COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 1 - 3 1 7 4

COMPANY NAME

LEISURE & RESORTS WORLD CORPORATION

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,844	July 29	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Rizalito S. Oades	riz.oades@lrwc.com	(02) 638-5557	

CONTACT PERSON's ADDRESS

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

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

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

TRANSMITTAL FORM

Taxpayer's Copy

RDO Code: 126

Type of Tax Return: ____________ For the Quarter/Year: ____________ DLN: ____________

TIN: 000 - 108 - 278 - 000 Name of Taxpayer: Leisure & Resorts World Corp.

Name of Contact Person/TP's Representative: Kaymar L. Patricio Tel. No: 638 5557

- [ ] Return generated from EFPS/ FRN
- [ ] Payment Confirmation from EFPS/(Over Remittance)
- [ ] eSubmission Validation Receipt (SAWT)
- [ ] Sworn Declaration, RR 2-2015 (2307/2316)
- [ ] Scanned BIR Form No. 2307 (in CD-R/ DVD-R)
- [ ] Scanned BIR Form No. 2316 (in CD-R/ DVD-R)
- [ ] BIR Form No. 2306 (in hard copy)
- [ ] Statement of Management Responsibility (SMR)
- [ ] Financial Statements
  - ____ *Balance Sheet*
  - ____ *Income Statement*
  - ____ *Independent Auditor's Report*

- [ ] Inventory List, RMC 57-2015
  - ____ *Inventory List (in hard copy)*
  - ____ *Inventory List (in DVD-R)*
  - ____ *Sworn Declaration*
- [ ] Lessee Information Statement, RR 12-2011
  - ____ *Lessee Info. State. (in hard copy)*
  - ____ *Lessee Info. State. (in CD-R)*
  - ____ *Building/Space Layout*
  - ____ *Certified True Copy of Contract of Lease*
- [ ] Registration of Manual/Loose-leaf/Computerized Books of Accounts
  - ____ *BIR Form No. 1905 / Checklist of Requirements*
  - ____ *New sets of Permanently Books of Accounts*
  - ____ *Permit to Use Loose-Leaf/CAS/CBA*
  - ____ *Permanently Bound Loose-Leaf B/A*
  - ____ *DVDs containing Electronic Books of Accounts and Records.*
  - ____ *Affidavit/ Sworn Declaration*
- [ ] Others/ Remarks

____

____

Stamp of Receiving Office

BUREAU OF INTERNAL REVENUE
APR 17 2017
RECEIVED
ELMER B. TANAY

Date: ____________

NOTE: *Please prepare two sets/ copies for BIR.*

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-108-278-000
Name	: LEISURE & RESORTS WORLD CORPORATION
RDO	: 126
Form Type	: 1702
Reference No.	: 121700019687902
Amount Payable (Over Remittance)	: 0.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2016
Date Filed	: 04/17/2017
Tax Type	: IT

[BIR Main | eFPS Login | User Menu | Help]

APR 17 2017

Reference No : 121700019687902
Date Filed : April 17, 2017 11:59 AM
Batch Number : 0

1702-RT06/13P1

For BIR Use Only BCS/ Item

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No. **1702-RT** June 2013 **Page 1**

1 For Calendar Fiscal	3 Amended Return?	4 Short Period Return?	5 Alphanumeric Tax Code (ATC)
2 Year Ended (MM/20YY) 12 2016	Yes No	Yes No	IC055 Minimum Corporate Income Tax (MCIT)

Part I - Background Information

6 Taxpayer Identification Number (TIN)	000 - 108 - 278 - 000	7 RDO Code 126
8 Date of Incorporation/Organization (MM/DD/YYYY)	08/03/2004	
9 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*	LEISURE & RESORTS WORLD CORPORATION	
10 Registered Address *(Indicate complete registered address)*	26TH FLR.WEST TOWER PSE CENTER EXCHANGE ROAD ORTIGAS CTR. SAN ANTONIO PASIG CITY	
11 Contact Number	6870370	
12 Email Address	jervy.calda@lrwc.com.ph	
13 Main Line of Business	FINANCIAL HOLDING COMPANY ACTIVITIES	14 PSIC Code 6694

15 Method of Deductions: Itemized Deductions [Section 34 (A-J), NIRC] | Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

16 Total Income Tax Due (Overpayment) *(From Part IV Item 44)*	0
17 Less: Total Tax Credits/Payments *(From Part IV Item 45)*	0
18 Net Tax Payable (Overpayment) *(Item 16 Less Item 17) (From Part IV Item 46)*	0
19 Add: Total Penalties *(From Part IV Item 50)*	0
20 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 18 and 19) (From Part IV Item 51)*	0

21 If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*

To be refunded | To be issued a Tax Credit Certificate (TCC) | To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

Signature over printed name of President/Principal Officer/Authorized Representative | Signature over printed name of Treasurer/Assistant Treasurer

Title of Signatory | Number of pages filed 8

22 Community Tax Certificate (CTC) Number / SEC Reg No.	AS0013174	23 Date of Issue (MM/DD/YYYY)	10/10/1957
24 Place of Issue	MANDALUYONG CITY	25 Amount, if CTC	0

Part III - Details of Payment

Details of Payment	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo				0
27 Check				0
28 Tax Debit Memo				0
29 Others *(Specify Below)*				
				0

Date APR 17 2017

RECEIVED
ELMER B. TANAY

Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)*	*Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)*

Date APR 17 2017

Annual Income Tax Return
Page 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P2

Taxpayer Identification Number (TIN)	Registered Name
000 -108 -278 -000	LEISURE & RESORTS WORLD CORPORATION

Part IV - Computation of Tax *(Do NOT enter Centavos)*

30 Net Sales/Revenues/Receipts/Fees *(From Schedule 1 Item 6)*		0
31 Less: Cost of Sales/Services *(From Schedule 2 Item 27)*		351,737,138
32 Gross Income from Operation *(Item 30 Less Item 31)*		(351,737,138)
33 Add: Other Taxable Income Not Subjected to Final Tax *(From Schedule 3 Item 4)*		28,867
34 Total Gross Income *(Sum of Items 32 & 33)*		(351,708,271)
Less: Deductions Allowable under Existing Law		
35 Ordinary Allowable Itemized Deductions *(From Schedule 4 Item 40)*	83,881,112	
36 Special Allowable Itemized Deductions *(From Schedule 5 Item 5)*	0	
37 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)*	0	
38 Total Itemized Deductions *(Sum of Items 35 to 37)*	83,881,112	
***OR** [in case taxable under Sec 27(A) & 28(A)(1)]*		
39 Optional Standard Deduction *(40% of Item 34)*	0	
40 Net Taxable Income *(Item 34 Less Item 38 OR 39)*		(435,589,383)
41 Income Tax Rate		**30.0%**
42 Income Tax Due other than MCIT *(Item 40 x Item 41)*		0
43 Minimum Corporate Income Tax (MCIT) *(2% of Gross Income in Item 34)*		0
44 Total Income Tax Due *(Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)*		0
45 Less: Total Tax Credits/Payments *(From Schedule 7 Item 12) (To Part II Item 17)*		0
46 Net Tax Payable (Overpayment) *(Item 44 Less Item 45) (To Part II Item 18)*		0
Add Penalties		
47 Surcharge	0	
48 Interest	0	
49 Compromise		
50 Total Penalties *(Sum of Items 47 to 49) (To part II Item 19)*		0
51 Total Amount Payable (Overpayment) *(Sum Item 46 & 50) (To Part II Item 20)*		0

Part V - Tax Relief Availment *(Do NOT enter Centavos)*

52 Special Allowable Itemized Deductions *(30% of Item 36)*	0
53 Add: Special Tax Credits *(From Schedule 7 Item 9)*	0
54 Total Tax Relief Availment *(Sum of Items 52 & 53)*	0

Part VI - Information - External Auditor/Accredited Tax Agent

55 Name of External Auditor/Accredited Tax Agent

RG MANABAT AND CO.

56 TIN 000 - 470 - 727 - 000

57 Name of Signing Partner *(If External Auditor is a Partnership)*

DINDO MARCO M. DIOSO

58 TIN 912 - 365 - 765 - 000

59 BIR Accreditation No.	60 Issue Date *(MM/DD/YYYY)*	61 Expiry Date *(MM/DD/YYYY)*
08 -001987 -030 -2016		

Annual Income Tax Return

Page 3 - Schedules 1 & 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P3

Taxpayer Identification Number (TIN)	Registered Name
000 - 108 - 278 - 000	LEISURE & RESORTS WORLD CORPORATION

Schedule 1 - Sales/Revenues/Receipts/Fees *(Attach additional sheet/s, if necessary)*

1 Sale of Goods/Properties	0
2 Sale of Services	0
3 Lease of Properties	0
4 Total *(Sum of Items 1 to 3)*	0
5 Less: Sales Returns, Allowances and Discounts	0
6 **Net Sales/Revenues/Receipts/Fees** *(Item 4 Less Item 5) (To Part IV Item 30)*	0

Schedule 2 - Cost of Sales *(Attach additional sheet/s, if necessary)*

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale *(Sum of Items 1 & 2)*	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales *(Item 3 Less Item 4) (To Schedule 2 Item 27)*	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use *(Sum of Items 6 & 7)*	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used *(Item 8 Less Item 9)*	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost *(Sum of Items 10, 11 & 12)*	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured *(Sum of Items 13 & 14 Less Item 15)*	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 **Cost of Goods Manufactured and Sold** *(Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)*	0

Schedule 2C - Cost of Services
(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	251,076,231
21 Direct Charges - Materials, Supplies and Facilities	0
22 Direct Charges - Depreciation	15,755,186
23 Direct Charges - Rental	19,384,092
24 Direct Charges - Outside Services	0
25 Direct Charges - Others	65,521,629
26 **Total Cost of Services** *(Sum of Items 20 to 25) (To Item 27)*	351,737,138

27 **Total Cost of Sales/Services** *(Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)*	351,737,138

Annual Income Tax Return Page 4 - Schedules 3 & 4	BIR Form No. 1702-RT June 2013	1702-RT06/13P4

Taxpayer Identification Number (TIN)	Registered Name
000 - 108 - 278 - 000	LEISURE & RESORTS WORLD CORPORATION

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*	
1 OTHER INCOME	6,443
2 INTEREST INCOME	22,424
3	0
4 Total Other Taxable Income Not Subjected to Final Tax *(Sum of Items 1 to 3) (To Part IV Item 33)*	28,867

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*	
1 Advertising and Promotions	646,748
Amortizations *(Specify on Items 2, 3 & 4)*	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	0
7 Commissions	0
8 Communication, Light and Water	0
9 Depletion	0
10 Depreciation	0
11 Director's Fees	0
12 Fringe Benefits	0
13 Fuel and Oil	0
14 Insurance	0
15 Interest	48,519,632
16 Janitorial and Messengerial Services	0
17 Losses	0
18 Management and Consultancy Fee	0
19 Miscellaneous	3,673,780
20 Office Supplies	1,750,934
21 Other Services	0
22 Professional Fees	0
23 Rental	0
24 Repairs and Maintenance - (Labor or Labor & Materials)	0
25 Repairs and Maintenance - (Materials/Supplies)	0
26 Representation and Entertainment	7,454,888
27 Research and Development	0
28 Royalties	0
29 Salaries and Allowances	0

Annual Income Tax Return
Page 5 - Schedules 4, 5 & 6

BIR Form No. **1702-RT** June 2013

1702-RT06/13P5

Taxpayer Identification Number (TIN)	Registered Name
000 - 108 - 278 - 000	LEISURE & RESORTS WORLD CORPORATION

Schedule 4 - Ordinary Allowable Itemized Deductions *(Continued from Previous Page)*

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	0
32 Taxes and Licenses	0
33 Tolling Fees	0
34 Training and Seminars	0
35 Transportation and Travel	5,785,252
Others *[Specify below; Add additional sheet(s), if necessary]*	
36 LISTING AND FILING FEES	1,398,637
37 OUTSIDE SERVICES	14,651,241
38	0
39	0
40 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 39) (To Part IV Item 35)*	83,881,112

Schedule 5 - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 36)*		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 34)*	(351,708,271)
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	83,881,112
3 Net Operating Loss *(To Schedule 6A)*	(435,589,383)

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4 2016	435,589,383	0
5 2015	241,310,797	0
6 2014	127,897,961	0
7	0	0

Continuation of Schedule 6A *(Item numbers continue from the table above)*

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4 0	0	435,589,383
5 0	0	241,310,797
6 0	0	127,897,961
7 0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV Item 37)*	0	

Annual Income Tax Return
Page 6 - Schedules 7, 8 & 9

BIR Form No. **1702-RT** June 2013

1702-RT06/13P6

Taxpayer Identification Number (TIN)	Registered Name
000 - 108 - 278 - 000	LEISURE & RESORTS WORLD CORPORATION

Schedule 7 - Tax Credits/Payments (attach proof) *(Attach additional sheet/s, if necessary)*

1 Prior Year's Excess Credits Other Than MCIT	0
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year *(From Schedule 8 Item 4F)*	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	0
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	0
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits *(To Part V Item 53)*	0
Other Credits/Payments *(Specify)*	
10	0
11	0
12 Total Tax Credits/Payments *(Sum of Items 1 to 11) (To Part IV Item 45)*	0

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	2015	0	4,650,000	4,650,000
2		0	0	0
3		0	0	0

Continuation of Schedule 8 *(Line numbers continue from table above)*

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	**F) Excess MCIT Applied this Current Taxable Year**	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	4,650,000
2	0	0	0	0
3	0	0	0	0
4	**Total Excess MCIT** *(Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)*		0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1	Net Income/(Loss) per books	369,938,320
	Add: Non-deductible Expenses/Taxable Other Income	
2	RETIREMENT BENEFIT EXPENSE	4,717,853
3		0
4	**Total** *(Sum of Items 1 to 3)*	374,656,173
	Less: A) Non-taxable Income and Income Subjected to Final Tax	
5	DIVIDEND INCOME	765,104,000
6	OTHERS	45,141,556
	B) Special Deductions	
7		0
8		0
9	**Total** *(Sum of Items 5 to 8)*	810,245,556
10	**Net Taxable Income (Loss)** *(Item 4 Less Item 9)*	(435,589,383)

Annual Income Tax Return

Page 7 - Schedules 10 & 11

BIR Form No. **1702-RT** June 2013

1702-RT06/13P7

Taxpayer Identification Number (TIN)	Registered Name
000 -108 -278 -000	LEISURE & RESORTS WORLD CORPORATION

Schedule 10 - BALANCE SHEET

Assets	
1 Current Assets	2,500,382,989
2 Long-Term Investment	4,740,483,524
3 Property, Plant and Equipment - Net	74,874,868
4 Long-Term Receivables	0
5 Intangible Assets	0
6 Other Assets	246,784,086
7 **Total Assets** *(Sum of Items 1 to 6)*	7,562,525,467

Liabilities and Equity	
8 Current Liabilities	2,782,910,039
9 Long-Term Liabilities	314,166,667
10 Deferred Credits	0
11 Other Liabilities	0
12 **Total Liabilities** *(Sum of Items 8 to 11)*	3,097,076,706
13 Capital Stock	2,849,852,512
14 Additional Paid-in Capital	1,089,790,986
15 Retained Earnings	525,805,263
16 **Total Equity** *(Sum of Items 13 to 15)*	4,465,448,761
17 **Total Liabilities and Equity** *(Sum of Items 12 & 16)*	7,562,525,467

Schedule 11- Stockholders Partners Members Information (Top 20 Stockholders, partners or Members)

(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
PCD NOMINEE CORPORATION	004 - 774 - 849 - 000	670,959,059	55.92
ALFREDO B. BENITEZ	135 - 063 - 284 - 000	134,841,249	11.24
ZORAYMEE HOLDINGS	202 - 724 - 065 - 000	111,267,658	9.27
GRANDSHARES INC.	246 - 257 - 815 - 000	120,000	10
	- - -		
	- - -		
	- - -		
	- - -		
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	- - -		

Annual Income Tax Return
Page 8 - Schedules 12 & 13

BIR Form No. **1702-RT** June 2013

1702-RT06/13P8

Taxpayer Identification Number (TIN)	Registered Name
000 - 108 - 278 - 000	LEISURE & RESORTS WORLD CORPORATION

Schedule 12 - Supplemental Information *(Attach additional sheet/s, if necessary)*

I) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	22,424	4,485
2 Royalties	0	0	0
3 Dividends	765,104,000	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property *(e.g. land, improvement, etc.)*		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind*(PS/CS)*/Stock Certificate Series No.	PS	PS
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income *(Specify)*	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127 /others of the Tax Code, as amended *(Specify)*		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid *(Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)*	4,485

Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium *(Actual Amount/Fair Market Value)*	

I) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property *(e.g. land, improvement, etc.)*		
3 Modes of Transfer *(e.g Donation)*		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended *(Specify)*		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax *(Sum of Items 1, 5A, 5B, 7A & 7B)*	0

LRWC
LEISURE & RESORTS WORLD CORPORATION
STOCK SYMBOL: LR

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Leisure & Resorts World Corporation** (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for year ended December 31, 2016 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

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

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

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

REYNALDO P. BANTUG
Chairman & President

RIZALITO S. OADES
SVP & Group CFO

APR 17 2017

AB LEISURE EXPONENT, INC · First Cagayan · AB LEISURE GLOBAL INCORPORATED · LEISURE & RESORTS LAND · BINONDO SUITES MANILA · MIDAS · TOTAL GAMEZONE XTREME INC. GAMEZONE Xtreme

Unit 2601, 26th Floor West Tower, Philippines Stock Exchange Centre (PSE) Exchange Road, Ortigas, Pasig City 1605 Philippines
Tel: (632) 637.5291-93 Fax: (632) 635.0993 Website: www.lrwc.com.ph E-mail: info@lrwc.com.ph

KPMG

R.G. Manabat & Co.
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Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

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

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation (the "Company") as at and for the year ended December 31, 2016, on which we have rendered our report dated April 12, 2017.

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-A, Group A, valid until April 30, 2017
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-30-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 5904925MD
Issued January 3, 2017 at Makati City

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April 12, 2017
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying separate financial statements of Leisure & Resorts World Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2016 and 2015, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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PRC-BOA Accreditation No. 0003, with extended validity until April 30, 2017 pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 15 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
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Makati City, Metro Manila

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LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash	4	**P9,037,205**	P17,414,771
Receivables - net	5	**501,657,690**	518,464,000
Due from related parties	12	**1,869,402,613**	2,156,451,824
Prepaid expenses and other current assets		**120,285,481**	111,050,668
Total Current Assets		**2,500,382,989**	2,803,381,263
Noncurrent Assets			
Property and equipment - net	6	**74,874,868**	54,791,655
Investments and advances - net	7	**4,558,087,333**	4,515,326,694
Available for sale financial asset	7	**182,396,191**	115,911,244
Deferred tax assets	13	**242,947,798**	110,855,627
Rent deposits	11	**3,836,288**	3,608,170
Total Noncurrent Assets		**5,062,142,478**	4,800,493,390
		P7,562,525,467	P7,603,874,653
LIABILITIES AND EQUITY			
Current Liabilities			
Dividend and other payables	8	**P171,302,157**	P145,601,814
Short-term loans payable	9	**302,500,000**	344,200,000
Current portion of long-term loans payable	9	**130,000,000**	130,000,000
Due to related parties	12	**2,179,107,882**	2,322,651,972
Income tax payable		**-**	93,000
Total Current Liabilities		**2,782,910,039**	2,942,546,786
Noncurrent Liability			
Long-term loans payable - net of current portion	9	**314,166,667**	444,166,667
Total Liabilities		**3,097,076,706**	3,386,713,453
Equity			
Capital stock	10	**2,849,852,512**	2,849,852,512
Additional paid in capital		**1,089,790,986**	1,089,790,986
Retained earnings		**449,536,663**	267,734,049
Fair value reserve		**76,268,600**	9,783,653
Total Equity		**4,465,448,761**	4,217,161,200
		P7,562,525,467	P7,603,874,653

See Notes to the Separate Financial Statements.

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LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2016**	2015
DIVIDEND INCOME	*12*	**P765,104,000**	P518,080,000
OPERATING EXPENSES			
Salaries and wages		**165,920,876**	65,495,149
Employee benefits		**89,873,208**	29,784,806
Professional and directors' fees		**50,191,285**	44,212,187
Rent	*11*	**19,384,092**	20,854,700
Depreciation and amortization	*6*	**15,755,186**	7,021,816
Representation and entertainment		**7,454,888**	1,033,909
Transportation and travel		**5,785,252**	5,531,042
Insurance		**5,097,851**	1,510,296
Postage and communications		**4,948,845**	4,356,916
Repairs and maintenance		**3,525,759**	1,229,561
Taxes and licenses		**1,757,889**	4,442,762
Listing and filing fees		**1,398,637**	1,885,776
Printing and office supplies		**1,750,934**	820,206
Advertising and marketing		**646,748**	2,217,922
Impairment losses	*5, 7, 12*	**-**	21,600,000
Others		**18,325,021**	9,355,690
		391,816,471	221,352,738
INCOME FROM OPERATIONS		**373,287,529**	296,727,262
OTHER INCOME (EXPENSE) - Net			
Interest expense	*9*	**(48,519,632)**	(45,358,262)
Share in net income of a joint venture	*7*	**45,141,556**	24,550,802
Interest income	*4, 7*	**22,424**	4,662,297
Finance charges		**-**	(1,883,678)
Other income		**6,443**	-
		(3,349,209)	(18,028,841)
INCOME BEFORE INCOME TAX		**369,938,320**	278,698,421
INCOME TAX BENEFIT	*13*	**132,092,171**	72,393,239
NET INCOME		**502,030,491**	351,091,660
OTHER COMPREHENSIVE INCOME			
Item that will be reclassified to profit or loss			
Revaluation of available for sale financial asset	*7*	**66,484,947**	9,783,653
TOTAL COMPREHENSIVE INCOME		**P568,515,438**	P360,875,313

See Notes to the Separate Financial Statements.

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LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Note	Capital Stock		Additional	Retained	Fair Value	Total
		Common Shares	Preferred Shares	Paid-in Capital	Earnings	Reserve	
Balance at January 1, 2016		P1,199,852,512	P1,650,000,000	P1,089,790,986	P267,734,049	P9,783,653	P4,217,161,200
Total comprehensive income							
Net income during the year		-	-	-	502,030,491	-	502,030,491
Other comprehensive income		-	-	-	-	66,484,947	66,484,947
		-	-	-	502,030,491	66,484,947	568,515,438
Transaction with equity holders of the parent Company							
Cash dividends	*10*	-	-	-	(320,227,877)	-	(320,227,877)
Balance at December 31, 2016		**P1,199,852,512**	**P1,650,000,000**	**P1,089,790,986**	**P449,536,663**	**P76,268,600**	**P4,465,448,761**
Balance at January 1, 2015		P1,199,852,512	P1,650,000,000	P1,089,790,986	P200,874,690	P -	P4,140,518,188
Total comprehensive income							
Net income during the year		-	-	-	351,091,660	-	351,091,660
Other comprehensive income		-	-	-	-	9,783,653	9,783,653
		-	-	-	351,091,660	9,783,653	360,875,313
Transaction with equity holders of the parent Company							
Cash dividends	*10*	-	-	-	(284,232,301)	-	(284,232,301)
Balance at December 31, 2015		P1,199,852,512	P1,650,000,000	P1,089,790,986	P267,734,049	P9,783,653	P4,217,161,200

See Notes to the Separate Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P369,938,320**	P278,698,421
Adjustments for:			
Interest expense	*9*	**48,519,632**	45,358,262
Share in net income of a joint venture	*7*	**(45,141,556)**	(24,550,802)
Depreciation and amortization	*6*	**15,755,186**	7,021,816
Retirement expense	*12*	**4,717,853**	1,883,050
Interest income	*4, 7*	**(22,424)**	(4,662,297)
Impairment losses	*5, 7, 12*	**-**	21,200,000
Operating income before working capital changes		**393,767,011**	324,948,450
Decrease (increase) in:			
Receivables		**16,806,310**	(785,618,903)
Prepaid expenses and other current assets		**(9,234,813)**	(46,731,182)
Decrease in dividends and other payables		**(128,414,333)**	(184,231,967)
Net cash generated from (used in) operations		**272,924,175**	(691,633,602)
Income tax paid		**(93,000)**	-
Interest received		**22,424**	12,325
Net cash flows provided by (used in) operating activities		**272,853,599**	(691,621,277)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Due from related parties		**287,049,211**	425,306,440
Investment and advances		**2,380,917**	63,533,119
Rental deposits		**(228,118)**	(20,000)
Additions to property and equipment	*6*	**(35,838,399)**	(33,338,119)
Cash given up from acquisition of non controlling interest	*7*	**-**	(10,003,028)
Net cash flows provided by investing activities		**253,363,611**	445,478,412
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans		**172,500,000**	350,000,000
Payments of loans		**(344,200,000)**	(82,523,556)
Interest paid		**(48,519,632)**	(45,358,262)
Dividends paid		**(166,113,201)**	(342,951,633)
Increase (decrease) in due to related parties		**(148,261,943)**	307,716,260
Net cash flows provided by (used in) financing activities		**(534,594,776)**	186,882,809
NET DECREASE IN CASH		**(8,377,566)**	(59,260,056)
CASH AT BEGINNING OF YEAR		**17,414,771**	76,674,827
CASH AT END OF YEAR	*4*	**P9,037,205**	P17,414,771

See Notes to the Separate Financial Statements.

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LEISURE & RESORTS WORLD CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

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

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

2. Basis of Preparation

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

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

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

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

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

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

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

<u>Judgment</u>

Determination of Functional Currency

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

Determination and Classification of Joint Arrangements

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

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

Determining whether an Arrangement Contains a Lease

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

<u>Estimates</u>

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

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

As at December 31, 2016 and 2015, the aggregate carrying amounts of receivables and due from related parties amounted to P2,371,060,303 and P2,674,915,824, respectively. As at December 31, 2016 and 2015, the related allowance for impairment losses amounted to P3,009,459 (see Notes 5 and 12).

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

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

The estimated useful lives are as follows:

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

The carrying amount of property and equipment amounted to P74,874,868 and P54,791,655 as at December 31, 2016 and 2015, respectively (see Note 6).

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

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

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

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

- significant negative industry or economic trends.

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

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

	Note	**2016**	2015
Property and equipment - net	*6*	**P74,874,868**	P54,791,655
Investments and advances - net	*7*	**4,558,087,333**	4,515,326,694

As at December 31, 2016 and 2015, allowance for impairment loss on investment and advances amounted to P21,235,398 (see Note 7).

Management assessed that there are no impairment losses on the Company's property and equipment and investments and advances for the years ended December 31, 2016 and 2015.

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

As at December 31, 2016 and 2015, the Company recognized deferred tax assets amounting to P242,947,798 and P110,855,627, respectively (see Note 13).

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

The Company has not recognized any provision as at December 31, 2016 and 2015.

3. Summary of Significant Accounting Policies

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

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

The Company has adopted the following amendments to standards starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's separate financial statements.

- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to PFRS 11)*. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to *PAS 38, Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to *PAS 16* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint venture, but also for subsidiaries.

  The Company continues to account its investment in subsidiaries using cost method and its investment in an associate and in a joint venture using equity method.

- *"Continuing involvement" for servicing contracts (Amendment to PFRS 7, Financial Instruments: Disclosures).* PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g., if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are issued for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

Effective January 1, 2017

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following are the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2017, none of which has a significant effect on the separate financial statements of the Company:

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

Effective January 1, 2018

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

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

  The Company is currently assessing the potential impact of PFRS 9 and plans to adopt this new standard on the required effective date.

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

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

  The Company is currently assessing the potential impact of PFRS 15 and plans to adopt this new standard on the required effective date.

Effective January 1, 2019

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

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

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

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

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

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

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

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

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

Financial Instruments

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

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

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

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

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

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

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

The Company's cash, receivables, due from related parties and rent deposits are classified as loans and receivables as at December 31, 2016 and 2015.

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

The Company's investment in equity security included under "AFS financial asset" account is classified under this category (see Note 7).

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

The Company's dividend and other payables, short-term loans payable, long-term loans payable and due to related parties are included in this category.

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

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

Derecognition of Financial Instruments

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

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

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

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

Offsetting Financial Instruments

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

Determination of Fair Value

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

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

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

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

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

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

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

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

Investments and Advances

The Company's investments in subsidiaries are accounted for under the cost method, while the investments in associates and joint ventures are accounted for under the equity method.

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

Provisions

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

Contingencies

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

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

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

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

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

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

Other Income
Other income is recognized when earned.

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

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

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

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

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

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

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

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

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

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

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

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

4. Cash

This account consists of:

	2016	2015
Cash in banks	**P8,942,205**	P17,329,771
Cash on hand	**95,000**	85,000
	P9,037,205	P17,414,771

Cash in banks earn interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P22,424 and P12,325 in 2016 and 2015, respectively.

The Company's exposure to credit risk relating to cash is disclosed in Note 14.

5. Receivables

This account consists of:

	Note	**2016**	2015
Advances to:			
Third parties	*12*	**P3,009,459**	P3,029,459
Officers and employees		**1,657,690**	364,000
Dividends receivable		**500,000,000**	518,080,000
		504,667,149	521,473,459
Less allowance for impairment loss		**3,009,459**	3,009,459
		P501,657,690	P518,464,000

Advances to third parties represent cash advances made to third party companies which are engaged in similar gaming and amusement activities as the Company. These advances are noninterest-bearing, unsecured and collectible on demand. The Company provided allowance for impairment loss amounting to P3,009,459 in 2016 and 2015.

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

The Company's exposure to credit risk relating to receivables is disclosed in Note 14.

6. Property and Equipment

The movements in this account are as follows:

	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost					
December 31, 2014	P13,560,552	P1,393,500	P665,000	P14,910,000	P30,529,052
Additions	13,712,665	-	12,170,454	7,455,000	33,338,119
Reclassification	-	-	22,365,000	(22,365,000)	-
December 31, 2015	27,273,217	1,393,500	35,200,454	-	63,867,171
Additions	33,931,512	68,064	1,838,823		35,838,399
December 31, 2016	**61,204,729**	**1,461,564**	**37,039,277**	**-**	**99,705,570**
Accumulated Depreciation and Amortization					
December 31, 2014	1,773,758	209,025	70,917	-	2,053,700
Depreciation and amortization	5,922,903	73,668	1,025,245	-	7,021,816
December 31, 2015	7,696,661	282,693	1,096,162	-	9,075,516
Depreciation and amortization	10,746,129	79,340	4,929,717	-	15,755,186
December 31, 2016	**18,442,790**	**362,033**	**6,025,879**	**-**	**24,830,702**
Carrying Amount					
December 31, 2015	P19,576,556	P1,110,807	P34,104,292	P -	P54,791,655
December 31, 2016	**P42,761,939**	**P1,099,531**	**P31,013,398**	**P -**	**P74,874,868**

7. Investments and Advances and Available For Sale Financial Asset

This account consists of:

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

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

	Percentage of Ownership	2016	Percentage of Ownership	2015
Investments				
Subsidiaries:				
AB Leisure Exponent, Inc. (ABLE)	100%	P750,000,000	100%	P750,000,000
LR Land Developers, Inc. (LRLDI)	100%	225,000,000	100%	225,000,000
AB Leisure Global, Inc. (ABLGI)	100%	1,550,000,000	100%	1,550,000,000
Total Gamezone Xtreme Incorporated (TGXI)	100%	620,000,000	100%	620,000,000
Prime Investment Korea Inc., (PIKI)	100%	1,000,000	100%	1,000,000
Blue Chip Gaming & Leisure Corporation (BCGLC)	100%	12,628,028	100%	12,628,028
LR Data Center and Solutions Inc. (LRDCSI)	80%	20,000,000	-	-
First Cagayan Leisure & Resort Corporation (FCLRC)	69.68%	61,375,000	69.68%	61,375,000
Bingo Bonanza (HK) Limited (BBL)	60%	35,398	60%	35,398
		3,240,038,426		3,220,038,426
Associate:				
Binondo Leisure Resources, Inc. (BLRI):				
Common shares	30%	1,200,000	30%	1,200,000
Preferred shares		20,000,000		20,000,000
		21,200,000		21,200,000
Joint venture:				
Hotel Enterprises of the Philippines, Inc. (HEPI) cost	51%	750,938,000	51%	750,938,000
Accumulated share in net income (loss):				
Balance at beginning of year		79,099,013		54,548,211
Share in net income during the year		45,141,556		24,550,802
Balance at end of year		124,240,659		79,099,013
		875,178,659		830,037,013
Advances				
Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure)		26,136,049		26,136,049
HEPI		416,769,597		439,150,604
		442,905,646		465,286,653
Allowance for impairment losses on investment in BBL and BLRI		(21,235,398)		(21,235,398)
		P4,558,087,333		P4,515,326,694

Investment in ABLGI

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

Investment in TGXI

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

On July 21, 2014, the Company purchased 1,250,000 shares of TGXI representing 100% ownership at a price of P620,000,000. The purchase was ratified by the Company's BOD on October 23, 2014. The acquisition is in line with the Company's goal to expand and venture in other forms of gaming.

Investment in PIKI

PIKI was registered with the Philippine Securities and Exchange Commission (SEC) on November 9, 2012 primarily to engage in the business of gaming, recreation, leisure and lease of property.

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

Investment in BCGLC

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

On December 1, 2015, the Company acquired the remaining 30% of BCGLC's outstanding capital stock from non-controlling interests (NCI) owners for a total considerations amounting to P10,003,028. The difference between considerations paid over carrying amount of non-controlling interests was recognized as a deduction to Retained Earnings amounting to P1,294,351.

Investment in LRDCSI

On May 20 2016, LRDCSI was registered with SEC. LRDCSI is a technology company engaged in aggregating data and telecommunication services. LRDCSI's revenue model involves acquiring services from local and foreign technology and telecommunications companies at wholesale rates, bundling said services and then reselling the services at retail rates. LRWC owns 80% of the outstanding capital stock of LRDCSI.

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

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

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

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

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

In 2015, LRWC provided full impairment loss on the investment in BLRI amounting to P21,200,000.

The summarized financial information of BLRI follows:

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

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

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

The summarized financial information of HEPI is presented below.

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

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

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

Advances to DFNN
On August 13, 2015, the Company's advances to DFNN of P86,000,000 have been converted into 18,105,263 common shares of DFNN while the accumulated interest earned of P12,690,971, from date of Conversion Notice to the date of conversion, have been converted into 2,671,783 common shares of DFNN on October 30, 2015. The fair value of 18,105,263 and 2,671,783 common shares as at the date of conversion were P5.15 and P6.04 per share, respectively. Interest income recognized in profit or loss amounted to nil and P4,649,972 in 2016 and 2015, respectively.

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

Available for Sale Financial Asset (AFS)

	2016	2015
Cost at conversion date	**P98,690,971**	P98,690,971
Acquisition of 1,093,000 shares in 2014	**7,436,620**	7,436,620
Changes in fair value in 2015	**9,783,653**	9,783,653
Changes in fair value in 2016	**66,484,947**	-
	P182,396,191	P115,911,244

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

8. Dividend and Other Payables

This account consists of:

	Note	**2016**	2015
Dividends payable	*10*	**P154,114,676**	P142,116,151
Others		**17,187,481**	3,485,663
		P171,302,157	P145,601,814

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

9. Loans Payable

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

This is payable up to 180 days from the date of release of proceeds and secured by a chattel mortgage over LRWC's shares of stocks held by ABLE and stockholders amounting to P149,449,926. The fair value of the mortgaged shares of stocks amounted to P591,821,707 and P1,763,509,127 as at December 31, 2016 and 2015, respectively.

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

As a part of the loan agreement with AUB, the Company is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Company meets as at December 31, 2016. The loan is secured by shares of stocks of the Company issued to stockholders.

Terms and conditions are as follows:

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

	December 31, 2015		
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
AUB	6.18%	June 2015 - May 2020	P574,166,667
Less current portion			130,000,000
			P444,166,667

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

Terms and conditions are as follows:

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

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

Total interest expense recognized in profit or loss amounted to P48,519,632 and P45,358,262 in 2016 and 2015, respectively.

10. Equity

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

	2016		2015	
	Number of Shares	**Amount**	Number of Shares	Amount
Capital Stock				
Authorized:				
Common shares - P1 par value	**2,500,000,000**	**P2,500,000,000**	2,500,000,000	P2,500,000,000
Issued common shares	**1,199,852,512**	**P1,199,852,512**	1,199,852,512	P1,199,852,512
Authorized:				
Preferred shares - P1 par value	**2,500,000,000**	**P2,500,000,000**	2,500,000,000	P2,500,000,000
Issued preferred shares	**1,650,000,000**	**P1,650,000,000**	1,650,000,000	P1,650,000,000

Increase in Authorized Capital Stock

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

Registration of Securities under the Securities Regulation Code

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of the Company were registered and may be offered for sale at an offer price of P1.33 per common share. As at December 31, 2014 the Company has a total of 1,199,852,512 issued and outstanding common shares and 1,850 stockholders.

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

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

Listing of Preferred Shares and Warrants

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

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

As at December 31, 2016, the Company has a total of 1,650,000,000 shares issues and outstanding preferred shares with four (4) stockholders.

Declaration of Cash Dividends

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

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

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

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

As at December 31, 2016 and 2015, unpaid dividends, included under "Dividend and other payables" account in the separate statements of financial position, amounted to P154,114,676 and P142,116,151, respectively (see Note 8).

11. Lease Agreements

a. The Company leases its office space at 2603D and P-2133 West Tower, the Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City under an operating lease agreement. The lease is for a period of two years commencing on January 15, 2012 until January 14, 2014. The Company renewed the contract for a period of three (3) years until January 14, 2017, with additional office spaces at 2601-B, 2601-C and parking slots at P-631, W-634, P-2136, P-2138 and P-2139.

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

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

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

	2016	2015
Less than one year	**P8,079,995**	P14,710,539
Between one and five years	**8,051,864**	16,648,980
	P16,131,859	P31,359,519

The lease agreement is non-cancellable and provides for, among others, rent deposit which is refundable upon termination of the lease. As at December 31, 2016 and 2015, the Company recognized rent deposits in the separate statements of financial position amounting to P3,836,288 and P3,608,170 in 2016 and 2015, respectively.

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

Rent expense incurred from the above lease agreements amounted to P19,384,092 and P20,854,700 in 2016 and 2015, respectively.

12. Related Party Disclosures

Other than those disclosed in Notes 5 and 7, the Company's significant transactions and balances with related parties are as follows:

Categories	Nature of Transaction	Year	*Note*	Amount of Transactions for the Year	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Subsidiary								
FCLRC	Cash advances	**2016**	*a, b*	**(P621,571,832)**	P -	**P1,611,600,858**	**Demandable; non interest-bearing**	**Unsecured**
		2015		1,405,629,926	-	2,233,172,690		
LRLDI	Cash advances	**2016**	*a*	**19,676,173**	**1,050,926,808**	-	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2015		563,624,732	1,031,250,635	-		
ABLE	Retirement	**2016**	*c*	**4,717,853**	-	**25,692,832**		
		2015		1,883,050	-	20,974,979		
	Cash advances	**2016**	*a*	**136,729,337**	-	**149,584,895**	**Demandable; non interest-bearing**	**Unsecured**
		2015		(51,152,628)	-	12,855,558		
BCGLC	Cash advances	**2016**	*a, b*	**12,778,629**	**471,236,832**	-	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2015		458,458,203	458,458,203	-		
TGXI	Cash advances	**2016**	*a*	**(29,878,339)**	**146,765,148**	-	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2015		126,321,326	176,643,487	-		
ABLGI	Cash advances	**2016**	*a*	**853,258,109**	-	**363,158,610**	**Demandable; non interest-bearing**	**Unsecured**
		2015		77,262,038	490,099,499	-		
PIKI	Cash advances	**2016**	*a*	**178,542,733**	**131,964,675**	-	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2015		46,578,058	-	46,578,058		
LR Data Center and Solution Inc	Cash advances	**2016**	*a*	**20,000,000**	-	**20,000,000**	**Demandable; non interest-bearing**	**Unsecured**
		2015		-	-	-		
GCLWC	Cash advances	**2016**	*a*	**68,509,150**	**68,509,150**	-	**Demandable; non interest-bearing**	**Unsecured; no impairment**
		2015		-	-	-		
Longview Holdings Corporation	Cash advances	**2016**	*a*	-	-	**9,070,687**	**Demandable; non interest-bearing**	**Unsecured**
		2015		-	-	9,070,687		
Total		**2016**			**P1,869,402,613**	**P2,179,107,882**		
Total		**2015**			P2,156,451,824	P2,322,651,972		

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

b. Dividend income consists of:

	2016	2015
ABLE	**P500,000,000**	P100,000,000
FCLRC	**195,104,000**	418,080,000
BCGLC	**70,000,000**	-
	P765,104,000	P518,080,000

c. The Company's employees are included in group wide retirement plan of the ABLE. The pertinent information about the plan and related information on the allocation of defined benefits cost and contribution for the years ended December 31, 2016 and 2015 are disclosed in the ABLE's financial statements.

The details of key management compensation are as follows:

	2016	2015
Salaries and employee benefits	**P29,215,425**	P30,435,529
Directors' fees	**18,565,000**	10,458,500

13. Income Taxes

The components of the Company's income tax benefit are as follows:

	2016	2015
Current tax expense	**P -**	P93,000
Deferred tax benefit	**(132,092,171)**	(72,486,239)
	(P132,092,171)	(P72,393,239)

The Company is subject to the regular corporate income tax or minimum corporate income tax (MCIT), whichever is higher.

The reconciliation of income tax expense is as follows:

	2016	2015
Income before income tax	**P369,938,320**	P278,698,421
Income tax at statutory income tax rate of 30%	**P110,981,496**	P83,609,526
Additions to (reductions in) income taxes resulting from tax effects of:		
Dividend income exempt from tax	**(229,531,200)**	(155,424,000)
Share in net income of a joint venture	**(13,542,467)**	(7,365,240)
Retirement	**-**	-
Impairment loss	**-**	6,480,000
Nondeductible expense	**-**	310,173
MCIT	**-**	-
Interest income subjected to final tax	**-**	(3,698)
	(P132,092,171)	(P72,393,239)

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

	2016	2015
NOLCO	**P241,439,442**	P110,762,627
MCIT	**93,000**	93,000
Retirement benefit	**1,415,356**	-
	P242,947,798	P110,855,627

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

Incurred In	Amount	Expired/ Applied/ Unrecognised	Balance	Tax Effect	Year of Expiry
2013	P106,346,766	(P106,346,766)	P -	P -	2016
2014	127,897,961	-	127,897,961	38,369,388	2017
2015	241,310,797	-	241,310,797	72,393,239	2018
2016	435,589,383	-	435,589,383	130,676,815	2019
	P911,144,907	(P106,346,766)	P804,798,141	P241,439,442	

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

14. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

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

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

Credit Risk

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

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

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

	Note	**2016**	2015
Loans and receivable:			
Cash in banks	*4*	**P8,942,205**	P17,329,771
Receivables - net	*5*	**501,657,690**	518,464,000
Due from related parties	*12*	**1,869,402,613**	2,156,451,824
Rent deposits	*11*	**3,836,288**	3,608,170
		P2,383,838,796	P2,695,853,765

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

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

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

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

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

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

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

As at December 31, 2016 and 2015, the Company's cash in banks is classified under Grade A, while receivables, due from related parties and rent deposits are classified under Grade C.

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

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

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

	As at December 31, 2016				
	Carrying Amount	**Contractual Cash Flow**	**6 Months or Less**	**6 - 12 Months**	**More than 12 Months**
Non-derivative Financial Liabilities					
Dividend and other payables	**P171,302,157**	**P171,302,157**	**P171,302,157**	**P -**	**P -**
Short-term loans payable	**302,500,000**	**304,395,833**	**304,395,833**	**-**	**-**
Long-term loans payable	**444,166,667**	**491,443,158**	**76,590,221**	**76,716,769**	**338,136,168**
Due to related parties	**2,179,107,882**	**2,179,107,882**	**-**	**2,179,107,882**	
	P3,097,076,706	**P3,146,249,030**	**P552,288,211**	**P2,255,824,651**	**P338,136,168**

	As at December 31, 2015				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6 - 12 Months	More than 12 Months
Non-derivative Financial Liabilities					
Dividend and other payables	P145,601,815	P145,601,815	P145,601,815	P -	P -
Short-term loans payable	344,200,000	345,634,167	345,634,167	-	-
Long-term loans payable	574,166,667	574,166,667	81,904,875	79,896,375	503,036,625
Due to related parties	2,322,651,972	2,322,651,972	-	2,322,651,972	-
	P3,386,620,454	P3,388,054,621	P573,140,857	P2,402,548,347	P503,036,625

Market Risk

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

Equity Price Risk

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Company is exposed to equity securities price risk because of investments held by the Company, which are classified in the separate financial position as AFS financial asset (see Note 7).

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

Change in quoted prices of investments carried at fair value	**2016**	2015
Increase by 10%	**P18,239,618**	P11,591,124
Increase by 5%	**9,119,809**	5,795,562
Decrease by 10%	**(18,239,618)**	(11,591,124)
Decrease by 5%	**(9,119,809)**	(5,795,562)

Interest Rate Risk

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

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

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

Change in interest rates (in basis points)	**2016**	2015
300bp rise	**P1,455,589**	P1,137,261
300bp fall	**(1,455,589)**	(1,137,261)

1 basis point is equivalent to 0.01%.

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

Fair Values

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

Cash

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

Receivables/Due from Related Parties /Rent Deposits/Dividend and Other Payables/Short-term Loans Payable/Due to Related Parties

The carrying amounts of receivables, due from related parties, dividend and other payables, short-term loans payable and due to related parties approximate their fair values due to liquidity, short maturity and nature of these financial instruments. The carrying amount of rent deposit approximates its fair value as the effect of discounting using the prevailing market rate is not significant.

Long-term Loans Payable

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

Available for Sale Financial Asset

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

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

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

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

15. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. Following are the tax information required for the taxable year ended December 31, 2016:

I. Based on RR No. 15-2010

A. Value Added Tax (VAT)

	Amount
1. Input VAT	
Beginning of the year	**P -**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**-**
b. Goods other than for resale or manufacture	**2,415,523**
c. Capital goods subject to amortization	**-**
d. Capital goods not subject to amortization	**-**
e. Services lodged under cost of goods sold	**-**
f. Services lodged under other accounts	**5,656,950**
Balance at the end of the year	**P8,072,473**

B. Excise Taxes

None.

C. Documentary Stamp Tax

In 2016, the Company's documentary stamp tax on loans amounted to P1,303,370.

D. Withholding Taxes

	Amount
Tax on compensation and benefits	**P31,860,702**
Final withholding taxes	**11,912,832**
Expanded withholding taxes	**9,085,224**
	P52,858,758

E. All Other Taxes

	Amount
Other taxes paid during the year recognized under "Taxes and licenses" account in profit or loss	
License and permit fees	**P245,495**
Others	**1,512,394**
	P1,757,889

F. Deficiency Tax Assessments

None.

G. Tax Cases

None.

Statement on Disclosure of Supplementary Information

The additional information discussed above on taxes and licenses is presented as compliance with the requirement of BIR and is not a required part of the basic financial statements. Said information has been subjected to the auditing procedures performed in our audit with applied materiality to the basic financial statements taken as a whole.