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SEC Registration Number

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

<b>Ms. Carmelita D. Chan</b>
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(Contract Person)

<b>638-5496</b>
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(Company Telephone Number)

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*Month Day*  
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(Form Type)

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*Month Day*  
(Annual Meeting)

<b>Not Applicable</b>
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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

<b>Not Applicable</b>
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Amended Articles Number/section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2012
2. Commission identification number 13174                      3. BIR tax identification number 321-000-108-278

LEISURE & RESORTS WORLD CORPORATION

4. Exact name of issuer as specified in its charter
- MAKATI CITY, METRO MANILA, PHILIPPINES
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: \_\_\_\_\_ (SEC use only)

26 Flr, WEST TOWER, PSE CENTER, EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY

7. Address of registrant's principal office
- (02) 687-03-70; 637-5292-93
8. Issuer's telephone number, including area code
9. Former name, former address and former fiscal year, if changed since last report

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

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common	999,877,094

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

Yes        No   

12. Indicate by check mark whether the registrant:

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

Yes        No   

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

Yes        No

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

Please see attached.

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

#### Comparable Discussion on Material Changes in Results of Operations and Financial Condition

#### LRWC Operations

LRWC is functioning basically as a holding company with minimal operations. The company is still focusing its endeavor in supporting the productivity programs of its subsidiaries as follows: (1) AB Leisure Exponent, Inc. (ABLE – 100% owned); (2) LR Land Developers, Inc. (LRLDI – 100% owned); (3) AB Leisure Global, Inc. (ABLGI – 100%); (4) First Cagayan Leisure and Resort Corporation (FCLRC – 69.68% owned); (5) Bingo Bonanza (HK) Ltd. (BBL – 60% owned); and (6) Blue Chip Gaming and Leisure Corporation (BCGLC – 70% owned). Based on PFRS 3, Business Combination, LRWC has not amortized the goodwill on its investments in its subsidiaries. Instead, PFRS 3 requires for an annual test for goodwill impairment. On the basis of the test for impairment of goodwill, there is no need to provide for allowance for impairment for the third quarter of 2012.

LRWC's total operating expenses amounted to ₱7.7 million and ₱7.4 million during the third quarter of 2012 and 2011, respectively while posting a year-to-date operating expenses of ₱18.8 million as of September 30, 2012 as compared to ₱20.4 million for the same period last year. The decrease of ₱0.3 million during the third quarter of 2012 and ₱1.6 million as of September 30, 2012 are mainly attributable to the overall financial prudence implemented by the Group. The Company is concentrating its efforts towards the expansion of the Group's operations, thereby necessarily implementing its cost cutting measures to its own operations. Interest and other bank charges for the third quarter amounted to ₱14.7 million and ₱2.5 million in 2012 and 2011 correspondingly, while posting a year-to-date total of ₱17.2 million as of September 30, 2012 as compared to ₱4.3 million for the same period last year. The increase of ₱12.2 million during the third quarter of 2012 and ₱12.8 million as of September 30, 2012 are mainly due to the interest income from private placements which started in the last quarter of 2011.

Starting 2009, LRWC discontinued recording its 30% share in losses from Binondo Leisure Resources, Inc. (BLRI) as its investment balance has already been consumed.

On July 5, 2012, ABLGI together with LRWC, PLAI and Belle Corporation executed a Memorandum of Agreement amending their existing agreements and allowing the participation of a foreign partner in the casino to further enhance the value of the project. With the entry of a foreign partner, it was agreed that LRWC and ABLGI will assist Belle in funding its own capital requirements in exchange for a share in the economic benefits to be derived by Belle and PLAI in the casino operation. As of the date of this report, the definite terms of the amount of investment and other terms and conditions are still being discussed by the parties and will be embodied in the final and definitive agreement.

During the annual stockholder's meeting held last July 27, 2012, the Board of Directors (BOD) approved the declaration of cash dividend, equivalent to of ₱0.04 per share payable to all common stockholders of record as of September 28, 2012 to be paid on October 23, 2012 and another cash dividend of ₱0.035 per share payable to all common stockholders of record as of February 28, 2013 to be paid on March 25, 2013.

On November 11, 2012, LRWC executed an Investment Agreement with Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure) and Hotel Enterprises of the Philippines, Inc. (HEPI) for the acquisition of fifty-one percent (51%) of the outstanding capital stock of HEPI, which owns and operates the Midas Hotel and Casino. LRWC's total investment amounted to Seven Hundred Fifty Million Pesos (₱750,000,000.00).

## **ABLE Operations**

### **Third Quarter 2012 vs. Third Quarter 2011**

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

#### Revenues

ABLE generated total sales of ₱935.4 million for the third quarter of 2012, a ₱30.4 million or 3.4% improvement from last year's third quarter sales of ₱905.1 million. The increase is attributable to the increase in sales of Electronic Bingo (E-Bingo) by ₱120.7 million or 41.4%. The increase was partially offset by the following decreases: (1) Traditional Bingo by ₱55.3 million or 11.0%; (2) Rapid Bingo by ₱32.3 million or 29.9%; (3) Pull Tabs by ₱1.1 million or 40.5% and (4) Instant Charity Bingo by ₱1.6 million or 98.7%.

The traditional bingo continues to be ABLE's principal product-line with a sales contribution of 47.7% to total sales in the third quarter of 2012. Sales for the third quarter of 2012 was ₱445.8 million, a decline of ₱55.3 million or 11.0% from ₱501.1 million during the same period in 2011.

E-bingo total sales for the third quarter of 2012 amounted to ₱412.1 million, an increase of ₱120.7 million or 41.4% from ₱291.5 million sales during the same period in 2011. Higher sales were generated because of the increase in the number of E-bingo machines as well as a higher revenues generated per machine. As of September 30, 2012, there were a total of 3,582 E-bingo machines in 59 bingo parlors as compared to 2,630 E-bingo machines in 49 bingo parlors in the third quarter of 2011.

During the third quarter of 2012, sales from Rapid bingo contributed ₱75.8 million or 8.1% to total sales as compared to ₱108.1 million or 11.9% contribution to total sales for the same period last year. There was a decline in sales amounting to ₱32.3 million or 29.9% from the third quarter of 2011. By the end of September 30, 2012, there were a total of 82 Rapid bingo terminals in 67 bingo parlors as compared to 77 Rapid bingo terminals in 61 bingo parlors for the third quarter of last year.

During the third quarter of 2012, Pull Tabs contributed ₱1.6 million as compared to ₱2.7 million for the same period last year.

At the beginning of the third quarter of 2012, sales of the ICBG2 scratch cards were discontinued. However, there were a few bingo outlets, which sold ₱0.02 million during the third quarter of 2012 as compared to ₱1.6 million for the same period last year. ICBG2 scratch cards will be replaced with new game variants such as Bingo Express and Bingo Lotto in the future.

Overall, the improvement in sales of E-Bingo more than covered for the decrease in sales of the other bingo products.

#### Expenses

ABLE's consolidated costs and operating expenses for the third quarter of 2012 of ₱535.3 million decreased by ₱42.6 million or 7.4% from ₱577.9 million in 2011. The decrease is mainly attributable to the following: (1) Payout by ₱42.1 million or 11.7% mainly due to the implementation of new gaming programs; (2) Cards & Supplies by ₱3.3 million or 32.2% due to the decrease in sales of Traditional Bingo; (3) Employees Benefits by ₱9.2 million or 39.0%; (4) Communication and Utilities by ₱5.2 million or 13.6% and (5) "Others – Net" by ₱1.4 million or 12.0% due to management's continuous implementation of ABLE's cost reduction program. On the other hand, these decreases were partially offset by the following increases mainly due to the opening of several bingo parlors: (1) Rental by ₱7.7 million or 15.0%; (2) Salaries and Wages by ₱6.6 million or 18.9%; (3) Depreciation by ₱2.7 million or 18.7% and (4) Taxes and Licenses by ₱1.5 million or 30.4%. Interest and other bank charges for the quarter amounted to ₱2.4 million for a ₱0.9 million or 26.2% decrease from last year's ₱3.3 million due to substantial loan principal payments.

### Corporate Income Tax

Effective November 1, 2005, Republic Act No. (R.A.) 9337, "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features," particularly Section 27 (c) , excluded PAGCOR from the provision which identifies government-owned or controlled corporations or agencies exempted from the thirty five percent (35%) corporate income tax.

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

Pursuant to P.D. 1869, also known as PAGCOR Charter and as amended by R.A. 9487, the 5% Franchise Tax shall be in lieu of all kinds of taxes, incurred or otherwise, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. This exemption inures to the benefits of corporations, associations, agencies or otherwise, or individuals with whom PAGCOR has a contractual relationship in connection with the operations of casinos under the PAGCOR Franchise. Thus, the exemption referred to under PD 1869 is extended to its Bingo grantees/licensees.

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

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

### Net Income

ABLE posted a consolidated net income (net of minority share) of ₱32.4 million for the third quarter of 2012, an ₱8.3 million or 34.4% increase from the ₱24.1 million net income for the same period in 2011. The improvement in net income is due mainly to the increase in revenues in conjunction with the decrease in costs and operating expenses.

### **FCLRC Operations**

#### **Third Quarter 2012 vs. Third Quarter of 2011**

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

FCLRC generated ₱138.2 million gross revenues for the third quarter of 2012, representing a ₱58.9 million or 74.2% increase from last year's third quarter revenues of ₱79.3 million. The improvement in revenues is mainly due to the increase in the number of operational locators – 60 for this year as against 49 last year as well as the increase in locators' revenues. Hosting fees from restrictive and interactive gaming locators contributed ₱122.1 million or 88.3% of total revenues, while license application and renewal fees accounted for ₱16.1 million or 11.7%. Hosting fees of ₱ 62.9 million during the third quarter of 2011 increased by ₱59.2 million or 94.2%, while license application fees slightly decreased by ₱0.3 million or 2.0% from ₱ 16.5 million during the same period.

FCLRC posted a net income of ₱ 62.8 million for the third quarter of 2012, a ₱17.8 million or 39.6% improvement versus last year's ₱45.0 million. Total cost and operating expenses of ₱ 37.2 million increased by ₱ 18.7 million or 101.1% from last year's figure of ₱ 18.5 million. The increase is mainly due to the Company's efforts to provide a more efficient service to its locators operating in the CSEZFP and other reasons as stated: (1) Administrative Salaries and Benefits by ₱7.2 million; (2) Rental by ₱ 0.4 million; (3) Taxes and Licenses by ₱0.06 million; and (4) "Others" Expenses by ₱15.3 million mainly due to enhanced marketing programs to attract more locators . These increases were partly offset by the following decreases primarily due to the Company's cost saving measures and overall financial prudence: (1) Professional Fees by ₱1.2 million; (2) Depreciation by ₱1.5 million and (3) Communication by ₱1.5 million. The resulting net income in the "Other Income/(Expense) account" of ₱28.0

million or an increase of ₱ 11.2 million or 66.7% from last year's resulting net income of ₱16.8 million was mainly due to the growth in the other income derived from the rental of gaming facility coupled with an increase in the equity in net earnings of First Cagayan Converge Data Center, Inc. (FCCDC).

### **LRLDI Operations**

#### **Third Quarter 2012 vs. Third Quarter of 2011**

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

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

During the third quarter of 2012, total rental income amounted to ₱8.4 million as compared to ₱4.3 million during the same period last year. The increase of ₱4.0 million or 93.4% is attributable to the increase in number of lessees. To further improve its performance, LRLDI implemented its cost reduction scheme, thus effectively reducing its total operating expenses which amounted to ₱0.03 million during the third quarter of 2012, as compared to ₱1.9 million for the third quarter of 2011. Thus, LRLDI posted a net income of ₱6.0 million during the third quarter of 2012 and ₱0.002 million during the same period last year. The improvement in net income is mainly due to the increase in rental income coupled with the substantial decrease in operating expenses.

### **ABLGI Operations**

#### **Third Quarter 2012 vs. Third Quarter of 2011**

ABLGI has been engaged by Belle Corporation, through its subsidiary, Premium Leisure and Amusement, Inc. (PLAI), to act as operator and manager of its casino in behalf of PLAI pursuant to the provisional license issued by PAGCOR. The terms of the agreement are contained in the Operating Agreement signed by both parties on the same date. PLAI is a member of a consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation, SM Commercial Properties, Inc. and PLAI (all third parties), which was granted a Provisional License by PAGCOR to establish and operate a casino to be located within the Manila Bay Reclamation Area. As operator and manager of the casino, ABLGI shall exercise supervision, direction and responsibility for the casino operations. Also under the Operating Agreement, ABLGI shall ensure the acquisition of construction of additional gaming, hotel and theater facilities and equipment.

Under the new Memorandum of Agreement dated July 5, 2012, executed between PLAI and Belle Corporation and ABLGI together with LRWC, it was agreed that LRWC and ABLGI will assist Belle in funding its own capital requirements in exchange for a share in the economic benefits to be derived by Belle and PLAI in the casino operation.

As of September 30, 2012, ABLGI has not yet started its commercial operations. However, ABLGI incurred operating expenses amounting to ₱35.0 million and ₱68.5 million in the third quarter of 2012 and 2011, respectively. These expenses are mainly attributable to the rental of land leased from Belle Corporation, professional fees and other expenses related to the casino. There was a substantial decrease in operating expenses amounting to ₱33.5 million resulting from the amended memorandum agreement between ABLGI & LRWC with PLAI and Belle Corporation last July 2012 which enabled ABLGI to minimize their operating expenses.

### **BCGLC Operations**

#### **Third Quarter 2012 vs. Third Quarter of 2011**

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC operates a Slot Arcade at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacale, Bacolor, Pampanga under a license issued by the Philippine Amusement and Gaming Corporation (PAGCOR).

BCGLC generated gross revenues from slot machines totaling ₱11.7 million during the third quarter of 2012 and ₱8.8 million during the same period last year. Total operating expenses amounted to ₱9.7 million and ₱7.8 million during the third quarter of 2012 and 2011, respectively. The increase in operating expenses by ₱1.9 million or 24.5% is mainly due to the increased operating hours of the casino to 24-hour operations starting February 2012 and other reasons as stated which caused the increase in the following expenses: (1) Rental by ₱0.2 million or 10% due to increase in rental rates; (2) Salaries and Wages by ₱0.06 million or 13.2%; (3) Employees' Benefits by ₱0.09 million or 38.8%; (4) Contracted Services by ₱0.3 million or 55.3% owing to the hiring of an additional consultant to boost revenues; (5) Depreciation by ₱0.08 million or 6.1% attributable to the purchase of new office furnitures; (6) Taxes and Licenses by ₱0.02 million or 22.5% due to higher municipal taxes paid; (7) Communication and Utilities by ₱0.3 million or 20.2% and (8) "Others" Expenses by ₱0.9 million or 43.1% which mainly pertains to marketing expenses necessary to increase foot traffic in the establishment and improvement of privileges given to regular and VIP players. Therefore, BCGLC contributed net income of ₱0.9 million to the Group for the third quarter of 2012 as compared to ₱0.07 million for the same period last year. The improvement in net income is mainly attributable to the increase in revenues.

### **BBL Operations Third Quarter 2012**

BBL was incorporated under the Companies Ordinance of Hongkong. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. It started its commercial operations last March 5, 2012.

BBL generated gross revenues from its electronic bingo club operations amounting to ₱0.1 million during the third quarter of 2012. Total operating expenses amounted to ₱7.3 million. Thus, it posted a net loss of ₱7.2 million during the third quarter of 2012.

### **LRWC Consolidated Net Income**

As a result of the foregoing developments, LRWC posted a consolidated net income (net of minority share) of ₱50.4 million for the third quarter of 2012, a ₱68.7 million or 376.0% improvement from the ₱18.3 million consolidated net loss of the same period last year. The increase is mainly due to the increase in net income of LRWC's core businesses ABLE and FCLRC, coupled with the increase in net income of LRLDI and the decrease in pre-operating expenses of ABLGI, partially offset by the operating losses of BBL.

### **ABLE Operations YTD - September 30, 2012 vs. September 30, 2011**

#### Revenues

ABLE's total year-to-date sales as of September 30, 2012 amounted to ₱2,867.4 million, an increase of ₱194.2 million or 7.3% from the ₱2,673.2 million total sales for the same period last year. The increase in sales was mainly due to the increase in sales generated from Electronic Bingo (E-Bingo) by ₱375.5 million or 47.1%. On the other hand, the increase were partially offset by the following decreases: (1) Traditional Bingo by ₱141.6 million or 9.3%; (2) Rapid Bingo by ₱28.3 million or 8.5%; (3) Pull Tabs of ₱4.7 million or 45.1% and (4) Instant Charity Bingo of ₱6.7 million or 93.3%.

The traditional bingo games remain the company's principal product-line with sales of ₱1,384.5 million or 48.3% contribution to total sales as of September 30, 2012.

The sales of E-bingo operations as of September 30, 2012 at ₱1,172.3 million or 40.9% contribution to sales continue to grow from the time it was first launched in mid of 2002 with twenty (20) machines. ABLE continues to install machines in its bingo parlors. By the end of September 30, 2012, there were a total of 3,582 E-bingo machines in 59 bingo parlors, as compared to 2,630 E-bingo machines in 49 bingo parlors as of September 30, 2011.

Rapid Bingo sales as of September 30, 2012 contributed ₱304.5 million or 10.6% to total sales. By end of September 2012, a total of 82 Rapid Bingo terminals in 67 bingo parlors were installed, as compared to 77 Rapid Bingo terminals in 61 bingo parlors during the third quarter of 2011.

As of the third quarter ending September 30, 2012, Pull Tabs contributed ₱5.7 million as compared to ₱10.3 million for the same period last year.

Sales from the ICBG2 scratch cards contributed ₱0.5 million to total sales as of the third quarter of 2012 as compared to ₱7.2 million for the same period last year. Sales of ICBG2 scratch cards were discontinued at the beginning of the third quarter of 2012. It will be replaced with new game variants such as Bingo Express and Bingo Lotto in the future.

Overall, the remarkable increase in sales of E-Bingo more than covered for the decrease in sales of the other bingo products.

### Expenses

ABLE's total operating expenses as of September 30, 2012, amounted to ₱1,684.3 million, for a ₱58.8 million or 3.4% decrease from ₱ 1,743.1 million for the same period in 2011. The decrease is mainly attributable to the following: (1) Payout by ₱81.7 million or 7.4% mainly due to the implementation of new gaming programs; (2) Cards & Supplies by ₱7.6 million or 24.0% due to the decrease in sales of Traditional Bingo and (3) Employees Benefits by ₱15.2 million or 21.0% due to management's continuous implementation of ABLE's cost reduction program. Nevertheless, there were increases in the operating expenses mainly attributable to the opening of several bingo parlors and as stated as follows: (1) Rental by ₱19.0 million or 12.6%; (2) Salaries and Wages by ₱5.8 million or 5.6%; (3) Depreciation by ₱12.8 million or 31.4%; (4) Taxes and licenses by ₱3.7 million or 21.8% and (5) "Others - Net" Expenses by ₱3.1 million or 9.7% owing to enhanced marketing activities for programmed bingo games. Interest and other bank charges amounted to ₱8.0 million both for the third quarters ended September 30, 2012 and September 30, 2011.

### Corporate Income Tax

Management has not provided for provision for income tax as discussed above in the quarterly analysis.

### Net Income

As of September 30, 2012, ABLE posted a net income (net of minority share) of ₱102.2 million, a ₱32.9 million or 47.6% improvement from the ₱69.2 million net income for the same period last year. The increase is mainly due to the increase in revenues coupled with the decrease in total costs and operating expenses.

## **FCLRC Operations YTD - September 30, 2012 vs. September 30, 2011**

FCLRC's gross revenues as of September 30, 2012 was ₱427.6 million, an increase of ₱194.3 million or 83.3% from last year's figures of ₱233.3 million. The improvement of revenues is mainly due to the increase in the revenues of locators as well as the increase in the number of operating locators.

### Net Income

FCLRC posted a net income of ₱ 183.2 million as of the third quarter of 2012, a ₱70.5 million or 62.5% increase versus last year's ₱112.7 million.

Total costs and operating expenses of ₱109.8 million increased by ₱49.9 million or 83.2% from last year's figure of ₱ 59.9 million. The increase is mainly due to the Company's efforts to provide a more efficient service to its locators operating in the CSEZFP and other reasons as stated: (1) Administrative Salaries and Benefits by ₱12.2 million or 71.3%; (2) Rental by ₱1.3 million or 12.6%; (3) Professional Fees by ₱4.0 million or 41.9% due to hiring of consultants to establish marketing programs to generate additional revenues for the locators; (4) Taxes and licenses by ₱0.2 million or 79.4% due to higher taxes paid and (5) "Others" Expenses by ₱35.9 million mainly due to enhanced marketing programs to attract more locators. These increases were partly offset by the decreases in the following expenses: (1) Depreciation by ₱1.8 million or 11.8% and (2) Communication by ₱1.8 million or 29.4%



primarily due to the Company's cost saving measures and overall financial prudence. The resulting net income in the "Other Income/(Expense) account" of ₱59.8 million or an increase of ₱26.7 million or 80.7% from last year's resulting net income of ₱33.1 million was mainly due to the growth in the other income derived from the rental of gaming facility coupled with an increase in the equity in net earnings of First Cagayan Converge Data Center, Inc. (FCCDC).

#### **LRLDI Operations**

##### **YTD – September 30, 2012 vs. September 30, 2011**

LRLDI's total revenues as of September 30, 2012 amounted to ₱13.0 million as compared to ₱12.9 million during the same period last year. The slight improvement is attributable to the increase in number of lessees partially offset by rental discounts given to certain lessees. Total operating expenses amounted to ₱0.6 million and ₱6.0 million as of September 30, 2012 and September 30, 2011, respectively. The decline in operating expenses is mainly attributable to the reclassification of Depreciation Expense from operating expense in 2011 to direct expense in 2012.

LRLDI posted a net income of ₱6.0 million as of the third quarter of 2012 and ₱3.7 million during the same period last year. The improvement in net income of ₱2.3 million or 63.6% is mainly due to the accrual of interest from LRWC's advances to LRLDI as of the third quarter of 2011 but was later reversed at year end.

#### **ABLGI Operations**

##### **YTD – September 30, 2012 vs. September 30 2011**

As of September 30, 2012, ABLGI has not yet started its commercial operations. However, ABLGI already incurred operating expenses amounting to ₱115.8 million and ₱114.9 million as of the third quarter of 2012 and 2011, respectively. These expenses are mainly attributable to the rental of land leased from Belle Corporation, professional fees and other expense related to the casino.

#### **BCGLC Operations**

##### **YTD – September 30, 2012 vs. September 30 2011**

BCGLC generated gross revenues from slot machines totaling ₱36.6 million as of the third quarter of 2012 and ₱15.1 million as of the same period last year. Total operating expenses amounted to ₱27.9 million and ₱13.1 million as of the third quarter of 2012 and 2011, respectively. The increase in operating expenses by ₱14.8 million is primarily due to the increased operating hours of the casino to 24 hour-operation starting February 2012 and other reasons as stated which caused the increase in the following expenses: (1) Rental by ₱2.8 million due to increase in rental rates; (2) Salaries and Wages by ₱0.9 million; (3) Employees' Benefits by ₱0.5 million; (4) Contracted Services by ₱1.6 million owing to the hiring of an additional consultant to boost revenues; (5) Depreciation of ₱1.8 million attributable to the purchase of new office furnitures; (6) Taxes and Licenses of ₱0.1 million due to higher municipal taxes paid; (7) Communication and Utilities of ₱2.7 million and (8) "Others" Expenses of ₱4.2 million which mainly pertains to marketing expenses necessary to increase foot traffic in the establishment and improvement of privileges given to regular and VIP players.

Therefore, BCGLC contributed net income of ₱5.3 million to the Group as of the third quarter of 2012 and ₱0.3 million for the same period last year. The improvement in net income is mainly attributable to the increase in revenues.

#### **BBL Operations**

##### **YTD – September 30, 2012**

As of the third quarter of 2012, BBL generated gross revenues from its electronic bingo club operations amounting to ₱0.4 million. Year-to-date operating expenses amounted to ₱24.5 million. Thus, it posted a net loss of ₱24.1 million as of September 30, 2012.

## LRWC Consolidated Net Income

LRWC posted a consolidated net income (net of minority share) of ₱107.6 million, a ₱95.3 million or 775.41% improvement from the ₱12.3 million consolidated net income for the same period last year. This is mainly due to the increase in net income of LRWC's core businesses ABLE and FCLRC coupled with the increase in net income of LRLDI partially offset by the operating losses of BBL.

## Financial Condition – September 30, 2012 vs. December 31, 2011

On a consolidated basis, the Balance Sheet of Leisure & Resorts World Corporation (LRWC) and its subsidiaries, ABLE, FCLRC, LRLDI, BCGLC, ABLGI and BBL, continue to improve. Total assets as of September 30, 2012 amounted to ₱3,871.6 million increased by ₱169.2 million or 4.6% from ₱3,702.4 million as of December 31, 2011. Increases in assets are attributable to the following: (1) Receivables - Net by ₱22.0 million mainly attributable to ABLE's advances for expansion projects that is projected to generate more revenues partially offset with the decrease in FCLRC's receivables due to substantial collection; (2) Property and Equipment - Net by ₱25.6 million mainly due to ABLGI's casino project coupled with ABLE's opening of new bingo parlors and FCLRC's construction of additional facilities for its staff and locators, (3) Investment and Advances - Net by ₱48.4 million mainly due to several on-going projects which will benefit the Group in the future and (4) Other Non-Current Assets by ₱80.2 million due to LRLDI's advances to CPVDC and CLPDC to finance the construction and development of CSEZFP International Airport in Cagayan coupled with ABLE's rental deposits, cash and performance bonds related to its expansion projects, partially offset by the decrease in Due from Related Parties – Net by ₱28.2 million attributable to ABLE's to reclassification of accounts.

Total Liabilities increased due to the following: (1) Trade and Other Payables by ₱118.7 million mainly attributable to FCLRC's liability to CEZA and ABLGI's liability to various suppliers including rent & tax accruals, (2) Finance Lease Payable (net of current and long term) by ₱8.2 million mainly attributable to ABLE's acquisition of transportation equipment, (3) Long Term Loans Payable (net of current portion) by ₱5.2 million due to ABLE's increase in loan borrowings; (4) Rent Deposit by ₱1.2 million because of LRLDI's renewal of lease agreement and (5) Retirement Liability by ₱6.1 million owing to ABLE and FCLRC's accrual of retirement obligation. These increases were partially offset by the following decreases: (1) Short Term Loans Payable by ₱36.6 million owing to ABLE's partial loan principal payments and (2) Income Tax Payable by ₱2.5 million due to FCLRC's varying accrual periods.

## Cash Flows – Nine Months Ended September 30, 2012 vs. September 30, 2011

Cash balance as of September 30, 2012 of ₱969.9 million increased by ₱ 17.3 million or 1.8% from ₱952.6 million for the same period last year; the increase is mainly due to cash from operating activities arising from ABLE and FCLRC's increase in revenues.

## Key Performance Indicators

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

	As Of	
	September 30, 2012	December 31, 2011
<i>Liquidity</i>		
Current Ratio	165%	181%
<i>Leverage Ratio</i>		
Debt to Equity	37%	34%
	For the Nine Months Ended	
	September 30, 2012	September 30, 2011
<i>Profitability Ratio</i>		
Rate of Payout to Net Revenue	49.2%	55.5%

Return on Average Equity	7.7%	0.5%
Return on Average Assets	5.5%	0.4%
<u>Solvency Ratio</u>	18.3%	9.0%
<u>Interest Coverage Ratio</u>	4.2	13.2

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

<b>Key Performance Indicators</b>	
<b>Current Ratio</b>	Current Assets
	Current Liabilities
<b>Debt to Equity Ratio</b>	Total Liabilities
	Stockholders' Equity
<b>Payout Turn-over</b>	Net Revenues
	Payout
<b>Return on Average Equity</b>	Net Income
	Average Equity
<b>Return on Average Assets</b>	Net Income
	Average Total Assets
<b>Solvency Ratio</b>	Net Income + Depreciation
	Total Liabilities
<b>Interest Coverage Ratio</b>	Income Before Interest & Tax
	Interest Expense

## **Financial Instruments**

Financial assets comprise cash and cash equivalents, receivables, due from related parties, advances to related and non-related parties, venue rental and other deposits and cash and performance bonds. Financial liabilities consist of trade and other payables, due to related parties, rent deposit and short-term and long-term loans payable.

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

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

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

The Group has no HTM investments, AFS financial assets, and FVPL financial assets and liabilities as of the end of the third quarters of 2012 and 2011 respectively.

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

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

## **Financial Risk Management**

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The Group's risk management policies are established to identify and analyze the risks it faces, 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 Audit Committee performs oversight role over financial management 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 management 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 issues identified relating to the financial reporting of the Company to the BOD on a regular basis.

### Credit Risk

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

Financial information on the Group's maximum exposure to credit risk as of September 30, 2012 and December 31, 2011, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	09/30/2012	12/31/2011
Cash in bank	₱ 969,929,553	₱ 944,275,312
Receivables - Net *	388,531,647	366,538,712
Due from related parties – Net*	6,222,786	34,424,250
Other assets – Net*	857,466,923	777,291,451
	₱2,222,150,909	₱ 2,122,529,725

*\*See accompanying schedules for details*

### **Cash in Bank**

The management evaluates the financial condition of the banking industry and deposits cash with reputable banks only.

### *Receivables*

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

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

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

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

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

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days. Significant portion of advances to RHLRC was collected in 2010 and subsequent collection was also made on the advances in 2011, while its advances to Beau Geste were collected on March 4, 2010. No additional impairment loss was recognized in 2010 and 2009.

#### *Venue Rental Deposits*

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

#### *Cash and Performance Bonds*

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

#### *Advances to Non-related Parties*

The Group exposure to credit risk in advances to non-related parties is through financing the operations of non-related parties that have viable operations and likewise engaged in gaming amusement activities on which the Group intends to have future economic benefits from its advances to non-related parties through future acquisition and investment of these non-related parties.

#### *Due from Related Parties*

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

#### Liquidity Risk

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

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

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short-term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates.

#### Market Risk

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

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

#### *Change in Prices*

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

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

### Interest Rate Risk

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

### Foreign Currency Risk

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

### 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.

#### *Investment in other shares of stocks*

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

#### *Receivables/Due from Related Parties/Advances to Related and Non-related Parties /Venue Rental Deposits/Cash and Performance Bonds /Trade and Other Payables/Due to Related Parties/Rent Deposit*

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

#### *Loans Payable*

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

#### *Obligations Under Finance Lease*

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

### **Capital Management**

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

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

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

## **Discussion and Analysis of Material Events and Uncertainties Known to Management**

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

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

### **Plans for 2012**

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

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

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

BCGLC intends to intensify their marketing campaign to increase foot traffic in the casino.

ABLGI, as a result of the amendment of the agreement among LRWC, ABLGI, PLAI and Belle Corporation making way for the participation of a foreign company in the casino project, will assist Belle Corporation in the funding of its own capital requirements in exchange for a share in the economic benefits to be derived by Belle and PLAI in the casino operation. As of the date of this report, the definite terms of the amount of investment and other terms and conditions are still being discussed by the parties and will be embodied in the final and definitive agreement.

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

## **PART II – OTHER INFORMATION**

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



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

		30-Sep-12 <u>(Unaudited)</u>	31-Dec-11 <u>(Audited)</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	Schedule 1	969,929,553	944,275,312
Receivables - net	Schedule 2	388,531,647	366,538,712
Bingo cards		17,124,582	17,707,392
Prepaid expenses and other current assets	Schedule 3	220,127,251	218,092,976
Due from related parties	Schedule 2	6,222,786	34,424,250
<b>Total Current Assets</b>		<b>1,601,935,820</b>	<b>1,581,038,642</b>
<b>Noncurrent Assets</b>			
Property and equipment - net	Schedule 4	429,466,628	403,903,285
Investment property	Schedule 5	122,818,491	128,655,680
Investments and advances - net	Schedule 6	249,057,807	200,613,926
Deferred tax assets		64,536,733	64,536,733
Goodwill - net		546,318,689	546,318,689
Other assets - net	Schedule 7	857,466,923	777,291,451
<b>Total Noncurrent Assets</b>		<b>2,269,665,272</b>	<b>2,121,319,764</b>
<b>TOTAL ASSETS</b>		<b>3,871,601,091</b>	<b>3,702,358,406</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	Schedule 8	852,067,972	733,376,679
Short-term loans payable	Schedule 10	63,075,846	99,677,716
Current portion of long-term loans payable	Schedule 10	39,915,060	24,255,696
Current portion of obligations under finance lease		4,571,336	1,300,698
Income tax payable		3,592,113	6,062,627
Due to related party	Schedule 9	9,070,691	9,070,691
<b>Total Current Liabilities</b>		<b>972,293,019</b>	<b>873,744,107</b>
<b>Noncurrent Liabilities</b>			
Long-term loans payable - net of current portion	Schedule 10	21,206,962	31,710,900
Retirement benefits liability		42,686,782	36,632,288
Rent deposit		5,351,800	4,111,800
Obligations under finance lease - net of current portion		5,575,341	625,242
<b>Total Noncurrent Liabilities</b>		<b>74,820,884</b>	<b>73,080,230</b>
<b>Stockholders' Equity</b>			
Common Stock - P 1 par value			
Authorized - 1,600,000,000 shares			
Issued - 999,877,094 shares		999,877,094	999,877,094
Additional paid-in capital		1,114,028,556	1,114,028,555
Translation gain (loss)		(171,206)	11,839
Retained earnings		583,941,613	516,381,581
Treasury shares		(18,694,937)	(18,694,937)
		<b>2,678,981,120</b>	<b>2,611,604,132</b>
<b>Non-controlling Interest</b>		<b>145,506,069</b>	<b>143,929,937</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b>2,824,487,188</b>	<b>2,755,534,069</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>3,871,601,091</b>	<b>3,702,358,406</b>

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Unaudited**

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>				
Traditional bingo	1,384,499,624	1,526,058,266	445,519,807	501,139,958
Electronic bingo - net	1,172,695,121	796,795,005	412,570,461	291,468,512
Rapid bingo - net	304,512,772	332,839,578	75,827,776	108,135,330
Service and hosting fees	427,632,258	233,322,897	138,234,897	79,339,151
Pull tabs	5,675,290	10,332,640	1,625,830	2,730,420
Instant charity bingo	482,033	7,192,120	21,455	1,597,400
Slot machines	36,620,479	15,064,487	11,738,674	8,814,421
Rental income	12,969,765	12,941,344	8,362,300	4,323,255
	<b>3,345,087,341</b>	<b>2,934,546,336</b>	<b>1,093,901,199</b>	<b>997,548,446</b>
<b>FRANCHISE FEES AND TAXES AND OTHER DIRECT COSTS</b>	<b>1,264,739,956</b>	<b>944,030,549</b>	<b>429,287,548</b>	<b>332,030,743</b>
<b>NET REVENUES</b>	<b>2,080,347,385</b>	<b>1,990,515,787</b>	<b>664,613,651</b>	<b>665,517,703</b>
<b>COSTS AND OPERATING EXPENSES</b>				
Payout	1,023,754,232	1,105,303,679	319,139,303	361,172,500
Rentals	268,212,809	180,612,636	90,984,519	65,251,728
Salaries and wages	155,095,609	129,511,749	56,487,138	41,255,102
Communication and utilities	122,800,883	121,116,600	36,951,264	41,960,629
Contracted services	117,661,201	179,366,837	41,120,799	92,795,466
Employee benefits	60,881,338	76,298,527	15,190,110	24,328,204
Depreciation and amortization	84,588,358	62,778,415	27,341,217	24,228,104
Bingo cards and supplies	24,149,610	31,774,744	7,030,811	10,370,709
Taxes and licenses	22,253,354	18,533,265	6,729,997	5,938,377
Others	102,271,952	52,168,191	31,316,590	15,199,673
	<b>1,981,669,347</b>	<b>1,957,464,643</b>	<b>632,291,748</b>	<b>682,500,493</b>
<b>OPERATING INCOME</b>	<b>98,678,038</b>	<b>33,051,144</b>	<b>32,321,903</b>	<b>(16,982,789)</b>
<b>OTHER INCOME (EXPENSE)</b>				
Equity in net earnings of a joint venture	31,798,512	16,410,420	12,351,776	6,010,817
Finance income (expense) - net	37,088,190	1,341,392	27,821,092	7,532,823
Foreign exchange loss	-	(37,552)	-	-
	<b>68,886,702</b>	<b>17,714,260</b>	<b>40,172,868</b>	<b>13,543,640</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>167,564,740</b>	<b>50,765,404</b>	<b>72,494,771</b>	<b>(3,439,150)</b>
<b>INCOME TAX EXPENSE</b>	<b>12,953,494</b>	<b>4,028,543</b>	<b>5,482,975</b>	<b>1,245,530</b>
<b>NET INCOME</b>	<b>154,611,246</b>	<b>46,736,861</b>	<b>67,011,797</b>	<b>(4,684,679)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency translation gain (loss)	(183,045)	-	(285,984)	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>154,428,202</b>	<b>46,736,861</b>	<b>66,725,812</b>	<b>(4,684,679)</b>
<b>Attributable to:</b>				
<b>Owners of the Parent Company</b>	<b>107,555,115</b>	<b>12,286,203</b>	<b>50,412,257</b>	<b>(18,264,642)</b>
<b>Non-controlling interest</b>	<b>47,056,132</b>	<b>34,450,658</b>	<b>16,599,540</b>	<b>13,579,963</b>
	<b>154,611,246</b>	<b>46,736,861</b>	<b>67,011,797</b>	<b>(4,684,679)</b>
<b>EARNINGS PER SHARE</b>	<b>0.108</b>	<b>0.014</b>	<b>0.050</b>	<b>(0.021)</b>
<b>INCOME PER SHARE IS COMPUTED AS FOLLOWS:</b>				
a) Income attributable to the equity holders of the Parent Company	107,555,115	12,286,203	50,412,257	(18,264,642)
b) Weighted average number of shares outstanding	999,877,094	866,543,761	999,877,094	866,543,761
c) Basis (a/b)	0.108	0.014	0.050	(0.021)

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

For the Nine Months Ended September 30, 2012

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Functional Currency Translation Reserve	Treasury Shares	Minority Interests	Total
Balance at beginning of the period	999,877,094	1,114,028,555	516,381,581	11,839	(18,694,937)	143,929,937	2,755,534,069
Cash dividend			(39,995,084)				(39,995,084)
Translation gain (loss) during the period				(183,045)			(183,045)
Minority interests						1,576,132	1,576,132
Net income for the period			107,555,115				107,555,115
Balance at end of the period	999,877,094	1,114,028,555	583,941,612	(171,206)	(18,694,937)	145,506,069	2,824,487,188

For the Nine Months Ended September 30, 2011

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Functional Currency Translation Reserve	Treasury Shares	Minority Interests	Total
Balance at beginning of the period	849,877,094	128,881,859	625,861,621	0	(20,785,694)	106,426,042	1,690,260,922
APIC		975,000,000					975,000,000
APIC - treasury shares		4,447,453					4,447,453
Issuance of capital stock	150,000,000						150,000,000
Disposal for the period					7,790,000		7,790,000
Cash dividend			(79,990,168)				(79,990,168)
Minority interests						31,375,297	31,375,297
Net income for the period			12,286,203				12,286,203
Balance at end of the period	999,877,094	1,108,329,312	558,157,657	0	(12,995,694)	137,801,339	2,791,169,708

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the Nine Months Ended	
	30-Sep-12	30-Sep-11
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before franchise fees and taxes	1,366,270,337	956,316,752
Adjustments for:		
Depreciation	84,588,358	62,778,415
Equity in net income of a joint venture	(31,798,512)	(16,410,420)
Interest expense	(37,088,190)	(1,341,392)
Operating income before working capital changes	1,381,971,996	1,001,343,355
Decrease (increase) in:		
Receivables	(21,992,935)	(70,179,808)
Bingo cards	582,810	(3,903,464)
Prepaid expenses and other current assets	(2,034,275)	(34,004,887)
Increase (decrease) in:		
Trade and other payables	118,691,293	130,602,978
Income tax payable	(2,470,514)	(1,640,879)
Rent deposit	1,240,000	1,179,000
Retirement benefits liability	6,054,494	4,050,000
Cash generated from operations	1,482,042,868	1,027,446,296
Interest paid	37,088,190	1,341,392
Franchise fees and taxes paid	(1,258,715,223)	(944,030,549)
Net cash from operating activities	260,415,835	84,757,140
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(110,151,702)	(152,164,135)
Additions to investment property	5,837,189	(8,716,256)
Decrease (increase) in investment and advances	(16,645,369)	(10,775,451)
Decrease (increase) in due from related parties	28,201,464	(40,430,922)
Decrease (increase) in goodwill	(0)	(15,254,006)
Decrease (increase) in other noncurrent assets	(80,175,472)	(51,455,993)
Net cash used in investing activities	(172,933,890)	(278,796,764)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment (payment) of loans payable	(31,446,444)	(39,145,526)
Availment (payment) of obligations under finance lease	8,220,737	(4,370,300)
Dividends	(39,995,084)	(79,990,168)
Disposal (acquisitions) of treasury shares	(0)	7,790,000
Issuance of capital stock	-	150,000,000
Additional paid-in capital	-	975,000,000
Additional paid-in capital - treasury shares	-	4,447,453
Translation gain (loss)	(183,045)	-
Increase in non-controlling interest	1,576,132	31,375,297
Net cash provided (used) in financing activities	(61,827,704)	1,045,106,756
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>25,654,241</b>	<b>851,067,132</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>944,275,312</b>	<b>101,562,325</b>
<b>CASH AT END OF PERIOD</b>	<b>969,929,553</b>	<b>952,629,457</b>

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**Attachments to Unaudited Consolidated Financial Statements**  
**As of September 30, 2012**

**Schedule 1 - Cash and Cash Equivalents**

Cash on hand and in banks	969,929,553
	<u><u>969,929,553</u></u>

**Schedule 3 - Prepaid Expenses and Other Current Assets**

Prepaid expenses	61,186,368
Advances to contractors	108,367,653
Advances to suppliers	13,867,110
Input VAT	35,633,592
Other current assets	1,072,529
	<u><u>220,127,251</u></u>

**Schedule 4 - Property and Equipment**

Leasehold improvements	478,868,289
Bingo equipment & paraphernalia	39,195,628
Office furnitures, fixtures and equipment	194,432,826
Condominium unit	6,791,748
Aircraft and transportation equipment	129,674,149
Total	<u>848,962,640</u>
Less: Accumulated depreciation	<u>(419,496,012)</u>
Net	<u><u>429,466,628</u></u>

**Schedule 5 - Investment Property**

Building	79,769,009
Construction in progress	59,200,333
Total	<u>138,969,342</u>
Less: Accumulated depreciation	<u>(16,150,851)</u>
Net	<u><u>122,818,491</u></u>

**Schedule 6 - Investment and Advances**

Investment - at equity	
Acquisition costs:	
Associate:	
Binondo Leisure Resources, Inc. (BLRI) - 30%	21,200,000
	<u>21,200,000</u>
Joint venture:	
First Cagayan Converge (FC Converge) - 60%	15,000,000
<i>(net of subscription payable of 7,500,000,</i>	
	<u>15,000,000</u>
Accumulated equity in net income (loss) of an associate and joint venture	
Balance at beginning of year	
BLRI (Associate)	(26,303,101)
FCCDCI (Joint Venture)	55,781,132
Net equity in earnings (losses) for the quarter	
BLRI (Associate)	-
FCCDCI (Joint Venture)	31,798,512
Balance at end of the period	
BLRI (Associate)	(26,303,101)
FCCDCI (Joint Venture)	<u>87,579,644</u>
	<u>61,276,543</u>
	<u>97,476,543</u>
Advances	
Binondo Leisure Resources, Inc. (BLRI)	182,628,383
Allowance for Impairment	(45,850,992)
First Cagayan Converge (FC Converge)	14,047,373
Investments - at cost	756,500
	<u><u>249,057,807</u></u>

**Schedule 7 - Other Noncurrent Assets**

Advances to Cagayan Premium Ventures Inc. (CPVDC)	459,033,305
Land rights	101,567,814
Airstrip improvements - net of amortization	71,564,593
Venue rental deposits and other deposits	140,011,960
Cash and performance bonds	36,260,400
Advance regulatory fee on Instant Game	14,952,986
Advances to Cagayan Land Property Development Corporation (CLPDC)	14,671,675
Deposit for future stock subscription (AB Fiber)	12,450,000
Operating licenses	4,253,690
Others	2,700,500
	<u>857,466,923</u>

**Schedule 8 - Trade and Other Payables**

Payable to CEZA	264,643,599
Unearned hosting fees	88,377,876
Payable to PAGCOR	23,773,489
Venue rental payable	24,536,189
Cards and supplies	5,452,889
Capital expenditures	5,966,113
Accrued expenses and other payables (arising from normal business operations)	439,317,819
	<u>852,067,973</u>

**Schedule 9 - Amount Due to Related Parties**

Longview Holdings Corporation	9,070,691
	<u>9,070,691</u>

**Schedule 10 - Short-term and Long-term Loans Payable**

Short-term Loans Payable	
PBCom	31,075,846
BDO	32,000,000
<b>Total Short-term</b>	<u>63,075,846</u>
Long-term Loans Payable	
Current Portion	
BDO	39,915,060
Noncurrent Portion	
BDO	21,206,962
<b>Total Long-term</b>	<u>61,122,022</u>

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES  
 Attachments to Unaudited Consolidated Financial Statements  
 Schedule 2-Receivables  
 As of September 30, 2012

1.) Aging of Accounts Receivables

	<b>TOTAL</b>	<b>1-3 Months</b>	<b>4-6 Months</b>	<b>7 months to 1 year</b>	<b>1 year and above</b>	<b>Neither past due nor impaired</b>
<b>Type of Accounts Receivable</b>						
<b>a.) Trade Receivables</b>						
1.) Rent Receivable	21,602,551	10,009,314	4,039,045	5,329,068	2,225,126	-
2.) Receivable from Locators	152,304,789	112,976,891	23,171,620	16,156,278	-	-
3.) Others	800	-	-	800	-	-
	<b>173,908,140</b>	<b>122,986,205</b>	<b>27,210,665</b>	<b>21,486,145</b>	<b>2,225,126</b>	<b>-</b>
<b>b.) Non-Trade Receivables</b>						
1.) Advances to non-consolidated affiliates	-	-	-	-	-	-
2.) Advances to employees	105,015,278	14,474,053	16,380,517	2,122,940	9,557,070	62,480,698
3.) Others	109,608,230	28,557,069	3,934,613	23,227,399	53,889,148	-
	<b>214,623,507</b>	<b>43,031,122</b>	<b>20,315,130</b>	<b>25,350,339</b>	<b>63,446,218</b>	<b>62,480,698</b>
<b>Total Receivables</b>	<b>388,531,647</b>					
<b>c.) Receivables from Related Parties</b>						
1.) Vinta Gaming Corporation	2,623,250	2,864	-	296,711	2,323,674	-
2.) First Cagayan Converge Data Center Inc.	378,947	284,211	94,737	-	-	-
3.) Insular Gaming Corporation	3,220,589	2,355,573	310,714	554,302	-	-
	<b>6,222,786</b>					
<b>Net Receivables</b>	<b>394,754,433</b>					

2.) Accounts Receivable Description

<b>Types of Receivable</b>	<b>Nature and Description</b>	<b>Collection Period</b>
1.) Advances to non-consolidated affiliates	sale of bingo cards, promotional materials and other services	six (6) months to 1 year
2.) Advances to employees	company loan and other advances granted to employees	six (6) months to 1 year
3.) Advances to Related Parties - Vinta Gaming	issuance of bingo cards and advances	six (6) months to 1 year
4.) Advances to Related Parties - Insular Gaming	issuance of bingo cards and advances	six (6) months to 1 year
5.) Advances to Related Parties - FCCDCI	rental of property in Cagayan Business Park	six (6) months to 1 year
6.) Others	various advances and receivables	one (1) year

3.) Normal Operating Cycle: 365

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2012**

1. The accompanying interim consolidated financial statements of Leisure & Resorts World Corporation (LRWC) and Subsidiaries are in compliance with Philippine Financial Reporting Standards (PFRS).
2. The same accounting policies and methods of computation are followed in the interim consolidated financial statements as compared with the most recent annual financial statements.
3. Currently the operations of LRWC is very minimal and functions as a holding company. However, it's Subsidiaries, AB Leisure Exponent, Inc. (ABLE), engaged in bingo operations, and First Cagayan Leisure and Resort Corporation (FCLRC), engaged in licensing and regulation of online gaming, are operating on a daily basis including Sundays and Holidays, except on Maundy Thursday and Good Friday. Both businesses are not seasonal in nature. Another subsidiary, LR Land Developers, Inc. (LRLDI), is engaged in realty estate acquisition, development and tourism. AB Leisure Global Inc. (ABLGI), a subsidiary engaged in the acquisition and development of properties including management and operations of activities conducted therein particularly on general amusement and recreations, has not started commercial operations as of this date. Blue Chip Gaming and Leisure Corporation (BCGLC), a subsidiary which operates a Slot Arcade at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacale, Bacolor, Pampanga under a license issued by the Philippine Amusement and Gaming Corporation (PAGCOR). On March 15, 2010, LRWC incorporated Bingo Bonanza Limited (BBL), as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hongkong.
4. There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.
5. Property and equipment, other noncurrent assets, and investments and advances are reviewed for impairment. There are no indications of possible impairment of these assets.
6. There were no reported estimates in prior financial years and there are no estimates that need to be reported in the current interim period.
7. LRWC and Subsidiaries do not have any issuances, repurchases, and repayments of debt and equity securities.
8. On July 27, 2012, the Board of Directors (BOD) approved the declarations of cash dividend equivalent to: a) P 0.04 per share payable to all common stockholders of record as of September 28, 2012 paid on October 23, 2012, and b) P 0.035 per share payable to all common stockholders of record as of February 28, 2013 paid on March 25, 2013.
9. LRWC's primary purpose is to engage in realty development focusing on leisure business. However, as mentioned in note 3, for several years it had minimal operation and functioned as a holding company. On the other hand, its five Subsidiaries, ABLE, a professional in bingo gaming in the Philippines, operates sixty one (61) bingo parlors nationwide, most of which are located in major shopping malls in Metro Manila and in key provincial cities, FCLRC, a master licensor and regulator of online gaming operating in Cagayan Economic Zone Authority (CEZA), LRLDI, owner of property being leased by locators in Cagayan Business Park, BCGLC, operator of slot arcade in Bacolor, Pampanga, under a license issued by PAGCOR and BBL, engage in the business of gaming, recreation, leisure and lease of property in Hongkong.
10. There were no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period.
11. There were no changes in the composition of LRWC during the interim period. Likewise, there were no business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
12. LRWC and Subsidiaries do not have any contingent liabilities or contingent assets since the last annual balance sheet date nor do they have any current contingent liabilities or contingent assets.
13. There was no existing material contingencies and any other events or transactions that are material to an understanding of the current interim period.