



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 June 30, 2010
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	849,877,094

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 wholly owned operating subsidiary, AB Leisure Exponent, Inc. (ABLE), its newly incorporated subsidiary, LR Land Developers, Inc. (LRLDI) and its 69.68% owned subsidiary, First Cagayan Leisure and Resort Corporation (FCLRC). 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 second quarter of 2010.

LRWC's total operating expenses amounted to ₱2.0 million and ₱1.6 million during the second quarter of 2010 and 2009, respectively, while it posted a year-to-date operating expenses of ₱4.4 million as of June 30, 2010 as compared to ₱3.7 million for the same period last year.

LRWC recorded its 30% share in losses from Binondo Leisure Resources, Inc. (BLRI) amounting to ₱1.4 million for the second quarter of 2009, while it posted a year-to-date share in losses of ₱2.2 million as of June 30, 2009. However, beginning the first quarter of 2010, LRWC did not recognize any losses from BLRI as its investment balance has already been consumed.

In December 2007, the Board of Directors (BOD) approved the incorporation of a wholly owned subsidiary, Northern Philippines Land and Property Development, Inc. (NPLPDI), whose primary purpose is to engage in the business of purchasing, leasing owning, using, improving, developing, subdividing, selling, mortgaging, exchanging, leasing and holding for investment or otherwise, real estates of all kinds and build or cause to be built on any such land owned, held or occupied for management or disposition buildings, houses, or other structures with their appurtenances. SEC approved its incorporation on December 11, 2007. On March 3, 2008, SEC approved the amendment of the Articles of Incorporation changing its name to LR Land Developers, Inc (LRLDI). LRLDI has incurred expenses totaling ₱ 0.2 million and ₱ 0.3 million during the second quarter of 2010 and 2009 respectively, while it posted a year-to-date operating expenses of ₱0.6 million for the years 2010 and 2009 ending June 30. LRWC's consolidated financial statements for the second quarter of 2010 include LRLDI's financial condition and said expenses.

On July 30, 2010, at the meeting of the Board of Directors (BOD), the Board approved the declarations of cash dividend equivalent to: a) ₱0.03 per share payable to all common stockholders of record as of August 27, 2010, to be paid on September 22, 2010; b) ₱0.03 per share payable to all common stockholders of record as of November 26, 2010, to be paid on December 22, 2010 and c) ₱0.02 payable to all common stockholders of record as of January 28, 2011, to be paid on February 23, 2011. These declarations were also announced during the annual stockholders' meeting held on the same date.

#### **ABLE Operations**

#### **Second Quarter 2010 vs. Second Quarter 2009**

#### Revenues

ABLE generated total sales of ₱906.5 million for the second quarter of 2010, a ₱1.5 million or 0.16% improvement from last year's second quarter sales of ₱905.0 million. The increase is attributable to the increase in sales of the following:

Electronic Bingo (E-bingo) by ₱16.7 or 8.4% and Rapid Bingo by ₱3.5 million or 3.1% and partly offset by a decrease in sales of Traditional Bingo by ₱15.4 million or 2.7% and Pull Tabs by ₱0.9 million or 15.6% as compared to last year's second quarter sales. Instant Charity Bingo, which started operations on December 12, 2008, contributed ₱4.6 million or 0.5% to total sales in the second quarter of 2010.

The traditional bingo continues to be ABLE's principal product-line with a sales contribution in the second quarter of 62.1%. Sales for the second quarter of 2010 was ₱562.5 million, a decline of ₱15.4 million or 2.7% from ₱577.9 million during the same period in 2009.

E-bingo total sales for the second quarter of 2010 amounted to ₱ 216.0 million, an increase of ₱16.7 million or 8.4% from ₱199.3 million sales during the same period in 2009. Higher sales were generated because of the increase in the number of E-bingo machines. As of June 30, 2010, there were a total of 1,838 E-bingo machines in 36 bingo parlors as compared to 1,685 E-bingo machines in 37 bingo parlors in the second quarter of 2009.

ABLE, in its continuing expansion through the introduction of new games, launched Rapid Bingo in August 2005 with 14 terminals in 14 bingo parlors. During the second quarter of 2010, sales from Rapid bingo contributed ₱118.5 million or 13.1% to total sales as compared to ₱114.9 million or 12.7% contribution to total sales for the same period last year. There was an increase in sales amounting to ₱3.6 million or 3.1% from the second quarter of 2009. By the end of June 30, 2010, there were a total of 75 Rapid bingo terminals in 60 bingo parlors as compared to 67 Rapid bingo terminals in 53 bingo parlors for the second quarter of last year.

ABLE introduced the Pull Tabs in December 2005 in 32 bingo parlors. During the second quarter of the year, it contributed ₱5.0 million to total sales as compared to ₱ 5.9 million for the same period last year.

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) on June 13, 2000. However, because of the poor sales performance, ABLE discontinued the distribution of the cards in 2005. On December 12, 2008, ABLE resumed commercial operations of the ICBG2 scratch cards. It contributed ₱4.6 million or 0.5% to total sales during the second quarter of 2010.

#### Expenses

ABLE's consolidated costs and operating expenses for the second quarter of 2010 of ₱582.8 million decreased by ₱14.8 million or 2.5% from ₱597.7 million in 2009. The decrease is attributable to the following: (1) Employees Benefit of ₱4.9 million or 25.2% and (2) Depreciation of ₱1.0 million or 8.3% due to management's continuous implementation of ABLE's cost reduction program. These decreases were offset by the increase in "Others – net" of ₱3.1 million or 22.4% owing to enhanced marketing activities for programmed bingo games. Interest and other bank charges for the quarter amounted to ₱ 5.7 million for a ₱0.9 million or 18.1% increase from last year's ₱4.9 million due to increased bank borrowings.

#### Net Income

ABLE posted a consolidated net income (net of minority share) of ₱48.3 million for the second quarter of 2010, a ₱15.0 million or 45.0% increase from the ₱33.3 million net income for the same period in 2009. The increase in net income is due mainly to the decrease in costs and operating expenses coupled with a slight increase in revenues.

#### **FCLRC Operations Second Quarter 2010 and Second Quarter of 2009**

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 ₱77.6 million gross revenues for the second quarter of 2010, representing a ₱8.9 million or 13.0% increase from last year's second quarter revenues of ₱68.7 million. The improvement in revenues is mainly due to the increase in the number of operational locators – 42 for this year as against 30 last year. Hosting fees from restrictive and interactive gaming locators contributed ₱57.6 million or 74.2% of total revenues, while license application and renewal fees accounted for ₱20.1 million or 25.8%. Hosting fees of ₱ 60.4 million during the second quarter of 2009 decreased by ₱2.8 million or 4.7%, while license application fees increased by ₱11.7 million or 140.9% from ₱ 8.3 million during the same period.

FCLRC posted a net income of ₱ 21.0 million for the second quarter of 2010, a ₱2.4 million or 10.4% decrease versus last year's ₱23.5 million. Total cost and operating expenses of ₱ 26.9 million increased by ₱ 3.6 million or 15.6% from last year's figure of ₱ 23.3 million. The increase in cost and expenses is primarily due to the company's efforts to provide a more efficient service to its locators operating in the Cagayan Special Economic Zone Freeport (CSEZFP). The increase is attributable to the following: (1) Rent of ₱ 0.5 million or 17.1% due to rental of additional office space; (2) Administrative salaries and benefits of ₱ 1.6 million or 17.7% due to adjustment in employee benefits ; (3) Professional Fees of ₱ 0.7 million or 142.8% attributable to hiring of additional consultants; (4) Representation of ₱ 3.4 million or 105.4% due to several major sponsorships; (5) Communication and Utilities of ₱ 0.5 million or 29.6% due to the additional office space rented and increase in overall consumption and (6) Miscellany of ₱ 0.4 million or 123.4% due to higher cost of repairs and maintenance of equipments. These increases were partly offset by the following decreases: (1) Supplies of ₱0.005 million or 9.1%; (2) Taxes and Licenses of ₱ 0.09 million or 85.1%; (3) Marketing of ₱ 0.6 million or 56.9% and (4) Transportation of ₱ 2.9 million or 34.2% due to the company's overall financial prudence. The resulting net income in the "Other Income/(Expense) account" of ₱ 0.6 million or 92.9% decrease from last year's resulting net income of ₱ 8.8 million was mainly due to the decline in equity in net earnings of First Cagayan Converge Data Center, Inc. (FCCDC) coupled with an increase in interest expense arising from financial obligations to CEZA.

### **LRWC Consolidated Net Income**

As a result of the foregoing developments, LRWC posted a consolidated net income (net of minority share) of ₱60.7 million for the second quarter of 2010, a ₱14.3 million or 30.9% increase from the ₱46.4 million consolidated net income of the same period last year. This improvement is mainly due to the increase in the net income of ABLE.

### **ABLE Operations**

#### **YTD - June 30, 2010 vs. June 30, 2009**

#### Revenues

ABLE's total year-to-date sales for the first six months of 2010 amounted to ₱1,810.2 million, posting an improvement of ₱25.2 million or 1.4% from the ₱1,785.0 million total sales for the same period last year. The increase in sales was mainly due to the increase in sales generated from: (1) Electronic Bingo of ₱63.3 million or 17.3% and (2) Rapid Bingo of ₱5.2 million or 2.2%; slightly offset by the decreases in: (1) Traditional Bingo of ₱34.7 million or 3.0% and (2) Pull Tabs of ₱1.8 million or 14.2%. Instant Charity Bingo, which started operations on December 12, 2008, contributed ₱9.8 million or 0.5% to total sales for the period ended June 30, 2010.

The traditional bingo games remain the company's principal product-line with a June 2010 year-to-date sales of ₱1,118.7 million or 61.8% contribution to total sales.

The sales of E-bingo operations for the first six months of 2010 at ₱428.8 million or 23.7% 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 June 30, 2010, there were a total of 1,838 E-bingo machines in 36 bingo parlors, as compared to 1,685 E-bingo machines in 37 bingo parlors as of June 30, 2009.

ABLE in its continuing expansion through introduction of new games launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of June 2010, a total of 75 Rapid Bingo terminals in 60 bingo parlors were installed, contributing ₱242.3 million or 13.4% to total sales.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors, which contributed ₱10.6 million or 0.6% to June 2010 year-to-date sales.

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) on June 13, 2000. However, because of the poor sales performance, ABLE discontinued the distribution of the cards in 2005. On December 12, 2008, ABLE resumed commercial operations of the ICBG2 scratch cards. It contributed ₱9.8 or 0.5% to total sales for the six months ended June 30, 2010.

#### Expenses

ABLE's total operating expenses for the six months ended June 30, 2010, amounted to ₱1,177.3 million, for a ₱21.4 million or 1.8% decrease from ₱1,198.7 million for the same period in 2009. The decrease in expenses can be mainly attributed to the following: (1) Employee Benefits of ₱2.9 million or 7.1% and (2) Cards and Supplies of ₱1.5 or 6.3% owing to management's continuous implementation of ABLE's cost reduction program partly offset by an increase in "Others-net" of ₱12.8 million or 78.6% due to enhanced marketing activities for programmed bingo games.

#### Net Income

As of June 30, 2010, ABLE posted a net income (net of minority share) of ₱70.9 million, a ₱17.4 million or 32.5% increase from the ₱53.5 million net income for the same period last year.

#### **FCLRC Operations YTD - June 30, 2010 vs. June 30, 2009**

FCLRC's gross revenues for the first six months of 2010 was ₱163.1 million, an increase by ₱23.8 million or 17.2% from last year's figures of ₱139.3 million. The improvement in revenues is mainly due to the increase in the number of operational locators – 42 for this year as against 30 last year.

FCLRC posted a net income of ₱49.9 million for the second quarter of 2010, a ₱9.8 million or 24.5% increase versus last year's ₱40.1 million. Total cost and operating expenses of ₱51.8 million increased by ₱4.0 million or 8.3% from last year's figure of ₱47.9 million. The increase in cost and expenses is primarily due to the company's efforts to provide a more efficient service to its locators operating in the Cagayan Special Economic Zone Freeport (CSEZFP) and other reasons as stated which contributed mainly to the following increases: (1) Administrative salaries and benefits of ₱1.9 million or 10.9% owing to adjustment in employees' benefits; (2) Professional Fees ₱0.5 million or 12.1% due to the hiring of additional consultants; (3) Taxes and Licenses of ₱0.003 million or 18.4% and (4) "Others" Expenses of ₱0.7 million or 7.3% due to improved marketing campaigns and several major sponsorships. The resulting net income in the "Other Income/(Expense) account" of ₱6.1 million or 43.2% increase from last year's resulting net income of ₱10.8 million was mainly due to the decrease in equity in net earnings of First Cagayan Converge Data Center, Inc. (FCCDC) coupled with an increase in interest expense arising from financial obligations to CEZA.

#### **LRWC Consolidated Net Income**

LRWC posted a consolidated net income (net of minority share) of ₱100.7 million, a ₱25.7 million or 34.2% improvement from the ₱75.1 million consolidated net income for the same period last year. This is mainly due to the increase in net income of ABLE and FCLRC.

#### **Financial Condition – June 30, 2010 vs. December 31, 2009**

On a consolidated basis, the Balance Sheet of Leisure & Resorts World Corporation (LRWC) and its subsidiaries, ABLE, LRLDI and FCLRC, remains strong. Total assets as of June 30, 2010 amounted to ₱2,362.4 million increased by ₱101.2 million or 4.5% from ₱2,261.2 million as of December 31, 2009. Increases in assets are attributable to the following: (1) Receivables - net of ₱46.9 million due to ABLE's advances for on-going projects; (2) Prepaid Expenses and Other Current Assets of ₱15.2 million due to prepayment of expenses made during the first few months of the year which will be properly amortized in the future short term periods and (3) Investment and Advances of ₱122.9 million mainly due to LRLDI's advances for on-going projects in Cagayan which will benefit the operations of the group

in the long term and FCLRC's advances for Phase I of the Master Development Plan Project partly offset by the following decreases: (1) Cash of ₱ 21.1 million mainly due to settlement of trade and other payables and loan principal payment; (2) Bingo cards and supplies of ₱4.2 million attributable to the decrease in bingo cards usage as substantiated in ABLE's decrease in revenues from traditional bingo and (3) Other Assets of ₱57.8 million mainly due to the recovery of advances from a joint venture entity.

Total Liabilities decreased due to the following: (1) Short Term Loans Payable of ₱ 19.8 million and (2) Finance Lease Payable (net of current and long term) of ₱0.9 million due to ABLE's substantial loan principal payments; (3) Trade & Other Payables of ₱40.8 million mainly due to ABLE's significant settlement of obligation to its vendors and (4) Income Tax Payable of ₱3.1 million due to the difference in the related accrual period. These decreases were partly offset by the increase in Long Term Loans Payable (current and long term portion) of ₱48.3 million due to ABLE's increased bank borrowings to support its operations.

### Cash Flows – Six Months Ended June 30, 2010 vs. June 30, 2009

Cash balance as of June 30, 2010 of ₱81.3 million increased by ₱ 50.4 million or 163.2% from ₱30.9 million for the same period last year; the increase is mainly due to cash from financing activities arising from ABLE's recovery of advances from a joint venture entity coupled with the proceeds from bank borrowings.

### Key Performance Indicators

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

	As Of	
	<u>June 30, 2010</u>	<u>December 31, 2009</u>
<i>Liquidity</i>		
Current Ratio	111%	100%
<i>Leverage Ratio</i>		
Debt to Equity	43%	47%
	<u>For the Three Months Ended</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<i>Profitability Ratio</i>		
Rate of Payout to Net Revenues	57.6%	60.1%
Return on Average Equity	6.3%	5.3%
Return on Average Assets	4.4%	3.5%

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

Key Performance Indicator	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liability}}{\text{Stockholders' Equity}}$
Payout Turn-over	$\frac{\text{Payout}}{\text{Net Revenues}}$

Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$
Return on Average Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$

### 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 2010

For 2010, 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 other bingo parlors with a smaller area in Metro Manila.

On the other hand, FCLRC's plan for 2010 is to have 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.

## PART II – FINANCIAL INFORMATION

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

## SIGNATURES

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

Registrant: **LEISURE & RESORTS WORLD CORPORATION**



Signature and Title: REYNALDO P. BANTUG, President/Director

Date: 08/12/2010



Signature and Title: GEOFFREY L. UYMATIAO, Treasurer/Director

Date: 08/12/2010



Signature and Title: MILAGROS P. MIRANDA, Finance Manager

Date: 08/12/2010

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

		<b>30-Jun-10</b>	<b>31-Dec-09</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	Schedule 1	81,228,267	102,348,403
Receivables - net	Schedule 2	540,823,519	493,920,365
Bingo cards and supplies		14,039,731	18,206,039
Prepaid expenses and other current assets	Schedule 3	36,361,265	21,128,668
Due from related parties - net	Schedule 2	43,087,700	41,341,014
<b>Total Current Assets</b>		<b>715,540,481</b>	<b>676,944,489</b>
<b>Noncurrent Assets</b>			
Property and equipment - net	Schedule 4	170,246,433	172,794,301
Investment properties	Schedule 5	77,373,494	77,373,494
Investments and advances - net	Schedule 6	357,250,454	234,386,692
Goodwill - net		530,988,731	530,988,731
Other assets	Schedule 7	510,958,144	568,712,470
<b>Total Noncurrent Assets</b>		<b>1,646,817,257</b>	<b>1,584,255,688</b>
<b>TOTAL ASSETS</b>		<b>2,362,357,738</b>	<b>2,261,200,177</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Short-term loans payable	Schedule 10	78,224,730	98,057,099
Trade and other payables	Schedule 8	502,888,800	543,737,292
Income tax payable		1,577,399	4,722,909
Due to related party	Schedule 9	9,070,691	9,070,691
Current portion of obligation under finance lease		6,769,028	5,987,992
Current portion of long-term loans payable	Schedule 10	48,366,667	13,400,000
<b>Total Current Liabilities</b>		<b>646,897,316</b>	<b>674,975,983</b>
<b>Noncurrent Liabilities</b>			
Long-term obligation under finance lease		1,625,821	3,322,755
Long-term loans payable	Schedule 10	32,518,996	19,200,000
Retirement benefits liability		30,885,272	29,052,288
<b>Total Noncurrent Liabilities</b>		<b>65,030,089</b>	<b>51,575,043</b>
<b>Stockholders' Equity</b>			
Common Stock - P 1 par value			
Authorized - 1,600,000,000 shares			
Issued - 849,877,094 shares		849,877,094	849,877,094
Additional paid-in capital		128,881,860	128,881,859
Retained earnings		589,559,328	488,815,290
Treasury shares		(20,785,694)	(19,780,317)
		<b>1,547,532,588</b>	<b>1,447,793,926</b>
<b>Minority Interests</b>		<b>102,897,746</b>	<b>86,855,225</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b>1,650,430,334</b>	<b>1,534,649,151</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>2,362,357,738</b>	<b>2,261,200,177</b>

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

Unaudited

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2010	2009	2010	2009
<b>SALES</b>				
Traditional bingo	1,118,680,645	1,153,370,975	562,498,196	577,872,619
Electronic bingo - net	428,773,675	365,496,006	215,978,106	199,309,194
Rapid bingo - net	242,303,076	237,097,624	118,451,599	114,913,265
Service and hosting fees	163,134,509	139,250,188	77,648,035	68,744,343
Pull tabs	10,596,360	12,347,890	5,013,500	5,940,140
Instant charity bingo	9,833,640	16,652,120	4,570,140	6,986,900
	1,973,321,905	1,924,214,804	984,159,577	973,766,461
<b>FRANCHISE FEES AND TAXES</b>	614,247,522	582,289,887	297,823,476	299,066,747
<b>NET REVENUES</b>	1,359,074,383	1,341,924,917	686,336,101	674,699,714
<b>COSTS AND OPERATING EXPENSES</b>				
Payout	782,301,694	806,023,237	385,159,004	397,337,223
Rentals	101,381,579	103,707,861	51,007,199	51,333,700
Salaries and wages	86,069,986	84,731,306	43,956,934	42,673,504
Communication and utilities	74,823,199	75,585,076	38,611,345	36,934,160
Contracted services	49,477,140	49,727,930	23,776,342	22,913,748
Employee benefits	38,639,201	41,033,850	14,926,921	19,603,133
Depreciation and amortization	29,058,208	29,804,330	14,519,067	15,423,181
Bingo cards	22,047,910	23,526,376	12,072,918	12,186,505
Taxes and licenses	10,860,322	10,536,060	4,700,976	4,597,867
Others - net	39,436,736	26,115,538	23,234,931	19,832,687
	1,234,095,973	1,250,791,564	611,965,637	622,835,710
<b>OPERATING INCOME</b>	124,978,410	91,133,353	74,370,463	51,864,004
<b>OTHER INCOME (CHARGES )</b>				
Equity in net earnings of a joint venture	11,449,363	17,257,146	5,213,391	12,098,532
Equity in net loss of an associate	-	(2,187,249)	-	(1,350,693)
Interest - net	(16,457,950)	(16,918,966)	(10,308,970)	(8,100,435)
	(5,008,588)	(1,849,069)	(5,095,579)	2,647,404
<b>INCOME BEFORE INCOME TAX</b>	119,969,822	89,284,284	69,274,884	54,511,408
<b>INCOME TAX EXPENSE</b>	3,183,263	1,445,510	1,577,399	671,489
<b>NET INCOME</b>	116,786,559	87,838,773	67,697,485	53,839,919
<b>Attributable to:</b>				
Equity holders of the Parent Company	100,744,039	75,062,639	60,736,124	46,410,902
Minority interest	16,042,520	12,776,134	6,961,361	7,429,017
	116,786,559	87,838,773	67,697,485	53,839,919
<b>EARNINGS PER SHARE</b>	0.119	0.088	0.071	0.055

**INCOME PER SHARE IS COMPUTED AS FOLLOWS:**

a) Net Income	100,744,039	75,062,639	60,736,124	46,410,902
b) Weighted average number of common shares	849,877,094	849,877,094 *	849,877,094	849,877,094 *
c) Basis (a/b)	0.119	0.088 *	0.071	0.055 *

\* After retroactive adjustment in 2009 to include 10% stock dividend issued on September 22, 2009

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

(Unaudited)

	June-10						June-09					
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury Shares	Minority Interests	Total	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury Shares	Minority Interests	Total
Balance at beginning of the period	849,877,094	114,790,986	488,815,290	(19,780,317)	86,855,225	1,520,558,278	772,614,784	128,881,860	413,514,404	(10,880,051)	71,880,724	1,376,011,722
Acquisition for the period				(1,005,377)		(1,005,377)				(4,200,583)		(4,200,583)
APIC - treasury shares		14,090,873				14,090,873						
Minority interests					16,042,521	16,042,521					12,776,134	12,776,134
Net income for the period			100,744,039			100,744,039			75,062,639			75,062,639
Balance at end of the period	849,877,094	128,881,859	589,559,328	(20,785,694)	102,897,746	1,650,430,334	772,614,784	128,881,860	488,577,043	(15,080,634)	84,656,859	1,459,649,912

(Audited)

	December-09					
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury Shares	Minority Interests	Total
Balance at beginning of year	849,877,094	114,790,986	287,577,338	0	71,880,724	1,324,126,142
Acquisitions for the year					(19,780,317)	(19,780,317)
Additional capital stock - Issuance of treasury shares		14,090,873				14,090,873
Minority interests					14,974,501	14,974,501
Net income for the period			201,237,952			201,237,952

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

	<b>For the Six Months Ended</b>	
	<b>30-Jun-10</b>	<b>30-Jun-09</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before franchise fees and taxes	714,991,561	657,352,526
Adjustments for:		
Depreciation	29,058,208	29,804,330
Equity in net loss of an associate	-	2,187,250
Equity in net income of a joint venture	(11,449,363)	(17,257,146)
Interest expense	16,457,950	16,918,966
Operating income before working capital changes	749,058,356	689,005,926
Decrease (increase) in:		
Receivables	(46,903,154)	(17,462,089)
Bingo cards	4,166,308	(7,154,220)
Prepaid expenses and other current assets	(15,232,597)	(12,667,811)
Increase (decrease) in:		
Trade and other payables	(40,848,492)	(46,812,364)
Income tax payable	(3,145,510)	(1,080,924)
Due to related parties	0	731,975
Retirement liability	1,832,984	1,832,984
Cash generated from operations	648,927,896	606,393,478
Interest paid	(16,457,950)	(16,918,966)
Franchise fees and taxes paid	(614,247,522)	(582,289,887)
Net cash from operating activities	18,222,423	7,184,625
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(26,510,340)	(47,518,677)
Acquisitions of treasury shares	(1,005,377)	(4,200,583)
Decrease (increase) in investment and advances	(111,414,400)	1,315,533
Decrease (increase) in due from related parties	(1,746,686)	379,323
Decrease (increase) in other assets	57,754,326	(16,976,883)
Net cash used in investing activities	(82,922,476)	(67,001,287)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment (payment) of loans payable	27,537,396	(22,849,655)
Increase in minority interest	16,042,521	12,776,134
Net cash provided (used) in financing activities	43,579,917	(10,073,520)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,120,136)</b>	<b>(69,890,183)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>102,348,403</b>	<b>100,749,379</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>81,228,267</b>	<b>30,859,196</b>

**LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES**  
**Attachments to Unaudited Consolidated Financial Statements**  
**As of June 30, 2010**

**Schedule 1 - Cash and Cash Equivalents**

Cash on hand and in banks	81,228,267
	<u><u>81,228,267</u></u>

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

Prepaid expenses	28,304,959
Other current assets	8,056,306
	<u><u>36,361,265</u></u>

**Schedule 4 - Property and Equipment**

Leasehold improvements	227,199,825
Bingo equipment & paraphernalia	35,334,407
Office furnitures, fixtures and equipment	127,280,797
Transportation equipment	44,482,436
Total	<u>434,297,464</u>
Less: Accumulated depreciation	<u>(264,051,031)</u>
Net	<u><u>170,246,433</u></u>

**Schedule 5 - Investment Properties**

Land	200,000
Construction in progress	77,173,494
	<u><u>77,373,494</u></u>

**Schedule 6 - Investment and Advances**

Investment - at equity	
Acquisition costs:	
Associate:	
Binondo Leisure Resources, Inc. (BLRI) - 30%	<u>21,200,000</u>
Joint venture:	
First Cagayan Converge (FC Converge) - 60%	
<i>(net of subscription payable of 7,500,000)</i>	<u>7,500,000</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)	37,755,516
Net equity in earnings (losses) for the period	
BLRI (Associate)	-
FCCDCI (Joint Venture)	11,449,363
Balance at end of the period	
BLRI (Associate)	(26,303,101)
FCCDCI (Joint Venture)	<u>49,204,879</u>
	<u><u>22,901,777</u></u>
	<u><u>51,601,777</u></u>
Advances	
Bindondo Leisure Resources, Inc. (BLRI)	169,001,507
Allowance for Impairment	(40,000,000)
First Cagayan Converge (FC Converge)	10,947,563
Cagayan Premium Ventures	164,943,105
Investments - at cost	756,500
	<u><u>357,250,454</u></u>

**Schedule 7 - Other Assets**

Advances for development of Phase I of Master Development Plan project	297,564,630
Airstrip improvements - net of amortization	88,791,747
Venue rental deposits and other deposits	87,862,629
Advance regulatory fee on Instant Charity Bingo Game 2 (ICBG2)	14,964,148
Cash and performance bonds	14,832,400
Operating licenses	4,253,690
Others	2,688,901
	<u><u>510,958,144</u></u>

**Schedule 8 - Trade and Other Payables**

Payable to CEZA	235,686,381
Unearned hosting fees	82,742,431
Payable to PAGCOR	13,811,992
Venue rental payable	17,929,580
Cards and supplies	3,551,663
Capital expenditures	17,593,492
Accrued expenses and other payables (arising from normal business operations)	131,573,260
	<u><u>502,888,800</u></u>

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

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

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

Short-term Loans Payable	
PBCom	36,224,730
BDO	42,000,000
	<u><u>78,224,730</u></u>
Long-term Loans Payable	
Current Portion	
BDO	48,366,667
	<u><u>48,366,667</u></u>
Noncurrent Portion	
BDO	32,518,996
	<u><u>32,518,996</u></u>

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES  
Attachments to Unaudited Consolidated Financial Statements  
Schedule 2-Receivables  
As of June 30, 2010

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>Past due accounts and items in litigation</b>
<b>Type of Accounts Receivable</b>						
<b>a.) Trade Receivables</b>						
1.) Credit Cards	112,095	112,095	-	-	-	-
2.) Receivable from Locators	290,191,051	47,531,494	37,003,533	122,506,145	83,149,879	-
	<b>290,303,146</b>	<b>47,643,589</b>	<b>37,003,533</b>	<b>122,506,145</b>	<b>83,149,879</b>	-
<b>b.) Non-Trade Receivables</b>						
1.) Advances to non-consolidated affiliates	-	-	-	-	-	-
2.) Advances to employees	38,262,125	16,641,263	5,486,949	5,935,106	10,198,807	-
3.) Others	213,708,248	20,295,068	5,715,011	13,151,187	174,546,982	-
<b>Sub-total</b>	<b>251,970,373</b>	<b>36,936,331</b>	<b>11,201,959</b>	<b>19,086,293</b>	<b>184,745,789</b>	-
Less: Allowance for Doubtful Accounts	(1,450,000)					
<b>Net Non-Trade Receivables</b>	<b>250,520,373</b>					
<b>Total Receivables</b>	<b>540,823,519</b>					
<b>c.) Receivables from Related Parties</b>						
1.) Insular Gaming Corporation	1,657,650	1,158,662	498,954	-	33	-
2.) Vinta Gaming Corporation	4,306,937	330,042	275,593	426,236	3,275,065	-
3.) Blue Chip Gaming & Leisure Corporation	37,123,113	46,920	2,325,075	34,751,118	-	-
	<b>43,087,700</b>					
<b>Net Receivables</b>	<b>583,911,218</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 - Insular Gaming	issuance of bingo cards and advances	six (6) months to 1 year
Advances to Related Parties - Vinta Gaming	issuance of bingo cards and advances	six (6) months to 1 year
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**  
**June 30, 2010**

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), engaged in realty estate acquisition and development, has also very minimal operations.
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 30, 2010, the Board of Directors (BOD) approved the declarations of cash dividend equivalent to: a) P 0.03 per share payable to all common stockholders of record as of August 27, 2010 to be paid on September 22, 2010, b) P 0.03 per share payable to all common stockholders of record as of November 26, 2010 to be paid on December 22, 2010, and c) P 0.02 per share payable to all common stockholders of record as of January 28, 2011 to be paid on February 23, 2011.
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 Subsidiaries, ABLE, a professional in bingo gaming in the Philippines, operates forty (40) bingo parlors nationwide, most of which are located in major shopping malls in Metro Manila and in key provincial cities, and FCLRC, a master licensor and regulator of online gaming operating in Cagayan Economic Zone Authority (CEZA).
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.