
Allowance for impairment losses		**(122,336,875)**		(122,336,875)
		1,352,233,284		1,291,806,292
Balance at end of period		**4,771,087,427**		4,573,227,914
Other investments - at cost		**556,700**		556,700
		₱4,771,644,127		₱4,573,784,614

Financial Assets through Fair Value through Other Comprehensive Income (FVOCI)

	2019	2018
Balance at beginning of period	**₱168,180,654**	₱153,309,029
Unrealized gain (loss) during the period	**–**	14,871,625
Balance at end of period	**₱168,180,654**	₱168,180,654

10. Other Noncurrent Assets

	September 30, 2019	December 31, 2018
Rental deposits	**₱464,557,743**	₱436,816,153
Cash performance bonds	**328,255,000**	287,705,000
Cash in bank – restricted	**47,066,641**	69,727,993
Input VAT and CWT	**108,219,652**	47,007,317
Performance cash deposits and betting credit funds	**36,850,000**	27,650,000
Premium on group pension plan	**16,949,076**	–
Airstrip improvements - net	**31,773,760**	34,093,504
Lease rights	**26,659,479**	19,476,242
	₱1,060,331,351	₱922,476,209

11. Loans Payable

Short-term Loans Payable	Interest rates	Maturity	2019
Local banks	5% - 9%	May 2019 - November 2019	**₱1,031,577,682**

**subject to renewal*

Long-term Loans Payable	Interest rates	Maturity	2019
Current Portion			
Local banks	8.0% - 8.4%		**₱181,048,318**
Noncurrent Portion			
Local banks	8.0% - 8.4%	June 2015 - November 2022	**3,368,158,743**
			₱3,549,207,061

The Group retired loans and notes payable amounting to P1.5 billion in 2019.

The Group is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Group has complied with as at September 30, 2019 and December 31, 2018.

12. Trade and Other Payables

	September 30, 2019	December 31, 2018
Payable to suppliers	**₱482,903,693**	₱447,307,287
Payable to machine owners	**443,537,841**	358,806,664
Payable to CEZA	**223,579,887**	124,421,888
Dividends payable	**215,387,309**	289,613,319
Payable to PAGCOR	**132,902,767**	105,667,568
Payable to site owner	**88,228,943**	
Payable to government agencies	**57,682,838**	127,366,945
Finder's fee	**–**	105,106,426
Rent payable	**37,548,714**	18,244,165
Unearned revenues	**21,504,624**	44,532,139
Output VAT	**6,220,815**	–
Accrued expenses and other payables:		
Contracted services	**170,106,946**	97,960,114
Salaries, wages and benefits	**107,332,600**	69,199,643
Interest payable	**–**	53,035,566
Others	**79,039,876**	86,024,312
	₱2,065,976,853	₱1,927,286,036

13. Business Combination and Goodwill

	2019	2018
Cost		
Balance at beginning of year	**₱1,502,067,704**	₱1,502,067,704
Additions	**64,149,629**	–
Carrying Amount	**₱1,566,217,333**	₱1,502,067,704

<u>Acquisitions through BCGLC:</u>
In 2019, the Group acquired two (2) PAGCOR VIP Clubs at San Pedro Town Center, Laguna and Universal Park Mall, Sta. Cruz, Manila. The sites purchased qualified as businesses in accordance with PFRS which resulted into a total provisional goodwill of P64.1 million.

14. Related Party Disclosures

Categories	Nature of Transaction	Year	Amount of Transactions for the Year	Outstanding Balance Due from Related Parties	Outstanding Balance Due to a Related Party	Terms	Conditions
Individual stockholder	Cash advances	**2019**	**–**	**5,000,000**	**–**	Demandable; non-interest bearing	Unsecured; no impairment
		2018	–	5,000,000	–		
Advances to affiliates	Cash advances	**2019**	**–**	**150,000,000**	**–**	Demandable; non-interest bearing	Unsecured; no impairment
		2018	–	150,000,000	–		
Total		**2019**		**₱155,000,000**	**₱–**		
Total		2018		₱155,000,000	₱–		

15. 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:

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

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.

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 as of September 30 follows:

	Casino Group	Online Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	**₱1,010,808,535**	**₱816,001,240**	**₱6,086,880,982**	**₱22,415,521**	**₱ -**	**₱ -**	**₱7,936,106,278**
Results							
Segment results	**128,262,897**	**154,852,960**	**260,803,539**	**(28,753,016)**	**(422,703,840)**	**-**	**92,462,540**
Results from Operating Activities							**92,462,540**
Finance income	**39,725**	**47,691**	**121,793**	**83,146**	**570,461**	**-**	**862,816**
Finance expense	**(355,500)**	**(7,122,926)**	**(36,327,819)**	**(251,572,975)**	**(69,400,554)**	**-**	**(364,779,774)**
Rent/other income (expense)	**(2,087,700)**	**3,117,374**	**31,928,128**	**(1,917,096)**	**(6,798,392)**		**24,242,314**
Equity in net earnings of a joint venture	**-**	**-**	**-**	**-**	**82,797,825**	**-**	**82,797,825**
Equity in net earnings of an associate	**-**	**-**	**-**	**54,634,696**	**-**	**-**	**54,634,696**
Income taxes	**(7,079,320)**	**(12,826,271)**	**-**	**89,683,367**	**121,524,384**	**-**	**191,302,160**
Total Comprehensive Income	**118,780,102**	**138,068,828**	**256,525,641**	**(137,841,878)**	**(294,010,116)**	**-**	**₱81,522,577**
Other Information							
Segment assets	**₱1,564,867,979**	**₱3,110,228,468**	**₱3,015,384,054**	**₱11,161,273,289**	**₱9,982,003,258**	**(₱7,890,332,784)**	**₱20,943,424,264**
Total Assets							**₱20,943,424,264**
Segment liabilities	**₱1,311,275,738**	**₱1,542,272,006**	**₱2,270,903,928**	**₱6,103,456,144**	**₱1,531,908,517**	**(₱5,216,398,688)**	**₱7,543,417,645**
Total Liabilities							**₱7,543,417,645**
Capital expenditures							**₱104,549,128**
Depreciation and amortization	**₱80,472,546**	**₱15,619,289**	**₱159,384,900**	**₱847,401**	**₱52,582,943**	**-**	**₱308,907,080**

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.

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

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

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

The BOD constituted the Group's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the:

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

<u>Credit Risk</u>
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.

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

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

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

As 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.

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.

<u>Liquidity Risk</u>
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.

<u>Market Risk</u>
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 that the Philippine peso, the Group ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances.

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.

<u>Fair Values</u>
The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash/Receivables/Due from Related Parties/Rental Deposits/Cash Performance Bonds/Performance Cash Deposits and Betting Credit Funds/Trade and Other Payables/Due to a Related Party/Deposits
The carrying amounts of cash, receivables, due from related parties, trade and other payables and due to a related party approximate their fair values due to the relatively short-term nature of these financial instruments. The carrying amounts of rental deposits, cash performance bonds and performance cash deposits and betting credit funds approximate their fair values as management believes that the effect of discounting cash flows from these instruments is not significant.

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

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

Available for Sale Financial Asset
The fair value of the available for sale financial asset is based on the quoted market price of the investment in equity as at September 30, 2019. 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 September 30, 2019. The Group is not subject to externally-imposed capital requirements.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
Financial Soundness Indicators
As of September 30, 2019 and 2018

Key Performance Indicator	Formula	2019	2018
Current Ratio	Current Assets / Current Liabilities	128.4%	46.2%
Debt to Equity Ratio	Total Liabilities / Stockholders' Equity	56.3%	88.9%
Asset to Equity Ratio	Total Assets / Stockholders' Equity	156.3%	188.9%
Payout Turnover	Traditional Bingo Revenues / Payout	1.24 times	1.46 times
Return on Average Equity	Net Income* / Average Stockholders' Equity	1.0%	4.5%
Return on Average Assets	Net Income* / Average Total Assets	0.6%	2.4%
Solvency Ratio	Net Income* + Depreciation* / Total Liabilities	6.9%	10.5%
Interest Coverage Ratio	Income Before Interest & Tax* / Interest Expense	0.7	5.6
Net Book Value Per Share	Stockholders' Equity / Weighted Average Shares Outstanding	6.7	7.7
Basic Earnings Per Share	Income Attributable to Ordinary Stockholders of the Parent Company / Weighted Average Shares Outstanding	-0.0640	0.1994
Diluted Earnings Per Share	Income Attributable to Ordinary Stockholders of the Parent Company / Weighted Average Shares Outstanding**	-0.0615	0.1868

**Annualized for quarterly reporting.*
***Adjusted for the convertible preferred shares.*