LRWC
LEISURE & RESORTS WORLD CORPORATION
STOCK SYMBOL: LR

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Leisure & Resorts World Corporation is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free form material misstatement, whether due to fraud or error.

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

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

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

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

REYNALDO P. BANTUG
Chairman of the Board

ENG HUN CHUAH
President

OSCAR C. KHO, JR.
Group Chief Financial Officer

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Signed this ______ day of ______ MAY 10, 2018

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Leisure & Resorts World Corporation** (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **Leisure & Resorts World Corporation** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

REYNALDO P. BANTUG
Chairman of the Board

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 17 2018 TSIS
RECEIVED
MELINA PRISCA S. RANJO

ENG HUN CHUAH
President

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019
Appointment No. [illegible]
For Pasig City, Pateros and San Juan City
Attorney's Roll No. [illegible]
IBP Lifetime Member No. [illegible]
MCLE No. [illegible]
PTR No. [illegible] Pasig City
[illegible] Escriva Drive
Ortigas Center, Pasig City

OSCAR C. KHO, JR.
Group Chief Financial Officer

MAY 10 2018

Signed this______day of______

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

001-3174

COMPANY NAME

LEISURE & RESORTS WORLD CORPORATION

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,832	July 29	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Oscar C. Kho, Jr.	oscar.kho@lrwc.com.ph	(02) 638-5557	

CONTACT PERSON's ADDRESS

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

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

LEISURE & RESORTS WORLD CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2017 and 2016

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
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REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Leisure & Resorts World Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2017 and 2016, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2017 and 2016, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 16 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-AR-1, Group A, valid until May 31, 2020
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-30-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 6615134MD
Issued January 3, 2018 at Makati City

May 11, 2018
Makati City, Metro Manila

KPMG

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

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

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated May 11, 2018.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has 1,695 stockholders owning one hundred (100) or more shares each.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-AR-1, Group A, valid until May 31, 2020
Tax Identification No. 912-365-765
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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

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

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated May 11, 2018.

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-AR-1, Group A, valid until May 31, 2020
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-30-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 6615134MD
Issued January 3, 2018 at Makati City

May 11, 2018
Makati City, Metro Manila

LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2017	2016
ASSETS			
Current Assets			
Cash	*4*	**P2,590,655**	P9,037,205
Receivables - net	*5*	**630,010,245**	501,657,690
Due from related parties	*13*	**1,667,967,287**	1,869,402,613
Prepaid expenses and other current assets	*6*	**135,519,725**	120,285,481
Total Current Assets		**2,436,087,912**	2,500,382,989
Noncurrent Assets			
Property and equipment - net	*7*	**93,750,160**	74,874,868
Investments and advances - net	*8*	**4,580,669,030**	4,558,087,333
Available for sale financial asset	*8*	**153,309,029**	182,396,184
Deferred tax assets	*14*	**238,185,532**	242,947,798
Rent deposits	*12*	**6,744,138**	3,836,288
Total Noncurrent Assets		**5,072,657,889**	5,062,142,471
		P7,508,745,801	P7,562,525,460
LIABILITIES AND EQUITY			
Current Liabilities			
Dividends and other payables	*9*	**P219,387,430**	P171,302,157
Short-term loans payable	*10*	**150,000,000**	302,500,000
Current portion of long-term loans payable	*10*	**130,000,000**	130,000,000
Due to related parties	*13*	**2,444,877,807**	2,179,107,882
Total Current Liabilities		**2,944,265,237**	2,782,910,039
Noncurrent Liability			
Long-term loans payable - net of current portion	*10*	**184,166,667**	314,166,667
Total Liabilities		**3,128,431,904**	3,097,076,706
Equity			
Capital stock	*11*	**2,849,852,512**	2,849,852,512
Additional paid-in capital		**1,089,790,986**	1,089,790,986
Retained earnings		**393,488,961**	449,536,663
Fair value reserve		**47,181,438**	76,268,593
Total Equity		**4,380,313,897**	4,465,448,754
		P7,508,745,801	P7,562,525,460

See Notes to the Separate Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2017	2016
REVENUES	*13*		
Dividend income		**P609,944,000**	P765,104,000
Management income		**163,733,021**	-
		773,677,021	765,104,000
OPERATING EXPENSES			
Salaries, wages and other benefits		**311,888,061**	255,794,084
Professional and directors' fees		**46,425,492**	50,191,285
Depreciation and amortization	*7*	**36,792,347**	15,755,186
Provision for impairment loss	*8*	**26,136,049**	-
Rent	*12*	**26,065,157**	19,384,092
Contracted services		**21,736,052**	14,651,241
Taxes and licenses		**13,810,909**	1,757,889
Repairs and maintenance		**8,396,666**	3,525,759
Communication and utilities		**7,371,846**	4,948,845
Insurance		**6,439,590**	5,097,851
Transportation and travel		**6,216,005**	5,785,252
Representation and entertainment		**4,231,307**	7,454,888
Printing and office supplies		**1,977,503**	1,750,934
Advertising and marketing		**1,576,556**	646,748
Listing and filing fees		**783,142**	1,398,637
Others		**4,533,510**	3,673,780
		524,380,192	391,816,471
INCOME FROM OPERATIONS		**249,296,829**	373,287,529
OTHER INCOME (EXPENSES) - Net			
Share in net income of a joint venture	*8*	**61,000,669**	45,141,556
Interest expense	*10*	**(39,816,186)**	(48,519,632)
Interest income	*4*	**25,749**	22,424
Other income (charges) - net		**(1,564,620)**	6,443
		19,645,612	(3,349,209)
INCOME BEFORE INCOME TAX		**268,942,441**	369,938,320
INCOME TAX EXPENSE (BENEFIT)	*14*	**4,762,266**	(132,092,171)
NET INCOME		**264,180,175**	502,030,491
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss			
Revaluation gain (loss) on available for sale financial asset	*8*	**(29,087,155)**	66,484,940
TOTAL COMPREHENSIVE INCOME		**P235,093,020**	P568,515,431

See Notes to the Separate Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

		Capital Stock		Additional			
	Note	Common Shares	Preferred Shares	Paid-in Capital	Retained Earnings	Fair Value Reserve	Total
Balance at January 1, 2017		P1,199,852,512	P1,650,000,000	P1,089,790,986	P449,536,663	P76,268,593	P4,465,448,754
Total comprehensive income							
Net income during the year		-	-	-	264,180,175	-	264,180,175
Other comprehensive loss	*8*	-	-	-	-	(29,087,155)	(29,087,155)
		-	-	-	264,180,175	(29,087,155)	235,093,020
Transaction with equity holders of the Parent Company							
Cash dividends	*11*	-	-	-	(320,227,877)	-	(320,227,877)
Balance at December 31, 2017		P1,199,852,512	P1,650,000,000	P1,089,790,986	P393,488,961	P47,181,438	P4,380,313,897
Balance at January 1, 2016		P1,199,852,512	P1,650,000,000	P1,089,790,986	P267,734,049	P9,783,653	P4,217,161,200
Total comprehensive income							
Net income during the year		-	-	-	502,030,491	-	502,030,491
Other comprehensive income	*8*	-	-	-	-	66,484,940	66,484,940
		-	-	-	502,030,491	66,484,940	568,515,431
Transaction with equity holders of the Parent Company							
Cash dividends	*11*	-	-	-	(320,227,877)	-	(320,227,877)
Balance at December 31, 2016		P1,199,852,512	P1,650,000,000	P1,089,790,986	P449,536,663	P76,268,593	P4,465,448,754

See Notes to the Separate Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P268,942,441**	P369,938,320
Adjustments for:			
Retirement expense	*13*	**86,349,074**	4,717,853
Share in net income of a joint venture	*8*	**(61,000,669)**	(45,141,556)
Interest expense	*10*	**39,816,186**	48,519,632
Depreciation and amortization	*7*	**36,792,347**	15,755,186
Provision for impairment loss	*8*	**26,136,049**	-
Interest income	*4*	**(25,749)**	(22,424)
Operating income before working capital changes		**397,009,679**	393,767,011
Decrease (increase) in:			
Receivables		**(128,352,555)**	16,806,310
Prepaid expenses and other current assets		**(15,234,244)**	(9,234,813)
Increase (decrease) in other payables		**33,097,048**	(128,414,333)
Net cash generated from operations		**286,519,928**	272,924,175
Interest received		**25,749**	22,424
Income tax paid		**-**	(93,000)
Net cash flows provided by operating activities		**286,545,677**	272,853,599
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Due from related parties		**201,435,326**	287,049,211
Investments and advances		**12,282,923**	2,380,917
Rent deposits		**(2,907,850)**	(228,118)
Additions to property and equipment	*7*	**(55,667,639)**	(35,838,399)
Net cash flows provided by investing activities		**155,142,760**	253,363,611
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	*10*	**211,500,000**	172,500,000
Payments of loans	*10*	**(494,000,000)**	(344,200,000)
Interest paid		**(39,816,186)**	(48,519,632)
Dividends paid	*11*	**(305,239,652)**	(166,113,201)
Increase (decrease) in due to related parties		**179,420,851**	(148,261,943)
Net cash flows used in financing activities		**(448,134,987)**	(534,594,776)
NET DECREASE IN CASH		**(6,446,550)**	(8,377,566)
CASH AT BEGINNING OF YEAR		**9,037,205**	17,414,771
CASH AT END OF YEAR	*4*	**P2,590,655**	P9,037,205

See Notes to the Separate Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

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

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

2. Basis of Preparation

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

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

Basis of Measurement
The separate financial statements have been prepared on a historical cost basis, except for available for sale (AFS) financial asset which is measured at fair market value.

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

Use of Judgments, Estimates and Assumptions
The preparation of the separate financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the separate financial statements. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Actual results may differ from these judgments, estimates 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 separate financial statements is as follows:

<u>*Judgments*</u>

Determining Functional Currency

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

Determining and Classifying of a Joint Arrangement

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

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

Determining whether an Arrangement Contains a Lease

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

<u>*Estimates*</u>

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

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

As at December 31, 2017 and 2016, the aggregate carrying amounts of receivables and due from related parties amounted to P2,297,977,532 and P2,371,060,303, respectively. As at December 31, 2017 and 2016, the related allowance for impairment loss on receivables amounted to P3,009,459 each (see Notes 5 and 13).

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

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

The estimated useful lives are as follows:

	Number of Years
Leasehold improvements	5
Office furniture, fixtures, and equipment	3 - 5
Transportation equipment	3 - 5
Computer software	3

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

As at December 31, 2017 and 2016, the carrying amount of property and equipment amounted to P93,750,160 and P74,874,868, respectively (see Note 7).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Company assesses impairment on property and equipment and investments and advances when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

- significant underperformance relative to the expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

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

There are no impairment indicators affecting the Company's property and equipment as at December 31, 2017 and 2016.

As at December 31, 2017 and 2016, allowance for impairment loss on investment and advances amounted to P47,371,447 and P21,235,398, respectively (see Note 8).

As at December 31, 2017 and 2016, the following are the carrying amounts of nonfinancial assets:

	Note	**2017**	2016
Property and equipment - net	*7*	**P93,750,160**	P74,874,868
Investments and advances - net	*8*	**4,580,669,030**	4,558,087,333

Management provided impairment loss amounting to P26,136,049 for the advances to Eco Leisure and Hospitality Holding Company, Inc. in 2017.

Management assessed that there are no impairment losses on the Company's property and equipment for the years ended December 31, 2017 and 2016.

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

As at December 31, 2017 and 2016, the Company recognized deferred tax assets amounting to P238,185,532 and P242,947,798, respectively (see Note 14).

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

The Company has not recognized any provision as at December 31, 2017 and 2016.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards and interpretations starting January 1, 2017 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Company's separate financial statements.

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

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

- *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following are the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2017:

  - *Clarification of the scope of the standard (Amendments to PFRS 12 Disclosure of Interests in Other Entities).* The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments are applied retrospectively, with early application permitted.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are issued for annual periods beginning after January 1, 2017. However, the Company has not applied the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

Effective January 1, 2018

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

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

  The Company assessed that its loans and receivables will continue to be classified at amortized cost and AFS financial asset will be classified similarly as fair value through other comprehensive income. The Company is currently assessing and has yet to reasonably estimate the change from an incurred loss model to the new expected credit loss model in measuring impairment loss. Upon adoption of the new standard, the Company will update its disclosure in accordance with the revised guidance on the classification, measurement and impairment of financial assets.

- *PFRS 15, Revenue from Contracts with Customers* replaces, PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

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

The Company is currently assessing and has yet to reasonably estimate the potential impact of PFRS 15. Upon adoption of the new standard, the Company will update its disclosure in accordance with the new revenue recognition model.

- *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following are the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018, none of which has a significant effect on the separate financial statements of the Company:

  - *Measuring an associate or joint venture at fair value (Amendments to PAS 28).* The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

Effective January 1, 2019

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

  The Company is currently assessing and has yet to reasonably estimate the potential impact of PFRS 16. The Company plans to adopt this new standard on leases on the required effective date.

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

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

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9).* The amendments cover the following areas:

  - Prepayment features with negative compensation. The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

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

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

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

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

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

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

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

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

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

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

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

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

The Company has no HTM investments and FVPL financial assets and liabilities as at December 31, 2017 and 2016.

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

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

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

The Company's cash, receivables, due from related parties and rent deposits are classified as loans and receivables as at December 31, 2017 and 2016.

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

The Company's investment in equity security included under "AFS financial asset" account is classified under this category (see Note 8).

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

The Company's dividends and other payables, short-term loans payable, long-term loans payable and due to related parties are classified as other financial liabilities.

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

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

Derecognition of Financial Instruments

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the 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 Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the separate 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 separate statements of financial position.

Determination of Fair Value
The Company measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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

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

The Company 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 separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company 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 Company 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

Prepaid expenses are carried at cost less amortized portion. These typically comprise prepayments for taxes and others. Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments are recognized as expense either with the passage of time or through use or consumption.

Creditable Withholding Taxes

This pertains to the taxes withheld in the management income earned by the Company which can be applied against any future income tax liability.

Input Value-added Tax (VAT)

The input value-added tax pertains to the 12% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of goods or services.

<u>Investments and Advances</u>

The Company's investments in subsidiaries are accounted for under the cost method, while the investment in an associate and a joint venture is accounted for under the equity method.

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

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

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

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

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

Property and Equipment

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

Dividend distribution to the Company's shareholder is recognized as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's BOD.

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

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

Management Income
Management income is recognized when the Company rendered management services in behalf of its subsidiaries.

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

Other Income
Other income is recognized when earned.

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

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

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

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

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

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

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

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

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

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

4. Cash

This account consists of:

	2017	2016
Cash on hand	**P150,000**	P95,000
Cash in banks	**2,440,655**	8,942,205
	P2,590,655	P9,037,205

Cash in banks earn interest at the respective bank deposit rates. Interest income recognized in profit or loss amounted to P25,749 and P22,424 in 2017 and 2016, respectively.

The Company's exposure to credit risk relating to cash in banks is disclosed in Note 15.

5. Receivables

This account consists of:

	Note	2017	2016
Advances to:			
Third parties		**P13,802,159**	P3,009,459
Officers and employees		**2,715,129**	1,657,690
Dividends receivable	13	**609,944,000**	500,000,000
Others		**6,558,416**	-
		633,019,704	504,667,149
Less allowance for impairment loss		**3,009,459**	3,009,459
		P630,010,245	P501,657,690

Advances to third parties represent cash advances made to third party companies which are engaged in similar gaming and amusement activities as the Company. These advances are noninterest-bearing, unsecured and collectible on demand.

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

The Company's exposure to credit risk relating to receivables is disclosed in Note 15.

6. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Prepaid expenses	**P96,232,745**	P96,784,888
Creditable withholding taxes	**26,371,477**	-
Input VAT	**11,100,503**	21,700,593
Others	**1,815,000**	1,800,000
	P135,519,725	P120,285,481

Prepaid expenses pertain to rent, insurance and taxes paid in advance.

7. Property and Equipment

The movements in this account are as follows:

	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Computer Software	Total
Cost					
December 31, 2015	P17,701,332	P1,393,500	P35,200,454	P9,571,886	P63,867,172
Additions	14,639,047	68,064	1,838,823	19,292,465	35,838,399
December 31, 2016	32,340,379	1,461,564	37,039,277	28,864,351	99,705,571
Additions	8,716,184	1,502,590	2,907,671	42,541,194	55,667,639
December 31, 2017	**41,056,563**	**2,964,154**	**39,946,948**	**71,405,545**	**155,373,210**
Accumulated Depreciation and Amortization					
December 31, 2015	4,402,978	282,693	1,096,162	3,293,684	9,075,517
Depreciation and amortization	5,988,456	79,340	4,929,717	4,757,673	15,755,186
December 31, 2016	10,391,434	362,033	6,025,879	8,051,357	24,830,703
Depreciation and amortization	9,256,072	454,024	7,706,931	19,375,320	36,792,347
December 31, 2017	**19,647,506**	**816,057**	**13,732,810**	**27,426,677**	**61,623,050**
Carrying Amount					
December 31, 2016	P21,948,945	P1,099,531	P31,013,398	P20,812,994	P74,874,868
December 31, 2017	**P21,409,057**	**P2,148,097**	**P26,214,138**	**P43,978,868**	**P93,750,160**

8. Investments and Advances and Available for Sale Financial Asset

Investments and advances account consists of:

	Percentage of Ownership	2017	Percentage of Ownership	2016
Investments:				
Subsidiaries:				
AB Leisure Exponent, Inc. (ABLE)	100%	P750,000,000	100%	P750,000,000
LR Land Developers, Inc. (LRLDI)	100%	225,000,000	100%	225,000,000
AB Leisure Global, Inc. (ABLGI)	100%	1,550,000,000	100%	1,550,000,000
Total Gamezone Xtreme Incorporated (TGXI)	100%	620,000,000	100%	620,000,000
Prime Investment Korea Inc., (PIKI)	100%	1,000,000	100%	1,000,000
Blue Chip Gaming & Leisure Corporation (BCGLC)	100%	12,628,028	100%	12,628,028
First Cagayan Leisure & Resort Corporation (FCLRC)	69.68%	61,375,000	69.68%	61,375,000
LR Data Center and Solutions Inc. (LRDCSI)	80%	20,000,000	80%	20,000,000
Bingo Bonanza (HK) Limited (BBL)	60%	35,398	60%	35,398
		3,240,038,426		3,240,038,426
Associate:				
Binondo Leisure Resources, Inc. (BLRI):				
Common shares	30%	1,200,000	30%	1,200,000
Preferred shares		20,000,000		20,000,000
		21,200,000		21,200,000
Joint venture:				
Hotel Enterprises of the Philippines, Inc. (HEPI) cost	51%	750,938,000	51%	750,938,000
Accumulated share in net income:				
Balance at beginning of year		124,240,569		79,099,013
Share in net income during the year		61,000,669		45,141,556
Balance at end of year		185,241,238		124,240,569
		936,179,238		875,178,569
Advances:				
HEPI		404,486,764		416,769,687
Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure)		26,136,049		26,136,049
		430,622,813		442,905,736
Allowance for impairment losses on investments in BBL and BLRI		(47,371,447)		(21,235,398)
		P4,580,669,030		P4,558,087,333

Investment in ABLE

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

Investment in LRLDI

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

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

Investment in TGXI
TGXI was registered with the SEC on June 27, 2014 primarily to engage in general amusement, gaming operations and recreation enterprises. Pursuant to Presidential Decree 1869, as amended, Philippine Amusement and Gaming Corporation (PAGCOR) granted the Company the privilege to establish, install, maintain, and operate a PAGCOR eGames Station ("PeGS"). PeGS is a gaming facility that offers virtual casino games.

Investment in PIKI
PIKI was registered with the SEC on November 9, 2012 primarily to engage in the business of gaming, recreation, leisure and lease of property.

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

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

On March 1, 2007, FCLRC and IP Converge Data Center Corp. (IPCDCC), a subsidiary of IPVG Corp., entered into a Shareholders Agreement (Joint Venture) to engage in the business of information technology such as, but not limited to IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution to the licensed locators of FCLRC, as well as the CEZA.

First Cagayan Converge Data Center Inc. (FCCDCI) was incorporated and registered with the SEC on November 14, 2007, and started commercial operations on January 1, 2008. The principal office address of FCCDCI is Barangay Centro, Municipality of Sta. Ana, Cagayan Economic Zone, Cagayan Province, Philippines. FCLRC owns 60% of FCCDCI and the remaining 40% is owned by IPCDCC.

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

Investment in LRDCSI
On May 20, 2016, LRDCSI was registered 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 telecommunications companies at wholesale rates, bundling said services and then reselling the services at retail rates. The Company owns 80% of the outstanding capital stock of LRDCSI.

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

By virtue of the Deed of Absolute Sale of Share of Stock entered into by IPVI and LRDCSI, the Company obtained a 57.81% effective interest and control in FCCDCI through its direct subsidiaries FCLRC and LRDCSI at 60% and 20% equity, respectively.

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

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

Investment in BLRI
BLRI was incorporated in the Philippines, and is engaged in the hotel and recreation business. It started commercial operations in August 2003. BLRI has operating lease agreement as a lessor with Chinatown Lai Lai Hotel, Inc.

The Company recognized its share in net loss of BLRI up to the extent of investment cost. Unrecognized accumulated equity in net loss of BLRI amounted to P29,250,164, P30,169,710 and P31,160,074 as at December 31, 2017, 2016 and 2015 respectively. Unrecognized share in net income amounted to P919,546, P990,364 and P596,409 in 2017, 2016 and 2015, respectively.

The Company provided full impairment loss on the investment in BLRI amounting to P21,200,000.

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

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

Investment in HEPI

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

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

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

	2017	2016
Current assets (including cash - 2017: P144,911,207, 2016: P67,927,259)	**P696,518,658**	P562,745,307
Noncurrent assets	**2,479,508,896**	2,461,220,504
Current liabilities (including current financial liabilities excluding trade and other payables - 2017: P660,566,314, 2016: P658,349,759)	**887,887,503**	929,676,080
Noncurrent liabilities (including noncurrent financial liabilities - 2017: P962,572,562, 2016: P902,068,224)	**1,298,550,534**	1,216,423,207
Total net assets	**989,589,517**	877,866,524
Other comprehensive income	**(771,931,525)**	(730,846,646)
Total net assets after adjustment	**217,657,992**	147,019,878
Share in net assets	**110,005,576**	74,980,138
Premium on acquisition	**798,625,019**	798,625,019
True-up adjustment	**26,548,643**	-
Carrying amount of interest in a joint venture	**P936,179,238**	P873,605,157
Revenues	**P557,845,067**	P681,346,593
Net income/total comprehensive income	**67,552,993**	88,512,855
Group's share of total comprehensive income	**P34,452,026**	P45,141,556

Advances to HEPI

These are cash advances provided in relation to the joint venture agreement between HEPI and the Company. The advances are unsecured and noninterest-bearing approximately 5% and due upon demand but not expected to be settled within one year.

The Company collected the advances during the year amounting to P37,910,310.

Advances to Eco Leisure

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

Management provided impairment loss amounting to P26,136,049 in 2017.

AFS Financial Asset

On August 13, 2015, the Company's advances to DFNN of P86,000,000 have been converted into 18,105,263 common shares of DFNN while the accumulated interest earned of P12,690,971, from the date of Conversion Notice to the date of conversion, have been converted into 2,671,783 common shares of DFNN on October 30, 2015. The fair value of P18,105,263 and P2,671,783 common shares as at the date of conversion were P5.15 and P6.04 per share, respectively. No interest income was recognized in profit or loss in 2017 and 2016.

The conversion resulted to 8.76% equity ownership of the Company over DFNN. As management does not intend to hold the investment for trading, the total converted amount of P98,690,971 has been classified as "Available for sale financial asset" account in the separate statements of financial position as at December 31, 2017 and 2016.

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

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

9. Dividends and Other Payables

This account consists of:

	Note	2017	2016
Dividends payable	*11*	**P169,102,901**	P154,114,676
Accrued expenses		**27,405,961**	6,668,474
Payable to a supplier		**11,005,934**	-
Payable to government agencies		**4,147,035**	4,432,700
Others		**7,725,599**	6,086,307
		P219,387,430	P171,302,157

Accrued expenses consist of accrual for employee benefits and contracted services.

Payable to supplier is on a 30-to-60-day credit terms.

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

The Company's exposure to liquidity risk relating to dividends and other payables is disclosed in Note 15.

10. Loans Payable

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

The loan is payable up to 180 days from the date of release of proceeds and secured by a chattel mortgage over LRWC's shares of stocks held by ABLE and stockholders amounting to P149,449,926. The fair value of the mortgaged shares of stocks amounted to P594,810,705 and P591,821,707 as at December 31, 2017 and 2016, respectively.

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

As a part of the loan agreement with AUB, the Company is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Company meets as at December 31, 2017. The loan is secured by shares of stocks of the Company issued to stockholders.

Terms and conditions are as follows:

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

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

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

The Company availed a total of P211,500,000 and paid P494,000,000 of loans during the year.

There were no non-cash transactions for the movements in long-term loans payable and the related finance expense presented in the statements of cash flows for the year ended December 31, 2017.

Terms and conditions for the outstanding balance of these various credit line facility are as follows:

	December 31, 2017		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Short Term			
AUB	**4.50%**	**December 2017 - March 2018**	**P150,000,000**

	December 31, 2016		
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
AUB	5%	May 2015 - March 2017	P302,500,000

Total interest expense recognized in profit or loss amounted to P39,816,186 and P48,519,632 in 2017 and 2016, respectively.

11. Equity

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

	2017		2016	
	Number of Shares	Amount	Number of Shares	Amount
Capital Stock				
Authorized:				
Common shares - P1 par value	**2,500,000,000**	**P2,500,000,000**	2,500,000,000	P2,500,000,000
Issued common shares	**1,199,852,512**	**P1,199,852,512**	1,199,852,512	P1,199,852,512
Authorized:				
Preferred shares - P1 par value	**2,500,000,000**	**P2,500,000,000**	2,500,000,000	P2,500,000,000
Issued preferred shares	**1,650,000,000**	**P1,650,000,000**	1,650,000,000	P1,650,000,000

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

Registration of Securities under the Securities Regulation Code
Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of the Company were registered and may be offered for sale at an offer price of P1.33 per common share. As at December 31, 2017 the Company has a total of 1,199,852,512 issued and outstanding common shares and 1,832 stockholders.

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

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

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

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

As at December 31, 2017, the Company has a total of 1,650,000,000 issued and outstanding preferred shares with five (5) stockholders.

Declaration of Cash Dividends

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

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

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

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

As at December 31, 2017 and 2016, unpaid dividends, included under "Dividend and other payables" account in the separate statements of financial position amounted to P169,102,901 and P154,114,676, respectively (see Note 9).

12. Lease Agreements

a. The Company leases its office space at 26th floor of West Tower, the Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City along with 28 parking lots under an operating lease agreement. The lease is for a period of two years commencing on January 15, 2014 until January 14, 2017. The Company renewed the contract for a period of three (3) years until January 14, 2020.

b. On March 5, 2014, the Company entered into operating lease arrangement for additional office spaces for five (5) years commencing on April 15, 2014 up to April 14, 2019. The office units are located in 18th floor, Philippine Stock Exchange Centre Condominium, Exchange Road, Ortigas Center, Pasig City.

c. On March 28, 2014, the Company entered into operating lease arrangement for additional office spaces with Cirtek Land Corporation for five (5) years commencing on June 15, 2014 up to June 14, 2019. The office units are located in 18th floor, Philippine Stock Exchange Centre Condominium, Exchange Road, Ortigas Center, Pasig City.

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

	2017	2016
Less than one year	**P22,886,651**	P8,079,995
Between one and five years	**19,832,117**	8,051,864
	P42,718,768	P16,131,859

The lease agreement is non-cancellable and provides for, among others, rent deposit which is refundable upon termination of the lease. As at December 31, 2017 and 2016, the Company recognized rent deposits in the separate statements of financial position amounting to P6,744,138 and P3,836,288, respectively.

The Company also leases various equipment and other facilities necessary for the conduct of its operations. The lease term is within one (1) year.

Rent expense incurred from the above lease agreements amounted to P26,065,157 and P19,384,092 in 2017 and 2016, respectively.

13. Related Party Disclosures

Other than those disclosed in Notes 5 and 8, the Company's significant transactions and balances with related parties are as follows:

Categories	Nature of Transaction	Year	*Note*	Amount of Transactions for the Year	Outstanding Balance Due from Related Parties	Outstanding Balance Due to Related Parties	Terms	Conditions
Subsidiary								
FCLRC	Cash advances	2017	*a*	P64,682,937	P -	P1,676,283,795	Demandable; non interest-	Unsecured
		2016		621,571,832	-	1,611,600,858	bearing	
	Dividend income	2017	*b*	229,944,000	-	-		
		2016		195,104,000	-	-		
LRLDI	Cash advances	2017	*a*	127,438,032	1,178,364,840	-	Demandable; non interest-	Unsecured; no
		2016		19,676,173	1,050,926,808	-	bearing	impairment
ABLE	Retirement	2017	*d*	86,349,074	-	112,041,906	Demandable; non interest-	Unsecured
		2016		4,717,853	-	25,692,832	bearing	
	Cash advances	2017	*a*	-	-	11,108,861	Demandable; non interest-	Unsecured
		2016		136,729,337	-	149,584,895	bearing	
	Dividend income	2017	*b*	-	-	-		
		2016		500,000,000	-	-		
	Management income	2017	*c*	100,640,206	112,717,031	-	Demandable; non interest-	Unsecured
		2016		-	-	-	bearing	
BCGLC	Cash advances	2017	*a*	-	235,339,248	-	Demandable; non interest-	Unsecured; no
		2016		12,778,629	471,236,832	-	bearing	impairment
	Dividend income	2017	*b*	80,000,000	-	-		
		2016		70,000,000	-	-		
TGXI	Cash advances	2017	*a*	-	141,546,168	-	Demandable; non interest-	Unsecured; no
		2016		29,878,339	146,765,148	-	bearing	impairment
ABLGI	Cash advances	2017	*a*	250,896,973	-	614,055,583	Demandable; non interest-	Unsecured
		2016		853,258,109	-	363,158,610	bearing	
	Dividend income	2017	*b*	300,000,000	-	-		
		2016		-	-	-		
	Management income	2017	*c*	63,092,815	-	-		
		2016		-	-	-		
PIKI	Cash advances	2017	*a*	2,316,975	-	2,316,975	Demandable; non interest-	Unsecured; no
		2016		178,542,733	131,964,675	-	bearing	impairment
LRDCSI	Cash advances	2017	*a*	-	-	20,000,000	Demandable; non interest-	Unsecured
		2016		20,000,000	-	20,000,000	bearing	
Gold Coast Leisure World Corporation (GCLWC)	Cash advances	2017	*a*	-	-	-	Demandable; non interest-	Unsecured; no
		2016		68,509,150	68,509,150	-	bearing	impairment
Other								
Longview Holdings Corporation	Cash advances	2017	*a*	-	-	9,070,687	Demandable; non interest-	Unsecured
		2016		-	-	9,070,687	bearing	
Total		2017			P1,667,967,287	P2,444,877,807		
Total		2016			P1,869,402,613	P2,179,107,882		

a. Cash advances to/from subsidiaries are intended for working capital requirements and to finance acquisitions. These are to be settled in cash.

b. Dividend income consists of:

	2017	2016
ABLGI	**P300,000,000**	P -
FCLRC	**229,944,000**	195,104,000
BCGLC	**80,000,000**	70,000,000
ABLE	-	500,000,000
	P609,944,000	P765,104,000

Dividend receivable of the Company amounted to P609,944,000 and P500,000000 in 2017 and 2016, respectively (see Note 5).

c. The Company has a Management Agreement with ABLE and ABLGI, in which the latter engages the services of the Company to provide certain management and administrative services in behalf of its subsidiaries. The Company received management income equivalent to certain percentage of earnings before income tax. Management income amounted to P163,733,021 in 2017.

d. The Company's employees are included in group wide retirement plan of ABLE. The pertinent information about the plan and related information on the allocation of defined benefits cost and contribution for the years ended December 31, 2017 and 2016 are disclosed in the ABLE's financial statements.

The details of key management compensation are as follows:

	2017	2016
Salaries and employee benefits	**P29,320,544**	P29,215,425
Directors' fees	**15,535,000**	18,565,000

Cash transactions for the movements in due to related parties presented in the separate statements of cash flows pertains to cash advances transactions amounting to P179,420,851 in 2017. There was no noncash transaction relating to due to related parties in 2017.

14. Income Taxes

The Company's income tax expense (benefit) is comprised of deferred tax expense amounting to P4,762,266 and deferred tax benefit amounting to P132,092,171 in 2017 and 2016, respectively.

The reconciliation of income tax expense (benefit) is as follows:

	2017	2016
Income before income tax	**P268,942,441**	P369,938,320
Income tax at statutory income tax rate of 30%	**P80,682,732**	P110,981,496
Additions to (reductions in) income taxes resulting from tax effects of:		
Dividend income exempt from tax	**(182,983,200)**	(229,531,200)
Change in unrecognized deferred tax assets	**83,490,311**	-
Expired NOLCO	**38,369,388**	-
Share in net income of a joint venture	**(18,300,201)**	(13,542,467)
Nondeductible expense	**3,510,961**	-
Interest income subjected to final tax	**(7,725)**	-
	P4,762,266	(P132,092,171)

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

	2017	2016
NOLCO	**P234,513,221**	P241,439,442
MCIT	**93,000**	93,000
Retirement benefit	**3,579,311**	1,415,356
	P238,185,532	P242,947,798

As at December 31, 2017, deferred tax assets have not been recognized in respect of NOLCO incurred in 2015 and 2017 amounting to P252,164,984 and allowance for impairment loss on advances amounting to P26,136,049 because management believes that it is not probable that future taxable profit will be available against which the Company can utilize the benefits thereof.

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

Incurred In	Amount	Expired/Applied	Balance	Tax Effect	Year of Expiry
2014	P127,897,961	(P127,897,961)	P -	P -	2017
2015	241,310,797	-	241,310,797	72,393,239	2018
2016	435,589,383	-	435,589,383	130,676,815	2019
2017	356,975,540	-	356,975,540	107,092,662	2020
	P1,161,773,681	(P127,897,961)	P1,033,875,720	P310,162,716	

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

15. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

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

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

Credit Risk

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

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

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

	Note	**2017**	2016
Loans and receivable:			
Cash in banks	*4*	**P2,440,655**	P8,942,205
Receivables - net	*5*	**630,010,245**	501,657,690
Due from related parties	*13*	**1,667,967,287**	1,869,402,613
Rent deposits	*12*	**6,744,138**	3,836,288
AFS financial asset	*8*	**153,309,029**	182,396,184
		P2,460,471,354	P2,566,234,980

As at reporting date, there is significant concentrations of credit risk as the Company transacts with few counterparties.

Cash in Banks

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

Receivables

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

Due from Related Parties

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

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

Rent Deposits

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

Available for Sale Asset
The Company's exposure to credit risk is negligible as this pertains to the Company's investment in DFNN shares that are listed in the PSE.

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

- Grade A: Financial assets which are consistently collected before maturity.

- Grade B: Financial assets which are collected on their due dates even without an effort from the Company to follow them up.

- Grade C: Financial assets which are collected on their due dates provided that the Company made a persistent effort to collect.

As at December 31, 2017 and 2016, the Company's cash in banks is classified under Grade A, while receivables, due from related parties and rent deposits are classified under Grade C.

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

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

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

	As at December 31, 2017				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6 - 12 Months	More than 12 Months
Other Financial Liabilities					
Dividend and other payables*	P215,240,395	P215,240,395	P215,240,395	P -	P -
Short-term loans payable	150,000,000	152,619,401	152,619,401	-	-
Long-term loans payable	314,166,667	338,430,080	73,846,571	71,882,093	192,701,416
Due to related parties	2,444,877,807	2,444,877,807	-	2,444,877,807	-
	P3,124,284,869	P3,151,167,683	P441,706,367	P2,516,759,900	P192,701,416

* *Excluding statutory payables amounting to P4,147,035.*

	As at December 31, 2016				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6 - 12 Months	More than 12 Months
Other Financial Liabilities					
Dividend and other payables*	P166,869,457	P166,869,457	P166,869,457	P -	P -
Short-term loans payable	302,500,000	304,395,833	304,395,833	-	-
Long-term loans payable	444,166,667	491,443,158	76,590,221	76,716,769	338,136,168
Due to related parties	2,179,107,882	2,179,107,882	-	2,179,107,882	-
	P3,092,644,006	P3,141,816,330	P547,855,511	P2,255,824,651	P338,136,168

* *Excluding statutory payables amounting to P4,432,700.*

Market Risk

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

Equity Price Risk

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Company is exposed to equity securities price risk because of investments held by the Company, which are classified in the separate statements of financial position as AFS financial asset (see Note 8).

The effect on equity, as a result of a possible change in the fair value of the Company's equity instruments held as AFS financial assets as at December 31, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Change in quoted prices of investment carried at fair value	2017	2016
Increase by 10%	**P15,330,903**	P18,239,619
Increase by 5%	**7,665,451**	9,119,809
Decrease by 10%	**(15,330,903)**	(18,239,618)
Decrease by 5%	**(7,665,451)**	(9,119,809)

Interest Rate Risk

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

Management is tasked to minimize interest rate risk through interest rate swaps and options, and having a mix of variable and fixed interest rates on its loans. Presently, the Company's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on PSDT-R2 plus a certain mark-up. The Company has not entered into interest rate swaps and options during 2017 and 2016.

The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Company's profit before tax for the years ended December 31, 2017 and 2016 follows:

Change in interest rates (in basis points)	2017	2016
300bp rise	**P1,194,486**	P1,455,589
300bp fall	**(1,194,486)**	(1,455,589)

1 basis point is equivalent to 0.01%.

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

Fair Values

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

Cash

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

Receivables/Due from Related Parties /Rent Deposits/Dividends and Other Payables/Short-term Loans Payable/Due to Related Parties
The carrying amounts of receivables, due from related parties, dividend and other payables, short-term loans payable and due to related parties approximate their fair values due to liquidity, short maturity and nature of these financial instruments. The carrying amount of rent deposit approximates its fair value as the effect of discounting using the prevailing market rate is not significant.

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

AFS Financial Asset
The fair value of the AFS financial asset is based on the quoted market price of the investment in equity as at December 31, 2017. The fair value is under Level 1 of the fair value hierarchy.

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

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

The BOD has overall responsibility for monitoring of capital in proportion to risk. The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company defines capital as equity, which includes capital stock, additional paid-in capital, retained earnings and fair value reserve. There were no changes in the Company's approach to capital management as at December 31, 2017 and 2016. The Company is not subject to externally-imposed capital requirements.

16. Supplementary Information Required by Revenue Regulations 15-2010 issued by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRSs. Following are the tax information required for the taxable year ended December 31, 2017:

A. Value Added Tax (VAT)

	Amount
Input VAT	
Beginning of the year	**P21,700,593**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**-**
b. Goods other than for resale or manufacture	**2,248,251**
c. Capital goods subject to amortization	**-**
d. Capital goods not subject to amortization	**-**
e. Services lodged under cost of goods sold	**-**
f. Services lodged under other accounts	**6,799,621**
Input VAT claimed	**(19,647,962)**
Balance at the end of the year	**P11,100,503**

B. Excise Taxes

None

C. Documentary Stamp Tax

In 2017, the Company's documentary stamp tax on loans amounted to P1,282,349 recognized under "Taxes and licenses" account in profit or loss.

D. Withholding Taxes

	Amount
Tax on compensation and benefits	**P30,454,798**
Final withholding taxes	**11,223,679**
Expanded withholding taxes	**9,407,523**
	P51,086,000

E. All Other Taxes

	Amount
Other taxes paid during the year recognized under "Taxes and licenses" account in profit or loss	
License and permit fees	**P46,901**
Others	**12,481,659**
	P12,528,560

F. Deficiency Tax Assessments

In 2017, the Company paid its deficiency tax assessment amounting to P11,692,583.

G. Tax Cases

As at December 31, 2017, the Company has no pending tax court cases.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited the separate financial statements of Leisure & Resorts World Corporation (the "Company"), as at and for the year ended December 31, 2017, on which we have rendered our report dated May 11, 2018.

Our audit was made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the accompanying Tabular Schedule of Philippine Financial Reporting Standards is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the separate financial statements. Such information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

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Issued January 3, 2018 at Makati City

May 11, 2018
Makati City, Metro Manila