COVER SHEET

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SEC Registration Number

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

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

Ms. Carmelita D. Chan	**638-5496**
(Contract Person)	(Company Telephone Number)

1 2	**3 1**	**1 7 - A**		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2012

2. SEC Identification Number 13174 3. BIR Tax Identification No. 000-108-278-000

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

5. Philippines .... (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. 26F West Tower, PSE Center, Ortigas Center, Pasig City
……...
Address of principal office Postal Code

8. (632) 687-0370
……...
Issuer's telephone number, including area code

9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	999,877,094/Not Applicable

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

Yes [/] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange Common Shares

12. Check whether the issuer:

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

Yes [/] No [ ]

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

Yes [/] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Aggregate market value of voting stock held by non-affiliates: P 5,455,421,263
(based on market price on February 28, 2013)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ]

NOT APPLICABLE

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);

(c) Any prospectus filed pursuant to SRC Rule 8.1-1.

LEISURE & RESORTS WORLD CORPORATION

ANNUAL REPORT
(SEC FORM 17-A)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business Development

Primary Purpose

Leisure and Resorts World Corporation (hereinafter referred to as "Company/LRWC" or the "Registrant" was incorporated on October 10, 1957. As part of the corporate restructuring of the Company in 1996, the Company's primary purpose was amended in 1999 to engage in realty development focusing on leisure business. However, for several years, it had minimal operations and functioned as a holding company.

Share Swap

In October 1999, the Board of Directors of the Company approved the Share Exchange Agreements (Agreements) with the shareholders of AB Leisure Exponent, Inc. (ABLE), operator of a number of bingo parlors, for the acquisition of the entire outstanding capital stock of ABLE in exchange for 750 million new shares of the Company valued at ₱750 million. By virtue of the Agreements, ABLE became a wholly owned subsidiary of the Company.

On September 19, 2000, the Securities and Exchange Commission (SEC) approved the Company's increase in authorized capital stock to ₱2.5 billion. Out of the aforementioned increase which consists of a total 2.5 billion common shares at ₱ 1 par value, a total of 750 million common shares with aggregate par value of ₱750 million have been subscribed and fully paid for through the assignment in favor of the Company of 500,000 common shares of ABLE representing the entire outstanding capital stock thereof by ABLE shareholders. This subscription and payment in ABLE shares was an implementation of the duly executed Agreements between the Company and ABLE's shareholders. Initially, 236,626,466 shares were approved by SEC for release to previous ABLE shareholders. The remaining shares corresponding to 513,373,534 were principally held in escrow with a local commercial bank. In 2003, the stockholders of LRWC approved the decrease in authorized capital stock from 2.5 billion shares to 1.6 billion shares at ₱1 par value per share. Accordingly, the Company's issued capital stock decreased from 1,162,678,120 to 744,114,784. This equity restructuring resulted in a reduction of ₱418,563,336 in the Company's deficit as at January 1, 2004 and reduced shares held in escrow to 328,559,059. In 2007 and 2008, SEC approved the release of 322,616,462 shares held in escrow. The remaining shares totaling 5,942,597 were finally approved for release on October 10, 2011.

AB Leisure Exponent, Inc. (ABLE)

On March 31, 1995, ABLE was registered with the SEC. The primary purpose of ABLE and its subsidiaries is to provide amusement and recreation to the public in such forms as, but not limited to, traditional, electronic, pulltabs and rapid bingo games. Doing business as Bingo Bonanza Corporation, ABLE has established itself as the pioneer in professional bingo gaming in the Philippines. ABLE has twenty-six (26) wholly/majority owned subsidiaries. The Group operates 69 bingo parlors nationwide, six (6) of which are owned by ABLE. There are two (2) dormant subsidiaries/bingo parlors and two (2) bingo parlors operated by minority owned affiliates. Philippine Amusement and Gaming Corporation (PAGCOR) granted ABLE and subsidiaries/affiliates the authority to operate bingo games pursuant to PD 1869.

First Cagayan Leisure & Resort Corporation (FCLRC)

On April 26, 2000, FCLRC was incorporated. The Company acquired 35% of the outstanding capital stock of FCLRC by purchasing 43,750 shares with a Par value of ₱100 last September 20, 2005. 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 Cagayan Special Economic Zone Free Port (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 3, 2006, the Company's Board of Directors (BOD) approved the additional investment of 40,000 shares in FCLRC for an aggregate amount of ₱32.0 million. This additional subscription to FCLRC's shares brought the registrant's total investment to 83,750 shares representing 50.75% of the issued and outstanding capital stock. On April 3, 2006, the BOD approved the acquisition of 31,250 shares, representing 25% of the issued shares (prior to issuance of the additional subscription) of FCLRC, from one of its shareholders, Joanna Heights, Inc. for an aggregate amount of ₱25.0 million on the same terms as the earlier additional subscription. The acquisition was completed upon execution of the Deed of Assignment of Rights on September 27, 2006. With this acquisition, the registrant now holds 115,000 shares representing 69.68% of the issued and outstanding capital stock of FCLRC.

LR Land Developers, Inc. (LRLDI)

On December 11, 2007, the SEC approved the incorporation of a wholly owned subsidiary, Northern Philippines Land and Property Development Inc. (NPLPDI), whose primary purpose is to engage in the business of purchasing, leasing, owning, using, improving, developing, subdividing, selling, mortgaging exchanging, leasing and holding for investment or otherwise, real estates of all kinds and build or cause to be built on any such land owned, held or occupied for management or disposition buildings, houses, or other structures with their appurtenances. On March 3, 2008, SEC approved the amendment to the Articles of Incorporation changing its name to LR Land Developers, Inc.

On April 16, 2012, Techzone was incorporated in the Philippines, a 50% owned associate of LRLDI, which is engaged in the acquisition, lease, donation, etc. of real estate of all kinds. Techzone has not started commercial operations as of December 31, 2012.

Binondo Leisure Resources, Inc. (BLRI)

On February 11, 2003 BLRI was incorporated and subsequently amended last July 2, 2003. On July 25, 2003, the Company signed a Memorandum of Agreement (MOA) with BLRI. In accordance with the MOA, the Company acquired a 30% interest in BLRI through the assignment of shares. The MOA also indicated that the Company would subscribe to 200,000 preferred shares of BLRI with a Par value of ₱100 (after SEC approval on BLRI's application of increase in capital stock). The preferred shares are cumulative and shall be entitled to dividends at the rate of 14% per annum. On May 13, 2004, the SEC approved the BLRI's application for the increase in its capital stock. The Company will also acquire additional shares of BLRI representing 21% amounting to ₱2.1 million from BLRI's existing shareholders subject to completion of certain requirements.

AB Leisure Global, Inc. (ABLGI)

On October 20, 2009, SEC approved the incorporation of another wholly owned subsidiary, AB Leisure Global Inc. (ABLGI), whose primary purpose is to purchase, acquire, own, use, improve, 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. The authorized capital stock of ABLGI is Five Million (₱ 5,000,000.00), divided into Fifty Thousand shares (50,000) with par value of One Hundred Pesos (₱ 100.00), of which, One Million Two Hundred Fifty Thousand (₱1,250,000.00) has been actually subscribed and Three Hundred Twelve Thousand Five Hundred (₱ 312,500.00) of the subscribed shares has been paid up. On May 3, 2011, the Company's BOD approved the increase in the authorized capital stock from Five Million Pesos (₱5,000,000) to Four Hundred Million Pesos (₱400,000,000) divided into Four Million Shares (4,000,000) with par value of One Hundred Pesos (₱100). Relative to this, deposits were made by LRWC for future stock subscriptions totaling to Ninety Eight Million Seven Hundred Fifty Thousand Pesos (₱98,750,000.00) as of December 31, 2011.

ABLGI is in the process of obtaining approval with the SEC on the increase in its authorized capital stock as of December 31, 2012.

Blue Chip Gaming and Leisure Corporation (BCGLC)

On October 9, 2009, BCGLC was registered with SEC. Its primary purpose is to provide investment, management, counsel and to act as agent or representative for business enterprises engaged in gaming, recreation and leisure activities. On October 20, 2009, BCGLC (lessor), as the authorized representative of Munich Management Limited – a foreign corporation duly organized and registered in British Virgin Islands entered into a contract of lease with PAGCOR (lessee) for the use of slot machines and gaming facilities. On April 27, 2011, LRWC purchased 26,250 shares of BCGLC representing 70% of BCGLC's outstanding capital stock. The purchase was ratified by LRWC's BOD on May 24, 2011.

Bingo Bonanza (HK) Limited (BBL)

On March 15, 2010, LRWC 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 Hongkong. BBL started its operations in March 2012.

LRWC Articles of Incorporation and By-Laws

The stockholders of LRWC approved various amendments to the Company's Articles of Incorporation. The more relevant amendments relating to the current operations are as follows:

1. On September 30, 2005, the extension of the registrant's corporate existence until the year 2055. SEC approved this amendment on November 6, 2006.

2. On November 28, 2003, change in the date of the annual meeting of stockholders from the third Tuesday of April to the last week of June. On September 30, 2005, it was again amended from the last week of June of each year to the last week of July. This was further amended on August 18, 2006 from the last week of July of each year to the last Friday of July. SEC approved this amendment on May 25, 2007.

3. On January 22, 2013, at a special meeting of the BOD, matters to be submitted for the approval of the stockholders on the special meeting to be held on March 22, 2013, were approved by the BOD as follows:

    - Increase in authorized capital stock of the Company and corresponding amendment of the Articles of Incorporation. The authorized capital stock shall be increased from ₱1.6 billion to ₱5.0 billion divided into 2.5 billion shares of common stock with par value of ₱1.00 per share and 2.5 billion shares of preferred stock with par value of ₱1.00 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 my be fixed by the BOD at their issuance.
    - Amendment of by-laws to include attendance in board meetings may be through teleconferencing/videoconferencing.
    - Issuance of 200,000,000 common shares with par value of ₱1.00 per share for distribution as stock dividends subject to the approval of stockholders and SEC of the increase in authorized capital stock and corresponding amendment of the Articles of Incorporation. Any fractional shares resulting from the stock dividend shall be rounded off to the nearest one (1), following the rules of rounding off.
    - A maximum of 2.5 billion of the Company's preferred shares and 125 million warrants on the Company's shares shall be listed on the Philippine Stock Exchange (PSE). The warrants, if fully exercised, shall be equivalent to 125 million common shares.
    - Upon approval of the stockholders and SEC of the increase in authorized capital stock and corresponding amendment of the Articles of Incorporation, the Company shall offer ₱1.75 billion perpetual preferred shares at a dividend rate of 8.5% through private placement or issuance to not more than nineteen (19) non-qualified buyers under the Section 10.1(k) of the Securities Regulation Code. The Company shall offer the Preferred Shares with a par value of ₱1.00 per share and an issue price of ₱1.00 per share. The preferred shares are cumulative, non-voting and non-participating.
    - On the fifth anniversary of the issue date or "Optional Redemption Date" or on any dividend payment date thereafter, the Company has the option, but not the

obligation, to redeem the perpetual preferred shares in whole or in part at a redemption price equal to the issue price of the perpetual preferred shares plus cumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by the Company. A nil-paid, detachable warrant shall be issued to the investor/(s) for every twenty (20) preferred shares. Each warrant shall entitle the investor/(s) to purchase one (1) common share. The exercise price of the warrant shall be ₱15.00 or the Company's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5th anniversary of the perpetual preferred shares until the 8th anniversary.

Cash Dividends

On July 30, 2010, the BOD approved the declaration of cash dividend equivalent to P 0.03 per share payable to all common stockholders of record as of August 27, 2010, another cash dividend of P 0.03 per share payable to all common stockholders of record as of November 26, 2010 and another cash dividend of P 0.02 per share payable to all common stockholders of record as of January 28, 2011. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of One Hundred Fifty Thousand (P150,000.00) each.

On July 29, 2011, the BOD approved the declaration of cash dividend equivalent to P 0.030 per share payable to all common stockholders of record as of September 28, 2011, another cash dividend of P 0.025 per share payable to all common stockholders of record as of January 30, 2012 and another cash dividend of P 0.020 per share payable to all common stockholders of record as of February 29, 2012. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of Two Hundred Thousand (P200,000.00) each.

On July 27, 2012, the BOD approved the declaration of cash dividend equivalent to P 0.040 per share payable to all common stockholders of record as of September 28, 2012, and another cash dividend of P 0.035 per share payable to all common stockholders of record as of February 28, 2013. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of Three Hundred Thousand (P300,000.00) each.

Others

On February 19, 2008, the BOD of ABLE approved the acquisition of LRWC shares of up to 15,000,000 shares as a temporary investment in marketable securities in consideration that ABLE has excess funds for investments. Thereafter, ABLE started to acquire LRWC shares at the prevailing market price. However, on June 2, 2008 the BOD of ABLE approved the extension of the acquisition of LRWC shares, based on the consensus that LRWC shares are currently undervalued and upon consideration that ABLE still has excess funds for investments, was increased from 15,000,000 to 30,000,000 shares. As at December 31, 2012, ABLE has a total of 18,330,500 LRWC shares (at a market value of ₱152,143,150) held as temporary investments in marketable securities.

On March 17, 2009, the BOD approved a resolution recalling the resolution to issue 37,000,000 shares out of the unissued portion of its authorized capital stock in favor of Asianlogic Limited at the subscription price of ₱3.10 per share or an aggregate amount of One Hundred Fourteen Million Seven Hundred Thousand Pesos (₱114,700,000), in accommodation of Asianlogic's preference to defer indefinitely the subscription to said shares in view of the worldwide adverse market conditions. The Corporation and Asianlogic have agreed to revisit this planned subscription to such time when the market conditions are more stable.

On March 11, 2011, the BOD authorized the issuance, through private placement, of ₱150 million shares from its unissued capital stock at a price of ₱7.50 per share. The newly issued shares were subscribed by third parties. Twenty-Five percent (25%) of the subscription amount was paid upon the execution of the Subscription Agreements on March 24, 2011, while the remaining Seventy-Five percent (75%) was settled on May 15, 2011. The issuance of these shares was filed with SEC on May 2011 and was approved and ratified by the Stockholders in the Annual Stockholders' Meeting held on 29 July 2011. As a result of this issuance, the total issued and outstanding stocks of the registrant as at December 31, 2011 increased to 999,877,094 shares.

On November 11, 2012, LRWC executed an Investment Agreement with Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure) and Hotel Enterprises of the Philippines, Inc. (HEPI) for the acquisition of fifty percent (50%) of the outstanding capital stock of HEPI which owns and operates the Midas Hotel and Casino. LRWC's total advances amounted to Seven Hundred Fifty Million Pesos (P750,000,000.00) which pertain to the deposits made by the Company to Eco Leisure in relation to the aforementioned purchase agreement. The deed of absolute sale for the transfer of shares of stocks is expected to be consummated in 2013.

Products, Games and Distribution Methods

AB LEISURE EXPONENT, INC. (ABLE)

ABLE (popularly known as Bingo Bonanza Corporation), the pioneer in professional bingo gaming in the Philippines, is a 100% subsidiary of the Company. ABLE bingo parlors have become community and entertainment centers, a source of revenue for the government, and a sponsor for fund-raising activities relating to social and educational programs.

The traditional bingo game remains the principal product line. ABLE is trying to lead the way, not only through profitable business partnerships, but also through sound business strategy that combines technological innovation and continuous variations of the traditional bingo game in terms of number combinations, payouts and game mechanics. Such variations include among others Quick Shot, Circle 8, Instant Bingo Bonanza, Player's Choice, and X Game. In addition to these variations, ABLE also introduced the Video Link Bingo, which enables bingo players in one parlor to play simultaneously same game with players in other parlors for bigger payouts. The majority of the Metro Manila bingo parlors have been linked for the metro-wide bingo game. Likewise, the Visayas' bingo parlors have been linked to form their own cluster.

ABLE also launched the E-bingo games (EBG) in 2002 with 20 machines. As of December 31, 2012, around 4,092 machines were installed in 62 affiliated bingo parlors.

In August 2005, ABLE introduced Rapid Bingo with 14 terminals in 14 bingo parlors. By end of 2012, a total of 84 Rapid Bingo terminals were installed in 67 bingo parlors, 16 of which are located in non-affiliated bingo parlors and casinos. ABLE also introduced Pull Tabs in the latter part of 2005 and continues to market said product to all its operational bingo parlors and other non-affiliated establishments.

ABLE and its subsidiaries/affiliates operate a total of 69 bingo parlors, 6 of which are owned by ABLE, 61 sites are owned through subsidiaries and two (2) are minority owned affiliates. There are 2 dormant subsidiaries/bingo parlors for relocation as of December 31, 2012. Most of these bingo parlors are located in major shopping malls in Metro Manila and in key provincial cities. Enumerated below is a list of bingo branches, subsidiaries/affiliates, its locations, date of organization and ABLE's equity interest.

Company-Owned Bingo Parlors:			**Location**
		1.	SM Mega Mall, EDSA, Mandaluyong City
		2.	Sta. Lucia East Mall, Cainta, Rizal
		3.	SM City, North EDSA, EDSA, Quezon City
		4.	New Farmers Plaza, EDSA, Quezon City
		5.	Makati Cinema Square, Pasong Tamo, Makati City
		6.	SM Southmall, Almanza, Las Pinas City
Bingo Parlors Owned Through Subsidiaries/Equity	***Date of Organization***		**Location**
Alabang Numbers & Gaming Corp., 100%	*11/18/97*	1.	Festival Supermall, Alabang, Muntinlupa City
		2.	Festival Boutique, Alabang, Muntinlupa City
		3.	Wharf Boutique at Lakefront, Km 20, East Service

			Road, Sucat, Muntinlupa City
All Point Leisure Corporation, 100%	*07/16/97*	4.	SM Centerpoint, Quezon City
		5.	Harrison Plaza, Manila
Big Time Gaming Corporation, 100%	*03/27/06*	6.	Sunshine Blvd. Plaza, Quezon Ave. Corner Sct Santiago & Panay Ave., Quezon City
		7.	2/F Intrepid Plaza Bldg., E. Rodriguez Ave. Bgry Bagumbayan, Quezon City
		8.	G/F QY Plaza, 233 Tomas Morato Ave., South Triangle 4, Quezon City
Bingo Dinero Corporation, 95%	*08/19/98*	9.	SM City, North Reclamation Area, Cebu City
Bingo Extravaganza, Inc., 100%	*01/11/99*	10.	SM Sucat, Sucat Road, Paranaque City
		11.	SM City Bicutan, Don Bosco, Paranaque City
		12.	Tonie's Mart, Puerto Princesa, Palawan
		13.	BLC Bldg, Rizal Ave., Puerto Prinsesa, Palawan
Bingo Gallery, Inc., 100%	*10/16/98*	14.	Liana's Mutya ng Pasig Mall, Caruncho, Pasig City
		15.	SM City Mastersons Ave., Canitoan, Cagayan de Oro City
		16.	Armal Centre Bldg., Bgry. Malinao, Pasig City
		17.	Robinsons Metro East, Santolan, Pasig City
Bingo Palace Corporation, 100%	*08/19/98*	18.	Robinson's Place, Ermita, Manila
		19.	SM Mall of Asia, Pasay City
Bingo Zone, Inc., 95%	*05/13/99*	20.	*Dormant*
Cebu Entertainment Gallery, Inc., 100%	*09/07/98*	21.	Elizabeth Mall, Leon Kilat St., Cebu City
		22.	SM Consolacion, North Road, Bgry Lamas, Consolacion, Cebu
Fiesta Gaming & Entertainment Corp, 100%	*11/07/97*	23.	*Dormant*
First Leisure and Game Co., Inc., 100%	*12/09/97*	24.	Robinson's Place, Mandalagan, Bacolod City
		25.	G/F Lopue's Mandalagan Bldg, Lacson St, Mandalagan, Bacolod City
		26.	Manapla Boutique, Bacolod City
Galleria Bingo Corporation, 100%	*10/27/98*	27.	Robinson's Galleria, EDSA, Quezon City
G-One Gaming and Technology, Inc., 100%	*04/06/98*	28.	SM City Bacoor, Tirona Highway, Cavite
Highland Gaming Corporation, 100%	*06/06/00*	29.	Baguio Centermall, Baguio City
		30.	SM City Baguio, Luneta Hill, Baguio City
Iloilo Bingo Corporation, 100%	*12/01/99*	31.	SM City Iloilo, Manduriao, Iloilo City
Isarog Gaming Corporation, 90%	*04/24/98*	32.	SM City Naga, CBD2, Bgry Trianggulo, Naga City
		33.	B3, Unit 1,2,3,544, 55 & 56 ALDP Mall, Roxas Ave Triangulo, Naga City
Manila Bingo Corporation, 95%	*09/24/97*	34.	SM City Fairview, Regalado, Fairview, Q.C.
Metro Gaming Entertainment Gallery, Inc., 100%	*06/24/98*	35.	M-Star, CV Star Ave., Pamplona, Las Pinas City
		36.	SM Supercenter, Molino Rd., Bacoor, Cavite
		37.	5/F 168 Divisoria Mall, Soler St. Binondo, Manila
		38.	Unit GF, ANS-08 Pasay City Mall Ave cor Arnaiz, Pasay City
		39.	RSAM Center Bldg, J.P. Laurel Cor. Munting Bayan Bgry Poblacion IX, Nasugbu, Batangas
		40.	Starmall, Bgry Kaypian San Jose Del Monte Bulacan
One Bingo Place, Inc., 80%	*05/03/00*	41.	SM City Manila, Arroceros St., Manila
Rizal Gaming Corporation, 100%	*11/12/98*	42.	Robinson's Place, Cainta, Rizal
		43.	Robinson's Pioneer, Edsa, Mandaluyong City
		44.	UGF 101, 102 SM City Masinag, Brgy Mayamot, Antipolo City
		45.	Robinsons Boutique, Cainta, Rizal
		46.	ITSP Bldg, Ortigas Ave., Bgry San Isidro, Taytay, Rizal
SG Amusement and Recreation Corp., 100%	*08/24/05*	47.	Greenhills Shopping Center, San Juan City

		48.	Villa Bldg. Jupiter St., Makati City
		49.	Wilson Square, P.Guevarra, San Juan City
		50.	Unit # M5 Hobbies of Asia, #8 Pres. Diosdado Macapagal Blvd, Pasay Ctiy
South Bingo Corporation, 100%	*12/10/97*	51.	SM City Davao, Quimpo Blvd., Davao City
South Entertainment Gallery, Inc., 100%	*12/13/00*	52.	SM City, San Fernando City, Pampanga
		53.	SM City Lucena, Dalahican, Dupay, Lucena City
		54.	SM Supercenter, Muntinlupa City
		55.	Pacific Mall, Tagarao St., Lucena City
		56.	SM City Tarlac, San Roque, Tarlac City
		57.	Robinsons Calasiao, Calasiao, Pangasinan
Summit Bingo, Inc., 60%	*01/19/99*	58.	Savers' Mall, Balibago, Angeles City, Pampanga
Topmost Gaming, Corp. 100%	*01/13/98*	59.	5th Flr., Nova Plaza Mall, Quirino Highway, Novaliches, Quezon City
		60.	3/F Star J Plaza, F. Sevilla Blvd, Brgy. Tañong, Malabon City *(suspended operations/for relocation last 12/30/12)*
Worldwide Links Leisure and Gaming Corp., 100%	*12/08/11*	61.	Silver City, Frontera Drive, Dona Julia Vargas Avenue, Pasig City
Bingo Parlor Owned Through An Affiliate/Equity:	***Date of Organization***		**Location**
Insular Gaming Corporation, 40%	*12/13/00*	1.	G/F, Berds Bldg., Iligan City
Vinta Gaming Corporation, 50%	*04/28/03*	2.	Gaisano Mall, Koronadal, South Cotabato (temporary closed)

AB LEISURE GLOBAL, INC. (ABLGI)

On January 14, 2011, ABLGI entered into an agreement to act as an operator and manager of the casino with Premium Leisure and Amusement, Inc. (PLAI), a subsidiary of Belle Corporation. PLAI is a member of consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation and SM Commercial Properties. On the same date, an Operating Agreement was signed by PLAI and ABLGI, wherein as operator and manager of the casino, ABLGI shall exercise supervision, direction and responsibility for the operation of the casino in behalf of PLAI pursuant to the Provisional License issued by PAGCOR.

In 2012, ABLGI, LRWC, PLAI and Belle Corporation entered into a Memorandum of Agreement amending the previous operating agreement to allow the entrance and participation of a foreign partner. In exchange, ABLGI would have a direct interest in the economic benefits to be derived by Belle Corporation and PLAI from the casino operations, particularly 30% of the fixed yearly income generated form the leasing of all commercial spaces in the Casino Project, inclusive of the hotel, retail and casino premises.

LR LAND DEVELOPERS, INC. (LRLDI)

In 2010, LRLDI entered into an agreement with Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC), both third parties and corporations incorporated in the Philippines, to finance the construction of the airport at Lal-lo, Cagayan. The terms and conditions of the agreement include the following: (1) LRLDI agrees to invest funds or make advances into the Lal-lo Airport Project of CPVDC through a convertible loan in favor of CLPDC of a maximum of ₱ 700 million. CPVDC shall only use the advances to finance its capital expenditures and working capital requirements related to the construction development of the airport; (2) LRLDI shall have the right to convert, in whole or in part, the outstanding amount of the advances at the time of the conversion, into new, unissued common shares of CLPDC subject to mutually agreed conversion price per conversion share; (3) CLPDC acknowledges and agrees that the advances will be directly received by CPVDC and (4) CLPDC shall execute a separate agreement with LRLDI which provides for the specific procedures and details of borrowing, execution of the conversion and or repayment.

The construction of the airport is in line with the Master Development Plan with CEZA within the CSEZFP. LRLDI and FCLRC have significant operations within the CSEZFP which will benefit from the construction of the airport. The construction of the airport is ongoing as at March 14, 2013 and is expected to operate in June 2013.

FIRST CAGAYAN LEISURE AND RESORT CORPORATION (FCLRC)

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

Subsequent to the signing of the License Agreement, FCLRC and CEZA signed a Supplemental Agreement which provides authority for FCLRC in the following capacity: (1) Appointment as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive gamines in CSEZFP; (2) Assist CEZA in its functions as regulator for interactive gaming activities on behalf of CEZA in accordance with CSEZFP Interactive Gaming Rules and Regulations; (3) The authorization as Master Licensor shall be exclusive for twenty-five (25) years starting from 2006 until 2031; (4) Authorized to collect a sub-license fee to two (2) percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also,

the Company is authorized to collect from sub-licenses, an annual fixed amount equivalent to $48,000 for the first year of operations and $60,000 thereafter, from sportsbook operators and (5)The Company must pay CEZA, on a monthly basis to commence upon the start of actual operations , an amount equivalent to one (1) percent of the monthly gross winnings payable not later than the seventh (7th) day of the subsequent month. Starting on the sixth (6th) year after the start of the Company's operation, it shall pay a minimum guaranteed amount of $250,000 each month.

FCLRC proposed a Master Development Plan in keeping its authority under the License Agreement. The Master Development Plan will accordingly create a self-sustaining industrial zone and mixed-use new township in the CSEZFP with tourism and leisure as the lead sector to be developed.

The Master Development Plan as envisaged by FCLRC shall comprise of the three (3) phases with time frame of completion as follows:

Phase I: which shall be completed one (1) year after authorization of the CEZA BOD, includes telecommunication connectivity via microwave radio, upgrading of the existing internet data center, conversion of the CEZA Complex into a gaming facility, upgrading of the San Vicente naval Airport and construction of a new CEZA Administration Office;

Phase II: which shall be completed three (3) years from completion of Phase I, shall include the telecommunication connectivity via fiver optic, redundant telecommunication connectivity and construction of a leisure and resort complex;

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

As at December 31, 2012, there were 69 licensed locators, 62 of which are operational. Last year, FCLRC had 60 licensed locators, of which 52 were operational then.

First Cagayan Converge Data Center, Inc. (FCCDCI)

FCLRC and IP Converge Data Center Corporation (IPCDCC), a wholly-owned subsidiary of listed firm IPVG Corp., formed a joint venture corporation with the name First Cagayan Converge Data Center, Inc which was incorporated on November 14, 2007. FCLRC owns 60% of the outstanding capital stock of FCCDC. This joint venture corporation was formed to engage in the business of information technology such as IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution, premium dial up access, voice over internet protocol (VOIP), IP-wide area network services and other value added services. Presently, FCCDC provides a range of services to Internet Gaming Operators at the CSEZFP for a fee. These revenue streams include but are not limited to the following:

- Connectivity using wide bandwidth capabilities
- Physical housing of the server to host the Internet site, in a high security site
- High quality monitoring and maintenance services for the Internet infrastructure
- Hosting services which include connection of servers and data networking equipment to the same monitoring and management system
- A range of call center services
- A range of value added services for ongoing operation of the Internet Site and management of the Internet Casino Site
- Office space
- Administration services which includes facilities management, server management and network monitoring
- Payment and receipt of gaming funds services
- Telecommunication services
- Physical security and monitored access
- Off-site storage of back up materials in secure premises
- Second level help desk service that includes provision of a single answering point for operational, performance, reporting and commercial issues
- Value added services, such as website monitoring, traffic analysis. Marketing analysis, telemarketing, and customer relationship management among others.

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

In 2009, FCLRC and FCCDCI agreed to apply ₱ 3.75 million of FCLRC's cash dividend against the subscription payable to FCCDCI.

IPVG Corp. acquired IP Converge Data Center Corporation's ownership interest in FCCDCI and entered into a Deed of Assignment of Subscription Rights with IP E-Games Ventures, Inc. (IP E-Games), whereby IPVG Corp. assigned 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1. The assignment was made effective January 1, 2009. However, on April 13, 2011, the Board of Directors of both IP E-Games and IPCDCC jointly approved the sale of IP E-Games 40% equity stake in FCCDCI to IPCDCC for a total consideration of ₱120 million.

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

Competition

ABLE

ABLE manages to stay on top of competition with its extensive network of bingo parlors, and by continuing the development of new parlors and game products. Consolidated sales grew by ₱220.9 million or 6.1% from ₱3,629.7 million in 2011 to ₱3,850.6 million in 2012.

Ever mindful of the growing major competitors such as Bingo Mania, Bingo Amusement Corporation, as well as small players and new entrants, ABLE sustains its market presence by aggressively offering huge jackpot payouts and launching new products to attract more players. Based on informal surveys, ABLE estimates its market share of the traditional bingo to be 33% to 40% in the last 3 years.

FCLRC

Being the master licensor of Internet gaming in Southeast Asia, FCLRC is in the forefront in leading the Cagayan Free Port as the premier i-Gaming licensing jurisdiction. FCLRC virtually has no competition in the industry in the Southeast Asia region. However there are around 80 gaming jurisdictions around the globe.

Major Suppliers

ABLE

Currently, ABLE sources its bingo cards and supplies mainly from BK Systems Philippines, exclusive distributor of Bingo King, USA, one of the world's largest manufacturers and suppliers of bingo cards and bingo related products.

In 2002, ABLE entered into a Lease and Technical Assistance Agreement with FBM Gaming Arizona, Inc., to provide the necessary equipment, systems, facilities and technical support for the conduct and operation of Electronic Bingo Games.

In 2007, ABLE entered into a Lease and Services Agreement with Dingo Systems, Inc. to supply and lease gaming equipment and systems for the operation of the "Dingo Thunder Series System and Games".

In 2005, ABLE entered into a Memorandum of Understanding with Intralot S.A. Integrated Lottery Systems and Services to supply state-of-the-art hardware/software machines, equipment and accessories for the operation and conduct of computerized "on-line" bingo system known as the Rapid Bingo.

In 2011, ABLE and Intralot S.A. Integrated Lottery Systems and Services amended its Equipment Lease and Services Agreement which includes: (1) Assignment of parent company Intralot S.A. Integrated Lottery Systems and Services to Intralot, Inc. and (2) Extension of Equipment lease and Services Agreement from its original scheduled expiration in August 2010 to September 2015.

FCLRC

Major suppliers of FCLRC for IT and telecom equipment and supplies are B87 Technologies, Inc., CAMJ Construction, Inc. and ERS Telecoms among others.

Dependence if any to Major Customers

The Company and its subsidiaries are not dependent upon a single customer or a few customers, the loss of any or more of which would not have a material adverse effect on the company and its subsidiaries taken as a whole.

Patents, trademarks and licenses

ABLE

PAGCOR granted ABLE and its subsidiaries/affiliates (the Group), the authority to operate bingo halls pursuant to Presidential Decree No. 1869 (P.D. 1869). In consideration for the Grants, the Group shall pay PAGCOR 20% of its gross cards sales, representing franchise fees and taxes, which shall be remitted to PAGCOR on weekly basis. Pursuant to P.D. 1869, the BIR Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied , established or collected by any municipal, provincial or national government authority. The Group deposited cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants.

In 2008, PAGCOR approved and issued to its bingo grantees the Bingo Regulatory Order No. 2008-01 entitled "Modified Computation of the Five Percent (5%) Franchise Tax". The regulation modified the basis for the computation of the BIR Franchise Tax being remitted to PAGCOR by the bingo grantees for their Traditional Bingo operations as follows: fifteen percent (15%) of its gross receipts from bingo card sales (representing PAGCOR share), and five percent (5%) of its gross revenue (i.e. gross sales less payouts), representing BIR franchise tax retroactive to January 1, 2008.

On June 13, 2000, PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) cards to complement its existing bingo game operations pursuant to Presidential Decree No. 1869. In consideration for the Grant, ABLE shall pay PAGCOR, upon withdrawal of Instant Charity Bingo Game II cards, the regulatory fee of 12.5% of the gross sales value of the cards sold/purchased. However, because of the poor sales performance, ABLE discontinued the distribution of the cards during 2005 and wrote off the unsold cards amounting to ₱10,197,124.00 million in 2005. On February 2, 2007, ABLE received a letter from PAGCOR stating the conditions to continue the operations of ICBG2. On December 12, 2008, ABLE resumed commercial operations of ICBG2 scratch cards.

On May 8, 2001, PAGCOR granted the Group the authority to operate and conduct Electronic Bingo Games (E-bingo). In consideration for the Grants, ABLE shall pay PAGCOR 60% (representing 5% BIR franchise tax and 55% PAGCOR franchise fee) of their gross revenues from E-bingo operations. Starting May 1, 2010, ABLE shall remit to PAGCOR 52.5% of the gross revenues from E-bingo games to be distributed as follows: 5% representing BIR franchise tax and 47.5% as PAGCOR franchise fee.

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

On September 27, 2005, PAGCOR granted the Group, the authority to operate and conduct rapid bingo games, subject to the approved terms and conditions of the New Rapid Bingo System (NRBS) operations and the use of the prescribed NRBS card format. In consideration of the Grant, the Group shall pay PAGCOR 15%, representing franchise fees and taxes, of its gross sales from its conduct and operations.

On June 20, 2007, Philippine Congress passed Republic Act No. 9487, an act further amending P.D. 1869, otherwise known as the PAGCOR Charter. PAGCOR was granted from the expiration of its original term on July 11, 2008, another period of twenty-five (25) years, renewable for another twenty-five (25) years.

For all bingo sites, the Group has secured all other necessary licenses and permits at the local government level.

<u>FCLRC</u>

By virtue of CEZA Board Resolution No.05-003-01, dated 30 May 2001, FCLRC was granted by CEZA the exclusive authority as Master Licensor of internet gaming games and facilities in the CSEZFP for a renewable period of 2 years. CEZA also authorized FCLRC to assist CEZA in its functions as a Regulator of interactive gaming activities. Said appointment of FCLRC as Master Licensor was extended for 25 years by CEZA under Board Resolution No.09-002-06, dated 15 September 2006. The same resolution also granted FCLRC the authority to manage and operate the telecommunication facility in CSEZFP.

<u>Government Regulations</u>

<u>ABLE</u>

Effective November 1, 2005, Republic Act No. 9337, “An Act Amending the National Internal Revenue Code, as Amended, with Salient Features” particularly Section 27 (c) excluded PAGCOR from the list of government-owned or controlled corporations or agencies not subjected to the thirty five (35%) percent corporate income tax.

The Group believes that the payment of 5% Franchise Tax to the Bureau of Internal Revenue (BIR) is effectively equivalent to the corporate income tax for the taxable year 2012. Based on consultations with tax advisers, the management also believes that collection of income tax in addition to the 5% Franchise Tax has no legal basis.

Pursuant to P.D. 1869, also known as PAGCOR Charter and amended by R.A. 9487, the 5% Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

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

Except for RA No. 9337 cited above and the local government regulations on the business of gaming as discussed under the item "Major Risks Involved in the Business" below, the Company is not aware of any other government regulation, which would materially affect its operations.

<u>FCLRC</u>

As exclusive Master Licensor for interactive operations in the CSEZFP, FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local and national shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the National Government 5% of their gross income less allowable deductions. Gross income shall refer to gross sales or gross revenues derived from business activity within the CSEZFP, net of sales discounts, sales returns and allowances and minus costs of sales or direct costs but before any deduction is made for administrative, marketing, selling and/or operating expenses or incidental losses during a given taxable period.

<u>Transactions with and/or Dependence on Related Parties</u>

The Company's transaction with ABLE consists mainly of non-interest bearing advances, while ABLE's related party transactions with its subsidiaries and/or affiliates including FCLRC consist mainly of non-interest bearing advances to and from subsidiaries and/or affiliates, officers and employees and supply of bingo cards and supplies. FCLRC related party transactions also consist mainly of non-interest bearing advances to its officers and employees which are subject to liquidation within 12 months from date granted or collectible in cash upon demand.

<u>Research and Development</u>

<u>ABLE</u>

Development of other bingo games/variants does not require that much expenditure since most are only ideas developed by ABLE's marketing people. ABLE also participates in Bingo and related gaming trade shows to evaluate if new games offered may be introduced to its own operations. The expenses in attending these trade shows are not significant.

<u>FCLRC</u>

Telecommunication facilities and services of FCLRC are continuously updated to the latest advances in hardware and software technology to ensure that FCLRC's locators are provided with quality broadband and high-speed data services.

<u>Cost and effects of compliance with environmental laws</u>

All ABLE and affiliate bingo parlors have complied with the provisions of Smoking Ordinances issued by most local government units. All bingo parlors have made provisions in its playing area to accommodate smokers and non-smokers alike. Future expansions and parlor upgrades will incorporate enclosures and advanced air-purifying systems.

FCLRC also complies with environmental laws being enforced by CEZA in the Cagayan Special Economic Zone and Free Port (CSEZFP).

<u>Employees</u>

LRWC has 12 and 7 employees in 2012 and 2011 respectively, while ABLE and its subsidiaries have a total headcount (including personnel provided by manpower agencies) of 1,057 and 1,035 in 2012 and 2011 respectively. On the other hand, FCLRC has 70 and 67 employees in 2012 and 2011 respectively.

BCGLC has 12 employees both in 2012 and 2011 whereas BBL has 7 employees when it started its operations in March 2012. For the year 2012, the Company and its subsidiaries, ABLE, FCLRC, LRLDI, BCGLC and BBL are not expected to have major changes in their employment portfolios. Their employees are not subject to a collective bargaining agreement. The Company does not have a stock option plan as part of its remuneration to all directors and senior management.

Major Risks Involved in the Business

ABLE

ABLE and its subsidiaries operate bingo parlors. By the nature of the business (gaming), there is a risk of possible non-renewal of business permits by the local governments. To counter this risk ABLE and subsidiaries obtained ordinances to do business from the respective local Sanggunian Mangbabatas. The business is located in high traffic areas, specifically in SM and Robinson malls, thus there is also risk of difficulty in finding similar high traffic areas should the lease contracts not be renewed upon expiration. ABLE has expanded to other locations so the effect of non-renewal of one or two leases will not have significant effect on ABLE's results of operations.

FCLRC

As revenues are dependent to locators whose business is internet gaming operations outside the Philippines, potential or future government regulations in countries where internet gaming operations is presently allowed, can be considered as a major business concern for FCLRC.

Item 2. Properties

The major assets of the Company and its subsidiaries are: building, furniture & fixtures, leasehold improvements, bingo equipments and paraphernalia. There are no real estate properties owned. In the next 12 months, the Company through its subsidiary LR Land Developers, Inc. (LRLDI) is considering acquiring other properties in the vicinity of Cagayan Special Economic Zone Free Port for the purpose of making facilities available to FCLRC's future locators.

ABLE and its subsidiaries lease bingo parlors ranging in size from 90 to 2,000 square meters located in major shopping malls in Metro Manila and in key provincial cities. Lease term ranges from one (1) to five (5) years. All lease agreements have provisions for renewal subject to terms and conditions mutually agreed upon by all parties. All lease payment computations are based on a fixed rate per square meter of occupied space or on a certain percentage of bingo cards sales. Total lease payments amounted to ₱ 213.5 million in 2012 and ₱197.5 million in 2011.

Item 3. Legal Proceedings

Except for the following, there are no other legal proceedings to which the Company or ABLE or its subsidiaries is a party:

(1.) **"People of the Philippines vs. Ryan Baltazar,"**
Criminal Case No. 135459,
Branch 67, Pasig City

Case Summary:

This is a complaint for violation of Article 315, paragraph 3(b) of the Revised Penal code for estafa committed by resorting to some fraudulent practice to ensure success in a gambling game. On September 2, 2006, a glitch occurred in the generation of winning numbers for New Rapid Bingo Game - Bingo Draw No. 18652. The winning numbers flashed on the television screens were different from those transmitted to the cashiers' terminals. At such time, respondent Baltazar was the Application Operator on duty and the one manning the bingo generator machine. Because of the ensuing confusion, respondent Baltazar advised the cashiers to pay the prizes of all winning tickets and cash shortages shall be reimbursed. The following day, accused Baltazar sent text messages to co-employees, apologizing and admitting responsibility for the incident.

Status:

On December 10, 2012, the defense rested their case. In view thereof, the Court considered the case submitted for decision.

(2.) **"People of the Philippines vs. Ana Santos,"**
Criminal Case No. 11-14128
MTC-Pasay City, Branch 45s

Case Summary:

This is a criminal case for Falsification by Private Individual and use of Falsified Document filed by Bingo Palace Corporation (BPC) against Ms. Ana Santos. BPC alleged that Santos cashed a falsified electronic bingo ticket at Bayview Bingo at Mall of Asia.

Status:

On April 4, 2012, the Metropolitan Trial Court Branch 45 of Pasay City issued an Order to archive the case pending the arrest of the accused. To this date, the accused is still at large.

(3.) **"People of the Philippines vs. Gilbert C. Velasco"**
Criminal Case No. 397453-SA
MTC-Manila, Branch 11

Case Summary:

This is a criminal case for Falsification by Private Individual and Use of Falsified Document filed by Bingo Palace Corporation against Mr. Gilbert C. Velasco who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount than what is actually won.

Status:

The arraignment of the accused is scheduled in April 2013.

(4.) **"People of the Philippines vs. Willy de Leon"**
Criminal Case No.
MTC-Pasay City, Branch 46

Case Summary:

This is a criminal case for Falsification by Private Individual and Use of Falsified Document by Metro Gaming Entertainment Corporation against Mr. Willy de Leon who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount that what is actually won.

Status:

The arraignment of the accused is scheduled in April 2013.

(5.) **"People of the Philippines vs. Michael dela Rosa"**
Criminal Case No.

MTC-Pasay City, Branch 46

Case Summary:

This is a criminal case for Falsification by Private Individual and Use of Falsified Document by All Point Leisure Corporation against Mr. Michael dela Rosa who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount that what is actually won.

Status:

The arraignment of the accused is scheduled in April 2013.

(6.) **"Bingo Bonanza Corporation vs. Bailinang Mail Zainal and Joan Trinidad Martin"**
NPS Docket No. XV-13-INQ-11-I-03257
Office of the City Prosecutor-Quezon City

Case Summary:

This is a criminal complaint for violation of Article 168 of the Revised Penal Code (Illegal Possession and Use of False Bank Notes) filed against the abovementioned accused on November 3, 2011 before the OCP of Quezon City. Bingo Bonanza Corporation alleged that two women, Zainal and Martin, were apprehended by employees of the Company's Electronic Bingo Hall in SM City Annex, Quezon City for using bank notes while playing the company's electronic bingo machines. A total of twenty-eight (28) false bank notes were recovered from the possession of Zainal and Martin. While a subpoena was issued for the accused, both Filed to appear or submit counter-affidavits, despite numerous opportunities extended by the OCP.

Status:

The case has been submitted for resolution on November 17, 2011. As of this date, no resolution has been issued by the OCP.

(7.) **"South Entertaiment Gallery, Inc. vs. Commissioner of Internal Revenue"**
CTA Case No. 8257

Case Summary:

This is an appeal by way of Petition for Review (with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction) filed on March 31, 2011 with the Court of Tax Appeals (CTA) contesting the validity of the Warrant of Distraint and/or Levy (WDL) issued by the Commissioner of Internal Revenue, through its Revenue District Office No. 21B, South Pampanga, for collection of alleged deficiency income tax and value –added tax for taxable year 2009 in the aggregate amount of P4,024,393.51. The Company assails the validity of the WDL for failure to receive any Formal Assessment Notice covering alleged deficiency taxes for taxable year 2005 in violation of the due process requirements under Section 228 of the 1997 National Internal Revenue Code and Revenue Regulations No. 12-99.

Status:

The respondent has terminated its presentation of evidence on February 21, 2013 and is due to file its Formal Offer of Evidence (FOE) within thirty (30) days therefrom, or on or before March 23, 2013. The Company was given the same period to file its Comment on the FOE.

(8.) **"South Entertaiment Gallery, Inc. vs. Commissioner of Internal Revenue"**

CTA Case No. 8286

Case Summary:

This is an appeal by way of Petition for Review (with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction) filed on May 11, 2011 with the Court of Tax Appeals (CTA) contesting the validity of the Warrant of Distraint and/or Levy (WDL) issued by the Commissioner of Internal Revenue, through its Revenue District Office No. 21B, South Pampanga, for collection of alleged deficiency income tax and value –added tax for taxable year 2009 in the aggregate amount of P39,788,105.55. The Company assails the validity of the WDL for failure to receive any Formal Assessment Notice covering alleged deficiency taxes for taxable year 2007 in violation of the due process requirements under Section 228 of the 1997 National Internal Revenue Code and Revenue Regulations No. 12-99.

Status:

Both parties have terminated the presentation of their evidence. In a Resolution dated February 13, 2012 issued by the CTA, the parties are granted a period of thirty (30) days from notice thereof, within which to submit their respective memoranda, after which, the case shall deemed submitted for resolution.

Item 4. Submission of Matters to a Vote of Security Holders

(a) An annual meeting of stockholders of the registrant was held on July 27, 2012.

(b) During the said annual meeting the following persons were elected as directors of the registrant:

1. Reynaldo P. Bantug
2. Jose Conrado Benitez
3. Edgardo S. Lopez
4. Ignatius F. Yenko
5. Willy N. Ocier
6. Bienvenido M. Santiago
7. Wilson L. Sy
8. Eusebio H. Tanco
9. Jose Francisco B. Benitez

with the following as independent directors under Section 38 of the Security Regulation Code (RA 87):

10. Anthony A. Almeda
11. Clarita T. Zarraga

Except for Mr. Ignatius F. Yenko and Mr. Jose Francisco B. Benitez, newly elected directors, all other directors were re-elected to registrant's Board of Directors.

(c) During the annual meeting of stockholders of the registrant last 27 July 2012, the following matters was submitted to a vote of and duly approved by the stockholders of the registrant: (i) the appointment of KPMG Manabat Sanagustin & Co., CPA's as the external auditor.

(d) No other matter has been submitted to a vote of security holders otherwise than at a meeting of such security holders.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

a) *Market Information*

Principal market where the equity is traded – Philippine Stock Exchange

The table shows the high & low prices of the company's share within the last two fiscal years, including the volume of transactions for each quarter.

QUARTER ENDING	IN PHILIPPINE PESO		VOLUME*
	HIGH	LOW	
JAN-MAR 2011	10.32	3.50	553,491,100
APR-JUN 2011	12.18	8.96	357,743,200
JUL-SEP 2011	11.12	5.90	202,728,500
OCT-DEC 2011	10.30	6.11	247,973,100
JAN-MAR 2012	9.77	6.28	184,999,100
APR-JUN 2012	8.29	6.45	86,105,500
JUL-SEP 2012	9.29	7.20	157,689,500
OCT-DEC 2012	9.90	7.55	133,276,000

**Total main board volume for the quarter*

Closing Market Price as of December 31, 2012 is ₱8.30 per share. While the Closing Market Price as of February 28, 2013 is ₱8.93 per share.

The Company complied with the required minimum public ownership. As of December 31, 2012, total number of shares owned by the public is 610,909,436 shares or equivalent to 61.10% of the total issued and outstanding shares.

The Company's earnings (loss) per share are: ₱0.2853 per share in 2012 and (₱0.0391) in 2011.

a) *Holders*

The stock transfer agent reported 1,871 holders of common shares of the registrant as of December 31, 2012. The top 20 shareholders, the number of common shares held and the percentage of common shares held by each are as follows:

	Name	No. Of Shares Held	% To Total
1.	PCD Nominee Corporation (Filipino)	591,342,986	59.14
2.	Grandshares Inc.	100,000,000	10.00
3.	Zoraymee Holdings, Inc.	86,977,358	8.70
4.	Alfredo Abelardo B. Benitez	68,319,999	6.83
5.	Dominique L. Benitez	26,400,000	2.64
6.	Pacific Online Systems Corporation	25,000,000	2.50
7.	Vantage Equities, Inc.	25,000,000	2.50
8.	AB Leisure Exponent, Inc.	17,972,500	1.80
9.	PCD Nominee Corporation (Non-Filipino)	17,621,566	1.76
10.	Zoraymee Holdings, Inc.	14,600,000	1.46
11.	Zoraymee Holdings, Inc.	9,451,900	.95
12.	Wilson L. Sy	1,905,500	.19
13.	Willy Ng Ocier	1,771,000	.18
14.	Paul Luis Paul P. Alejandrino	1,188,520	.12
15.	OCX Development Corporation	860,000	.09
16.	Liberty Farms, Inc.	674,274	.07
17.	Provident Insurance Corporation	492,519	.05
18.	Brisot Economic Development Corporation	426,670	.04
19.	Visayan Surety & Insurance Corporation	405,245	.04
20.	Allen Cham	289,978	.03

a) *Dividends*

The Company does not have any restrictions which limit the ability to pay dividends on common equity or that are likely to do so except in cases where the Company does not have enough retained earnings or is in a deficit position. For six consecutive years, the Company was able to distribute cash dividend to its shareholders. During the annual stockholders' meeting held on July 27, 2012 the Board of Directors (BOD) declared cash dividend twice, ₱0.04 per share with record date of September 28, 2012, and another ₱0.035 with record date of February 28, 2013. BOD also declared cash dividends equivalent to ₱0.03 per share in 2007, ₱0.06 per share in 2008, ₱0.06 per share in 2009, ₱0.08 per share in 2010 and ₱0.075 per share in 2011.

b) Recent Sale of Unregistered Securities

On March 21, 2011, the Registrant's Board of Directors (BOD) approved the issuance of One Hundred Fifty Million shares from the unissued portion of its capital stock through private placement. By virtue of Subscription Agreements all dated March 24, 2011, the following companies subscribed to a total of 150,000,000 shares at the stipulated subscription price of ₱ 7.50 per share:

Name of Subscriber/Investor	Number of Shares	Subscription Amount (₱)
Grandshares Inc.	100,000,000	750,000,000.00
Pacific Online Systems Corporation	25,000,000	187,500,000.00
Vantage Equities, Inc.	25,000,000	187,500,000.00

Twenty-Five percent (25%) of the subscription amount was paid upon the execution of the Subscription Agreements, while the remaining Seventy-Five percent (75%) was paid on May 15, 2011.

Except for this issuance, the Company has not sold any unregistered securities within the last three (3) years.

Item 6. Management's Discussion and Analysis or Plan of Operation

<u>LRWC Operations</u>

As mentioned, LRWC is functioning basically as a holding company with minimal operations. The Company is focusing its endeavor in supporting the productivity programs of its subsidiaries as follows: (1) AB Leisure Exponent, Inc. (ABLE – 100% owned); (2) LR Land Developers, Inc. (LRLDI – 100% owned); (3) AB Leisure Global, Inc. (ABLGI – 100% owned); (4) First Cagayan Leisure and Resort Corporation (FCLRC – 69.68% owned); (5) Bingo Bonanza (HK) Ltd. (BBL - 60% owned); and (6) Blue Chip Gaming and Leisure Corporation (BCGLC – 70% owned).

Based on PFRS 3, Business Combination, LRWC and subsidiaries are required to perform an annual test for goodwill impairment. As a result of the annual test, there is no need to provide for allowance for impairment of goodwill in 2012.

Starting in 2009, LRWC did not recognize any losses from BLRI, a 30% owned affiliate, as its investment balance has already been consumed.

2012 vs. 2011

<u>ABLE Operations</u>

ABLE posted total sales of ₱3,850.6 million for 2012, a ₱220.9 million or 6.1% growth from the ₱3,629.7 million total sales for 2011. Sales from Electronic Bingo operations contributed to the increase in sales partly offset by decreases in the sales of Traditional Bingo, Rapid Bingo, Pull Tabs and Instant Charity Bingo.

The traditional bingo remains the Company's principal product line with annual sales of ₱1,832.2 million or 47.6% contribution to total sales. Annual sales for 2012 decreased by ₱173.7 million or 8.7% from 2011 sales of ₱2,005.9 million. ABLE currently operates 65 bingo parlors; an increase of 9 bingo parlors from last year's number of bingo parlors. The total number of bingo parlors does not include two (2) dormant bingo parlors, which are to be relocated and two (2) minority owned affiliates.

Sales increase faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. Thus, ABLE expanded its game offerings to a variety of gaming products that could be played simultaneously with the programmed bingo games. These products include Electronic Bingo, Rapid Bingo, Pull Tabs and Instant Charity Bingo.

The sales of Electronic Bingo for 2012 of ₱1,630.0 million increased by ₱478.2 million or 41.5% from the ₱1,151.8 million sales in 2011. At the end of December 31, 2012, there were a total of 4,044 E-bingo machines in 62 bingo parlors compared with 2,985 E-bingo machines in 53 bingo parlors as of December 31, 2011. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The sales of Rapid bingo for 2012 of ₱381.5 million decreased by ₱69.3 million or 15.4% from the ₱450.8 million sales in 2011. ABLE launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of December 2012, there were a total of 84 Rapid Bingo terminals in 68 bingo parlors installed as compared to 81 terminals in 66 bingo parlors in 2011.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs contributed ₱6.5 million or 0.2% to 2012 total sales as compared to 2011 sales of ₱12.8 million.

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) on June 13, 2000. However, because of the poor sales performance, ABLE discontinued the distribution of the cards in 2005. On December 12, 2008, ABLE resumed commercial operations of the ICBG2 scratch cards. At the beginning of the third quarter of 2012, sales of the ICBG2 scratch cards were discontinued, thus posting sales for 2012 of ₱0.4 million only as compared to ₱8.5 million for the same period last year. ICBG2 scratch cards will be replaced with new game variants in the future.

There was a decrease of ₱144.2 million or 6.0% in ABLE's consolidated operating expenses in 2012 amounting to ₱2,249.9 million as compared to ₱2,394.1 million in 2011. This is mainly attributable to the following: (1) Payout of ₱127.5 million or 8.6% principally due to the implementation of new gaming programs; (2) Employees Benefits of ₱20.9 million or 32.3% and (3) "Others Expenses" of ₱17.4 million or 18.9% generally due to management's continuous implementation of ABLE's cost reduction program. ABLE's management approved the recognition of the impairment loss on its receivables in 2012 amounting to ₱24.0 million as compared to ₱64.5 million in 2011, augmenting the decrease in operating expenses by ₱40.5 million or 62.5%. This is a conservative measure implemented by ABLE in its effort to present a reasonable results of operations. On the other hand, these decreases were partially offset by the following increases mainly due to the opening of several bingo parlors: (1) Rental of ₱25.3 million or 11.8%; (2) Salaries and Wages of ₱17.3 million or 13.0%; (3) Contracted Services of ₱4.9 million or 5.3%; (4) Depreciation of ₱14.9 million or 26.5% and (5) Taxes and Licenses of ₱3.9 million or 17.6%.

The resulting net expense in the "Other Income (Expense) account" in 2012 of ₱ 4.0 million grew by ₱1.6 million or 67.3% from ₱2.4 million in 2011 principally attributable to the income derived from sales of LRWC shares in 2011. However, this was partially offset by the following in 2012: (1) lower interest expense arising from substantial payments of loan principal and (2) interest income derived from ABLE's receivable from BLRI.

ABLE posted a consolidated net income (exclusive of minority interest) of ₱124.4 million in 2012, an increase of ₱72.7 million or 140.7% from the ₱51.7 million consolidated net income in 2011. The improvement in net income is mainly due to higher revenues generated from Electronic Bingo in 2012 coupled with lower operating expenses.

FCLRC Operations

For the year 2012, FCLRC posted total revenues (exclusive of CEZA fees) of ₱577.8 million. These were generated from hosting and service fees amounting to ₱499.0 million and from license application and renewal fees, amounting to ₱78.8 million. Total revenues in 2012 were higher than the revenues in 2011 at ₱355.8 million. CEZA fees in 2012 increased to ₱249.5 million versus ₱139.0 million in 2011, or an increase of ₱110.8 million or 79.5% than last year's fees. Moreover, net revenues increased by ₱111.6 million or 51.5% as compared to last year.

FCLRC generated gross revenues from foreign sales amounting to ₱577.8 million in 2012; ₱355.8

million in 2011 and ₱295.7 million in 2010 respectively. Revenues from foreign sales comprise 100% of total gross revenues for the years 2012, 2011 and 2010.

Cost and operating expenses increased by ₱21.7 million or 19.0% from last year's ₱114.1 million. The increase is mainly due to the Company's efforts to generate higher revenues thus necessitating the hiring of additional manpower and consultants, enhancing marketing strategies to attract new locators and generally providing a more efficient service to its locators operating in the Cagayan Special Economic Zone Free Port (CSEZFP). Thus the following expenses increased:(1) Salaries, wages and benefits by ₱4.0 million; (2) Depreciation and Amortization by ₱4.1 million due to the purchase of additional equipment as well as the accelerated depreciation of transportation equipment; (3) Professional Fees by ₱3.1 million; (4) Insurance by ₱1.2 million; (5) Repairs and Maintenance by ₱1.1 million; (6) Advertising & Promotions by ₱6.1 million; (7) Transportation and Travel by ₱8.1 million; (8) Representation by ₱4.0 million; (9) Taxes and Licenses by ₱0.1 million and (10) "Others Expenses" by ₱5.6 million. These afore-mentioned increases in expenses were offset by the decrease in Communications Expense by ₱3.4 million primarily due to the Company's efforts to reduce cost by implementing its cost saving measures. There was no impairment loss on receivables recognized in 2012 while in 2011, FCLRC's management decided to recognize an impairment loss on its receivables amounting to ₱11.7 million as a conservative measure in its effort to present a reasonable results of operations.

The resulting net income in the "Other Income (Expense) - Net" account of ₱81.9 million in 2012, grew by ₱18.4 million or 28.9% as compared to ₱63.5 million in 2011. The growth is principally attributable to the increase in net income of FCCDCI coupled with the improvement in other income derived from rental of gaming facility and equipment to locators.

Thus, FCLRC posted a net income of ₱258.2 million in 2012, an increase of ₱101.7 million or 65.0% than last year's ₱156.5 million. The growth in net income is mainly attributable to the increase in gross revenues as well as the increase in the resulting income from the "Other Income (Expense) – Net" partially offset by the slight increase in cost and operating expenses.

Net income generated from foreign revenues amounted to ₱254.3 million or 98.5% of ₱258.2 million in 2012; ₱146.6 million or 93.7% of ₱156.5 million in 2011 and ₱109.1 million or 93.6% of ₱116.5 million in 2010 respectively.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱60.0 million in 2012 and ₱40.4 million in 2011; a ₱19.6 million or 48.5% improvement due to higher generated revenues.

LRLDI Operations

LRLDI posted total rent income of ₱16.0 million in 2012 as compared to ₱15.0 million in 2011. The growth of ₱1.0 million is due to the rental income generated from the lease of dormitory facilities which started last September 2012. Total operating expenses of ₱0.8 million in 2012, decreased by ₱0.7 million as compared to ₱1.4 million in 2011. The decrease in expenses is mainly attributable to the cost saving measures implemented by LRLDI in keeping with its overall financial prudence policy. LRLDI recorded its 50% share in the pre-operating expenses of Techzone, an associate, in 2012. Hence, LRLDI posted a net income of ₱5.6 million in 2012, as compared to ₱4.5 million last year.

ABLGI Operations

ABLGI has not started its commercial operations as of December 31, 2012. Total comprehensive loss amounted to ₱3.4 million in 2012 as compared to ₱168.7 million in 2011. The significant decrease in pre-operating expenses is principally attributable to the amendment of the Operating Agreement with Belle Corporation in 2012 which effectively terminated the casino land and building leases. Accordingly, accrued rent in 2011 amounting to ₱55.1 million was reversed and presented as "Other Income" which substantially decreased the net loss in 2012.

BCGLC Operations

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC generated gross revenues from slot machines totaling ₱88.4 million and ₱65.0 million in 2012 and 2011, respectively. The growth in gross revenues by ₱23.6 million or 36.3% from last year is mainly attributable to the implementation of the 24-hour casino operations starting February 2012. Total operating expenses amounted to ₱10.0 million in 2012 and ₱11.9 million in 2011. The decline in operating expenses of ₱1.9 million or 16.1% is mainly due to the decrease in rent expense by ₱4.8 million as a result of the adjustment in the allocation of rent between direct cost and operating expenses; partially offset by the increase in the following expenses due to the extended operating hours: (1) Marketing and Advertising by ₱0.3 million, (2) Communications and Utilities by ₱0.2 million, (3) Representation and Entertainment by ₱0.3 million; (4) Contracted Services by ₱0.4 million and (5) Salaries and Wages by ₱0.1 million. For the year ended, December 31, 2012, BCGLC's management decided to provide for an allowance for the impairment loss on its receivables amounting to ₱1.4 million as a conservative measure in its effort to present a reasonable result of operations. Thus, BCGLC posted a net income of ₱4.9 million in 2012 as compared to a net loss of ₱2.0 million in 2011.

BBL Operations

BBL, a 60% owned subsidiary of LRWC, started its commercial operations last March 5, 2012. It generated gross revenues from its electronic bingo club operations amounting to ₱0.6 million in 2012. Total cost and operating expenses amounted to ₱32.5 million. Thus, it posted a net loss of ₱31.9 million as of the year ended December 31, 2012.

LRWC

LRWC posted a consolidated net income (exclusive of minority interest) of ₱280.1 million in 2012 as compared with the consolidated net loss of ₱36.4 million in 2011. The substantial improvement in net income is due to the increase in net income of ABLE, FCLRC, BCGLC and LRLDI coupled with the significant decrease in pre-operating expenses of ABLGI partially offset by the operating losses of BBL.

Consolidated Financial Condition

The changes in total assets of LRWC and subsidiaries are accounted as follows: (1) Increase in Prepaid expenses and other current assets of ₱25.5 million owing to ABLGI's prepaid rent, advances to contractors and suppliers; (2)Increase in Due from Related Parties of ₱20.7 million mainly due to FCLRC's short term advances to an affiliate for working capital and construction projects requirements; (3) Increase in Investments and Advances – Net of ₱1,026.2 million mainly attributable to LRWC's advances to Eco Leisure in relation to the purchase agreement as well as ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances and LRLDI's advances to CPVDC and CLPDC to finance the construction and development of CSEZFP International Airport in Cagayan and (4) Other Assets – Net of ₱74.2 million mainly due to FCLRC's new memorandum of agreement pertaining to the purchase of land rights. These increases in total assets was partly offset by the following: (1) Decrease in Cash and cash equivalents of ₱753.2 million owing to the LRWC's advances to Eco-Leisure; (2) Decrease in Receivables - Net of ₱76.5 million principally due to FCLRC's substantial collection of its receivables partially offset by ABLE's advances for expansion projects that is projected to generate more revenues; (3) Decrease in Bingo cards of ₱1.7 million due to ABLE's decreased level of inventory owing to the decline in revenues of traditional bingo; (4) Decrease in Property and Equipment – Net of ₱82.3 million mainly due to ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances partially offset by ABLE's opening of new bingo parlors and FCLRC's construction of additional facilities for its staff and locators; (5) Decrease in Investment Property – Net of ₱7.2 million due to LRLDI's adjustments and (6) Decrease in Deferred Tax Assets of ₱4.1 million mainly due to ABLGI's reversal of accrued rent. Thus, the total assets of LRWC and subsidiaries as of December 31, 2012 of ₱3,924.0 million increased by ₱221.7 million or 6.0% from ₱3,702.4 million as of December 31, 2011.

The following are the changes in the total liabilities of LRWC: (1) Increase in Obligations under finance lease (inclusive of current portion) of ₱8.4 million attributable to ABLE's vehicle financing agreements; (2)) Increase in Retirement Benefits Liability of ₱6.4 million principally owing to ABLE's accrual of retirement obligation and (3) Increase in Rent Deposit of ₱0.6 million because of LRLDI's new lease agreements pertaining to the dormitory. The afore-mentioned increases were partially offset by the following decreases in liabilities: (1) Long Term Loans Payable (inclusive of current portion) of ₱24.3 million principally due to FCLRC's and ABLE's substantial settlement of its obligations and (2) Income Tax Payable of ₱1.2 million due to FCLRC's higher tax payments made in the first three quarters of the year.

Cash as of December 31, 2012 of ₱191.1 million decreased by ₱753.2 million or 79.8% from ₱944.3 million for the same period last year. The decline is mainly attributable to cash used in investing activities arising from LRWC's advances to Eco Leisure, ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances, LRLDI's advances to CPVDC and CLPDC and FCLRC's new memorandum of agreement pertaining to the purchase of land rights partially offset by cash provided by operating activities as a result of the increase in net income of ABLE, FCLRC, BCGLC and LRLDI.

The Company and its subsidiaries:

a) Have no known trends or any demands, commitments, events or uncertainties that will result in or that are likely to result in the liquidity increasing or decreasing in any material way;
b) Have no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
c) Have no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
d) Have not breached any loans, leases or other indebtedness or financing agreement; and
e) Have no material commitment for capital expenditure, aside from those already discussed as continuous development of new bingo parlors.

Key Performance Indicators

The Company monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	As Of	
	Dec 31, 2012	Dec 31, 2011
Liquidity		
Current Ratio	91.2%	180.1%
Leverage Ratio		
Debt to Equity	31.6%	34.4%
Asset to Equity	132%	134%

	For the Year Ended	
	Dec 31, 2012	Dec 31, 2011
Activity Ratio		
Payout Turn-over	2.00 times	1.81 times
Profitability Ratio		
Return on Average Equity	12.1%	0.2%
Return on Average Assets	9.1%	0.1%
Solvency Ratio	50.4%	9.9%
Interest Coverage Ratio	10.7	-7.7
Net Book Value Per Share	3.04	2.96
Earnings (Loss) Per Share	0.2853	(0.0391)

The manner by which the Company calculates the above indicators is as follows:

Key Performance Indicator	Formula
Current Ratio	*Current Assets* / *Current Liabilities*
Debt to Equity Ratio	*Total Liabilities* / *Stockholders' Equity*
Asset to Equity Ratio	*Total Assets* / *Stockholders' Equity*
Payout Turn-over	*Net Revenues* / *Payout*
Return on Average Equity	*Net Income* / *Average Equity*
Return on Average Assets	*Net Income* / *Average Total Assets*
Solvency Ratio	*Net Income + Depn* / *Total Liabilities*
Interest Coverage Ratio	*Income Before Interest & Tax* / *Interest Expense*
Net Book Value Per Share	*Stockholders' Equity* / *Weighted Average Shares Outstanding*
Earnings (Loss) Per Share	*Net Income* / *Weighted Average Shares Outstanding*

Plans for 2013

As in previous years, ABLE plans to expand by applying for permits to open new bingo parlors in high traffic areas, specifically in new SM and Robinson's Malls/Supercenters and several bingo outlets with smaller area in Metro Manila.

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

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

BCGLC intends to intensify their marketing campaign to increase foot traffic in the casino as well as extend their operating hours.

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

BBL has initiated sales and marketing projects to boost membership sign-ups and sales.

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

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The aggregate fees billed and paid by registrant in favor of its External Auditors for Audit and Audit Related Fees is Pesos: Four Million Six Hundred Thirty Three Thousand and One Hundred Four (₱4,633,104.00) for the fiscal year 2012 and Four Million Three Hundred Sixty Two Thousand and Sixty Four (₱4,362,064.00) for the fiscal year 2011. These fees comprise the audit and audit related services rendered in favor of registrant and its subsidiaries.

Except for the fees indicated above, there were no tax fees or all other fees billed or paid to registrant's External Auditors for the last two (2) fiscal years.

The audit plan, including the corresponding audit fees, of the external auditors has been submitted to the Company's Audit Committee for review. The Audit Committee evaluates and approves the audit fees on the basis of reasonableness, scope of work, inflationary increase and the prevailing market price for such services in the audit industry. If the Audit Committee finds the audit plan and audit fees are in order, these are presented and recommended for final approval of the Board of Directors. As regards to services that may be rendered by the external auditor other than the audit of financial statements, the scope of and payment for the same are subject to review, evaluation and approval by the Board of Directors.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

KMPG Manabat Sanagustin & Co., CPA's served as Company's external auditors for the December 31, 2012 and 2011 Financial Statements. Their re-appointment was approved during the Company's annual stockholders' meeting held on July 27, 2012. Mr. Tomas G. Mahinay is the partner-in-charge for the Corporation's audit for the December 31, 2012 Financial Statements.

There were no disagreements with independent accountants on accounting and financial disclosures.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a) *List of Directors*

Name	Age	Directorships in Other Companies	Citizenship	Business Experience For the Past Five Years
Reynaldo P. Bantug *(Director, April 19, 2002 to present)*	63	AB Leisure Exponent, Inc. First Cagayan Leisure and Resort Corp. LR Land Developers, Inc. AB Leisure Global, Inc. BAPA Realty Development Corp. BAPA Holdings & Management Green Future Innovations, Inc. ***(All-Director)***	*Filipino*	Bacolod Real Estate Development *(Vice Chairman)* Green Future Innovations, Inc. *(CEO)* BAPA Realty Development Corp. BAPA Holdings & Management *(President)*
Jose Conrado Benitez *(Director, December 8, 1999 to present)*	69	Benitez Investments, Inc. The Philippine Women's University AB Leisure Exponent, Inc. Tropical Disease Foundation Zoomak RPC, Inc. Gailand & Property Holdings, Inc. Mango Orchard Resource Development, Inc. Manila Building and Loan Association ***(All-Director)***	*Filipino*	J-Afra Development Corp. Zoomark RPC, Inc. *(Chairman)* Mango Orchard Resource Development Corp. Manila Building Loan Asociation Gaialand & Property Holdings Corporation International Mineral Water Resources, Inc. Humanitarian Sciences Foundation Nirvana & Samsara Development, Inc. *(President)*
Edgardo S. Lopez *(Director, August 18, 2006 to present)*	71	LS Finance & Management Corp. Heerco Philippines, Inc. Kings Cross Development Corp. ***(All-Director)***	*Filipino*	LS Finance & Management Corp. *(President)* Heerco Philippines, Inc. *(President)* Kings Cross Development Corp. *(Vice-Chairman)*
Anthony L. Almeda ** (*Director, June 30, 2004 to present)*	47	Landision Corp. Alalmeda Land, Inc. Filipinas Gaming Corp. Enet Corp. ALA Inc. Alalameda Acquisitions Inc. Blue Ocean Acquisitions Inc. BB21 Remit Inc. Pacifica21 Holdings Inc. National Grid Corp. of the Philippines Calaca High Power Corp. Terra Firma Resources Inc. ***(All - Director)***	*Filipino*	Landision Corp. (*Chairman, President)* Filipinas Gaming Corp. (*EVP)* ALA Inc. Alalmeda Land, Inc. Alalameda Acquisitions Inc. (*Chairman & CEO)* Blue Ocean Acquisitions Inc. *(CEO)* BB21 Remit Inc. Pacifica21 Holdings Inc. *(Managing Director)* National Grid Corp. of the Philippines Calaca High Power Corp. Enet Corp. Terra Firma Resources Inc. *(Director)*

Willy N. Ocier *(Director, July 31, 2009 to present)*	54	Highlands Prime, Inc. Tagaytay Midlands Golf Club, Inc. Philippine Global Communications, Inc. Pacific Online Systems Corporation Belle Corporation APC Group, Inc. Sinophil Corporation Tagaytay Highlands International Golf Club, Inc. Vantage Equities ***(All-Director)***	*Filipino*	Highlands Prime, Inc. *(Co-Vice Chairman)* Tagaytay Midlands Golf Club, Inc. *(Chairman)* Philippine Global Communications, Inc. *(Chairman)* Pacific Online Systems Corporation *(Chairman and President)* Belle Corporation Co-Vice *(Chairman)* APC Group, Inc. *(Chairman)* Sinophil Corporation *(Chairman)* Tagaytay Highlands International Golf Club, Inc. *(Vice Chairman)* Vantage Equities *(Director)*
Wilson L. Sy *(Director; July 29, 2011 to present)*	60	Philequity Management, Inc. Asian Alliance Holdings Corporation Xcell Property Ventures, Inc. Monte Oro Resources & Energy, Inc. Monte Oro Grid Resources Corporation Vantage Equities, Inc. Yehey! Corporation Manila Stock Exchange Foundation Inc. ***(All-Director)*** Pacific Online Systems Corporation Tagaytay Highlands Country Club, Inc. Tagaytay Highlands Int'l Golf Club, Inc. Tagaytay Midlands Golf Club, Inc. Tagaytay Highlands Spa & Lodge ***(All-Independent Director)***	*Filipino*	Asian Alliance Holdings Corporation *(Vice Chairman/Director)* Philequity Management, Inc. Vantage Equities, Inc. Basic Petroleum & Minerals Basic Diversified Ind. A. Brown Corporation Jollibee Foods Corporation Belle Corporation Saniwares Manufacturing *(Director)* Philippine Stock Exchange *(Chairman)* Manila Stock Exchange *(Chairman)* PSE Foundation, Inc. *(Trustee)* National Grid Corp. of the Phils. *(Director)*

Eusebio H. Tanco *(Director; July 29, 2011 to present)*	63	Asian Terminals, Inc. Advent Capital & Finance Corp. PhilPlans First, Inc. Philhealthcare, Inc. STI, Inc. Philippines First Insurance Co., Inc. Global Resource for Outsourced Workers, Inc. Mactan Electric Company United Coconut Chemicals, Inc. J & P Coats Manila Bay Mindanao Energy Inc. M.B. Paseo Philippine Health Educators, Inc. Ascent/STI Banawe Healthcare, Inc. Philippine Racing Club PhilPlans First, Inc. Asian Life Financial Assurance Mactan Electric Company Rescom Developers Inc. First Optima Realty Corp. Marbay Homes Inc. Insurance Builders Inc. Banclife Insurance Classic Finance, Inc. STMI Logistics, Inc. MBS Development Corp. Amina, Inc. Philippine Women's University (Vice-Chairman) Delos Santos – STI College PhilhealthCare Inc. Delos Santos – STI Medical Center Delos Santos – STI Megaclinic JTH Davies Holdings, Inc. Philippines First Insurance Co., Inc. Total Consolidated Asset Management, Inc. Eujo Phils., Inc. Venture Securities, Inc. Global Resource for Outsourced Workers, Inc. ***(All-Director)***	*Filipino*	Asian Terminals, Inc. *(Vice Chairman and President)* PhilPlans First, Inc. Philhealthcare, Inc. STI, Inc. Mactan Electric Company *(Chairman)* Philippines First Insurance Co., Inc. Global Resource for Outsourced Workers, Inc. *(President)* United Coconut Chemicals, Inc. *(Director)* J & P Coats Manila Bay *(Director)*
Bienvenido M. Santiago *(Director; November 28, 2003 to present)*	67	AB Leisure Exponent, Inc. AB Leisure Global, Inc. The Print Gallery, Inc. Image Dimension, Inc. Corporate Image Dimensions, Inc. Market Light Realty & Construction, Inc. St. James Holding Corporation LR Land Developers, Inc. One Boutique Amusement & Recreation Corp. Worldwide Links Leisure & Gaming Corp. North Luzon Gaming & Amusement Corp. One Bingo Pavilion, Inc. 516 Games and Technology Corporation Big Time Gaming Corporation SG Amusement and Recreation Corporation Zoraymee Holdings, Inc. ***(All-Director)***	*Filipino*	AB Leisure Exponent, Inc. (VP for Administration) The Print Gallery, Inc. *(Treasurer)* Zoraymee Holdings, Inc. (Vice-President) Corporate Image Dimensions, Inc. (Corporate Secretary) Market Light Realty & Construction, Inc. *(Director & Corporate Secretary)* St. James Holding Corporation (Corporate Secretary) LR Land Developers, Inc. (Corporate Secretary)

Clarita T. Zarraga ** (*Director, July 30, 2010 to present)*	72	Abacus Consolidated Resources and Holdings, Inc. Lucky Circle Corporation Philippine Regional Investment Development Corporation Blue Stock Development Farms, Inc. Pride Star Development Bank Batangan Plaza, Inc. Montemayor Aggregates and Mining Corporation Alpha Asia Hotels and Resorts, Inc. Saturnina Estate & Dev't Complex Corp. Defending Family Values Foundation, Inc. Batangas Social Dev't Foundation, Inc. ARMCI Solutions & Consultancy, Inc. Expolanka Freight, Inc. ***(All-Director)*** Digi Software Phils, Inc. ***(Independent Director)***	*Filipino*	C.T. Zarraga and Associates *(Managing Partner)* Abacus Consolidated Resources & Holdings Inc. *(Director/Chairman-Audit Committee)* Lucky Circle Corporation Philippine Regional Investment Development Corporation Blue Stock Development Farms, Inc. Batangan Plaza, Inc. Montemayor Aggregates and Mining Corp. Alpha Asia Hotels and Resorts, Inc. Defending Family Values Foundation, Inc. Batangas Social Dev't Foundation, Inc. *(Director)* Digi Software Phils, Inc. *(Independent Director)* Saturnina Estate & Dev't Complex Corp. *(Director/Treasurer)* Pride Star Development Bank *(Director/Credit Committee Chair)* Carlos J. Valdes & Co. CPAs (Senior Audit Staff) Marianas, Inc. (Internal Auditor) Sylvanna Tobacco Corp. (Asst. to the President) PGH Foundation, Inc. (Treasurer)
Ignatius F. Yenko *(Director, April 19, 2012 to present)*	59	TKC Steel Corporation Sterling Bank of Asia Zoraymee Holdings, Inc. ***(All-Director)***	*Filipino*	TKC Steel Corporation *(Vice Chairman)* Sterling Bank of Asia *(Director)* Cyan Management Corporation *(Consultant)* PLDT *(First Vice President)* Primetown Property Group, Inc. *(Consultant)* Piltel *(Director/CFO)*
Jose Francisco B. Benitez * *(Director, July 27, 2012 to present)*	43	Philippine Women's University (PWU) J-Alfra Development Corporation BBB (Betty Bantug Benitez) Foundation ***(All Director)***	*Filipino*	Philippine Women's University (PWU) *(President)* Philippine Women's University (PWU) *(Board of Trustees)* J-Alfra Development Corporation *(Vice President)* BBB (Betty Bantug Benitez) Foundation *(Trustee)*

** Newly elected director in July 27, 2012 annual stockholders' meeting.*
*** Re-elected as Independent directors in July 27, 2012 annual stockholders' meeting.*
All of the independent directors, possess all the qualifications and none of the disqualifications as independent directors under SRC Rule 38 from the time of their election as such independent directors.

The following are the executive officers:

Mr. Reynaldo P. Bantug – President (please see discussion on directors)

Mr. Jose Francisco B. Benitez – Vice-President (please see discussion on directors)

Mr. Alejandro P. Alonte – Vice-President

Mr. Alonte is also the Vice-President for Operations and Marketing of AB Leisure Exponent, Inc., a wholly owned subsidiary of the registrant, since 1998. He served as Branch Manager of Bingo Bonanza at Sta. Lucia Branch from 1996 to 1998. He was the Executive Assistant to the Vice-President at Dolphin Environmental Control Systems, Inc. from 1987 to 1992. He also worked as Executive Assistant to the Vice-President at Manila Paper Mills and at Union Industries, Inc. and as Partner at Rastro Bookstore.

Mr. Raul G. Gerodias – Corporate Secretary/Compliance Officer

Mr. Gerodias is the Managing Partner of Gerodias Suchianco Estrella Law Firm. He is also the Corporate Secretary of AB Leisure Exponent, Inc. He is a director of Zoraymee Holdings, Inc., GSE Management Services, Inc., Fritz & Macziol Asia, Inc., AB Leisure Exponent, Inc., AB Food and Beverages Phils. Inc.,Parex Group, Inc., ASC Phils., Inc., and Bank of Commerce.

Ms. Carmelita D. L. Chan – Treasurer

Ms. Carmelita D.L. Chan is the Chairman of Lucky Circle Corporation and Miguelunda Educational Corporation (St. Michael College, Biñan, Laguna). She is the President of Total Gaming Technologies, Inc. and a Director of Pacific Online Systems Corporation. She is also a Director of Biñan Doctors Hospital in Biñan, Laguna, and a Director and Financial Officer of A & L Corporation in Iloilo City. She was a former Executive Director of Valdes Consultants Inc. and served as Principal at the Management Consulting Division of Carlos J. Valdes & Co.

b) Significant Employees

No person, who is not a director or an executive officer, is expected to make a significant contribution to the business of the Company. Neither is the business highly dependent on the services of key personnel.

c) Family Relationships

Mr. Jose Conrado B. Benitez and Mr. Reynaldo P. Bantug are the father and uncle of Mr. Jose Francisco B. Benitez, respectively. Mr. Jose Conrado B. Benitez is the brother-in-law of Mr. Reynaldo P. Bantug. Except for the said relationships, there are no other family relationships known to the registrant.

d) Involvement in Certain Legal Proceedings

Ms. Carmelita D. L. Chan, Treasurer of the Company, is one of the defendants in a case pending before the First Division of the Sandiganbayan. The case arose from the alleged overpricing of the construction of the Diosdado Macapagal Boulevard at the Manila Bay Reclamation Area for which officers of the Philippine Estates Authority (now the Philippine Reclamation Authority) were charged. Ms. Chan was among those indicted in her capacity as former member of the Board of Directors of PEA.

As of February 28, 2013, to the best of the Company's knowledge, other than as disclosed above, there are no other occurrences of any of the following events that are material to an evaluation of the ability or integrity of any director or executive officer of the Company:

a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

b) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self- regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

Data as to all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly during the last two completed calendar years and the ensuing calendar year to the Company's Chief Executive Officer and four other most highly compensated executive officers.

Name and Principal Position	Year	Compensation	Bonuses	Other Annual Compensation
	2013	Estimated	Estimated	Estimated
Reynaldo P. Bantug, President				
Jose Francisco B. Benitez, Vice-President				
Alejandro P. Alonte, Vice-President				
Carmelita D. Chan, Treasurer				
All above-named Officers as a group	2013	₱ 6,500,000	₱ 600,000	₱ 240,000
All other officers as a group unnamed	2013	None	None	None
Reynaldo P. Bantug, President				
Carmelita D. Chan, Treasurer				
Geoffrey L. Uymatiao, (Treasurer up to 8/14/2012)				
Jose Francisco B. Benitez, Vice-President				
Alejandro P. Alonte, Vice-President				
All above-named Officers as a group	2012	₱ 5,723,000	₱ 600,000	₱ 210,000
All other officers as a group unnamed	2012	None	None	None
Reynaldo P. Bantug, President				
Reynaldo P. Bantug,				
Bienvenido M. Santiago, (Corporate Secretary up to 8/18/2011)				
Geoffrey L. Uymatiao, Treasurer				
Renato G. Nuñez, Vice-President				
Alejandro P. Alonte, Vice-President				
All above-named Officers as a group	2011	₱ 6,143,191	₱ 800,000	₱ 600,000
All other officers as a group unnamed	2011	None	None	None
Reynaldo P. Bantug,				

**Other annual compensation consists of director's fees of salaried directors.*

a) Compensation of Directors

Members of the Board of Directors are elected for a term of one year. Except for the Company's President and Vice-President, all other directors receive no compensation except director's per diem of ₱ 10,000.00 per meeting and per diem of ₱ 5,000.00 in audit, compensation and nominating committees. In 2012 and 2011, a cash bonus of ₱ 300,000 and ₱ 200,000 was given to each director respectively.

Total payments to non-salaried directors amounted to ₱3,400,000.00 in 2012 and ₱3,150,000.00 in 2011.

b) Employment Contracts and Termination of Employment and Change in Control Arrangements

There are no agreements or employment contract existing between the Company and any of its directors or executive officers.

c) Warrants and Options Outstanding: Repricing

The Company has no outstanding warrants and options.

Item 11. Security Ownership of Certain Beneficial Owners and Management

a) Security Ownership of Certain Record and Beneficial Owners (more than 5%) January 31, 2013.

Title of Class	Name and address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	PCD Nominee Corp. (Filipino) 37/F Tower I, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City *Stockholder*	*	Filipino	® 590,018,335	59.14%
Common	Zoraymee Holdings, Inc. 21/F Wynsum Corporate Plaza, Emerald Avenue, Ortigas Center, Pasig City *Stockholder*	Record Holder same as Beneficial Owner	Filipino	® 111,267,658	11.13%
Common	Grandshares Inc. 2809 Raffles Corporate Center, Emerald Avenue, Ortigas Center, Pasig City *Stockholder*	Record Holder same as Beneficial Owner	Filipino	® 100,000,000	10.00%
Common	Alfredo Abelardo Benitez 26/F West Tower, PSE Center, Ortigas Center, Pasig City *Stockholder*	Record Holder same as Beneficial Owner	Filipino	® 68,319,999	6.83%

* Beneficial owners under PCD Nominee Corporation that hold more than 5% shares are Citisecurities, Inc., which holds 50,510,191 shares or 5.05%, and The Hongkong and Shanghai Banking Corporation, Ltd., which holds 55,081,480 shares or 5.51%. PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Central Depository and is the registered owner of the shares in the books of the Stock Transfer Securities, Inc., the transfer agent of the registrant, and holds the shares in behalf of the beneficial owners.

b) Security Ownership of Management (other than as Nominees), January 31, 2013.

Title of Class	Name and address of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Willy N. Ocier 32 Wilson Street, Greenhills, San Juan	1,771,000 (direct) 860,000 (indirect)	Filipino	0.27%
Common	Wilson L. Sy 2703 Philippine Stock Exchange Center, Exchange Road, Ortigas, Pasig City	1,905,500 (direct)	Filipino	0.19%
Common	Eusebio H. Tanco 543 Fordham Street, Wack-Wack Village, Mandaluyong City	1 (direct) 6,400 (indirect)	Filipino	nil
Common	Jose Francisco B. Benitez Unit 24 Cameron Tower of Essensa, East Forbes Condo, Fort Bonifacio Global City, Taguig	1,000 (direct) 49,500 (indirect)	Filipino	nil
Common	Clarita T. Zarraga 26 Santan Street, Tahanan Village, Parañaque City	1 (direct) 5,500 (indirect)	Filipino	nil
Common	Ignatius F. Yenko No. 7 Bahamas Street, Loyola Grand Villas, Quezon City	1,000 (direct)	Filipino	nil

Aggregate ownership of all directors and officers as a group unnamed: 4,624,906 *a) Voting Trust Holders of 5% or More*

No person holds more than 5% of a class under voting trust or similar arrangement.

b) Change in Control

There has been no change in control of the Corporation since the beginning of 2012 and the Corporationis not aware of any existing, pending, or potential transaction which may result in such a change in control.

Item 12. Certain Relationships and Related Transactions

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market. There were no transactions or proposed transactions during the last two (2) years to which the registrant or its subsidiaries, in which a director, executive officer, or stockholders owning ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

For transactions with related parties pertaining to those consummated with its subsidiaries and other related parties, please refer to Notes 22 and 28 of Notes to the Consolidated Financial Statements for the year 2012 and 2011.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board of Directors of LRWC and its subsidiaries declares that:

(a) The evaluation system established by the Company measures and determines the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance. All directors, officers and employees complied with all the leading practices and principles on good corporate governance embodied in this manual.

(b) There are measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance. All members of the Board of Directors including officers have completed and were duly certified to have attended a seminar on Corporate Governance.

(c) There is no significant undisclosed deviation from the Company's Manual of Corporate Governance.

(d) The current manual on corporate governance is addressing critical areas affecting the Company's operations;

In as much as the Company's business presently primarily pertain to the gaming operations of its wholly-owned subsidiary, AB Leisure Exponent, Inc., the Company deems that the management of the various bingo halls all over the country from which it derives its cash revenues from customers, is the more critical area of concern for the Company. In view of the same, in addition to the Anti-Fraud Procedures adopted by ABLE, the Company's Audit Committee conducts regular meetings with the Internal Audit Committee of ABLE to discuss any significant findings and deviations from the established procedures. No such significant finding and deviations have been reported so far.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a) Exhibits – See accompanying Index to Exhibits

b) Reports on SEC Form 17-C

a) LRWC's request for the release of the remaining 5,942,597 shares held in escrow was approved by SEC. With this approval, the 513,373,534 (originally 750,000,000 shares but reduced to 513,373,534 shares due to quasi-reorganization), which were held in escrow relative to increase of capital stock of LRWC on September 19, 2000, have all been finally released.

b) Mr. Renato G. Nuñez submitted his resignation as director of Leisure & Resorts World Corporation (LRWC) to the Board of Directors during its regular meeting held, 16 February 2012. His resignation took effect immediately.

c) The Board of Directors elected Mr. Ignatius F. Yenko as director on April 19, 2012, to fill up the vacancy arising from the resignation of Mr. Renato G. Nuñez. Mr. Yenko served as director immediately and for the unexpired term of his predecessor in office.

d) The Company, together with its wholly-owned subsidiary, AB Leisure Global Inc. (ABLGI), Premium Leisure and Amusement, Inc. (PLAI) and Belle Corporation executed a Memorandum of Agreement amending their existing agreements and allowing the participation of a foreign partner in the Belle Grande Integrated Resort and Casino Project to be located at Parañaque City.

e) Declaration of cash dividend equivalent to P 0.04 per share on July 27, 2012 payable to all common stockholders of record as of September 28, 2012 and another cash dividend of P 0.035 per share payable to all common stockholders of record as of February 28, 2013.

f) Organizational meeting of the Board of Directors held on August 14, 2012, wherein Chairman, President and officers were elected, as well as members of the Corporate Committees on audit, compensation, nomination and management incentive stock option plan.

g) Mr. Jose Francisco B. Benitez was elected to the position of Vice President for Strategic Planning by the Board of Directors on October 4, 2012.

h) The Company has an existing Audit Committee Charter which will be revised to incoporate provisions of SEC Memorandum Circular No. 4, Series of 2012 which provides for the guidelines for the assessment of the the performance of the Audit Committee. The Audit Committee will assess its performance based on the guidelines in the revised Audit Committee Charter annually, i.e. every month of July.

i) The Company and Eco Leisure and Hospitality Holding Company, Inc. executed a preliminary agreement for the acquisition of fifty percent (50%) of the outstanding capital stock of Hotel Enterprises of the Philippines, Inc. which owns and operates the Midas Hotel and Casino along Roxas Boulevard.

j) The Company, Eco Leisure and Hospitality Holding Company, Inc. and Hotel Enterprises of the Philippines, Inc. (HEPI) executed an investment agreement for the acquisition of fifty one percent (51%) of the outstanding capital stock of HEPI which owns and operates the Midas Hotel and Casino along Roxas Boulevard. The total investment is Seven Hundred Seventy Seven Million Seventy Four Thousand Forty Nine Pesos (P777,074,049.00).

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on APR 0 1 2013, 2013.

By:

Reynaldo P. Bantug
President

Carmelita D. Chan
Treasurer

Raul G. Gerodias
Corporate Secretary

Milagros P. Miranda
Finance Manager

SUBSCRIBED AND SWORN before me this _____ day of APR 0 1 2013 2013 affiants exhibiting to me their Community Tax Certificates as follows:

Names	Community Tax No.	Date of Issue	Place of Issue
Reynaldo P. Bantug	16545432	January 7, 2013	Victorias City, Negros Occ
Carmelita D. Chan	22010754	January 3, 2013	Makati City
Raul G. Gerodias	01729071	January 15, 2013	Pasig City
Milagros P. Miranda	18991110	March 6, 2013	Quezon City

Doc. No.: 432
Page No.: 88
Book No.: II
Series of 2013

RHEA M. MANGUBAT
Notary Public for Pasig City
Commission until 31 December 2013
2404 Discovery Center, 25 ADB Ave., Ortigas Center, Pasig City
APPT No. 58 (2012-2013)/Roll No. 56790
PTR No. 8429046; 01/07/13; Pasig City
IBP No. 911226; 12/20/12; Bulacan

LEISURE & RESORTS WORLD CORPORATION

ANNUAL REPORT
(SEC FORM 17-A)

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

** These schedules, which are required by paragraph 4 (e) of SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to financial statements.*

LRWC
LEISURE & RESORTS WORLD CORPORATION
STOCK SYMBOL: LR

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of **Leisure & Resorts World Corporation and its Subsidiaries** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Manabat Sanagustin & Co., CPAs, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed Under Oath By:

Reynaldo P. Bantug
Chairman and President

Carmelita D. Chan
Treasurer

March 14, 2013

SUBSCRIBED AND SWORN before me this ____ day of APR 01 2013 2013 affiants exhibiting to me their Community Tax Certificates as follow:

Names	Community Tax No.	Date of Issue	Place of Issue
Reynaldo P. Bantug	16545432	January 7, 2013	Victorias, Negros Occidental
Carmelita D. Chan	22010754	January 3, 2013	Makati City

Doc. No.: 433
Page No. 89
Book No. II
Series of 2013

Rmangubat
RHEA M. MANGUBAT
Notary Public for Pasig City
Commission until 31 December 2013
2404 Discovery Center, 25 ADB Ave., Ortigas Center, Pasig City
APPT No. 58 (2012-2013)/Roll No. 56790
PTR No. 8429046; 01/07/13; Pasig City
IBP No. 911226; 12/20/12; Bulacan

AB LEISURE EXPONENT, INC. First Cagayan LAND BINONDO SUITES MANILA

COVER SHEET

0	0	1	-	3	1	7	4		

S.E.C. Registration Number

LEISURE & RESORTS WORLD
CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

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

Carmelita D. L. Chan	687-0370
Contact Person	Company Telephone Number

1 2	3 1	A A F S		
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Not applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012, 2011 and 2010

KPMG

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Bacolod · Cebu · Iloilo · Subic

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Leisure & Resorts World Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Leisure & Resorts World Corporation and Subsidiaries as at December 31, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3669516MC
Issued January 2, 2013 at Makati City

March 14, 2013
Makati City, Metro Manila

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

		December 31	
	Note	**2012**	2011
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 28*	**P191,066,141**	P944,275,312
Receivables - net	*5, 28*	**291,351,293**	367,805,395
Bingo cards	*6*	**16,030,727**	17,707,392
Prepaid expenses and other current assets	*7*	**243,603,774**	218,092,976
Due from related parties	*22, 28*	**46,395,389**	25,657,567
Total Current Assets		**788,447,324**	1,573,538,642
Noncurrent Assets			
Property and equipment - net	*8, 14*	**321,635,809**	403,903,285
Investment property - net	*9*	**121,417,474**	128,655,680
Investments and advances - net	*10*	**1,656,287,126**	630,100,590
Deferred tax assets	*23*	**60,395,686**	64,536,733
Goodwill - net	*11*	**546,318,689**	546,318,689
Other assets - net	*12, 17, 19, 28*	**429,546,539**	355,304,787
Total Noncurrent Assets		**3,135,601,323**	2,128,819,764
		P3,924,048,647	P3,702,358,406
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*15, 16, 28*	**P742,630,232**	P733,376,679
Short-term loans payable	*13, 21, 28*	**95,464,000**	99,677,716
Current portion of long-term loans payable	*13, 21, 28*	**12,567,271**	24,255,696
Current portion of obligations under finance lease	*14 ,21, 28*	**93,014**	1,300,698
Due to a related party	*22, 28*	**9,070,691**	9,070,691
Income tax payable		**4,837,673**	6,062,627
Total Current Liabilities		**864,662,881**	873,744,107
Noncurrent Liabilities			
Long-term loans payable - net of current portion	*13, 21, 28*	**19,143,629**	31,710,900
Retirement benefits liability	*20*	**43,061,566**	36,632,288
Rent deposit	*19*	**4,731,800**	4,111,800
Obligations under finance lease - net of current portion	*14, 21, 28*	**10,196,701**	625,242
Total Noncurrent Liabilities		**77,133,696**	73,080,230
		941,796,577	946,824,337

Forward

	Note	December 31 2012	 2011
Equity			
Equity Attributable to Equity Holders of the Parent Company	*16*		
Capital stock		**P999,877,094**	P999,877,094
Additional paid-in capital		**1,114,028,555**	1,114,028,555
Retained earnings		**721,460,608**	516,381,581
Foreign currency translation reserve		**67,398**	11,839
Treasury shares		**(18,694,937)**	(18,694,937)
		2,816,738,718	2,611,604,132
Non-controlling Interest		**165,513,352**	143,929,937
Total Equity		**2,982,252,070**	2,755,534,069
		P3,924,048,647	P3,702,358,406

See Notes to the Consolidated Financial Statements.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2012	2011	2010
		Years Ended December 31		
REVENUES				
Traditional bingo	*17*	**P1,832,158,489**	P2,005,895,171	P2,194,947,483
Electronic bingo - net	*17, 27*	**1,630,533,703**	1,151,800,791	859,634,341
Service and hosting fees	*18*	**577,835,170**	216,751,180	295,712,890
Rapid bingo - net	*17, 27*	**381,530,839**	450,796,017	466,715,875
Pull tabs	*17*	**6,508,520**	12,755,800	19,086,824
Instant charity bingo	*12, 17*	**445,720**	8,452,080	16,484,396
		4,429,012,441	3,846,451,039	3,852,581,809
FRANCHISE FEES AND TAXES	*17, 18*	**1,724,872,768**	1,181,061,070	1,180,388,487
NET REVENUES		**2,704,139,673**	2,665,389,969	2,672,193,322
COST AND OPERATING EXPENSES				
Payouts		**1,349,556,107**	1,476,666,169	1,542,705,228
Rent	*19*	**311,531,161**	371,485,759	212,013,872
Salaries and wages		**196,161,219**	167,416,724	160,703,924
Communications and utilities		**163,108,767**	166,329,597	155,698,931
Contracted services		**143,237,557**	225,030,587	101,082,318
Depreciation and amortization	*8, 9, 12*	**125,986,355**	89,603,083	66,245,997
Employee benefits	*20*	**66,232,033**	84,031,687	73,457,905
Taxes and licenses		**28,208,313**	34,039,394	21,378,853
Impairment losses on receivables		**25,375,257**	76,197,992	-
Bingo cards and supplies	*6*	**25,349,293**	26,401,412	31,832,632
Transportation and travel		**20,171,088**	24,064,448	12,164,412
Marketing supplies and materials		**13,812,694**	10,079,227	13,186,724
Others		**120,980,303**	102,994,417	61,741,203
		2,589,710,147	2,854,340,496	2,452,211,999
OPERATING INCOME (LOSS)		**114,429,526**	(188,950,527)	219,981,323
OTHER INCOME				
Equity in net earnings of a joint venture	*10*	**36,027,144**	24,263,436	30,962,180
Equity in net loss of an associate	*10*	**(524,220)**	-	-
Finance income	*21*	**26,323,036**	16,063,681	1,598,803
Foreign exchange gain (loss) - net	*28*	**(3,907,770)**	4,962,019	6,706,490
Finance expense	*21*	**(38,031,037)**	(46,256,285)	(43,195,354)
Other income - net	*19, 21*	**236,022,707**	140,086,649	32,216,724
		255,909,860	139,119,500	28,288,843

Forward

	Note	2012	2011	2010
		Years Ended December 31		
INCOME (LOSS) BEFORE INCOME TAX		**P370,339,386**	(P49,831,027)	P248,270,166
INCOME TAX EXPENSE (BENEFIT)	*23*	**21,926,162**	(54,165,721)	7,254,450
NET INCOME		**348,413,224**	4,334,694	241,015,716
Attributable to:				
Owners of the Parent Company		**280,069,809**	(36,384,633)	205,036,499
Non-controlling interest		**68,343,415**	40,719,327	35,979,217
		348,413,224	4,334,694	241,015,716
OTHER COMPREHENSIVE INCOME				
Foreign currency translation gain		**67,398**	11,839	-
TOTAL COMPREHENSIVE INCOME		**P348,480,622**	P4,346,533	P241,015,716
Attributable to:				
Owners of the Parent Company		**P280,137,207**	(P36,372,794)	P205,036,499
Non-controlling interest		**68,343,415**	40,719,327	35,979,217
		P348,480,622	P4,346,533	P241,015,716
Basic/Diluted Earnings (Loss) Per Share	*24*	**P0.2853**	(P0.0391)	P0.2472

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

		2012		2011		2010	
	Note	**Number of Shares**	**Amount**	Number of Shares	Amount	Number of Shares	Amount
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY							
CAPITAL STOCK	*16*						
Authorized							
Common shares - P1 par value		**1,600,000,000**	**P1,600,000,000**	1,600,000,000	P1,600,000,000	1,600,000,000	P1,600,000,000
Issued							
Balance at beginning of year		**999,877,094**	**999,877,094**	849,877,094	849,877,094	849,877,094	849,877,094
Issuances during the year	*16*	-	-	150,000,000	150,000,000	-	-
Balance at end of year		**999,877,094**	**999,877,094**	999,877,094	999,877,094	849,877,094	849,877,094
ADDITIONAL PAID-IN CAPITAL	*16*						
Balance at beginning of year			**1,114,028,555**		128,881,859		128,881,859
Issuances during the year			-		975,000,000		-
Surplus on sale of treasury shares			-		10,146,696		-
Balance at end of year			**1,114,028,555**		1,114,028,555		128,881,859
RETAINED EARNINGS							
Balance at beginning of year			**516,381,581**		625,861,621		488,815,290
Net income (loss) for the year			**280,069,809**		(36,384,633)		205,036,499
Cash dividends declared	*16*		**(74,990,782)**		(73,095,407)		(67,990,168)
Balance at end of year			**721,460,608**		516,381,581		625,861,621
FOREIGN CURRENCY TRANSLATION RESERVE			**67,398**		11,839		-
COST OF TREASURY SHARES							
Balance at beginning of year		**(18,330,500)**	**(18,694,937)**	(20,380,500)	(20,785,694)	(19,680,500)	(19,780,317)
Acquisitions during the year	*16*	-	-	-	-	(700,000)	(1,005,377)
Disposal during the year	*16*	-	-	2,050,000	2,090,757	-	-
Balance at end of year		**(18,330,500)**	**(18,694,937)**	(18,330,500)	(18,694,937)	(20,380,500)	(20,785,694)
			2,816,738,718		2,611,604,132		1,583,834,880
NON-CONTROLLING INTEREST							
Balance at beginning of year			**143,929,937**		106,426,042		86,855,225
Deductions during the year			-		(2,165,432)		-
Net income for the year			**68,343,415**		40,719,327		35,979,217
Dividends received			**(46,760,000)**		(1,050,000)		(16,408,400)
Balance at end of year			**165,513,352**		143,929,937		106,426,042
			P2,982,252,070		P2,755,534,069		P1,690,260,922

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2012**	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P370,339,386**	(P49,831,027)	P248,270,166
Adjustments for:				
Depreciation and amortization	*8, 9, 12*	**125,986,355**	89,603,083	66,245,997
Finance expense	*21*	**38,031,037**	46,256,285	43,195,354
Retirement benefits liability		**6,429,278**	4,770,000	2,810,000
Unrealized foreign exchange gain		**(10,506,228)**	(1,574,158)	(2,862,438)
Impairment losses on receivables		**25,375,257**	76,197,992	-
Equity in net loss of an associate	*10*	**524,220**	-	-
Loss on write-off of property and equipment	*21*	**44,820**	313,871	-
Equity in net earnings of a joint venture	*10*	**(36,027,144)**	(24,263,436)	(30,962,180)
Finance income	*21*	**(20,272,080)**	(15,383,681)	(191,748)
Dividend income	*21*	**-**	(680,000)	(1,407,055)
Operating income before working capital changes		**499,924,901**	125,408,929	325,098,096
Decrease (increase) in:				
Receivables		**49,413,176**	40,765,623	53,789,128
Bingo cards		**1,676,665**	(666,864)	1,277,312
Prepaid expenses and other current assets		**(25,510,798)**	(206,151,339)	9,361,318
Increase (decrease) in:				
Trade and other payables		**(24,470,054)**	197,888,660	(41,160,062)
Due to a related party		**-**	(39,231,829)	-
Rent deposit		**620,000**	1,179,000	2,932,800
Cash generated from operations		**501,653,890**	119,192,180	351,298,592
Interest received		**20,272,080**	15,383,681	191,748
Interest paid		**-**	(46,785,208)	(43,195,354)
Income taxes paid		**(19,010,069)**	(7,148,122)	(9,137,622)
Net cash provided by operating activities		**502,915,901**	80,642,531	299,157,364

Forward

	Note	2012	2011	2010
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	8	**(P131,845,236)**	(P191,260,434)	(P156,200,214)
Acquisitions of investment property	9	**(553,946)**	(13,200,333)	(2,595,515)
Acquisition of subsidiaries		**-**	(1,153,125)	-
Dividends received	21	**-**	680,000	1,407,055
Proceeds from disposal of property and equipment		**114,119,644**	1,077,070	-
Decrease (increase) in:				
Due from related parties		**(20,682,263)**	(13,817,268)	(5,238,563)
Other assets		**(82,916,248)**	307,625,870	(148,557,568)
Investments and advances	10	**(990,683,612)**	(385,697,307)	49,084,025
Net cash used in investing activities		**(1,112,561,661)**	(295,745,527)	(262,100,780)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable		**24,162,000**	349,700,179	163,096,970
Dividends paid	16	**(66,888,065)**	(48,413,993)	(67,990,168)
Payments of loans payable		**(52,631,412)**	(376,870,854)	(111,457,099)
Dividends paid to non-controlling interest		**(46,760,000)**	(1,050,000)	(16,408,400)
Payments of obligations under finance lease		**(2,001,616)**	(5,228,245)	(2,156,562)
Proceeds from issuance of stocks		**-**	1,125,000,000	-
Proceeds from sale of treasury shares		**-**	12,237,453	-
Acquisitions of treasury shares		**-**	-	(1,005,377)
Net cash provided by (used in) financing activities		**(144,119,093)**	1,055,374,540	(35,920,636)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**555,682**	2,441,443	(1,922,026)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(753,209,171)**	842,712,987	(786,078)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**944,275,312**	101,562,325	102,348,403
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**P191,066,141**	P944,275,312	P101,562,325

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 14, 2013.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as at December 31, 2012 and 2011:

Subsidiaries	Percentage of Ownership
AB Leisure Exponent, Inc. (ABLE)	100
LR Land Developers, Inc. (LRLDI)	100
AB Leisure Global, Inc. (ABLGI)	100
Blue Chip Gaming and Leisure Corporation (BCGLC)*	70
First Cagayan Leisure and Resort Corporation (FCLRC)	69.68
Bingo Bonanza (HK) Limited (BBL)**	60

**Consolidated effective May 1, 2011*
***Consolidated effective January 1, 2011*

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.

In October 1999, the BOD of the Parent Company approved the Share Exchange Agreements (Agreements) with the shareholders of ABLE, an operator of a number of bingo parlors, for the acquisition of the entire outstanding capital stock of ABLE in exchange for 750 million new shares of the Parent Company valued at P750 million. By virtue of the Agreements, ABLE became a wholly-owned subsidiary of the Parent Company. Further discussion on this matter is included in Note 16 to the consolidated financial statements.

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

	Percentage of Ownership	
Subsidiaries	**2012**	2011
Alabang Numbers & Gaming Corporation	**100**	100
Allpoint Leisure Corporation	**100**	100
Big Time Gaming Corporation (BGC)**	**100**	100
Bingo Extravaganza, Inc.	**100**	100
Bingo Gallery, Inc.	**100**	100
Bingo Palace Corporation	**100**	100
Cebu Entertainment Gallery, Inc.	**100**	100
Fiesta Gaming and Entertainment Corporation*	**100**	100
First Leisure & Game Co., Inc.	**100**	100
Galleria Bingo Corporation	**100**	100
G-One Gaming & Technology, Inc.	**100**	100
Highland Gaming Corporation	**100**	100
Iloilo Bingo Corporation	**100**	100

Forward

Subsidiaries	Percentage of Ownership 2012	2011
Metro Gaming Entertainment Gallery, Inc.	**100**	100
Rizal Gaming Corporation	**100**	100
SG Amusement and Recreation Corp.	**100**	100
South Bingo Corporation	**100**	100
South Entertainment Gallery Incorporated (SEGI)	**100**	100
Topmost Gaming Corp.	**100**	100
Worldwide Links Leisure and Gaming Corporation (WLLGC)***	**100**	-
Bingo Dinero Corporation	**95**	95
Bingo Zone, Inc.*	**95**	95
Manila Bingo Corporation	**95**	95
Isarog Gaming Corporation	**90**	90
One Bingo Place, Incorporated	**80**	80
Summit Bingo, Inc.	**60**	60

**Non-operating subsidiaries.*
***Consolidated effective August 1, 2011 (see Note 11).*
****Consolidated effective January 1, 2012.*

LRLDI

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

ABLGI

ABLGI, a wholly-owned subsidiary, was registered with the SEC on October 20, 2009. Its primary purpose is to acquire, own, use, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises such as but not limited to resorts, golf courses, clubhouses and sports facilities, hotels and gaming facilities, with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith. ABLGI has not started commercial operation as at December 31, 2012.

BCGLC

BCGLC was registered with the SEC on October 9, 2009. Its primary purpose is to provide investment, management counsel and to act as agent or representative for business enterprises engaged in gaming, recreation and leisure activities. On October 20, 2009, BCGLC (lessor), as the authorized representative of Munich Management Limited - a foreign corporation duly organized and registered in British Virgin Islands, entered into a contract of lease with the Philippine Amusement and Gaming Corporation (PAGCOR, lessee) for the use of slot machines and gaming facilities. On April 27, 2011, the Parent Company acquired 70% of BCGLC's outstanding capital stock (see Note 11).

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. FCLRC is 69.69% owned by the Parent Company

BBL

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

The 2010 consolidated financial statements did not include the balances of BBL as these were immaterial to the Group.

WLLGC

On December 8, 2011, ABLE incorporated WLLGC as its wholly-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property.

The 2011 consolidated financial statements did not include the balances of WLLGC as these were immaterial to the Group. WLLGC has not started operations as at December 31, 2012.

The above companies, except for BBL, are all incorporated in the Philippines. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Transactions Eliminated on Consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

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

Use of Estimates and Judgments
The preparation of the consolidated 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 consolidated financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates 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 consolidated financial statements is as follows:

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

Rent expense recognized in profit or loss in 2012, 2011, and 2010 amounted to P311,531,161, P371,485,759, and P212,013,872, respectively, while rent income recognized in profit or loss in 2012, 2011, and 2010 amounted to P180,516,242, P137,211,891, and P28,514,676, respectively (see Notes 19 and 21).

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

As at December 31, 2012 and 2011, the carrying amounts of leased vehicles and equipment, included under "Property and equipment" account in the consolidated statements of financial position amounted to P18,067,781, and P3,001,400, respectively (see Notes 8 and 14).

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

As at December 31, 2012 and 2011, the carrying amount of receivables and due from related parties of the Group amounted to P337,746,682 and P393,462,962, respectively. As at December 31, 2012 and 2011, the related allowance for impairment loss amounted to P31,178,549 and P5,803,292, respectively (see Notes 5 and 22).

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

No bingo cards were written down to their net realizable values in 2012 and 2011. As at December 31, 2012 and 2011, the bingo cards were valued at cost amounting to P16,030,727 and P17,707,392, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment, Investment Property and Intangible Asset with Definite Useful Life
The Group annually reviews the estimated useful lives of property and equipment, investment property and intangible asset with definite useful life based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear and technical and commercial obsolescence.

In addition, estimation of the useful lives of property and equipment, investment property and intangible asset with definite useful life is based on collective assessment of industry practice, internal technical evaluation and experience with similar asset. It is possible however, that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property and equipment, investment property and intangible asset with definite useful life 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 years or lease term, whichever is shorter
Aircraft and transportation equipment	5 - 15 years
Bingo equipment and paraphernalia	5 years
Office furniture, fixtures and equipment	5 years
Condominium unit	25 years

The estimated useful life of the Group's investment property is 25 years.

In 2011, the Group reduced the estimated useful life of its intangible asset with definite useful life classified under the "Airstrip improvements" account, presented as part of "Other assets - net" in the statements of financial position, from 25 years to 14 years and 3 months. The reduction was due to the effects of commercial obsolescence brought about by the construction of a domestic airport in Cagayan. The change in estimate reduced the remaining useful life of "Airstrip improvements" to 10 years from 20 years and 9 months. Moreover, amortization expense in 2011 on the Airstrip improvements increased by P4,580,928 and would continue to have the same effect in prospective periods.

In 2012, the Group reduced the estimated useful life of its aircraft classified under the "Aircraft and transportation equipment" account, presented as part of "Property and equipment" in the statement financial of position, from 25 years to 15 years. The reduction was due to the effects of commercial obsolescence of the asset. The change in estimate reduced the remaining useful life of the aircraft to 13 years from 23 years. Moreover, depreciation expense in 2012 on the aircraft increased by P1.9 million and would continue to have the same effect in prospective periods.

The Group's accumulated depreciation and amortization of property and equipment amounted to P449,758,062 and P350,560,998 as at December 31, 2012 and 2011, respectively. The carrying amount of the Group's property and equipment amounted to P321,635,809 and P403,903,285 as at December 31, 2012 and 2011, respectively (see Note 8).

The Group's accumulated depreciation of investment property amounted to P18,105,814 and P10,313,662 as at December 31, 2012 and 2011, respectively. The carrying amount of the Group's investment property amounted to P121,417,474 and P128,655,680 as at December 31, 2012 and 2011, respectively (see Note 9).

Impairment Losses of Non-financial Assets
PFRS requires that an impairment review be performed on property and equipment, investment property, investments and advances and intangible asset with definite useful life when events or changes in circumstances indicate that the carrying amount may not be recoverable. Operating licenses, land rights and goodwill are tested for impairment at least annually. Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

As at December 31, 2012 and 2011, the following are the carrying amounts of non-financial assets:

	Note	**2012**	2011
Property and equipment	*8*	**P321,635,809**	P403,903,285
Investment property	*9*	**121,417,474**	128,655,680
Investments and advances	*10*	**1,656,287,126**	630,100,590
Goodwill	*11*	**546,318,689**	546,318,689
Airstrip improvements	*12*	**69,395,969**	78,070,465
Operating licenses	*12*	**4,253,690**	4,253,690
Land rights	*12*	**186,078,447**	101,567,814

As at December 31, 2012 and 2011, the related allowance for impairment loss on advances amounted to P45,850,992 (see Note 10).

As at December 31, 2012 and 2011, there was no indication of impairment on the Group's property and equipment, investment property, investments and advances, goodwill, airstrip improvements, operating licenses and land rights (see Notes 8, 9, 10, 11 and 12).

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

As at December 31, 2012 and 2011, the Group recognized deferred tax assets amounting to P60,395,686 and P64,536,733, respectively. The Group has temporary differences where no deferred tax was recognized amounting to P62,481,287 and P44,294,106 as at December 31, 2012 and 2011, respectively (see Note 23).

Estimating Retirement Cost
The determination of the obligation and cost of retirement is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rates and salary increase rates. In accordance with PFRS, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future period.

The Group has unrecognized actuarial loss amounting to P13,052,098 and P858,312 as at December 31, 2012 and 2011, respectively (see Note 20).

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

The Group determined that there is no significant asset retirement obligation as at December 31, 2012 and 2011.

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

A subsidiary of ABLE currently has pending tax cases at the Court of Tax Appeals. The Group's estimate of the probable costs for the resolution of this case has been developed in consultation with outside legal counsel handling the prosecution and defense of this matter and is based on an analysis of potential results. The Group currently does not believe that the cases will have a material adverse effect on its consolidated financial position and consolidated financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to its proceeding.

As at December 31, 2012 and 2011, no accruals were made in relation to this proceeding (see Note 27).

3. Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following amendments to standards and interpretations starting January 1, 2012 and accordingly, changed its accounting policies. The adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

- Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02 *PFRS 3.2 - Common Control Business Combinations* provides guidance on how should business combinations involving entities under common control be accounted for, given that these are outside the scope of PFRS 3, *Business Combinations.*

- PIC Q&A No. 2011-03 *Accounting for Inter-company Loans* provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/stand-alone financial statements of the lender and the borrower: (i) on the initial recognition of the loan; and (ii) during the periods to repayment.

- PIC Q&A No. 2011-06 *PFRS 3 Business Combinations (2008),* and PAS 40 *Investment Property - Acquisition of Investment Properties - Asset Acquisition or Business Combination?* provides guidance on how should the transaction be accounted for (as an asset acquisition or as a business combination?) if one entity acquires: (a) directly an investment property or properties; or (b) another entity that holds one or more investment properties; and what are the relevant factors that should be considered in determining whether a transaction is an asset acquisition or a business combination.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

To be Adopted on January 1, 2013

- *Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).* The amendments:

  - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
  - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
  - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

  The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard. These amendments are effective on July 1, 2012 with earlier application permitted and are applied retrospectively.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

  They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. These amendments will be effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods and are to be applied retrospectively.

- PFRS 10 *Consolidated Financial Statements*

  PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.

  An investor controls an investee when:

  - it is exposed or has rights to variable returns from its involvement with that investee;
  - it has the ability to affect those returns through its power over that investee; and
  - there is a link between power and returns.

  Control is re-assessed as facts and circumstances change.

  PFRS 10 supersedes PAS 27 (2008) *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12 *Consolidation - Special Purpose Entities.* This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 11 *Joint Arrangements*

  PFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It:

  - distinguishes joint arrangements between joint operations and joint ventures; and
  - always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

  PFRS 11 supersedes PAS 31 *Interests in Joint Ventures* and Philippine Interpretation SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 12 *Disclosure of Interests in Other Entities*

  PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

  - the nature of, and risks associated with, an entity's interests in other entities; and
  - the effects of those interests on the entity's financial position, financial performance and cash flows.

  This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*

  The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 13 *Fair Value Measurement*

  PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

  This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PAS 19 *Employee Benefits* (Amended 2011)

  The amended PAS 19 includes the following requirements:

  - actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and
  - expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

  This amendment is effective for annual periods beginning on or after January 1, 2013 and is applied retrospectively with early adoption permitted.

  For defined benefit plans, removal of the corridor approach for recognition of actuarial gains and losses is expected to have an impact on the Group's consolidated financial statements. Amount of impact is estimated at P12,193,786 which will be immediately recognized in other comprehensive income.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

  - PAS 32 *Financial Instruments Presentation - Income Tax Consequences of Distributions*. This is amended to clarify that PAS 12 *Income Taxes* applies to the accounting for income taxes relating to:

    - distributions to holders of an equity instrument; and
    - transaction costs of an equity transaction.

    This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss.

A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2 *Members' Share in Co-operative Entities and Similar Instruments.*

- PAS 34 *Interim Financial Reporting - Segment Assets and Liabilities.* This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in PFRS 8 *Operating Segments.* PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when:

  - the amount is regularly provided to the chief operating decision maker; and
  - there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

To be Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

  These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

To be Adopted on January 1, 2015

- PFRS 9 *Financial Instruments (2010),* PFRS 9 *Financial Instruments (2009)*

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

<u>Financial Instruments</u>
Financial assets comprise cash and cash equivalents, receivables, due from related parties, venue rental and other deposits and cash and performance bonds. Financial liabilities consist of trade and other payables, due to a related party, rent deposit and short-term and long-term loans payable.

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

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

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

The Group has no HTM investments, AFS financial assets, and FVPL financial assets and liabilities as at December 31, 2012 and 2011.

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

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

The measurement of non-derivative financial instruments subsequent to initial recognition is described below:

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.

The Group's cash and cash equivalents, receivables, due from related parties, venue rental and other deposits and cash and performance bonds, included under "Other assets" are included in this category (see Notes 4, 5, 12, 22 and 28).

Cash includes cash in banks which is stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

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

The Group's trade and other payables, due to a related party, rent deposit, and short-term and long-term loans are included in this category (see Notes 13, 15, 19, 22 and 28).

<u>Derecognition of Financial Instruments</u>
Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

<u>Impairment of Financial Assets</u>
The Group assesses at reporting date whether a financial asset or group of financial assets is impaired.

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

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

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

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

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

Classification of Financial Instruments between Debt and Equity

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

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

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

Bingo Cards
Bingo cards are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost.

Investments and Advances
The Group's investments in associates and a joint venture are accounted for under the equity method in the consolidated financial statements. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. A joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Under the equity method, investments in associates and a joint venture are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the share of net assets, less any impairment in value. When the Group's share of losses exceeds the cost of the investments in associates and a joint venture, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and the joint venture.

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

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

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

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

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

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

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

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

Investment Property

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

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

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

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

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

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

Operating Licenses

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

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

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

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

Goodwill

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

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

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

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

Impairment of Non-financial Assets
The carrying amounts of the Group's non-financial assets such as property and equipment, investment property, investments and advances and intangible asset with definite useful life are reviewed at each reporting date to determine whether there is any indication of impairment. Operating licenses, land rights and goodwill are tested annually. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial 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 or amortization, had no impairment loss been recognized. Reversals of impairment are recognized in profit or loss.

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

Capital Stock
Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

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

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

- at fair value; or

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

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

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

Traditional Bingo
Gross revenue is recognized as revenue upon sale of bingo cards.

Electronic Bingo
Net revenue (gross sales less payouts) is recognized as revenue upon conclusion of the game.

Rapid Bingo
Gross sales (total amount wagered or bets) is recognized as revenue upon conclusion of the game.

Pull Tabs
Pull tabs receipts are recognized as revenue upon the sale of the cards.

Instant Charity Bingo Game 2(ICBG2)
ICBG2 games are referred to as "scratch card" sales. Scratch cards receipts are recognized as revenue upon the sale of cards.

Service and Hosting Fees
Service fees are recognized as revenue upon processing of locators' application for a franchise. Hosting fees are recognized as revenue upon accrual of the gaming levy to locators, which is equivalent to 1% of locators' revenue less payouts.

Cost and Expense Recognition
Costs and expenses are recognized when they are incurred and are reported in the consolidated financial statements in the periods to which they relate.

Payouts representing payments to winners of bingo games, are recognized as expense upon conclusion of the game.

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

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

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

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

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

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

In calculating the Group's obligation in respect to the plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10 percent of the present value of the defined benefit obligation of the prior year, that portion is recognized in profit or loss in the current year over the expected average remaining working lives of the employees in the subsequent years. Otherwise, the actuarial gain or loss is not recognized.

Finance and Other Income and Finance Expenses
Finance income comprises interest income on bank deposits and short-term investments, dividend income, and gains on the disposal of financial assets that are recognized in profit or loss.

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

- *Dividend Income* is recognized in profit or loss on the date that the Group's right to receive payment is established.

Other income comprises rental of gaming facility and office spaces and miscellaneous income from operations.

- *Rental of Gaming Facility and Office Space* is recognized when earned, based on the agreement with the locators and lessees.

- *Other Income* is recognized when earned.

Finance expenses comprise interest expense on borrowings and the effects of restatement of foreign currency denominated financial assets and liabilities that are recognized in profit or loss.

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

- *Foreign Currency Gains and Losses* are reported on a net basis.

Income Taxes

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

Current Tax

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

Deferred Tax

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

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

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

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

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

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

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

Land Rights

The Group recognizes land rights as intangible assets with indefinite useful lives. The land rights are measured on initial recognition at cost. Subsequent to initial recognition, the land rights are measured at cost less impairment losses, if any.

The Group assesses the useful lives of the land rights to be indefinite because of the nature of these assets and there is reasonable certainty that legal ownership will be transferred to the Group in the future, hence there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Land rights are tested for impairment annually either individually or at the cash-generating unit level. Such are not amortized. The useful lives of the land rights are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful lives assessment from indefinite to definite is made on a prospective basis.

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

Improvements in CSEZFP

The Group recognizes the airstrip improvements within the CSEZFP as intangible asset with definite useful life. Intangible asset is measured on initial recognition at cost. Subsequent to initial recognition, intangible asset is measured at cost less accumulated amortization and impairment losses, if any.

Intangible asset with definite useful life is amortized using the straight-line method over the period covered by the contract with CSEZFP or economic life of the airstrip improvement, whichever is shorter. The period and method of amortization are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Gain or loss arising from derecognition of an intangible asset is recognized in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

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. Transactions between the related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Contingencies

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

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

4. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash in banks	**P172,256,416**	P323,958,518
Cash on hand and payout fund	**18,809,725**	20,972,573
Short-term investments	-	599,344,221
	P191,066,141	P944,275,312

Cash in banks and short-term investments earn interest at the respective bank deposit rates and short-term investment rates.

Proceeds from disposal of short-term investments were used for the advances made to Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure) in 2012 (see Note 10).

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

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

5. Receivables

This account consists of:

	Note	2012	2011
Trade receivables		**P149,446,619**	P167,676,134
Advances to officers and employees	*22*	**66,101,037**	100,698,422
Advances to Royal Highland Leisure and Resort Corporation (RHLRC)		**39,287,416**	39,087,416
Receivables from concessionaires		**22,317,051**	16,808,290
Other receivables:			
Flexytech, Inc.		**17,231,759**	22,654,310
AT Bingo Station		**6,052,822**	-
Kingloc Asia Limited		**4,026,556**	3,956,209
Insular Gaming Corp.		**2,696,408**	4,462,415
Vinta Gaming, Inc.		**2,623,736**	2,620,385
Topnotch Bingo Trend Inc.		-	4,367,121
Others		**12,746,438**	11,277,985
		322,529,842	373,608,687
Less allowance for impairment losses	*28*	**31,178,549**	5,803,292
	28	**P291,351,293**	P367,805,395

Trade receivables are unsecured, non-interest bearing and collectible within 30 days. Allowance for impairment loss amounting to P5,803,292 pertains to trade receivables as at December 31, 2012 and 2011.

Advances to RHLRC

Advances to RHLRC represent advances used by RHLRC for the construction of recreational and leisure facilities on the premises leased from CJH Development Corporation in John Hay Special Economic Zone at Camp John Hay, Baguio City by virtue of Executive Order No. 103 and Proclamation No. 420, for the eventual use by RHLRC. These advances are non-interest bearing, unsecured and with no definite repayment terms.

In 2011, the Group collected advances to RHLRC amounting to P20,200,000 and has written-off its advances to RHLRC amounting to P64,543,708.

The Group recognized impairment loss on advances to RHLRC amounting to P24,000,000 in 2012.

Advances to Officers and Employees

The Group, in the regular course of business, grants non-interest bearing advances to its officers and employees. These advances are generally settled within one year from the date granted.

The Group recognized impairment loss on advances to officers and employees amounting to P1,375,257 in 2012.

Advances to Flexytech, Inc., AT Bingo Station, Topnotch Bingo Trend Inc., Kingloc Asia Limited, Insular Gaming Corp., Vinta Gaming, Inc.

These represent cash advances to third party companies engaged in gaming and amusement activities. The Group intends to take over these companies in the future. These advances are non-interest bearing, unsecured and are settled upon demand.

Other Receivables

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

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

6. Bingo Cards

This account consists of:

	Note	**2012**	2011
Bingo cards - at cost	*12, 17*	**P10,336,179**	P16,942,491
Others - at cost		**5,694,548**	764,901
		P16,030,727	P17,707,392

The consolidated cost of bingo cards charged to profit or loss in 2012, 2011, and 2010 amounted to P18,967,407, P25,874,143, and P23,986,414, respectively.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	**2012**	2011
Prepaid expenses		**P51,240,567**	P45,843,791
Advances to contractors	*26*	**108,405,183**	120,182,614
Input value-added tax (VAT)		**35,426,407**	30,568,790
Rent deposit	*19*	**34,011,857**	-
Advances to suppliers	*26*	**13,867,110**	19,811,688
Other current assets		**652,650**	1,686,093
		P243,603,774	P218,092,976

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

Advances to contractors and suppliers were made in relation to the acquisition and construction of additional gaming, hotel and theater facilities pursuant to the Operating Agreement with Belle Corporation (see Note 26).

Input VAT arose from payments to contractors, suppliers, rent and other vatable charges. Input VAT will be applied against output VAT within one year.

Other current assets consist of office supplies and other miscellaneous supplies.

8. Property and Equipment

The movements in this account are as follows:

	Leasehold Improvements	Aircraft and Transportation Equipment	Bingo Equipment and Paraphernalia	Office Furniture, Fixtures and Equipment	Condominium Unit	Construction in Progress	Total
Cost:							
January 1, 2011	P274,597,736	P128,024,733	P73,769,202	P84,606,878	P4,791,748	P -	P565,790,297
Assets acquired through business combination	14,091,638	1,398,000	-	8,011,606	-	-	23,501,244
Additions	72,561,794	1,534,658	6,447,607	35,749,901	-	74,966,474	191,260,434
Write-off	(20,482,007)	(2,010,615)	(997,198)	(1,088,107)	-	-	(24,577,927)
Disposal	-	-	(1,095,257)	(414,508)	-	-	(1,509,765)
December 31, 2011	340,769,161	128,946,776	78,124,354	126,865,770	4,791,748	74,966,474	754,464,283
Additions	46,129,814	33,832,740	7,652,529	15,626,769	-	38,174,843	141,416,695
Write-off	-	-	(682,207)	(2,487,651)	-	-	(3,169,858)
Disposal/reclassification	(78,935)	(8,707,397)	-	-	-	(112,530,917)*	(121,317,249)
December 31, 2012	**386,820,040**	**154,072,119**	**85,094,676**	**140,004,888**	**4,791,748**	**610,400**	**771,393,871**
Accumulated depreciation and amortization:							
January 1, 2011	140,896,809	29,847,908	56,008,506	68,314,200	95,835	-	295,163,258
Assets acquired through business combination	3,447,377	160,867	-	2,193,098	-	-	5,801,342
Depreciation and amortization	41,471,672	12,019,857	5,928,673	14,633,360	239,587	-	74,293,149
Write-off	(20,475,438)	(1,761,448)	(997,198)	(1,029,972)	-	-	(24,264,056)
Disposal	-	-	(330,965)	(101,730)	-	-	(432,695)
December 31, 2011	165,340,420	40,267,184	60,609,016	84,008,956	335,422	-	350,560,998
Depreciation and amortization	64,033,748	16,647,458	6,410,839	21,333,148	1,094,514	-	109,519,707
Write-off	-	-	(682,207)	(2,487,651)	-	-	(3,169,858)
Disposal	(34,115)	(7,118,670)	-	-	-	-	(7,152,785)
December 31, 2012	**229,340,053**	**49,795,972**	**66,337,648**	**102,854,453**	**1,429,936**	**-**	**449,758,062**
Carrying amount:							
December 31, 2011	P175,428,741	P88,679,592	P17,515,338	P42,856,814	P4,456,326	P74,966,474	P403,903,285
December 31, 2012	**P157,479,987**	**P104,276,147**	**P18,757,028**	**P37,150,435**	**P3,361,812**	**P610,400**	**P321,635,809**

**Reclassification to "Investments and advances" account in 2012 as the asset was assumed by Belle Corporation at its carrying amount.*

ABLE leases motor vehicles under a number of finance lease agreements. At the end of the term of each of the leases, the ownership of the leased assets will be transferred to ABLE. As at December 31, 2012 and 2011, the carrying amounts of leased vehicles included under "Property and equipment" account in the consolidated statements of financial position amounted to P18,067,781 and P3,001,400, respectively (see Note 14).

9. Investment Property

The movements in this account are as follows:

	Land Improvements	Building	Construction in Progress	Total
Gross carrying amount:				
January 1, 2011	P -	P79,769,009	P46,000,000	P125,769,009
Additions	-	-	13,200,333	13,200,333
Reclassifications	46,000,000	-	(46,000,000)	-
December 31, 2011	46,000,000	79,769,009	13,200,333	138,969,342
Additions	-	553,946	-	553,946
Reclassifications	-	13,200,333	(13,200,333)	-
December 31, 2012	**46,000,000**	**93,523,288**	**-**	**139,523,288**
Accumulated depreciation:				
January 1, 2011	-	3,190,760	-	3,190,760
Depreciation	2,300,000	4,822,902	-	7,122,902
December 31, 2011	2,300,000	8,013,662	-	10,313,662
Depreciation	2,300,000	5,492,152	-	7,792,152
December 31, 2012	**4,600,000**	**13,505,814**	**-**	**18,105,814**
Carrying amount:				
December 31, 2011	P43,700,000	P71,755,347	P13,200,333	P128,655,680
December 31, 2012	**P41,400,000**	**P80,017,474**	**P -**	**P121,417,474**

Management believes that the cost of investment property still approximates its fair value because these are very recent transactions.

10. Investments and Advances

This account consists of:

	Percentage of Ownership	**2012**	Percentage of Ownership	2011
Investments				
Associates:				
Binondo Leisure Resources, Inc. (BLRI)				
Preferred shares		**P20,000,000**		P20,000,000
Common shares	**30%**	**1,200,000**	30%	1,200,000
Techzone Philippines, Inc.				
Common shares	**50%**	**50,625,000**	50%	-
		71,825,000		21,200,000
Accumulated equity in net losses:				
Balance at beginning of year		**(26,303,101)**		(26,303,101)
Net loss during the year		**(524,220)**		-
		(26,827,321)		(26,303,101)
		44,997,679		(5,103,101)
Joint venture:				
First Cagayan Converge Data Center, Inc. (FCCDCI)				
Cost	**60%**	**15,000,000**	60%	15,000,000
Accumulated equity in net income:				
Balance at beginning of year		**55,781,132**		37,517,696
Equity in net income during the year		**36,027,144**		24,263,436
Dividends declared		**(17,400,000)**		(6,000,000)
Balance at end of year		**74,408,276**		55,781,132
		89,408,276		70,781,132
Advances:				
Eco Leisure		**776,136,049**		-
Cagayan Premium Ventures Development Corporation (CPVDC)		**459,033,305**		399,033,305
BLRI		**159,168,344**		159,372,824
Belle Corporation		**112,530,917**		-
AB Fiber Corp.		**19,950,000**		16,500,000
Cagayan Land Property Development Corporation (CLPDC)		**14,671,675**		13,953,359
FCCDCI		**14,047,373**		20,657,563
Hotel Enterprises of the Philippines, Inc. (HEPI)		**10,500,000**		
		1,566,037,663		609,517,051
Allowance for impairment loss on advances		**(45,850,992)**		(45,850,992)
		1,520,186,671		563,666,059
		1,654,592,626		629,344,090
Investments - at cost		**1,694,500**		756,500
		P1,656,287,126		P630,100,590

The allowance for impairment loss pertains to the Group's advances to BLRI as at December 31, 2012 and 2011.

BLRI

BLRI was incorporated in the Philippines and is engaged in the hotel and recreation business. It started commercial operations in August 2003.

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

The summarized financial information of BLRI follows:

	2012	2011
Current assets	**P5,628,235**	P4,180,346
Noncurrent assets	**107,089,992**	121,444,508
Current liabilities	**57,054,023**	1,448,420
Noncurrent liabilities	**83,356,545**	-
Gross revenues	**33,724,305**	32,695,419
Gross profit	**6,266,991**	3,833,606
Net loss/total comprehensive loss	**13,465,520**	20,161,695

On March 30, 2012, the Group and BLRI entered into a restructuring agreement for the payment of its advances as at December 31, 2011. The agreement provides for, among others, the commitment of BLRI to pay the carrying amount in five annual installments. The agreement also provides for the assignment of future rent income of BLRI from PAGCOR to the Group.

Collections amounting to P26,500,000 were made in 2013 pertaining to the currently payable balance pursuant to the restructuring agreement.

The advances to BLRI include the effects of discounting amounting to P25,446,927 at 8.03% per annum. Interest income on effective interest amortization recognized in profit or loss amounted to P6,050,956 in 2012 (see Note 21).

Techzone Philippines, Inc. (Techzone)

Techzone was incorporated in the Philippines on April 16, 2012 and is engaged in the acquisition, lease, donation, etc. of real estate of all kinds. It has not started commercial operations as at March 14, 2013.

Techzone is a 50%-owned associate of LRLDI.

The summarized financial information of Techzone follows:

	2012
Current assets	**P84,937,571**
Noncurrent assets	**60,529,069**
Current liabilities	**265,080**
Net loss/total comprehensive loss	**1,048,440**

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

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

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription Rights with IP Ventures, Inc. ("IPVI" a third party company) 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.

The summarized financial information of FCCDCI follows:

	2012	2011
Current assets	**P216,370,994**	P151,173,951
Noncurrent assets	**48,133,957**	66,620,897
Current liabilities	**118,505,494**	99,896,357
Noncurrent liabilities	**74,821**	-
Service fees	**313,280,472**	239,405,494
Net income/total comprehensive income	**55,886,937**	40,439,059

Advances to Eco Leisure
These advances pertain to the deposits made by LRWC to Eco Leisure in relation to the purchase agreement entered into by both parties for the purchase of Eco Leisure's ownership interest at HEPI representing 50% ownership. The advances are unsecured, noninterest bearing and expected to be settled within one year.

The deed of absolute sale for the transfer of shares of stocks is expected to be consummated in 2013.

Eco Leisure and HEPI are both third party companies and are incorporated in the Philippines.

Advances to HEPI
The advances to HEPI are unsecured, non-interest bearing and to be settled upon demand.

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

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

a. LRLDI agrees to invest funds or make advances into the Lallo Airport Project of CPVDC through a convertible loan in favor of CLPDC of a maximum amount of P700 million. CPVDC shall only use the advances to finance its capital expenditures and working capital requirements related to the construction, development of the airport;

b. LRLDI shall have the right to convert, in whole or in part, the outstanding amount of the advances at the time of the conversion, into new, unissued common shares of CLPDC subject to mutually agreed conversion price per conversion share;

c. CLPDC acknowledges and agrees that the advances will be directly received by CPVDC; and

d. CLPDC shall execute a separate agreement with LRLDI which provides for the specific procedures and details of borrowing, execution of the conversion and or repayment.

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

The construction of the airport is ongoing as at March 14, 2013 and is expected to operate in June 2013. As at December 31, 2012, CLPDC and LRLDI have not executed the separate agreement mentioned above.

The Group intends to convert the advances into shares of stocks within 1 year.

Further, a stockholder of LRWC executed a letter of undertaking in March 2013 that guarantees the amounts owed by CPVDC and CLPDC as at December 31, 2012 in favor of LRLDI.

Advances to Belle Corporation
These advances represent initial investment commitment in relation to the Memorandum of Agreements (MOA) entered into by the Group with Belle Corporation (see Note 26).

Advances to AB Fiber Corp.
On December 8, 2011, the Group entered into an agreement with AB Fiber Corp., a third party, for the subscription of 90,000 shares. In relation to this, deposits for future stock subscriptions were made by FCLRC amounting to P9,000,000 as at December 31, 2012 and 2011. The application for the increase in authorized capital stock has not yet been filed with SEC as at March 14, 2013.

11. Goodwill

The movements in this account are as follows:

	2012	2011
Beginning balance	**P578,397,141**	P563,067,183
Acquisitions during the year	**-**	15,329,958
	578,397,141	578,397,141
Less accumulated impairment losses	**32,078,452**	32,078,452
	P546,318,689	P546,318,689

BCGLC

On April 27, 2011, the Parent Company purchased 26,250 shares of BCGLC representing 70% ownership for a price of P2,625,000. The purchase was ratified by the Parent Company's BOD on May 24, 2011. The acquisition is in line with the Group's goal to expand and venture in other forms of gaming.

The Group has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

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

Consideration transferred	P2,625,000
Assets	
Cash	462,445
Receivables	3,793,943
Inventories	86,577
Prepaid expenses and other current assets	115,251
Property and equipment	16,307,425
Other assets	3,092,525
Liabilities	
Trade and other payables	(5,346,557)
Due to related parties	(28,724,023)
Long-term loans payable	(518,017)
Total identifiable net liabilities at fair value	(10,730,431)
Non-controlling interest measured at proportionate interest in identifiable net liabilities	(3,219,129)
	(7,511,302)
Goodwill	P10,136,302

BGC

On July 15, 2011, the BOD of ABLE approved the purchase of the 100% outstanding capital stock of BGC. On July 29, 2011, the purchase price of P1,250,000 was paid by ABLE thereby making BGC a wholly-owned subsidiary by ABLE.

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

Consideration transferred	P1,250,000
Assets	
Cash	2,242,520
Receivables	2,298
Inventories	25,224
Prepaid expenses and other current assets	59,036
Property and equipment	3,743,225
Other assets	1,336,160
Liabilities	
Trade and other payables	(844,313)
Due to related parties	(10,507,806)
Total identifiable net liabilities at fair value	(3,943,656)
Goodwill	P5,193,656

Key Assumptions on Impairment Testing of Goodwill

The Group performs impairment testing annually or more frequently when there are indicators of impairment for goodwill. The Group performed impairment testing of goodwill at December 31, 2012.

Following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

Gross Margins. Increased efficiencies over the next five years are expected to result in margin improvements.

Discount Rate. Discount rates were derived from the Group's Weighted Average Cost of Capital (WACC) and reflected management's estimate of risks within the bingo parlors. This is the benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including, but not limited to, five-year government bond yield, bank lending rates and market risk premium.

Growth Rate Estimates - The long-term rate used to extrapolate the budget for the investee companies excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the budget.

In testing impairment of goodwill, the recoverable amount is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ABLE and BCGLC. The anticipated growth rate included in the cash flow projections were 0% for Traditional Bingo, 7% for Electronic Bingo, 3.1% on rent income and 1% for Rapid Bingo and Pulltabs for the years 2013 to 2017 which are consistent with the long-term average growth rate for the industry. The discount rate applied to cash flow projections is 10.43% in 2012. Management believes that no reasonably possible change in the key assumptions would cause the carrying value of the investment in ABLE and BCGLC to which the goodwill relates to materially exceed its recoverable amount.

Sensitivity to Changes in Assumptions
The estimated recoverable amount of ABLE and BCGLC exceeded its carrying amount by approximately P1.1 billion in 2012. Management has identified that earnings before interest and tax and discount rates are the key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount.

12. Other Assets

This account consists of:

	Note	**2012**	2011
Land rights		**P186,078,447**	P101,567,814
Venue rental and other deposits	*19*	**111,649,296**	129,556,100
Airstrip improvements - net of accumulated amortization of P33,703,765 in 2012 and P25,029,269 in 2011	*18*	**69,395,969**	78,070,465
Cash and performance bonds	*17*	**45,100,000**	22,000,000
Advanced regulatory fee on instant games	*17*	**12,864,993**	12,920,708
Operating licenses		**4,253,690**	4,253,690
Others		**204,144**	6,936,010
		P429,546,539	P355,304,787

Land Rights
These pertain to the exclusive right of use and eventual transfer of legal ownership over parcels of land (the "Properties") in favor of FCLRC. In 2010, FCLRC entered into a Memorandum of Agreement (MOA) with titleholders of the Properties with the following terms and conditions:

- The titleholders accept and understand that they merely hold the Properties for the benefit of and in trust for FCLRC, to whom the beneficial ownership belongs;

- As long as the legal ownership of the Properties remains with the titleholders, the titleholders bind themselves not to exercise any acts of ownership without prior written consent by FCLRC. Accordingly, all cost and expense in connection with or arising out of the use, possession and ownership of the Properties shall be borne by FCLRC;

- The titleholders undertake a special power of attorney authorizing and empowering FCLRC, to sell, transfer, and convey the legal ownership over the Properties to any person chosen by FCLRC;

- The possession of the titles, deeds of sale, tax declarations and all other documents in connection with the Properties shall be surrendered to FCLRC;

- Upon the lapse of prohibitive period to sell or transfer legal ownership over the parcels of land, the titleholders undertake to assign, convey, or otherwise transfer the legal ownership over the Properties; and

- In consideration for the Properties, FCLRC shall pay the amount of P101,567,814 to the titleholders.

The prohibitive period is five (5) years from the purchase of these Properties. This is in accordance with Republic Act 10023, also known as the Free Patent Act.

In 2012, FCLRC entered into another MOA with another set of titleholders with the same provisions as above amounting to P84,510,633.

The following summarizes the consideration transferred, and the dates the exclusive right of use and eventual transfer of legal ownership over the Properties can be exercised in favor of FCLRC:

Property Location	Consideration	Date Acquired	Exercise Date
Brgy. Diora - Zinungan, Sta. Ana, Cagayan	P84,510,633	November 20, 2012	After three (3) years
Brgy. San Vicente, Sta. Ana, Cagayan	56,457,170	April 25, 2010	After three (3) years
Brgy. Rapuli, Sta. Ana, Cagayan	45,110,644	April 16, 2010	After three (3) years

Cash and Performance Bonds

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

Advanced Regulatory Fee on ICBG2

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

Operating Licenses

The operating licenses represent Grants issued by PAGCOR, which were acquired in relation to the acquisitions of bingo parlors by ABLE's subsidiaries as follows:

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

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

13. Loans Payable

a. Short-term loans of ABLE have maturity dates of up to April 30, 2013. The interest rates of short-term and long-term loans are repriced monthly based on negotiated rates or prevailing market rates.

The short-term and long-term loans are included in the credit facility with Banco de Oro (BDO) and Philippine Bank of Commerce (PBCOM) that are available to ABLE and are secured by LRWC's shares of stock and real property owned by an individual stockholder of LRWC.

As at December 31, 2012, the carrying amount of shares of stock used as collateral for the loan amounted to P57,000,000. The loan from Philippine Bank of Commerce (PBCOM) is unsecured.

In March 2011 and upon substantial payment, ABLE received a letter from BDO releasing the real property owned by an individual stockholder of LRWC as collateral.

Terms and conditions of outstanding loans payable are as follows:

	2012		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Short Term			
PBCOM	**9.0% - 10%**	**April 2012 - April 2013**	**P34,464,000**
BDO	**8.0% - 9%**	**April 2012 - April 2013**	**61,000,000**
			P95,464,000
Long Term			
BDO	**9.0%**	**April 2012 - March 2013**	**P4,166,667**
Less current portion			**4,166,667**
			P -

	2011		
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
PBCOM	9.5% - 10%	January - June 2012	P32,177,716
BDO	9.0% - 10%	February - April 2012	67,500,000
			P99,677,716
Long Term			
BDO	9.0% - 10%	April 2012 - March 2013	P20,833,334
Less current portion			16,666,667
			P4,166,667

On December 30, 2010, FCLRC entered into a loan agreement with BDO. Terms and conditions of the outstanding loan payable are as follows:

	2012		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Long Term			
BDO	**13%**	**December 2011 - December 2015**	**P27,011,463**
Less current portion			**7,867,834**
			P19,143,629

	2011		
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
BDO	13%	December 2010 - December 2015	P33,925,005
Less current portion			6,913,542
			P27,011,463

The loan is payable in sixty (60) monthly installments starting January 2011 and is secured by a chattel mortgage over an aircraft owned by FCLRC. The carrying amount of aircraft included under "Property and equipment" in the consolidated statements of financial position as at December 31, 2012 and 2011 amounted to P62,560,000 and P65,280,000, respectively.

b. On September 15, 2011, ABLGI entered into a loan agreement with a local bank. The loan is unsecured and payable in 24 equal monthly installments starting on September 15, 2011 up to September 15, 2013 with an interest equivalent to 9.37% per annum. Contractual maturities of the loan as at December 31 are as follows:

	2012	2011
Less than 1 year	**P348,000**	P464,000
More than 1 year but less than 3 years	-	348,000
	P348,000	P812,000

c. In October 2010, BCGLC entered into a loan agreement with a local bank. The loan is unsecured and is payable in 36 equal monthly installments starting in October 2010 up to September 2013 with an interest equivalent to 17.64% per annum. Contractual maturities of the loan as at December 31 are as follows:

	2012	2011
Less than 1 year	**P184,770**	P211,487
More than 1 year but less than 3 years	-	184,770
	P184,770	P396,257

Interest expense recognized in profit or loss amounted to P15,321,872 and P19,820,762, and P19,364,955 in 2012, 2011, and 2010, respectively.

14. Obligations under Finance Lease

In 2012 and 2010, ABLE entered into vehicle financing agreements with BDO, which are payable in monthly installments on their respective repayment dates up to October 19, 2015 and September 16, 2013, respectively. Annual interest rates approximate 10% which are subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso. The vehicles serve as lien in the financing agreements.

Obligations under finance lease for vehicles are payable as follows:

	2012		
	Principal	**Interest**	**Minimum Lease Payments**
Less than one year	**P93,014**	**P1,208**	**P94,222**
Between one and five years	**10,196,701**	**792,724**	**10,989,425**
	P10,289,715	**P793,932**	**P11,083,647**

	2011		
	Principal	Interest	Minimum Lease Payments
Less than one year	P1,300,698	P129,392	P1,430,090
Between one and five years	625,242	19,531	644,773
	P1,925,940	P148,923	P2,074,863

As at December 31, 2012 and 2011, the carrying amount of leased vehicles, included under "Property and equipment" account in the consolidated statements of financial position amounted to P18,067,781 and P3,001,400, respectively.

Interest expense recognized in profit or loss amounted to P793,932, P464,589, and P3,428,202 in 2012, 2011, and 2010, respectively (see Note 21).

15. Trade and Other Payables

This account consists of:

	Note	**2012**	2011
Payable to CEZA	*18*	**P326,277,738**	P300,007,556
Unearned hosting fees	*18*	**98,888,090**	66,233,014
Payout fund payable	*17*	**39,467,068**	57,086,334
Payable to PAGCOR	*17*	**30,721,224**	31,600,558
Rent payable	*19*	**26,618,494**	78,458,637
Accrued expenses and other payables:			
Dividends payable	*16*	**55,765,886**	47,663,169
Payable to machine suppliers		**39,785,161**	23,558,165
Contracted services		**25,645,502**	46,465,883
Capital expenditures		**16,938,408**	17,591,906
Payout payable		**14,935,120**	6,575,727
Salaries, wages and employee benefits		**14,743,167**	12,324,863
Taxes and licenses		**6,859,115**	8,266,527
Cards and supplies		**6,570,032**	8,157,169
General and administrative		**4,889,039**	6,838,340
Others		**34,526,188**	22,548,831
		P742,630,232	P733,376,679

Payout fund payable represents bets placed for a special game conducted by the Group, which is accumulated and recognized as an obligation until such time that a winner is determined and the prize is awarded.

Payable to PAGCOR includes the accrual for the cost of the 10,000,000 unsold ICBG2 cards (see Note 12).

16. Equity

Increase in Authorized Capital Stock

On September 19, 2000, the SEC approved the increase in the Parent Company's authorized capital stock from 500 million to 2.5 billion common shares, both at P1 par value per share. Out of the aforementioned increase in authorized capital stock, a total of 750 million common shares with aggregate par value of P750 million have been subscribed and fully paid for through the assignment in favor of the Parent Company of common shares of ABLE representing the entire outstanding capital stock thereof by the previous ABLE shareholders. The subscription and payment in ABLE shares was the result of the implementation of duly executed Agreements (see Note 2) between the Parent Company and ABLE's shareholders. Initially, 236,626,466 shares of the Parent Company were approved by the SEC for release to the previous ABLE shareholders. On November 28, 2003, the BOD and stockholders of LRWC approved the decrease in authorized capital stock from 2.5 billion shares to 1.6 billion shares at P1 par value per share in pursuant to LRWC's plan to decrease its capital and applying it against its deficit. This transaction resulted in a reduction of P418,563,336 in the deficit account as at January 1, 2004. SEC approved the decrease in authorized capital stock on August 3, 2004. The remaining shares corresponding to 513,373,534 in 2003 (subsequently reduced to 328,559,059 shares after equity restructuring) were placed under escrow with BDO and the release of which is subject to the approval of SEC.

In the years subsequent to 2003, the SEC approved the release of 322,616,462 shares from escrow. On October 10, 2011, the SEC approved the release of the remaining 5,942,597 shares from escrow.

Registration of Securities under the Securities Regulation Code

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of LRWC were registered and may be offered for sale at an offer price of P1.33 per common share. As at December 31, 2012 the Parent Company has a total of 999,877,094 issued and outstanding common shares and 1,871 stockholders.

Issuance of New Shares

On March 21, 2011, the BOD of LRWC authorized the issuance, through a private placement, of 150,000,000 shares from its unissued capital stock. On March 24, 2011, the new shares were subscribed at P7.5 per share by virtue of the subscription agreements entered by LRWC with the investors. On the same date, 25% of the amount subscribed was collected amounting to P281,250,000. On May 15, 2011, the remaining balance of subscription receivable amounting P843,750,000 was collected.

On July 29, 2011, the stockholders of LRWC approved the issuance of new shares to the said investors after waiver to conduct a rights or public offering was obtained.

Declaration of Dividends
Cash dividends declared by the BOD of the Parent Company in 2012 and 2011 were as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
July 27, 2012	February 28, 2013	P34,995,698	P0.035
July 27, 2012	September 28, 2012	39,995,084	0.040
July 29, 2011	February 29, 2012	19,997,542	0.020
July 29, 2011	January 30, 2012	24,996,927	0.025
July 29, 2011	September 18, 2011	29,996,313	0.030
July 30, 2010	January 28, 2011	16,997,542	0.020
July 30, 2010	November 26, 2010	25,496,313	0.030
July 30, 2010	August 27, 2010	25,496,313	0.030

As at December 31, 2012 and 2010, unpaid dividends, included under "Trade and other payables" account in the consolidated statements of financial position, amounted to P55,765,886 and P47,663,169, respectively (see Note 15).

Acquisition of LRWC Shares by ABLE
On February 9 and June 2, 2008, the BOD of ABLE approved the acquisition of up to 30,000,000 shares of the Parent Company.

As at December 31, 2012 and 2011, ABLE has a total of 18,330,500 shares (at cost of P18,694,937) of the Parent Company, which were accounted as treasury shares in the consolidated financial statements. The additional 10,435,500 shares in 2009 include the effect of stock dividends declared by the Parent Company during the year on the shares held by ABLE.

In 2011, the Group disposed 2,050,000 treasury shares at transaction price of P12,237,453. The surplus on the disposal amounting to P10,146,696 was transferred to additional paid-in capital in the consolidated financial statements. The market value of LRWC shares amounted to P8.30 and P9.09 per share as at December 31, 2012 and 2011, respectively.

17. Grants of Authorities to Operate Bingo Games ("Grant")

a. Operation of Traditional Bingo Games

PAGCOR granted ABLE and its subsidiaries the sole authority to operate bingo halls and conduct bingo games, as well as the betting aspect thereof, within the confines of the game sites for various periods ranging from January 2009 to January 2015. In consideration of the Grants, ABLE and its subsidiaries shall pay PAGCOR 20% of its gross bingo card sales, which shall be remitted to PAGCOR on a weekly basis. Such consideration to PAGCOR is distributed as follows: 5 percentage points as the Bureau of Internal Revenue (BIR) Franchise Tax and 15 percentage points as the PAGCOR Franchise Fee. Pursuant to Presidential Decree No. 1869 (P.D. 1869), the BIR Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. ABLE and its subsidiaries deposited a total of P19,600,000 and P9,450,000 as at December 31, 2012 and 2011, respectively, representing cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants (see Note 12). The Grants are subject to renewal upon mutual agreement of both parties.

On March 26, 2008, Bingo Regulatory Order No. 2008-01 entitled "Modified Computation of the Five Percent (5%) Franchise Tax," was passed into law effective April 1, 2008. The regulation modified the basis for the computation of the BIR Franchise Tax being remitted to PAGCOR by the bingo grantees for their Traditional Bingo operations from gross sales to gross revenue (gross sales less pay-outs) retroactive to January 1, 2008. However, the basis for the computation of the PAGCOR Franchise Fee shall still be the gross sales.

b. Distribution of ICBG2 Cards

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the ICBG2 cards to complement its existing bingo game operations pursuant to PD 1869. In consideration of the Grant, ABLE shall pay PAGCOR, upon withdrawal of ICBG2 cards, the regulatory fee of 12.5% of the gross value of cards sold.

c. Operation of Electronic Bingo Games

PAGCOR authorized ABLE and its subsidiaries to operate and conduct electronic bingo games (e-bingo) for various periods from January 2009 to January 2015. In consideration of the Grants, ABLE and its subsidiaries shall pay PAGCOR 60% of the gross revenues from e-bingo operations, which shall be remitted twice weekly to PAGCOR (distributed as follows: 5 percentage points as the BIR Franchise Tax and 55 percentage points as the PAGCOR Franchise Fee). ABLE and its subsidiaries deposited a total of P25,300,000 and P12,350,000 as at December 31, 2012 and 2011, respectively, representing cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants (see Note 12). The Grants are subject to renewal upon mutual agreement of both parties.

Starting May 1, 2010, ABLE and its subsidiaries shall remit to PAGCOR 52.5% of the gross revenues from e-bingo games distributed as follows: 5 percentage points as the BIR Franchise Tax and 47.5 percentage points as the PAGCOR Franchise Fee.

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

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

e. Operation of New Rapid Bingo System (NRBS)

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

As at December 31, 2012 and 2011, ABLE deposited cash and performance bonds amounting to P200,000 with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grant (see Note 12).

18. License Agreement

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

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

Subsequent to the signing of the LA, FCLRC and CEZA signed a Supplemental Agreement (SA). The SA provides for the following:

1. Appointment of FCLRC as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP;

2. FCLRC is authorized to assist CEZA in its functions as a regulator for interactive gaming activities on behalf of CEZA in accordance with Part 5 of CSEZFP Interactive Gaming Rules and Regulations;

3. The authorization of FCLRC as Master Licensor shall be exclusive for twenty-five years starting from November 7, 2006 or until 2031;

4. FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, FCLRC is authorized to collect from sub-licenses an annual fixed amount equivalent to $48,000 for the first year of operations and $60,000 thereafter, from sportsbook operators;

5. FCLRC must pay CEZA, on a monthly basis to commence upon the start of actual operations of FCLRC, an amount equivalent to one percent (1%) of the monthly gross winnings payable not later than the seventh (7^{th}) day of the subsequent month. Starting on the sixth (6^{th}) year after the start of FCLRC's operation, FCLRC shall pay a minimum guaranteed amount of $250,000 each month. Unpaid CEZA fees are charged with interest of 12% per annum.

FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local, and national, shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the national government five percent (5%) of locators' gross income less allowable deductions. In 2012, 2011, and 2010, this is included as income tax expense, which amounted to P16,285,769, P9,684,485, and P7,254,450, respectively (see Note 23).

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

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

- In August 2007, FCLRC and CEZA entered into an agreement with A.G. Pazon & Associates and CAMJ Construction Corporation, both third parties, to start the development of the Cagayan Business Park (CBP), part of Phase I of the Master Development Plan. The proposed CBP has a total lot area development of 90,005 square meters. The site development plan includes the construction of buildings with a total floor area of 2,400 sqm. The project also includes the construction of an administration building, commercial center, cable center, sub-station and parking spaces. It also includes the installation of an underground power/communication cabling system and an overhead water tank. The development of the CBP was completed in January 2011.

- Another infrastructure required in Phase I of the Master Development Plan is the rehabilitation of the San Vicente Naval Airport (the Airport). On September 1, 2006, FCLRC entered into a contract for the airstrip rehabilitation with the same contractors for the CBP to undertake the expansion, paving and overlaying of the runway of the airport and the provision of basic airport amenities. The rehabilitation of the San Vicente Naval Airport was completed on December 8, 2006 (see Note 12).

- As an initial project to establish the internet and telecommunication infrastructure, FCLRC entered into an Agreement with IPCDCC on March 1, 2007, incorporating FCCDCI. The parties shall infuse the necessary capital to fund the required infrastructure requirements of the Master Development Plan (see Note 10).

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

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

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

19. Lease Agreements

Group as Lessee

i The Group leases the spaces where the Group entities conduct their bingo operations. The term of the lease agreements with various lessors varies from one (1) to five (5) years. The lease amounts are computed based on certain percentages of gross revenues or on a fixed rate per square meter which are generally determined on an annual basis.

ii In December 2006, FCLRC entered into a 25-year lease contract with the municipality of Cagayan up to December 7, 2031 or until FCLRC serves as its Master Licensor for the lease of a parcel of lot with an area of 178,728 square meters. Monthly rent is fixed at P357,456, subject to a 5% escalation every three years.

iii In March 2007, FCLRC entered into a 25-year lease contract with CEZA up to June 30, 2031 or until FCLRC serves as its Master Licensor, for the lease of a parcel of lot and improvements with an area of 23,758 square meters. Monthly rent is fixed at P600,527, subject to a 5% escalation every five years.

iv The Group entered into the following lease agreements in relation to their Operating Agreement with Belle Corporation (see Note 26):

a. Casino Land Lease
On January 14, 2011, ABGLI entered into a contract of lease over parcels of land. The terms and conditions of the contract, among others, provided that the lease shall commence upon the execution of the contract and shall expire ten (10) years after the casino building lease commencement date ("Commencement Date"). The Commencement Date is the earlier between the soft opening and the complete turnover date of the casino area. The soft-opening of the casino is expected to be in September 2012.

b. Casino Building Lease
On January 14, 2011, ABLGI entered into a contract of lease of a casino building. The lease period shall commence on the "Commencement Date" described in the Casino Land Lease Agreement and shall expire 10 years after the "Commence Date."

c. Office Space Leases
In May 2011, ABLGI entered into a lease contract for its office space. The lease is for a period of nine (9) months until February 2012 with the option to renew monthly upon mutual agreement of both parties.

In June 2011, ABLGI entered into a lease contract for additional office space. The lease is for a period of one year until June 15, 2012 with the option to renew monthly upon mutual agreement of both parties.

As discussed in Note 26, the Operating Agreement with Belle Corporation has been amended, effectively terminating the casino land & building leases. Accordingly, accrued rent in 2011 amounting to P55,011,629 was reversed in 2012 and presented under "Other income" account in the consolidated statements of comprehensive income (see Note 21).

Rent expense recognized in profit or loss in 2012, 2011, and 2010 amounted to P311,531,161, P371,485,759, and P212,013,872, respectively.

Minimum lease payments are as follows:

	2012	2011	2010
Less than one year	**P166,486,162**	P184,415,893	P106,013,664
Between one and five years	**151,466,343**	433,645,103	176,184,963
More than five years	**182,368,537**	1,128,547,435	210,684,223
	P500,321,042	P1,746,608,431	P492,882,850

Group as Lessor

a. The Group leases its investment property under an operating lease agreement. Lease term is as follows:

   The lease is for a period of 5 years until October 31, 2015. The lease agreement provides for, among others, rent deposit returnable to the lessee upon termination of the lease. Rent deposit amounted to P4,731,800 and P4,111,800 as at December 31, 2012 and 2011, respectively. Minimum lease receivables as at December 31 are as follows:

	2012	2011
Within one year	**P18,496,676**	P15,481,600
Between one and five years	**42,404,595**	52,332,394
	P60,901,271	P67,813,994

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

c. On October 20, 2009, BCLGC, as the authorized representative of Munich Management Limited - a foreign corporation duly organized and registered in British Virgin Islands, entered into a contract of lease with the PAGCOR for the use of its slot machines. The lease is for a period of 5 years until October 19, 2014. The lease is equivalent to 40% of gross revenues of slot machines after deducting player's winnings and taxes.

Rent income recognized in profit or loss in 2012, 2011, and 2010 amounted to P180,516,242; P137,211,891, and P28,514,676, respectively.

20. Retirement Benefits

The Group has an unfunded, noncontributory, defined benefit retirement plan covering all regular employees. The benefits are primarily based on the number of years of service of covered employees, as well as their fixed monthly salary. Under the provisions of the retirement plan, the normal retirement age is sixty (60), with at least five (5) years of service and the retirement benefit is equal to eighty five percent (85%) of the fixed monthly basic salary per year of service. The latest actuarial valuation report is as at December 31, 2012.

The reconciliation of the present value of the defined benefit obligation to the recognized liability presented as "Retirement benefits liability" in the consolidated statements of financial position is as follows:

	2012	2011
Present value of unfunded obligations	**P56,113,664**	P37,490,600
Unrecognized actuarial loss	**(13,052,098)**	(858,312)
Recognized liability for defined benefit obligations	**P43,061,566**	P36,632,288

The movements in the present value of obligation are shown below:

	2012	2011
Balance at beginning of year	**P37,490,600**	P23,088,900
Current service cost	**4,175,078**	2,981,100
Interest cost	**2,254,200**	2,082,700
Actuarial losses	**12,193,786**	9,337,900
Balance at end of year	**P56,113,664**	P37,490,600

The recognized expense included under "Employee benefits" in profit or loss consists of:

	2012	2011	2010
Current service cost	**P4,175,078**	P2,981,100	P1,653,100
Interest cost	**2,254,200**	2,082,700	1,695,900
Actuarial gains recognized	**-**	(293,800)	(539,000)
	P6,429,278	P4,770,000	P2,810,000

The principal actuarial assumptions used to determine retirement benefits (expressed as weighted averages) are as follows:

	2012	2011
Discount rate	**6.05%**	6.76%
Future salary increases	**3%**	3%

The historical information of the amounts for the current and previous four annual periods is as follows:

	2012	2011	2010	2009	2008
Present value of the defined benefit obligation	**P56,113,664**	P37,490,600	P23,088,900	P16,120,400	P26,975,411

21. Finance Income/Finance Expense/Other Income

Finance income consists of:

	Note	**2012**	2011	2010
Interest income on cash and cash equivalents	*4*	**P20,272,080**	P15,383,681	P191,748
Interest income on effective interest amortization	*10*	**6,050,956**	-	-
Dividend income		-	680,000	1,407,055
		P26,323,036	P16,063,681	P1,598,803

Finance expense consists of:

	Note	**2012**	2011	2010
Interest expense on loans payable and unpaid CEZA fees	*13, 18*	**P37,237,105**	P45,791,696	P39,767,152
Interest expense on obligations under finance lease	*14*	**793,932**	464,589	3,428,202
		P38,031,037	P46,256,285	P43,195,354

Other income - net consists of:

	Note	**2012**	2011	2010
Rent income	*19*	**P180,516,242**	P137,211,891	P28,514,676
Reversal of accrued rent	*19*	**55,011,629**	-	-
Gain on insurance proceeds		-	544,511	-
Loss on write-off of property and equipment		**(44,820)**	(313,871)	-
Others		**539,656**	2,644,118	3,702,048
		P236,022,707	P140,086,649	P32,216,724

22. Related Party Disclosures

In the normal course of business, the Group entities have transactions with related parties. As at December 31, 2012 and 2011, the outstanding balances of related party receivables and payables are as follows:

Categories	Nature of Transaction		Note	Amount of Transactions for the Year	Outstanding Balance: Due to a Related Party	Outstanding Balance: Due from Related Parties	Terms	Conditions
Joint Venture								
FCCDCI	Rental of premises	**2012**	*19*	**P599,481**	**P -**	**P484,393**	**Demandable; non-interest bearing**	**Unsecured; no impairment**
		2011	*19*	22,436,316	-	473,684	Demandable; non-interest bearing	Unsecured; no impairment
		2010	*19*	1,413,649			Demandable; non-interest bearing	Unsecured; no impairment
	Dividends	**2012**	*10*	**17,400,000**	-	**17,400,000**	**Demandable; non-interest bearing**	**Unsecured; no impairment**
		2011	*10*	6,000,000	-	-	Demandable; non-interest bearing	Unsecured; no impairment
		2010	*10*	22,800,000			Demandable; non-interest bearing	Unsecured; no impairment
	Transfers under finance arrangements	**2012**	*10*	610,190			**Demandable; non-interest bearing**	**Unsecured; no impairment**
		2011	*10*	4,000,000			Demandable; non-interest bearing	Unsecured; no impairment
		2010	*10*	278,351			Demandable; non-interest bearing	Unsecured; no impairment

Forward

Categories	Nature of Transaction		*Note*	Amount of Transactions for the Year	Outstanding Balance: Due to a Related Party	Outstanding Balance: Due from Related Parties	Terms	Conditions
Associate								
BLRI	Cash advances	**2012**		**P22,324,294**	**P -**	**P28,510,996**	**Demandable; non-interest bearing**	**Unsecured; no impairment**
		2011		4,969,526	-	25,183,883	Demandable; non-interest bearing	Unsecured; no impairment
	Transfers under finance arrangements	**2012**	*10*	25,651,407	-	-	**Demandable; non-interest bearing**	**Unsecured; with impairment**
		2011		14,363,365	-	-	Demandable; non-interest bearing	Unsecured; with impairment
		2010		48,805,674	-	-	Demandable; non-interest bearing	Unsecured; with impairment
Other related parties								
Longview Holdings Corporation	Cash advances	**2012**		-	**9,070,691**	-	**Demandable; non-interest bearing**	**Unsecured; no impairment**
		2011		-	9,070,691	-	Demandable; non-interest bearing	Unsecured; no impairment
Individual Stockholder	Cash advances	2011		37,000,000	-	-	3 months; interest bearing	Unsecured; no impairment
	Interest	2011		1,166,667	-	-	3 months; interest bearing	Unsecured; no impairment
Total		**2012**			**P9,070,691**	**P46,395,389**		
Total		2011			P9,070,691	P25,657,567		

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

	2012	2011	2010
Salaries and employee benefits	**P21,850,464**	P20,195,897	P18,082,628
Directors' fees	**3,400,000**	4,487,222	1,910,000

Unliquidated advances to officers and employees amounted to P66,101,037 and P100,698,422 as at December 31, 2012 and 2011, respectively. These advances are subject to liquidation within 12 months from the date granted or collectible in cash upon demand (see Note 5).

In April 2011, the Group obtained interest-bearing advances amounting to P37 million from a major stockholder of LRWC for a period of three months at 1% per month. The advances including interest of P1,166,667 were fully paid in May 2011.

23. Income Taxes

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

	2012	2011	2010
Current tax	**P17,785,115**	P10,371,012	P7,254,450
Deferred tax	**4,141,047**	(64,536,733)	-
	P21,926,162	(P54,165,721)	P7,254,450

The Group's income tax expense (benefit) is attributable to the Group's licensing operations with CSEZFP at a special rate of 5% and regular income tax rate of 30% on rent and other income (see Note 18).

Reconciliation between income tax expense (benefit) in the Group's profit or loss and the income tax computed at special and regular corporate income tax rate follows:

	2012	2011	2010
Income (loss) before income tax	**P370,339,385**	(P49,831,027)	P248,270,166
Income tax using statutory tax rate of 30%	**P111,101,816**	(P14,949,308)	P74,481,050
Additions to (reductions in) income taxes resulting from tax effects of:			
Nondeductible operating expenses	**1,188,576,553**	1,102,793,684	2,733,526
Change in unrecognized deferred tax assets	**7,912,523**	7,075,942	3,850,155
Net unrealized foreign exchange gain - net	**(3,151,866)**	(472,247)	(15,106)
Equity in net loss of an associate	**(157,266)**	-	-
Non taxable income	**(1,181,690,723)**	(1,088,909,958)	(41,096,790)
Gross income on service fees subject to 5%	**(81,959,821)**	(47,605,658)	(20,341,754)
Equity in net earnings of a joint venture	**(10,808,142)**	(7,279,031)	(1,548,109)
Interest income subject to final tax	**(7,896,912)**	(4,615,144)	(38,925)
Dividend income exempt from tax	-	(204,001)	(10,769,597)
	P21,926,162	(P54,165,721)	P7,254,450

The Group's entities, as grantees of PAGCOR's authority to operate bingo halls, are subject to the 5% franchise tax in lieu of all kinds of taxes (see Note 17). Franchise fees and taxes are presented as reduction of revenues in the consolidated statements of comprehensive income.

As at December 31, 2012 and 2011, the Group recognized deferred tax assets amounting to P60,395,686 and P64,536,733, respectively.

The composition of recognized deferred tax assets of ABGLI as at December 31 are as follows:

	2012	2011
NOLCO	**P60,392,969**	P48,033,244
MCIT	**2,717**	-
Accrued rent	-	16,503,489
	P60,395,686	P64,536,733

The Group has NOLCO where no deferred tax was recognized amounting to P62,481,287 and P44,294,106 as at December 31, 2012 and 2011, respectively, because management believes that it is not probable that future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The unrecognized deferred tax asset pertains to the NOLCO of LRWC.

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

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Year of Expiration
2012	P67,295,289	P -	P -	P67,295,289	2015
2011	184,897,007	-	-	184,897,007	2014
2010	12,980,469	1,381,581	-	11,598,888	2013
2009	9,374,212	1,465,188	7,909,024	-	2012
2008	6,315,239	410,593	5,904,646	-	2011
	P280,862,216	P3,257,362	P13,813,670	P263,791,184	

Effective November 1, 2005, Republic Act (R.A.) No. 9337, "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features," particularly Section 27 (c), excluded the PAGCOR from the provision of government-owned or controlled corporations or agencies not subjected to the thirty five (35%) corporate income tax.

Management believes that ABLE's payment of 5% Franchise Tax to the Bureau of Internal Revenue is effectively equivalent to the corporate income tax for the taxable years 2012 and 2011. Based on consultations with tax advisers, the management also believes that collection of income tax in addition to the 5% Franchise Tax has no legal basis.

Pursuant to P.D. 1869, also known as PAGCOR Charter and as amended by R.A. 9487, the 5% Franchise Tax shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

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

In view of the above, management has not provided for provision for income tax for 2012 and 2011.

24. Earnings (Loss) Per Share

Earnings (loss) per share (EPS) is computed as follows:

	2012	2011	2010
Income (loss) attributable to the equity holders of the Parent Company (a)	**P280,069,809**	(P36,384,633)	P205,036,499
Adjusted weighted average number of shares outstanding (b)	**981,546,594**	931,546,594	829,496,594
Basic and diluted earnings (loss) per share (a/b)	**P0.2853**	(P0.0391)	P0.2472

There are no dilutive potential common shares as at December 31, 2012, 2011 and 2010. Accordingly, diluted EPS is the same as basic EPS.

25. Segment Information

The Group operates in two (2) reportable business segments, the professional bingo gaming and interactive games licensing, and only one (1) reportable geographical segment which is the Philippines.

Professional bingo gaming provides amusements and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games. Interactive games licensing engages in developing a network operation/hub with an internet server including web sites, gaming software, application program, administrative software, hardware, internet, as well as telecommunications connections, collection and payment system and toll free telephone operations, all in connection with the development, operation and conduct of an internet and gaming enterprises and facilities; and regulates and monitors on behalf of CEZA all activities pertaining to the licensing and operation of interactive games.

Analysis of financial information by business segment in 2012 is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,851,177,271	P577,835,170	P -	P -	P4,429,012,441
Results					
Segment results	14,499,679	192,596,417	-	-	207,096,096
Unallocated corporate expenses					(92,666,570)
Results from operating activities					114,429,526
Finance income	7,085,196	532,753	18,705,087	-	26,323,036
Finance expense	(11,139,541)	(26,847,806)	(43,690)	-	(38,031,037)
Rent/other income	88,360,252	76,099,218	71,563,237	-	236,022,707
Foreign exchange loss - net	-	(3,907,770)	-	-	(3,907,770)
Equity in net earnings of a joint venture	-	36,027,144		-	36,027,144
Equity in net loss of an associate	-	-	(524,220)	-	(524,220)
Foreign currency translation gain	67,398	-	-	-	67,398
Income taxes	-	(16,285,769)	(5,640,393)	-	(21,926,162)
Non-controlling interest	9,947,126	(78,290,541)	-	-	(68,343,415)
Net Income					P280,137,207
Other Information					
Segment assets	P1,206,724,826	P1,262,113,142	P -	(P2,316,363,789)	P152,474,179
Investments at cost	1,694,500	-	-	-	1,694,500
Unallocated corporate assets	-				3,769,879,968
Total Assets					P3,924,048,647
Segment liabilities	P482,463,247	P646,326,615	P -	(P248,423,700)	P880,366,162
Unallocated corporate liabilities					61,430,415
Total Liabilities					P941,796,577
Capital expenditures	P82,298,029	P21,309,783	P38,362,829	P -	P141,970,641
Depreciation and amortization	89,574,470	23,976,186	12,435,699	-	125,986,355

Analysis of financial information by business segment in 2011 is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,629,699,859	P216,751,180	P -	P -	P3,846,451,039
Results					
Segment results	(26,887,979)	102,687,493	-	-	75,799,514
Unallocated corporate expenses					(264,750,041)
Results from operating activities	-	-	-	-	(188,950,527)
Finance income	796,770	294,989	14,971,922	-	16,063,681
Finance expense	(15,347,939)	(26,372,110)	(4,536,236)	-	(46,256,285)
Foreign exchange gain - net	-	4,962,019	-	-	4,962,019
Rent/other income	64,724,955	60,378,674	14,983,020	-	140,086,649
Equity in income of a venture	-	24,263,436	-	-	24,263,436
Foreign currency translation gain	-	-	11,839	-	11,839
Income taxes	-	(9,684,485)	63,850,206	-	54,165,721
Non-controlling interest	6,740,574	(47,459,901)	-	-	(40,719,327)
Net Loss					(P36,372,794)
Other Information					
Segment assets	P1,156,651,405	P1,065,921,846	P -	(P1,384,051,759)	P838,521,492
Investments at cost	756,500	-	-	-	756,500
Unallocated corporate assets					2,863,080,414
Total Assets					P3,702,358,406
Segment liabilities	P464,630,882	P558,349,504	P -	(P225,093,265)	P797,887,121
Unallocated corporate liabilities					148,937,216
Total Liabilities					P946,824,337
Capital expenditures	P94,914,631	P147,431	P109,398,705	P -	P204,460,767
Depreciation and amortization	61,005,380	19,882,274	8,715,429	-	89,603,083

Analysis of financial information by business segment in 2010 is as follows:

	Professional Bingo Gaming	Interactive Games Licensing	Others	Eliminations	Consolidated
Net Revenues					
External revenue	P3,556,868,919	P295,712,890	P -	P -	P3,852,581,809
Results					
Segment results	158,620,252	78,761,057	-	-	237,381,309
Unallocated corporate expenses					(17,399,986)
Results from operating activities					219,981,323
Finance income	1,513,439	74,398	10,966	-	1,598,803
Finance expense	(21,628,477)	(21,074,825)	(492,052)	-	(43,195,354)
Foreign exchange gain - net	(2,474)	6,708,964	-	-	6,706,490
Rent/other income	-	28,354,028	3,862,696	-	32,216,724
Equity in income of a venture	-	30,962,180	-	-	30,962,180
Income taxes	-	(7,254,450)	-	-	(7,254,450)
Non-controlling interest	(646,911)	(35,332,306)	-	-	(35,979,217)
Net Income					P205,036,499
Other Information					
Segment assets	P1,033,075,929	P852,382,812	P -	(P402,228,819)	P1,483,229,922
Investments at cost	756,500	-	-	-	756,500
Unallocated corporate assets					945,602,593
Total Assets					P2,429,589,015
Segment liabilities	P456,598,737	P501,340,486	P -	(P713,528,049)	P244,411,174
Unallocated corporate liabilities					494,916,919
Total Liabilities					P739,328,093
Capital expenditures	P81,730,456	P77,065,273	P -	P -	P158,795,729
Depreciation and amortization	48,023,811	13,904,716	4,317,470	-	66,245,997

There were no intersegment sales recognized between the two reportable segments in 2012, 2011, and 2010. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement obligation, and due to a related party. Capital expenditures on noncurrent assets represent additions to property and equipment and investment property. Noncash expenses pertain to depreciation and amortization expense attributable to the two reportable segments.

26. Operating Agreement

On January 14, 2011, ABLGI was engaged by Belle Corporation, through its subsidiary, Premium Leisure and Amusement, Inc. (PLAI), to act as operator and manager of its casino in behalf of PLAI pursuant to the provisional license issued by PAGCOR. The terms of the agreement are contained in the Operating Agreement signed by both parties on the same date.

PLAI is a member of a consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation, SM Commercial Properties, Inc. and PLAI (all third parties), which was granted a Provisional License by PAGCOR to establish and operate a casino (Casino Project) to be located within the Manila Bay Reclamation Area.

In 2011, Belle Corporation made advance payments amounting to P29,840,622 in behalf of ABLGI for the construction of leasehold improvements. The advances bear an interest of 12% per annum.

As at December 31, 2011, the amounts owed to Belle Corporation in relation to the above, were fully paid including interest. Interest expense recognized in profit or loss in 2011 amounted to P3,278,767.

In 2012, ABLGI, LRWC, PLAI and Belle Corporation entered into a MOA amending the previous operating agreement to allow the entrance and participation of a foreign partner. In exchange, ABLGI would have a direct interest in the economic benefits to be derived by Belle Corporation and PLAI from the casino operations, particularly 30% of the fixed yearly income generated from the leasing of all commercial spaces in the Casino Project, inclusive of the hotel, retail and casino premises.

27. Other Matters

Rapid Bingo and Electronic Bingo

To better reflect the revenues from rapid bingo, revenues presented by the Group are net of the supplier's share amounting to P8,431,621, P10,247,793, and P11,864,430 in 2012, 2011, and 2010, respectively.

Likewise, the Group's revenues from e-bingo are as follows:

	2012	2011	2010
Gross receipts from e-bingo	**P2,090,285,741**	P1,476,667,877	P1,101,656,556
Less share of owners of e-bingo machines	**459,752,038**	324,867,086	242,022,215
Net revenues	**P1,630,533,703**	P1,151,800,791	P859,634,341

Tax Cases

- In 2008, the Commissioner of Internal Revenue issued a Letter of Authority (LOA) to examine/audit SEGI's internal revenue taxes filed for the taxable year December 31, 2005.

  In 2010, the SEGI received a Final Decision on Disputed Assessment. SEGI filed an appeal on the Final Decision on Disputed Assessment to the Office of the Commissioner of Internal Revenue. On March 31, 2011, a Petition for Review was filed before the Court of Tax Appeals under CTA Case No. 8257.

- In 2008, the Commissioner of Internal Revenue issued a LOA to examine/audit SEGI's internal revenue taxes filed for taxable year December 31, 2007.

  In 2010, SEGI received a Final Decision on Disputed Assessment. SEGI filed an appeal on the Final Decision on Disputed Assessment to the Office of the Commissioner of Internal Revenue. On May 11, 2011, a Petition for Review was filed before the Court of Tax Appeals under CTA Case No. 8286.

The outcome of the lawsuits cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from the lawsuits, if any, will not have a material effect on the consolidated financial statements.

28. Financial Risk Management

Financial Risk Management Objectives and Policies
The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

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

Financial information on the Group's maximum exposure to credit risk as at December 31, 2012 and 2011, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	Note	**2012**	2011
Cash in banks	*4*	**P172,256,416**	P323,958,518
Short-term investments	*4*	**-**	599,344,221
Receivables - net	*5*	**291,351,293**	367,805,395
Due from related parties	*22*	**46,395,389**	25,657,567
Venue rental and other deposits	*7, 12*	**145,661,153**	129,556,100
Cash and performance bonds	*12*	**45,100,000**	22,000,000
		P700,764,251	P1,468,321,801

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

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

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

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

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

The aging of receivables is as follows:

	2012		2011	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P298,677,490**	**P -**	P215,947,643	P -
Past due 1- 30 days	**614,629**	**-**	25,287,183	-
Past due 31- 60 days	**593,623**	**-**	15,171,230	-
More than 60 days	**22,644,100**	**31,178,549**	117,202,631	5,803,292
	P322,529,842	**P31,178,549**	P373,608,687	P5,803,292

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

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days. Allowance for impairment losses on receivables amounted to P31,178,549 and P5,803,292 as at December 31, 2012 and 2011, respectively.

The movements in allowance for impairment losses in 2012 and 2011 are as follows:

	2012	2011
Balance at beginning of year	**P5,803,292**	P -
Provisions during the year	**25,375,257**	5,803,292
Balance at end of year	**P31,178,549**	P5,803,292

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

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

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

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

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

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

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. As at December 31, 2012 and 2011, the total commitment under the line of credit is P140,000,000, of which the Group had drawn P95,464,000 and P99,677,716, respectively, under short term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates (see Note 13).

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

	2012				
	Carrying Amount	**Contractual Cash Flow**	**6 Months or Less**	**6-12 Months**	**1-5 Years**
Nonderivative Financial Liabilities					
Trade and other payables, excluding unearned fees*	**P636,883,027**	**P636,883,027**	**P577,705,539**	**P59,177,488**	**P -**
Short-term and long-term loans payable	**127,174,900**	**135,799,096**	**110,588,972**	**2,407,711**	**22,802,413**
Obligations under finance lease	**10,289,715**	**17,984,896**	**439,094**	**10,778,818**	**6,766,984**
Due to a related party	**9,070,691**	**9,070,691**	**9,070,691**	**-**	**-**
Rent deposit	**4,731,800**	**4,731,800**	**4,731,800**	**-**	**-**
	P788,150,133	**P804,469,510**	**P702,536,096**	**P72,364,017**	**P29,569,397**

* *Excluding statutory payables.*

	2011				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-5 Years
Nonderivative Financial Liabilities					
Trade and other payables, excluding unearned fees*	P658,877,138	P689,901,377	P383,958,451	P305,942,926	P -
Short-term and long-term loans payable	155,644,312	168,260,650	116,424,400	47,418,493	4,417,757
Obligations under finance lease	1,925,940	2,074,864	755,846	674,244	644,774
Due to a related party	9,070,691	9,070,691	-	9,070,691	-
Rent deposit	4,111,800	4,111,800	-	-	4,111,800
	P829,629,881	P873,419,382	P501,138,697	P363,106,354	P9,174,331

* *Excluding statutory payables.*

Market Risk

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

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

Change in Prices

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

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

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

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	Note	**2012**	2011
Variable rate			
Financial assets	*4*	**P172,256,416**	P923,302,739
Financial liabilities	*13, 14*	**105,753,715**	101,603,656

Sensitivity Analysis
A 2% increase in interest rates would have increase equity and profits by P1,330,054 P16,433,982 in 2012 and 2011, respectively, in the consolidated financial statements.

A 2% decrease in interest rates for December 31, 2012 and 2011 would have had the equal but opposite effect, on the basis that all other variables remain constant.

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

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

	2012	2011
Cash in bank	**$1,162,428**	$3,613,139
Trade receivables	**3,179,944**	3,210,706
CEZA fees payable	**(7,948,300)**	(6,829,530)
	($3,605,928)	($5,685)

Foreign exchange loss recognized in 2012 amounted to P3,907,770 and foreign exchange gain in 2011 and 2010 amounted to P4,962,019 and P6,706,490, respectively.

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

	2012	2011
PHP average rate	**42.22**	43.31
PHP spot rate	**41.05**	43.93

Sensitivity Analysis
A 10% strengthening of the Philippine peso against the USD would have increased equity and net income by P14,802,334 and P24,974 in 2012 and 2011, respectively.

A 10% weakening of the Philippine peso against the US dollars as at December 31, 2012 and 2011 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Fair Values

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

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

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

Investment in Other Shares of Stocks

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

Loans Payable

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

Obligations Under Finance Lease

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

Capital Management

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

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

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2012 and 2011. The Group is not subject to externally-imposed capital requirements.

29. Reclassification of Accounts

Various accounts in 2011 were reclassified to conform with the current year presentation. These accounts are as follows:

	As Previously Presented	Adjustment	As Reclassified
Statement of Financial Position			
Receivables - net	P366,538,712	P1,266,683	P367,805,395
Due from related parties	34,424,250	(8,766,683)	25,657,567
Investments and advances - net	200,613,926	429,486,664	630,100,590
Other assets - net	777,291,451	(421,986,664)	355,304,787

- The following accounts previously included under "Other assets - net" account were reclassified to the "Investments and advances - net" account as these represent long-term investment to companies of whom the Group has intention of having ownership interest:

  - Advances to CPVDC amounting to P399,033,305;
  - Advances to CLPDC amounting to P13,953,359; and
  - Deposit for future stock subscription to AB Fiber Corp. amounting to P9,000,000.

- The following accounts previously included under "Due from related parties" account were classified to the "Receivables - net" account as the Group has no significant influence or control over these companies:

  - Receivable from Vinta Gaming, Inc. amounting to P2,620,385;
  - Receivable from Insular Gaming Corp. amounting to P4,462,415; and
  - Receivable from other third party companies amounting to P1,683,883.

- Receivable from AB Fiber Corp. amounting to P7,500,000 previously included under "Receivables - net" account was classified to the "Investments and advances - net" account as the Group has a deposit for future stock subscription on the said company.

The abovementioned reclassifications did not have an effect on the consolidated financial statements as at January 1, 2011. Accordingly, no consolidated financial position as at January 1, 2011 was presented.

30. Events After Reporting Date

On January 22, 2013, the BOD of LRWC approved the following:

a.) Increase in authorized capital stock and corresponding amendment to LRWC's articles of incorporation. The authorized capital stock of LRWC shall be increased from P1.6 billion to P5 billion divided into P2.5 billion common shares and P2.5 billion preferred shares with each class having a par value of P1 per share. The preferred shares maybe 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.

b.) Subject to the approval of LRWC's stockholders and SEC, 200,000,000 common shares with par value of P1 per share will be issued as stock dividends.

c.) A maximum of 2.5 billion of LRWC's preferred shares and 125 million warrants on LRWC's shares shall be listed on the PSE. The warrants, if fully exercised shall be equivalent to 125 million common shares.

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Leisure & Resorts World Corporation (the "Company") and Subsidiaries as at and for the years ended December 31, 2012 and 2011, included in this Form 17-A, and have issued our report thereon dated March 14, 2013.

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

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

The 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 consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3669516MC
Issued January 2, 2013 at Makati City

March 14, 2013
Makati City, Metro Manila

LEISURE & RESORTS WORLD CORPORATION

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

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG. OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN-OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
Benitez, Alfredo	30,737,873	47,266,588	(31,823,968)	-	46,180,493	-	46,180,493
Benitez, Jose Francisco		625,000	-	-	625,000		625,000
Duncil, Josie M.		1,479,428	(104,172)	-	520,593	854,663	1,375,256
Mananquill, Eric		3,691,194	(3,673,550)	-	17,644	-	17,644
Metila, Jose Melfred	119,586	76,356	(66,356)	-	129,586	-	129,586
Nuñez, Renato	53,848,261	27,503,464	(76,949,265)	-	4,402,460	-	4,402,460
Ong, Jimmy	60,526	-	(60,526)	-	0	-	0
Tablante, Aurelio Jr.	15,000,000	-	(15,000,000)	-	-	-	-
Clemente, Salvador		15,850,821	(9,047,128)	-	6,803,693	-	6,803,693
Arriola, Anthony III		2,824,781	(1,052,440)	-	1,772,341	-	1,772,341
Tobias, Catherine		1,846,276	(523,046)	-	1,323,230	-	1,323,230
Others	932,176	5,267,477	(2,728,319)	-	3,371,334	100,000	3,471,334
Total	**100,698,422**	**106,431,385**	**(141,028,770)**	**-**	**65,146,374**	**954,663**	**66,101,037**

LEISURE & RESORTS WORLD CORPORATION

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

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG. OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN-OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
AB LEISURE GLOBAL INC.	386,174,248	38,582,450	(14,506,150)	-	38,582,450	371,668,098	410,250,548
LR LAND DEVELOPERS, INC.	376,460,407	60,000,180		-	60,000,180	376,460,407	436,460,587
BINGO BONANZA LIMITED	49,588,737	18,965,608		-	18,965,608	49,588,737	68,554,345
Total	**812,223,392**	**117,548,238**	**(14,506,150)**	**-**	**117,548,238**	**797,717,242**	**915,265,480**

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE D INTANGIBLE ASSETS - GOODWILL AND OTHER ASSETS

Description	Beginning Balance 12/31/2011	Addtions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending Balance 12/31/2012
Goodwill - net	**546,318,689**					**546,318,689**
Land rights	101,567,814	84,510,633				186,078,447
Airstrip improvements - net	78,070,465		(8,674,496)			69,395,969
Venue rental deposits and other deposits	129,556,100	18,419,256	(2,314,203)	(34,011,857)		111,649,296
Cash and performance bonds	22,000,000	23,100,000				45,100,000
Advance regulatory fee on instant games	12,920,708		(55,715)			12,864,993
Operating leases	4,253,690					4,253,690
Others	6,936,010		(101,652)	(6,630,214)	-	204,144
Total Other Assets	**355,304,787**	**126,029,889**	**(11,146,066)**	**(40,642,071)**	**-**	**429,546,539**
Total Intangible Assets	**901,623,476**	**126,029,889**	**(11,146,066)**	**(40,642,071)**	**-**	**975,865,228**

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE E LONG TERM DEBT

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt"	Amount shown under caption "Long term debt"
Banco de Oro		4,166,667	- 9% payable on April, 2012 to March, 2013
Banco de Oro		7,867,834	19,143,629 13.00% payable on December, 2011 to December, 2015
Local Bank		348,000	- 9.37% payable on September 15, 2011 to September 15, 2013
Local Bank		184,770	- 17.64% payable October, 2010 to September 2013
		12,567,271	

LEISURE & RESORTS WORLD CORPORATION

SCHEDULE F INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

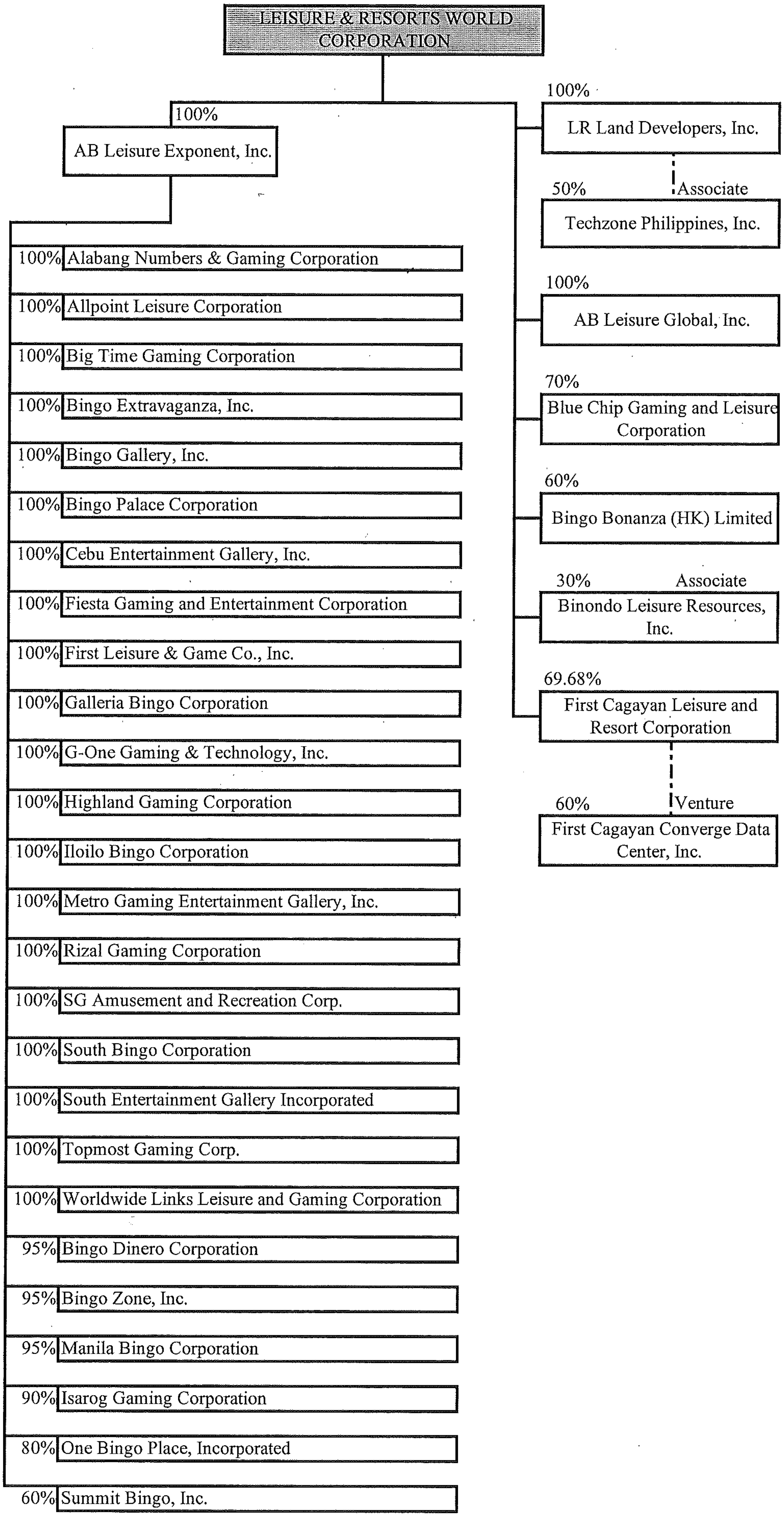
Name of Related Party	Balance at the Beginning of the Period	Balance at the End of the Period
Longview Holdings Corporation	9,070,691	9,070,691
TOTAL	9,070,691	9,070,691

Leisure & Resorts World Corporation

Schedule H. Capital Stock

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	1,600,000,000	999,877,094		384,342,752	4,624,906	610,909,436

LEISURE & RESORTS WORLD CORPORATION
MAP OF CONGLOMERATE
As of December 31, 2012



LEISURE AND RESORTS WORLD CORPORATION AND SUBSIDIARIES
26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary		✔		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities		✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements		✓	
PFRS 11	Joint Arrangements		✓	
PFRS 12	Disclosure of Interests in Other Entities		✓	
PFRS 13	Fair Value Measurement		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 8	Scope of PFRS 2			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	Interim Financial Reporting and Impairment	✔		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities			✔
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives			✔
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

Leisure & Resorts World Corporation

ANNUAL REPORT
(SEC FORM 17-A)

INDEX OF EXHIBITS

EXHIBIT	DESCRIPTION	PAGE
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Reports to Security Holders – n1	*
(13)	Letter re: Change in Certifying Accountant – n2	*
(15)	Letter re: Change in Accounting Principles	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	129
(19)	Published Report Regarding Matter Submitted to Vote of Security Holders	*
(20)	Consents of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

- These exhibits are either not applicable to the Company or does not require answers.

EXHIBIT 18: SUBSIDIARIES OF THE REGISTRANT

The Company has four (6) subsidiaries:

Name:	**AB Leisure Exponent, Inc. (ABLE)**
Trade Name:	Bingo Bonanza Corporation
Place of Incorporation:	Philippines
Percentage of ownership:	100%

Note: See page 5-7 (SEC Form 17-A) and Notes to Financial Statements (No. 2) for a list of AB Leisure Exponent, Inc.'s subsidiaries.

Name:	**First Cagayan Leisure & Resort Corporation (FCLRC)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	69.68%

Name:	**LR Land Developers, Inc. (LRLDI)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	100%

Name:	**AB Leisure Global, Inc. (ABLGI)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	100%

Name:	**Blue Chip Gaming and Leisure Corporation (BCLGC)**
Trade Name:	None
Place of Incorporation:	Philippines
Percentage of ownership:	70%

Name:	**Bingo Bonanza (HK) Limited (BBL)**
Trade Name:	None
Place of Incorporation:	Hongkong
Percentage of ownership:	60%

Manabat Sanagustin & Co., CPAs
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Branches · Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Leisure and 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 and Resorts World Corporation (the "Company) as at and for the year ended December 31, 2012, on which we have rendered our report thereon dated March 14, 2013.

Our audit was made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008, *Guidelines on the Determination of Retained Earnings Available for Dividend Declaration,* and is not part of the separate financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, fairly state in all material respects, the separate financial statements data required to be set forth therein in relation to the separate financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3669516MC
Issued January 2, 2013 at Makati City

March 14, 2013
Makati City, Metro Manila

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

Unappropriated Retained Earnings, beginning		**P185,646,560**
Adjustments:		
Adjustments in previous year's reconciliation		-
Unappropriated Retained Earnings, as adjusted, beginning		**185,646,560**
Net Income based on the face of AFS	143,695,713	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Deferred income tax expense for the year	-	
Add (Less):		
Dividend declarations during the period	(74,990,782)	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Net income actually earned during the period		**68,704,931**
Unappropriated Retained Earnings, as adjusted, ending		**P254,351,491**