From: Philippine Stock Exchange <no-reply@pse.com.ph>
Sent: Thursday, April 13, 2023 7:30 AM
Subject: Annual Report

Dear Sir/Madam:

Your disclosure was approved as Company Report. Details are as follows:

Company Name: Premium Leisure Corp.
Reference Number: 0012493-2023
Date and Time: Thursday, April 13, 2023 07:30 AM
Template Name: Annual Report
Report Number: CR02091-2023

Best Regards,
PSE EDGE

If verification is required, please request for a hard copy.

The Philippine Stock Exchange, Inc., 6th to 10th Floors, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, Philippines 1634

CR02091-2023

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2022

2. SEC Identification Number

   AS093-009289

3. BIR Tax Identification No.

   003-457-827

4. Exact name of issuer as specified in its charter

   Premium Leisure Corp.

5. Province, country or other jurisdiction of incorporation or organization

   Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   5/F Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City
   Postal Code
   1300

8. Issuer's telephone number, including area code

   02-86628888

9. Former name or former address, and former fiscal year, if changed since last report

   n.a.

10. Securities registered pursuant to Sections 8 and 12 of the SRC 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 Stock, Php0.25 par value	31,216,931,000

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   The Philippine Stock Exchange, Inc.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

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

Php 2.98 Billion

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

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

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

n/a

(b) Any information statement filed pursuant to SRC Rule 20

n/a

(c) Any prospectus filed pursuant to SRC Rule 8.1

n/a

PREMIUM LEISURE CORP.

Premium Leisure Corp.
PLC

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2022
Currency	PHP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2022	Dec 31, 2021
Current Assets	5,987,327,952	6,002,149,366
Total Assets	16,985,905,538	17,084,896,212
Current Liabilities	730,587,574	653,483,170
Total Liabilities	816,521,728	686,363,515
Retained Earnings/(Deficit)	2,094,797,559	2,566,288,233
Stockholders' Equity	16,169,383,810	16,398,532,697
Stockholders' Equity - Parent	15,803,011,997	16,130,762,007
Book Value Per Share	0.51	0.52

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2022	Dec 31, 2021
Gross Revenue	2,079,896,638	1,726,637,079
Gross Expense	942,608,625	963,909,247
Non-Operating Income	153,964,366	422,076,335
Non-Operating Expense	220,505	642,417

Income/(Loss) Before Tax	1,291,031,874	1,184,161,750
Income Tax Expense	35,084,426	61,252,340
Net Income/(Loss) After Tax	1,255,947,448	1,122,909,410
Net Income/(Loss) Attributable to Parent Equity Holder	1,159,554,790	1,193,902,616
Earnings/(Loss) Per Share (Basic)	0.03	0.03
Earnings/(Loss) Per Share (Diluted)	0.03	0.03

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2022	Dec 31, 2021
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	8.2	9.18
; ; Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	7.9	8.86
; ; Solvency Ratio	**Total Assets / Total Liabilities**	20.8	24.89
Financial Leverage Ratios			
; ; Debt Ratio	**Total Debt/Total Assets**	0	0
; ; Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0	0
; ; Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	5,187.2	1,633.1
; ; Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.05	1.04
Profitability Ratios			
; ; Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.76	0.63
; ; Net Profit Margin	**Net Profit / Sales**	0.6	0.65
; ; Return on Assets	**Net Income / Total Assets**	0.07	0.06
; ; Return on Equity	**Net Income / Total Stockholders' Equity**	0.08	0.06
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	12.63	11.11

Other Relevant Information
n/a

Filed on behalf by:

Name	Esperanza Bagsit
Designation	Manager

COVER SHEET

AS93009289
S.E.C. Registration Number

PREMIUM LEISURE CORP.

(Company's Full Name)

5/F, TOWER A, TWO E-COM CENTER PALM COAST AVE., MALL OF ASIA COMPLEX CBP-1A, PASAY CITY

MICHELLE ANGELI T. HERNANDEZ
Contact Person

(+632) 8662-8888
Company Telephone Number

12 31
Month Day
Fiscal Year

17-A
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the year ended: **December 31, 2022**

2. SEC Identification Number: **AS93-009289**

3. BIR Tax Identification No.: **003-457-827**

4. Exact name of registrant as specified in its charter: **PREMIUM LEISURE CORP.**

5. Province, Country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines

6. [ ] (SEC Use Only)
Industry Classification Code

7. Address of Principal Office:
5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila Postal Code: 1300

8. Issuer's telephone number, including area code: **(632) 8662-8888**

9. Former name, former address, and former fiscal year, if changed since last report
Former name: **N/A**

10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock	**31,216,931,000**

11. Are any or all of these securities listed on the Philippine Stock Exchange, Inc. (PSE).
Yes [x] No [ ]

12. Check whether the issuer:
a) has filed all reports required to be filed by Section 17 of Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the issuer was required to file such report(s), been filed:

Yes [x] No [ ]

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

Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: **₱2,977,104,144.20**
Aggregate market value was computed by multiplying voting stock held by non-affiliates (6,267,587,672 shares) with the stock's closing price of **₱0.475** per share on **December 31, 2022**

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Corporate Information

Premium Leisure Corp., formerly Sinophil Corporation, ("PLC" or "Parent Company"), incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993, was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved PLC's application for a change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. On September 5, 2014, the SEC approved the change in PLC's primary purpose to that of engagement and/or investment in gaming-related businesses. On July 19, 2019 the SEC approved the change in PLC's primary purpose to include that the Company shall not engage in real estate business activities.

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.78% (direct and indirect) owned by Belle Corporation ("Belle" or "Ultimate Parent Company") and the rest by the public as at December 31, 2022 and 2021.

PLC and its subsidiaries (collectively referred to as "the Company") have investment portfolio consisting of investment holding, gaming business, lottery equipment leasing and others.

The registered office address of the Company is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership			
	2022		2021	
	Direct	**Indirect**	Direct	Indirect
Gaming Business				
PremiumLeisure and Amusement, Inc. (PLAI)	**100.00**	**–**	100.00	–
Real Estate				
Foundation Capital Resources, Inc. (FCRI)[(a)]	**100.00**	**–**	100.00	–
Public Amusement and Recreation				
Sinophil Leisure and Resorts Corporation (SLRC)[(a)]	**100.00**	**–**	100.00	–
Lottery Equipment Leasing, Distribution and Others				
Pacific Online Systems Corporation (POSC)	**50.10**	**–**	50.10	–
Loto Pacific Leisure Corporation (LotoPac)	**–**	**100.00**	–	100.00
Total Gaming Technologies, Inc. (TGTI)	**–**	**98.92**	–	98.92
Falcon Resources, Inc. (FRI)	**–**	**100.00**	–	100.00
TGTI Services, Inc. [(b)]	**–**	**–**	–	100.00
PinoyLotto Technologies Corp. (PinoyLotto)	**–**	**50.00**	–	–

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.
[(a)] Non-operating
[(b)] Sold on 2022

Material acquisitions of investments

The Company has invested in various companies as follows:

1. 100% Equity Investment in PLAI

   PLAI is a co-grantee, together with Belle and other SM consortium members (under CA/License Reg. No. 08-003), by the Philippine Amusement and Gaming Corporation ("PAGCOR") of a Certificate of Affiliation and Provisional License (the "Provisional License") to operate an integrated casino resort complex in the approved site located in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City ("PAGCOR Entertainment City"), which site was originally referred to as "Belle Grande". On

April 29, 2015, PAGCOR granted the Regular Gaming License ("License") to the consortium. This regular casino license has the same terms and conditions as the Provisional License, as applicable, and runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, and renewable for another 25 years, by the Philippine Congress. PLAI was the special purpose entity authorized by PAGCOR to perform the casino operations for the consortium.

On October 25, 2012, Belle, together with PLAI, and SM Investments Corporation (Philippine Parties), formally entered into a Cooperation Agreement with Melco Resorts and Entertainment (Philippines) Corporation ("MRP Parties"), which took effect on March 13, 2013, the date on which the conditions to closing under the Closing Agreement were fulfilled, or waived. Under the Cooperation Agreement, the Philippine Parties agreed to include the MRP Parties as co-licensees for which PAGCOR issued an Amended Certificate of Affiliation and Provisional License dated January 2013. The Cooperation Agreement further specified the respective roles of the Philippine Parties and the MRP Parties in the casino resort project.

Under the Cooperation Agreement, the Philippine Parties, through Belle, would provide the land and building structures for the casino complex. The land and building structures are leased to the MRP Parties who will in turn provide the fit outs and operate the entire casino complex.

Likewise, under the Cooperation Agreement, the new special purpose entity to perform the casino operations was agreed to be MRP. In consideration, MRP Parties agreed to pay the Philippine Parties, through PLAI, certain amounts based on gaming revenues as follows:

<u>Fees payable to PLAI</u>

PLAI will be entitled to receive from MRP agreed-upon monthly payments consisting of the following:

a) the higher of (i) one-half of the Project's Mass Market gaming EBITDA (after deductions comprising 2% management allowance, Mass Market operating expenses and an agreed deductible of 7% of Mass Market Gaming EBITDA) **(PLAI MASS EBITDA)** or (ii) 15% of the Project's net Mass Market gross gaming revenues (after deduction of amounts for PAGCOR non-VIP license fees) **(PLAI MASS Net Win)**, whichever is higher; and

b) the higher of (i) one-half of the Project's VIP gaming EBITDA (after deductions comprising 2% management allowance, VIP operating expenses and an agreed deductible of 7% of VIP gaming EBITDA) (**PLAI VIP EBITDA**) or (ii) 2% of the Project's net VIP gross gaming revenues (after deduction of amounts for PAGCOR VIP license fees, VIP commissions and incentives, as well as VIP bad debt expenses) (**PLAI VIP Net Win**), whichever is higher (the **PLAI VIP Monthly Payment**).

In addition, at the end of each fiscal period of 24 months, a calculation is made to determine the difference between (i) the higher of PLAI VIP EBITDA and 5.0% of the Project's PLAI VIP NET WIN, and (ii) the cumulative PLAI VIP Monthly Payments made for the fiscal period. If (i) is higher, the difference is paid to PLAI as an additional payment for the following period. If (ii) is higher, the difference is deducted from the first VIP payment for the following fiscal period. Meanwhile, MRP will retain all revenues from the non-gaming operations of the Project.

City of Dreams Manila integrated resort opened to the public in December 2014, and had its grand opening on February 2015. The resort complex is located on a land area of around 6.2 hectares in the gateway of the Entertainment City. It is composed of hotel, retail and dining areas with an allotment of around 380 mass and VIP gaming tables, 2,260 slot machines and 1,130 electronic gaming tables. As of January 31, 2022, City of Dreams Manila boasts of 306 gaming tables, 2,010 slot machines and 314 electronic gaming tables in operation. With approximately 22,507 square meters of gaming gross floor area and around 20,000 square meters of retail and restaurant facilities and various entertainment options, City of Dreams Manila is one of the main players in the Philippine gaming industry. Total gross floor area of the entire complex is at 310,565 square meters.

The City of Dreams Manila features top hotel brands with approximately 940 hotel rooms. Nuwa has 254 luxurious rooms, while Hyatt, managed by Hyatt International Corporation, holds 365 rooms. Asia's first Nobu Hotel, meanwhile, owns 321 rooms.

City of Dreams Manila also showcases world-class entertainment areas, including DreamPlay by DreamWorks, a one-of-a-kind entertainment for the whole family, and Centerplay, the central lounge in the casino that features live performances.

Melco Resorts & Entertainment Limited ("Melco") is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia.

In Macau, it operates its superbly designed and managed facilities through its subsidiary Melco Resorts (Macau) Limited, one of the only six companies granted concessions or subconcessions to operate casinos in Macau. In Manila, the City of Dreams Manila opened its doors to the public in December 2014 and marked the formal entry of Melco into the fast-growing and dynamic tourism industry in the Philippines. The integrated casino resort at Entertainment City, Manila Bay, Manila, is operated and managed by its Philippine subsidiary, MRP.

2. Controlling Interest in Pacific Online Systems Corporation ("POSC")

   Pacific Online Systems Corporation, with PSE ticker symbol LOTO, was incorporated in 1993. A systems integrator of gaming solutions, it is primarily engaged in the development, design and management of online computer systems, terminals and software for the gaming industry, with the Philippine Charity Sweepstakes Office (PCSO) as its main customer.

   On July 22, 2014, PLC executed several Deeds of Sales of Shares with Belle and certain of its subsidiaries for the acquisition of 101,668,953 POSC common shares at a subscription price of ₱15 per share equivalent to 34.5% ownership interest in POSC for a total consideration of ₱1,525,034,310. On August 5, 2015, PLC acquired additional 47,851,315 shares of Pacific Online Systems Corp., thereby obtaining an overall ownership of 50.1% of POSC. The purchase resulted in combining PLC's and POSC's financial statements on a line-by-line basis. Based on Management's judgment, PLC's investment gives PLC controlling interest over POSC as evidenced by more than 50% voting interest.

   As of December 31, 2022, PLC has 50.1% ownership in POSC issued shares, with a total of 448,560,806 shares.

3. Acquisition of Falcon Resources, Inc.

   On June 16, 2014, Total Gaming Technologies Inc., a subsidiary of Pacific Online, and the shareholders of Falcon Resources Inc. (FRI) entered into a Memorandum of Understanding (MOU) for the former's intention to acquire the latter's interest in FRI representing 100% ownership. As at December 11, 2014, the Deed of Sale for the transfer of shares of stock has been executed. FRI is a company engaged in consultancy services for TGTI and a sub-distributor for POSC. FRI is a company incorporated in the Philippines.

4. Acquisition and Disposal of Lucky Circle Corporation (LCC) Subsidiaries.

   On July 1, 2017, LCC, a subsidiary of Pacific Online, acquired 100% ownership interest in the following nine entities engaged in lotto/keno outlets and retail of scratchit tickets: Athena Ventures, Inc., Avery Integrated Hub, Inc., Circle 8 Gaming Ventures, Inc., Luckydeal Leisure, Inc., Luckyfortune Business Ventures, Inc., Luckypick Leisure Club Corp., Luckyventures Leisure Corp., Lucky Games Entertainment Ventures Inc. and Orbis Valley Corporation. The acquisition is assessed by the Company to be an acquisition of a business. Goodwill recognized as at December 31, 2017 amounted to ₱3.7 million.

   On February 6, 2020, POSC's BOD approved the sale of LCC for POSC to focus its resources to its principal business of providing modern and efficient online gaming facilities and equipment to its customers. LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Company's reportable segment.

   On February 13, 2020, POSC has concluded the sale of all of the POSC's equity interest in LCC, equivalent to 127.0 million shares for Php1.082 per share to a third party for a total consideration of Php137.4 million.

5. 50% Interest in PinoyLotto

   On September 7, 2021, PinoyLotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated with the SEC. PinoyLotto was awarded the five years lease of the customized PCSO Lottery System, also known as '2021 PLS Project'.

The Group’s interest in PinoyLotto was classified as a joint operation. PinoyLotto is 50% owned by POSC but controlled jointly with the other owner. PinoyLotto has been classified as a joint operation because the parties have equal number of board representatives and because relevant activities that significantly affect the return on the investment requires approval of representatives from both partners.

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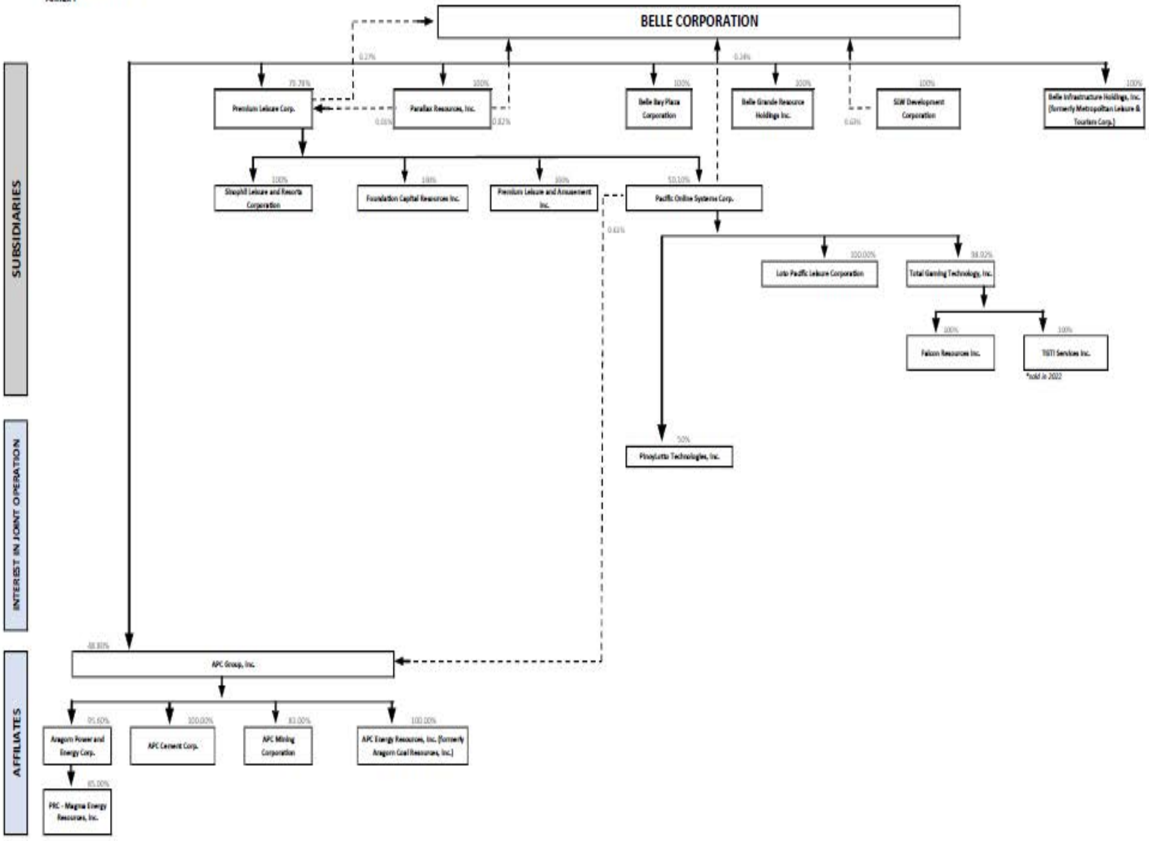
Belle Corporation
Conglomerate Map
As of December 31, 2022
Annex I



Revenues

The following are the major revenue and income items in 2022 and 2021:

	2022		2021	
Year ended December 31 (Php)	**Amount**	**% to total**	**Amount**	**% to total**
Gaming revenue share	1,560,845,412	75%	1,300,291,468	75%
Equipment lease rentals	519,051,226	25%	426,345,611	25%
Total	**2,079,896,638**	100%	**1,726,637,079**	100%

There were no revenues or net income contributed by foreign sales in the last three years.

Products

PLC's investments in companies engaged in gaming and gaming-related activities are indicated below. In the Philippines, the gaming industry is relatively untapped by the private sector, creating opportunities for experienced leisure operators. PLC's gaming businesses are undertaken mainly by the following:

1. PLAI is a grantee by PAGCOR of Certificate of Affiliations and Provisional License to operate integrated resorts, including casinos, in the vicinity of PAGCOR Entertainment City. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, renewable for another 25 years, by the Philippine Congress.

2. POSC leases online betting equipment to the PCSO for their lottery operations in the Luzon, Visayas and Mindanao regions for lotto and nationwide for KENO. KENO operations were terminated as of April 1, 2022. PLC owns a controlling interest of 50.1% of issued shares of POSC, which is a publicly-listed company.

   As of December 31, 2020, POSC had over 3,600 lottery terminals installed nationwide. All online lottery terminals located in PCSO authorized retail outlets are continuously connected to the PCSO's central computer system that enables real time recording and monitoring of lottery sales and validation of winning tickets.

   Aside from the number of lottery terminals deployed, total PCSO online lottery sales depend highly on the average sales generated by the various online lottery games launched. The table below shows the minimum jackpot amounts and the draw frequencies of the different lotto games supported by POSC.

Lotto Game	Minimum Jackpot (Php)	Draw Frequency
6/42 Lotto	6,000,000.00	3x/week – Monday, Wednesday and Saturday
6/45 Mega Lotto	9,000,000.00	3x/week – Monday, Wednesday and Friday
6/49 Super Lotto	16,000,000.00	3x/week – Tuesday, Thursday and Sunday
6/55 Grand Lotto	30,000,000.00	3x/week – Monday, Wednesday and Saturday
6/58 Ultra Lotto	50,000,000.00	3x/week – Tuesday, Friday and Sunday
6D Lotto	150,000.00	3x/week – Tuesday, Thursday and Sunday
4D Lotto	10,000.00	3x/week – Monday, Wednesday and Friday
3D Lotto	4,500.00	Thrice daily
2D Lotto	4,000.00	Thrice daily

Customers and Market Profile

POSC, a subsidiary in which PLC has a 50.10% stake based on issued shares, has Philippine Charity Sweepstakes Office (PCSO) as its major customer, with which it has Equipment Lease Agreements (ELA). It brokers technology from leading global suppliers of integrated gaming systems and leases to PCSO the needed equipment for online lottery operations nationwide.

As of December 31, 2022, Pacific Online gross lotto sales amounted to P8.55 billion, of which P2.02 billion (24%) is the share of Luzon Sales. It is noted that while in Luzon, the jackpot games account for 54% of total lottery sales, the VisMin area shows that it is digit games that dominates the sales of the region, accounting for 46% of total lottery sales.

The Company’s total terminal deployment in VISMIN Territory covered 71 cities out of 73 total cities and 575 municipalities out of total 791. In Luzon, the Company’s lotto terminal deployment covered 58 Cities and 118 municipalities. The Company covers 100% of the VisMin sales and only 15% in Luzon due to its restricted entry since 2012.

Other than what is mentioned above, the Company's business is not dependent upon a single customer or a few customers, and the loss of any or more of which would not have a material adverse effect on the registrant and its subsidiaries taken as a whole.

Competition

Gaming business: City of Dreams Manila is competing against casinos operated by PAGCOR and the other licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. (“Travelers”), Solaire Resort and Casino of Bloomberry Resorts Corporation, and Okada Manila. Travelers has also broken ground on its planned Resorts World Westside project in PAGCOR City, which is expected to open in the third quarter of 2024.

Lottery equipment leasing, distribution and retail business: POSC expects the aggressive push for Small Town Lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas to continue to provide competition to its online lotto revenues. This mostly affects the VisMin region due to the popularity of the digit games, which are very similar to STL games. With the removal of the legal impediment for the Company to provide lotto equipment in Luzon, the Company was able to expand its operations in Luzon, where the additional revenues offset the lost sales in VisMin due to STL.

Employees

The Company is a holding company whose business is not manpower intensive; hence, its transactions are extremely manageable through temporary secondment of personnel from its affiliates on an as-needed basis. This arrangement is also resorted to in keeping with austerity measures adopted due to present economic conditions. These personnel seconded to the Company are not subject to Collective Bargaining Agreements.

Risks

Economic and Political Conditions

The Company's business is mainly the acquisition of investments in gaming, which are generally influenced by Philippine political and economic conditions. Events and conditions that may have a negative impact on the Philippine economy as a whole may also adversely affect the Company’s ability to acquire various investments.

Changes in the government and PCSO administration may result to changes in policies and the way that such policies are implemented, which may be favorable or unfavorable to the Company.

In order to mitigate the risk above, Management keeps abreast of any potential condition that may adversely affect its operations, and, with the leadership of the Company’s board of directors, considers available options and applicable steps to take to minimize risks.

Changes to the Philippine Laws and Regulations

Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of PLC, including its subsidiaries and affiliates. New legislation rules regarding taxes on lottery products have an impact on sales as well.

In order to mitigate the risks mentioned above, the Corporation continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.

Competition Risk

As the Entertainment City grows and accommodates more players, the increase in competition also poses a risk to the Company especially as it obtains gaming share revenue, through PLAI, from City of Dreams Manila, whose operations may be affected by the increase of players in the market. Aside from the Entertainment City, new developments are also expected in other parts of Metro Manila as well as in other cities like Cebu.

In spite of the increase in competition, the increase in number of players in the gaming industry is expected to improve the Philippines' ability to attract more foreign players to the Entertainment City, making the gaming industry in the country more robust. The Company monitors COD Manila's performance and the performance of its competitors. The Company also endeavors to always be up-to-date on market trends.

POSC, on the other hand, expects that the aggressive push for small town lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas to continue to provide competition to its online lotto revenues. This mostly affects the Visayas-Mindanao (VisMin) region due to the popularity in that area of the digit games, which are very similar to the STL games. With the removal of the legal impediment for the Company to provide lotto equipment in Luzon, the Company expects to expand its operations in Luzon, where the additional revenues can offset the lost sales in VisMin due to STL.

Risk relating to the Corporation and its subsidiaries

a. Dependence on Suppliers
POSC's lottery operations is anchored on a two-system network. The Corporation has existing contracts, each distinct and entered into separately, with two global leaders in the lottery industry, namely Scientific Games Corporation and Intralot, for the supply of computer supported lottery gaming systems. In the event that the contracts, whether collectively or individually, are terminated or suspended, operations and business of the Corporation may be impaired.

b. Business Interruption Risk
The operations of the Company and its subsidiaries are dependent on the reliability of its central computer system and the communications infrastructure needed to run it. Any breakdown or failure in the system provided by its suppliers, or failure in the communication infrastructure may negatively affect the Company's financial performance. The communications infrastructure is being provided mainly by the two biggest telco providers in the country, namely: PLDT/Smart and Globe.

c. Data Privacy
PLC may be at risk for breach of data privacy as detailed information is gathered from customers and prospective buyers, suppliers, contractors and other business partners. This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.

Information Technology

With the current business environment, Information Technology risks are ever increasing. These cover unauthorized access to confidential data, loss or release of critical information, corruption of data, regulatory violations, and possible increase in costs and inefficiencies.

In order to address these risks, PLC, thru Belle and IT contractors, has a co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery. It also continues to implement enterprise security solutions to manage external and internal threats. Annual review of technology roadmap to ensure the alignment between the business and information technology is performed.

COVID-19

As to the impact of COVID-19 to our business/es, the Company strongly supports the Philippine government's efforts to curb the spread of the virus.

With Metro Manila placed on community quarantine and the rising number of cases in the country, the Company has experienced a slowdown in gaming revenues as the Philippine Amusement and Gaming Company suspended all casino operations on March 16, 2020, when the Metro Manila was placed under Enhanced Community Quarantine (ECQ). The casinos have since then been allowed to operate and resume operations with varying capacity limits as set by the Covid-19 Inter-Agency Task Force (IATF), depending on the Alert Level under which Metro Manila is placed. Very strict health and social distancing protocols are also required to be implemented.

The same is true for PLC's subsidiary, Pacific Online Systems Corporation (POSC). The operations of the national lottery, Philippine Charity Sweepstakes Office (PCSO) was also suspended during the ECQ, and was also allowed to resume only after the second half of 2020. Because POSC leases online lottery equipment to the PCSO, its revenues are highly dependent on PCSO's lotto and KENO sales, which have been impacted by COVID-19 related developments and the implementation of community quarantines.

The Company has thus far identified critical functions, and set in place business continuity plans (BCP), to ensure that it continues to manage potential and actual risks, while prioritizing the overall interests of its investors, customers, employees, and other stakeholders. The BCP includes implementation, execution and enhancement of countermeasures to limit operational and employee health risk. It incorporates hybrid onsite and work-from- home schemes, employee healthcare monitoring as well as a system for internal/external communication management.

The Company communicates constantly with its partners and stakeholders for updates through further news releases and/or our company website, www.premiumleisurecorp.com.

The Company has an Enterprise Risk Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Company. The ERMC has the responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the Risk Oversight Committee on any risk concerns.

Sources and availability of raw materials and the names of principal suppliers

Not Applicable.

Transactions with and/or Dependence on Related Parties

Please refer to Item 12 of this report ("Certain Relationships and Related Transactions").

Principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held

PAGCOR license

PLC, through its subsidiary, PLAI, holds a License granted to it by PAGCOR to operate integrated resorts, including casinos, within PAGCOR Entertainment City. The license is concurrent with the PAGCOR congressional franchise and is set to expire in 2033, renewable for another twenty-five (25) years by the Philippine Congress.

Agreements with PCSO

POSC has an ELA with the PCSO for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment of PCSO. This also includes the supply of betting slips and ticket paper rolls.

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through holding and conducting charity sweepstakes, races, and lotteries.

Pursuant to the amended ELA, POSC was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2022 and 2021, the total cash bond, included under “Other current assets” in the consolidated statements of financial position, amounted to P12.0 million.

Since July 31, 2019, the ELA has been extended for PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO. In 2022, the ELA was extended until December 31, 2022.

In 2023, the ELA was extended for a month-to-month basis up to May 31, 2023.

The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO’s Luzon and VisMin operations. The number of installed lotto terminals totaled 3,605 and 3,129 as at December 31, 2022 and 2021, respectively. POSC’s rental income amounted to P512.7 million, P390.8 million and P245.9 million in 2022, 2021 and 2020, respectively.

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO’s Online KENO games. This covers PCSO’s online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the “Online KENO” terminals. The ELA may be extended and/or renewed upon the mutual consent of the parties. TGTI’s revenue from equipment rental amounted to P6.3 million in 2022 (P35.6 million and P47.2 million in 2021 and 2020, respectively). As at December 31, 2022 and 2021, there are 435 and 569 Online KENO terminals in operation, respectively. There are 57 remaining terminals that remain online for validation purposes only

In 2021, the ELA was extended on a month-to-month basis not exceeding 1 year, commencing from April 1, 2021 and not exceeding April 1, 2022. The ELA was no longer renewed and commercial operations ceased as of said date.

Brand and Trademark Agreement with Powerball Gaming and Entertainment Corporation (PMLC)

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC’s instant scratch tickets’ brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC’s agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of P4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there were no other performance obligation to be provided to PMLC.

POSC’s Consultancy Agreements, Scientific Games, Intralot, Management Agreement

a. Scientific Games

As at December 31, 2022 and 2021, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO’s conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC’s ELA with PCSO is in effect.

In 2021, the contract with Scientific Games was extended until July 31, 2022.

In 2022, the contract with Scientific Games was extended until December 31, 2022.

b. Intralot

As at December 31, 2022 and 2021, POSC and TGTI have contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The Contract shall continue as long as POSC's and TGTI's ELA with PCSO are in effect.

In 2021, the contract with POSC was extended until July 31, 2022 while the contract with TGTI was extended until March 31, 2022.

In 2022, the contract with POSC was extended until December 31, 2022 while the contract with TGTI was no longer renewed.

c. Management Agreement

POSC and TGTI entered into Management Agreements with AB Gaming and Leisure Exponent Specialist, Inc. ("Manager") for the latter to provide investment and management counsel and to act as manager and overseer of its operations. In consideration of the Manager's services, POSC shall pay a monthly fee and an amount equivalent to a certain percentage of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA). The agreements were terminated in 2021.

Government Approvals/Regulations

As part of its normal course of business, the Company secures government approvals such as business permits and all necessary permits related to this, including barangay clearance, fire and sanitation, etc.

The Company is also subject to the regulations of PAGCOR for its Gaming License as well as PCSO for its equipment lease agreements.

POSC, on the other hand, does not need any government approval for its principal products and services because its business is in the development, design and management of online computer systems, terminals and software for the PCSO, and not in the operation itself of the lottery business.

POSC has also been fully compliant with environmental regulations and ordinances issued by the concerned local government units (LGUs) and by the Department of Natural Resources (DENR) in so far as disposal of used computer hardware, office equipment and other bulky operating supplies are concerned, pursuant to the Republic Act 9003: Ecological Solid Waste Management Act of 2000.

Effect of existing or probable governmental regulations on the business.

PLC has complied with all the government requirements necessary for its operations. Future government regulations are perceived to have no material impact to the normal operations of the Company.

Item 2. Properties

PLC has real estate property recorded as Investment Properties. This pertains to an undeveloped land in the City of Tanauan, Province of Batangas, amounting to Php285.5 million. These properties are not subject to mortgage, lien and encumbrances. There are no plans to acquire real properties in the next twelve (12) months.

POSC's online lottery operations are conducted mainly in Cebu, where its central system data center and logistics center are located. The Company Head Office is located in Pasig City.

POSC has no real properties owned and there are no plans to acquire them in the next twelve (12) months. POSC leases all of its data center, logistics centers and hubs, and business offices. These properties are not mortgaged nor are there any liens and encumbrances that limit ownership or usage of the same.

The leased properties for business offices, data center and logistics facilities, were reduced to 1,622 sqm for the year ended December 31, 2022 from the previous 2,588 sqm by year end 2021. About 20% of these properties are located in Luzon, and 80% in Visayas and Mindanao. Majority of the properties in Luzon are found in Metro Manila while those in Visayas and Mindanao are in Cebu based on area of coverage. The logistics centers' areas are about 772 sqm in total, with 586 sqm in Cebu and 186 sqm in various hubs in Visayas and Mindanao areas. Lease terms for most office and warehouse spaces range from month-to-month basis up to one (1) year. All lease agreements have provisions for renewal subject to terms and conditions mutually agreed upon by all parties concerned. The lease agreements provide for minimum rental commitment with annual rental escalation rates at around 5%. One (1) warehouse unit located in Metro Manila was terminated in 2021.

The Company's major assets are lottery equipment, which consists mainly of lottery terminals, data center equipment, software and operating systems.

Item 3. Legal Proceedings

"TMA Australia Pty. Ltd. And TMA Group Philippines, Inc. v. Pacific Online."
RTC 66, Pasig City-Civil Case No. R-PSG-17-02130 [321-108]

This refers to a complaint for Tortious Interference and payment of Damages filed by TMA Australia Pty. Ltd. and TMA Philippines (the "TMA Group") against Pacific Online in August 2017. The TMA Group alleged that Pacific Online wrongfully interfered with the implementation of the Contractual Joint Venture Agreement (CJVA) between the TMA Group and PCSO when it entered into several equipment lease agreements with the latter that included a supply of paper provision. The TMA Group also applied for a writ of preliminary injunction (WPI) against Pacific Online and prayed for damages in the amount of at least One Million Pesos (P1,000,000.00).

On March 21, 2018, the RTC granted the TMA Group's application for WPI, enjoining Pacific Online from continuing to deliver lotto paper to PCSO. During the pendency of this case, the Supreme Court issued a decision in *Philippine Charity Sweepstake Office v. TMA Group of Companies (G.R. Nos. 212143, 225457, and 236888, 28 August 2019)* stating that the WPI issued by RTC Makati against PCSO directing it to source its paper from TMA was improperly issued, and that the CJVA – the same CJVA in the case before RTC Pasig – could not have been a valid source of rights against PCSO. TMA filed a Motion for Reconsideration, but this was denied by the Supreme Court in a Resolution dated March 4, 2020. POSC then filed a Manifestation and a Supplemental Manifestation asking for the dismissal of the tortious interference case filed by the TMA Group.

On February 8, 2021, the court dismissed the case against POSC.

Aside from the foregoing, and to the best of the Company's knowledge, neither the Company nor any of its subsidiaries or affiliates is a party to, nor are they involved in, any litigation that will materially affect its interests.

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

There were no matters submitted to a vote of security holders during the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The principal market where the registrant's common equity is traded is the PSE. The high and low sales prices for each quarter within the last two years of the registrant's common shares, as quoted on the PSE, are as follows:

Stock Prices

2022	**High**	**Low**
First Quarter	0.470	0.415
Second Quarter	0.490	0.390
Third Quarter	0.460	0.395
Fourth Quarter	0.475	0.420

2021	**High**	**Low**
First Quarter	0.560	0.350
Second Quarter	0.475	0.380
Third Quarter	0.465	0.395
Fourth Quarter	0.485	0.41

As of **December 31, 2022**, Premium Leisure Corp. market capitalization on **31,216,931,000** outstanding shares in the PSE amounted to **₱14,828,042,225.00** based on the closing price of **₱0.475** per share.

Security Holders

The number of shareholders of record as of **December 31, 2022** was **359**. Common shares outstanding as of **December 31, 2022** are **31,216,931,000**.

Top 20 shareholders as of December 31, 2022:

	NAME	NATIONALITY	TOTAL	PERCENTAGE
1	BELLE CORPORATION	FILIPINO	24,904,904,324	78.745
2	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	5,911,227,299	18.690
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHERS	242,203,436	0.766
4	SYSMART CORPORATION	FILIPINO	156,310,000	0.494
5	F.YAP SECURITIES, INC.	FILIPINO	110,000,000	0.348
6	SYNTRIX HOLDINGS, INC.	FILIPINO	103,040,000	0.326
7	F.YAP SECURITIES, INC.	FILIPINO	57,000,000	0.180
8	SM INVESTMENTS CORPORATION	FILIPINO	26,161,000	0.083
9	WILLY NG OCIER AND/OR GERALDINE ESCOLAR YU OCIER	FILIPINO	22,000,000	0.070
10	WILLY NG OCIER	FILIPINO	17,888,000	0.057
11	PARKORAM DEVELOPMENT LIMITED	OTHERS	14,264,119	0.045
12	OSCAR S. CU ITF ANTHONY CU	FILIPINO	10,430,000	0.033
13	OSCAR S. CU	FILIPINO	9,070,000	0.029
14	REGINA CAPITAL DEVELOPMENT CORP.	FILIPINO	7,900,000	0.025
15	PARALLAX RESOURCES, INC.	FILIPINO	4,570,300	0.014
16	ALEXANDER AUSTRIA &/OR DOMINICA AUSTRIA	FILIPINO	1,520,000	0.005
17	AUGUSTO LITONJUA &/OR LUIS SALVADOR	FILIPINO	1,520,000	0.005
18	CAI CHANG CHU	CHINESE	1,400,000	0.004
19	LEONCIO TAN TIU	FILIPINO	1,300,000	0.004
20	MARY ANGELI F. BASILIO	FILIPINO	1,100,000	0.003

Dividend Policy

The Board adopted, as a matter of policy, that the Company shall declare dividends of at least 80% of the prior year's unrestricted retained earnings, taking into consideration the availability of cash, restrictions that may be imposed by current and prospective financial covenants, projected levels of cash, operating results of its businesses/subsidiaries, working capital needs and long term capital expenditures of its businesses/subsidiaries, and regulatory requirements on dividend payments, among others.

Dividends shall be paid to all shareholders on record within thirty (30) days from date of declaration.

Dividend Payments

In accordance with the policy on Dividends, the Company pays dividends to shareholders within thirty (30) days from date of declaration. Below table shows dividends declared and paid since year 2016:

YEAR	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Declaration Date	02/28/2023	04/28/2022	04/14/2021	02/21/2020	02/22/2019	02/23/2018	02/23/2017	02/23/2016
Amount per share	₱0.05024	₱0.05024	₱0.04075	₱0.05024	₱0.05024	₱0.04391	₱0.0281	₱0.0215
Total Dividends	₱1,588.8 M	₱1,588.8 M	₱1,272.1 M	₱1,588.8 M	₱1,588.8 M	₱1,388.8 M	₱888.0 M	₱680.0 M
Record Date	03/15/2023	05/16/2022	04/28/2021	03/06/2020	03/08/2019	03/09/2018	03/10/2017	03/10/2016
Payment Date by	03/28/2023	05/26/2022	05/12/2021	03/20/2020	03/22/2019	03/23/2018	03/23/2017	03/23/2016

There is no legal restriction that limits or would likely limit the Company's ability to pay dividends, aside from its retained earnings available for such.

Recent Sales of Unregistered Securities

The Company did not sell or issue securities within the past three (3) years that were not registered under the Securities Regulation Code.

Item 6. Management's Discussion and Analysis of Operating Performance and Financial Condition

<u>Analysis of Results of Operations and Financial Condition – 2022 compared to 2021</u>

Consolidated Income Statement

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2022	2021	Increase (Decrease)		2022	2021
REVENUE			Amount	%	%	%
Gaming revenue share	1,560,845,412	1,300,291,468	260,553,944	20%	75%	75%
Equipment rental	519,051,226	426,345,611	92,705,615	22%	25%	25%
	2,079,896,638	1,726,637,079	353,259,559	20%	100%	100%
COST AND EXPENSES						
Cost of services	503,646,918	632,737,322	(129,090,404)	-20%	24%	37%
General and administrative expenses	438,961,707	331,171,925	107,789,782	33%	21%	19%
	942,608,625	963,909,247	(21,300,622)	-2%	45%	56%
OTHER INCOME (EXPENSES)						
Interest income	147,434,493	135,626,403	11,808,090	9%	7%	8%
Finance charges	(220,505)	(642,417)	421,912	-66%	0%	0%
Other expense - net	6,529,873	286,449,932	(279,920,059)	-98%	0%	17%
	153,743,861	421,433,918	(267,690,057)	-64%	7%	24%
INCOME BEFORE INCOME TAX	1,291,031,874	1,184,161,750	106,870,124	9%	62%	69%
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	14,627,225	11,118,008	3,509,217	32%	1%	1%
Deferred	20,457,201	50,134,332	(29,677,131)	-59%	1%	3%
	35,084,426	61,252,340	(26,167,914)	-43%	2%	4%
NET INCOME	1,255,947,448	1,122,909,410	133,038,038	12%	60%	65%
Net Income Attributable to:						
Equity holders of the parent	1,159,554,790	1,193,902,616	(34,347,826)	-3%	56%	69%
Non-controlling interests	96,392,658	(70,993,206)	167,385,864	-236%	5%	-4%
	1,255,947,448	1,122,909,410	133,038,038	12%	60%	65%

PLC recognized Php2,079.9 million consolidated revenues for the year 2022, up by Php353.3 million or 20% from the same period last year.

The improvement in Premium Leisure Corp.'s revenues is mainly brought about by the more robust economic activities in 2022 due to the improvement in the COVID-19 situation in the country. Because of this, PLAI gaming revenue share has increased from Php1,300.3 million to Php1,560.8 million (20%), and Pacific Online Systems Corporation's (POSC) equipment lease rental income increased from Php426.3 million to Php519.1 million (22%) versus the revenues reported in 2021, despite the termination of KENO operations effective April 1, 2022.

Costs and expenses decreased by Php21.3 million or 2% for the period from Php963.9 million to Php942.6 million because of the cost efficiency measures implemented by the Company in light of the continuing effects of the Covid-19 pandemic. Some of the expenses that declined include the following: depreciation and amortization, communication, online lottery systems expenses, and rental, utilities and supplies.

The combination of better revenues to and a tighter control over costs resulted in PLC recognizing Php1,256.0 million net income for 2022, increasing by 12% from its net income of Php1,123.0 million in 2021.

Operating EBITDA (proxy for cash flow) for the year is at Php1,409.5 million increased by Php 260.1 million (23%) from Php 1,149.4 million in 2021.

Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2022	2021
	2022	2021	Amount	%	%	%
NET INCOME	1,255,947,448	1,122,909,410	133,038,038	12%	60%	65%
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:						
Marked-to-market losses on financial assets at fair value through OCI	54,225,946	(50,496,141)	104,722,087	-207%	3%	-3%
Remeasurement gain (loss) on net retirement benefits - net of tax	8,655,955	25,253,640	(16,597,685)	-66%	0%	1%
	62,881,901	(25,242,501)	88,124,402	-349%	3%	-1%
TOTAL COMPREHENSIVE INCOME (LOSS)	1,318,829,349	1,097,666,909	221,162,440	20%	63%	64%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the parent	1,220,228,226	1,167,407,185	52,821,041	5%	59%	68%
Non-controlling interests	98,601,123	(69,740,276)	168,341,399	-241%	5%	-4%
	1,318,829,349	1,097,666,909	221,162,440	20%	63%	64%

PLC's other comprehensive income (loss) pertains to the unrealized gains (losses) arising from changes in market value of its financial assets at FVOCI and remeasurement of retirement benefits. PLC recognized net other comprehensive income amounting to Php62.9 million for 2022 as a result of higher share prices of its financial asset investments. As such, PLC recognized total comprehensive income amounting to Php1,318.8 million (of which, Php1,220.2 million is attributable to parent shareholders) in 2022.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2022.

Consolidated Statements of Financial Position

(Amounts in Peso except percentages)	December 31		Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2022	2021
	2022	2021	Amount	%	%	%
ASSETS						
Current Assets						
Cash and cash equivalents	1,778,570,078	1,660,934,194	117,635,884	7%	10%	10%
Investments held for trading	72,682,452	73,053,645	(371,193)	-1%	0%	0%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	22%	22%
Receivables	212,568,231	277,787,614	(65,219,383)	-23%	1%	2%
Contract assets	4,000,000	70,319,085	(66,319,085)	-94%	0%	0%
Other current assets	213,582,191	214,129,828	(547,637)	0%	1%	1%
Total Current Assets	5,987,327,952	6,002,149,366	(14,821,414)	0%	35%	35%
Noncurrent Assets						
Intangible asset	8,475,709,551	8,714,182,035	(238,472,484)	-3%	50%	51%
Financial assets at fair value through OCI	686,731,218	721,167,064	(34,435,846)	-5%	4%	4%
Investment properties	285,510,452	285,510,452	-	0%	2%	2%
Goodwill	926,007,748	926,007,748	-	0%	5%	5%
Property and equipment	2,103,394	23,482,941	(21,379,547)	-91%	0%	0%
Deferred tax assets	-	21,398,655	(21,398,655)	-100%	0%	0%
Right of use assets	1,815,399	6,672,570	(4,857,171)	-73%	0%	0%
Other noncurrent assets	620,699,824	384,325,381	236,374,443	62%	4%	2%
Total Noncurrent Assets	10,998,577,586	11,082,746,846	(84,169,260)	-1%	65%	65%
TOTAL ASSETS	16,985,905,538	17,084,896,212	(98,990,674)	-1%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables and other current liabilities	728,696,132	648,596,232	80,099,900	12%	4%	4%
Lease liabilities - current portion	1,891,442	4,886,938	(2,995,496)	-61%	0%	0%
Total Current Liabilities	730,587,574	653,483,170	77,104,404	12%	4%	4%
Noncurrent Liabilities						
Lease liabilities - net of current portion	-	1,986,014	(1,986,014)	-100%	1%	0%
Loans payable	67,500,000	-	67,500,000	100%	1%	0%
Deferred tax liability	531,152	-	531,152	100%	1%	0%
Retirement liability	17,903,002	30,894,331	(12,991,329)	-42%	0%	0%
Total Noncurrent Liabilities	85,934,154	32,880,345	53,053,809	161%	2%	0%
Total Liabilities	816,521,728	686,363,515	130,158,213	19%	5%	4%
Equity Attr to the Equity Holders of the Parent						
Capital stock	7,906,827,500	7,906,827,500	-	0%	47%	46%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	43%	42%
Treasury stocks	(220,430,080)	(220,430,080)	-	0%	-1%	-1%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(707,307,851)	(851,048,515)	143,740,664	-17%	-4%	-5%
Retained earnings	2,094,797,559	2,566,288,233	(471,490,674)	-18%	12%	15%
Total Equity Attr to Equity Holders of the Parent	15,803,011,997	16,130,762,007	(327,750,010)	-2%	92%	94%
Non-controlling Interests	366,371,813	267,770,690	98,601,123	37%	2%	2%
Total Equity	16,169,383,810	16,398,532,697	(229,148,887)	-1%	95%	96%
TOTAL LIABILITIES AND EQUITY	16,985,905,538	17,084,896,212	(98,990,674)	-1%	100%	100%

As at December 31, 2022, PLC's total assets amounted to Php16,985.9 million, lower by Php99.0 million (1%) compared to the total assets of Php 17,084.9 million as at December 31, 2021. Key movements in balance sheet items are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents increased by 7% (Php117.6 million) to Php 1,778.6 million in 2022 mainly because of the higher revenues earned coupled with better collections during the year, offset by the declaration and payment of cash dividends amounting to approximately P1,588.8 million in the second quarter of 2022 and disbursements made during the period.

Trade and other receivables

Trade and other receivables include trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as other receivables. The Company recorded net decrease in trade and other receivables by ₱65.2 million (23%).

Investments held for trading

Investments held for trading decreased slightly by Php371.2 thousand (1%) mainly due to the mark-to-market loss on share price value of the investments of the Company.

Intangible Asset

The Company's intangible asset pertains to the Philippine Gaming and Amusement Corporation (PAGCOR) gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). The decrease in the intangible asset account is brought about by the amortization of the license.

Investment Properties

This account pertains to investment properties of the Company in Tanauan, Batangas.

Financial assets at fair value through OCI

This account pertains to the Company's investments in equity securities classified as financial assets at FVOCI. This pertains mostly to share in Belle Corporation, Black Spade Acquisition, Inc. and club shares. The net decrease in this account is due mainly to the sale of Belle Corporation shares during the year, offset by the increase in fair value of the shares at year end.

Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. The decrease of Php21.4 million (91%) in the account compared to balances at December 31, 2021 is due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

Goodwill

Goodwill pertains mostly to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015.

Total Liabilities

Total liabilities increased by Php130.2 million or 19% as at December 31, 2022 from total liabilities of Php686.4 million as at December 31, 2021. The increase is mainly due to the loans payable drawdown of the Pinoylotto during 2022 to fund the purchases of its lottery equipment, half of which (Php67.5 million) was taken up in the books of the Company and the general provisions made during the year.

Equity

Stockholders' equity decreased by Php229.1 million as of December 31, 2022 from Php16,398.5 million as of December 31, 2021 to Php16,169.4 million as of December 31, 2022. The decrease was due mainly to the declaration and payment of dividends during the 2nd quarter of the year, offset in part by the net income recognized for the period.

Below are the comparative key performance indicators of the Company and its subsidiaries:

Ratio	Manner in which the financial rations are computed	Dec 31, 2022	Dec 31, 2021
Current ratio	Current assets divided by current liabilities	8.20	9.18
Quick ratio	(Current assets less invty - prepayments) / Current liabilities	7.90	8.86
Solvency ratio	Net income before non-cash expenses/ Total liabilities	2.11	2.16
Asset to equity	Total assets divided by total equity	1.05	1.04
Debt to equity	Interest bearing debt divided by total equity	0.42%	-
Interest rate coverage	Earnings before interest, tax, depreciation and amortizaton divided by interest expense	5,187.27	1,633.17
Debt ratio	Total debt / total assets	0.01	0.04
Return on assets	Net income (loss) divided by average total assets during the period	7.37%	6.44%
Return on equity	Net income (loss) divided by average total equity during the period	7.71%	6.81%

The Company does not foresee any liquidity problems over the next twelve (12) months. The changes in the key performance indicators of the Company are discussed below:

Net income increased by 12% in 2022, accounting for the increase in return on assets and equity versus the same period in 2021.

There is a significant increase in Interest rate coverage ratio due to increase in EBITDA and decrease in finance charges in 2022.

As at December 31, 2022, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended December 31, 2022 and December 31, 2021, except those mentioned in the preceding.

2023 PLAN OF OPERATIONS

As the effects of the Covid-19 pandemic continues to be felt especially in the gaming and entertainment industry, the Company is focused on streamlining operations to curtail costs, finding ways to improve profitability and cost efficiency and increasing synergies within the Companies in the Group. It also maintains prudent financial management in decision making to uphold its strong financial position.

Nevertheless, PLC remains committed to look for various opportunities for growth through profitable investments that will increase the company's shareholder value for partners and investors alike. It shall likewise continue to partner with its parent Company's corporate social responsibility arm, Belle Kaagapay, to continue on enhancing quality of life for its host communities.

Analysis of Results of Operations and Financial Condition – 2021 compared to 2020

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2021	2020	Increase (Decrease)		2021	2020
REVENUE			Amount	%	%	%
Gaming revenue share	1,300,291,468	635,217,388	665,074,080	105%	75%	66%
Equipment rental	426,345,611	293,104,496	133,241,115	45%	25%	30%
Commission and distribution income	-	35,333,625	(35,333,625)	-100%	0%	4%
	1,726,637,079	963,655,509	762,981,570	79%	100%	100%
COST AND EXPENSES						
Cost of services	632,737,322	742,369,058	(109,631,736)	-15%	37%	77%
General and administrative expenses	331,171,925	955,482,263	(624,310,338)	-65%	19%	99%
	963,909,247	1,697,851,321	(733,942,074)	-43%	56%	176%
OTHER INCOME (EXPENSES)						
Interest income	135,626,403	217,963,792	(82,337,389)	-38%	8%	23%
Dividend income	-	22,353,086	(22,353,086)	-100%	0%	2%
Finance charges	(642,417)	(6,800,483)	6,158,066	-91%	0%	-1%
Other expense - net	286,449,932	821,339,171	(534,889,239)	-65%	17%	85%
	421,433,918	1,054,855,566	(633,421,648)	-60%	24%	109%
INCOME BEFORE INCOME TAX	1,184,161,750	320,659,754	863,501,996	269%	69%	33%
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	11,118,008	28,076,028	(16,958,020)	-60%	1%	3%
Deferred	50,134,332	(31,132,712)	81,267,044	-261%	3%	-3%
	61,252,340	(3,056,684)	64,309,024	-2104%	4%	0%
NET INCOME	1,122,909,410	323,716,438	799,192,972	247%	65%	34%
Net Income Attributable to:						
Equity holders of the parent	1,193,902,616	517,573,391	676,329,225	131%	69%	54%
Non-controlling interests	(70,993,206)	(193,856,953)	122,863,747	-63%	-4%	-20%
	1,122,909,410	323,716,438	799,192,972	247%	65%	34%

PLC recognized Php1,726.6 million consolidated revenues for the year 2021, up by Php763.0 million or 79% from the same period last year.

The improvement in Premium Leisure Corp.'s revenues is mainly brought about by more robust economic activities in 2021 despite the continuing effects of the Covid-19 pandemic in the country. Because of this PLAI gaming revenue share has increased from Php635.2 million to Php1,300.3 million (105%), and Pacific Online Systems Corporation's (POSC) equipment lease rental income and commission and distribution increased from Php328.4 million to Php426.3 million (30%) versus the same period in 2020.

Costs and expenses decreased by Php733.9 million or 43% for the period because of the cost efficiencies implemented by the Company in light of the continuing effects of the Covid-19 pandemic. Some of the expenses that declined significantly include communications, payroll and payroll-related expenses, and rental, utilities and supplies.

The combination of better revenues to lower costs resulted in PLC recognizing Php1,122.9 million net income for 2021, increasing by more than 200% of its net income of Php323.7 million in 2020.

Operating EBITDA (proxy for cash flow) for the year is at Php1,001.2 million, a turnaround improvement story to its negative EBITDA of Php495.7 million in 2020.

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2021	2020
	2021	2020	Amount	%	%	%
NET INCOME	1,122,909,410	323,716,438	799,192,972	247%	65%	34%
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:						
Marked-to-market losses on financial assets at fair value through OCI	(50,496,141)	(47,062,201)	(3,433,940)	7%	-3%	-5%
Remeasurement gain (loss) on net retirement benefits - net of tax	25,253,640	3,599,814	21,653,826	602%	1%	0%
	(25,242,501)	(43,462,387)	18,219,886	-42%	-1%	-5%
TOTAL COMPREHENSIVE INCOME (LOSS)	1,097,666,909	280,254,051	817,412,858	292%	64%	29%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the parent	1,167,407,185	481,628,857	685,778,328	142%	68%	50%
Non-controlling interests	(69,740,276)	(201,374,806)	131,634,530	-65%	-4%	-21%
	1,097,666,909	280,254,051	817,412,858	292%	64%	29%

PLC's comprehensive income (loss) pertains to the unrealized gains (losses) arising from changes in market value of its financial assets at FVOCI and remeasurement of retirement benefits. PLC recognized net comprehensive loss amounting to Php25.2 million for 2021 as a result of the lower share prices of its financial asset investments. As such, PLC recognized total comprehensive income amounting to Php1,097.7 million (of which, Php1,167.4 million is attributable to parent shareholders) in 2021.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2021.

Consolidated Statements of Financial Position

(Amounts in Peso except percentages)	December 31		Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2021	2020
	2021	2020	Amount	%	%	%
ASSETS						
Current Assets						
Cash and cash equivalents	1,660,934,194	2,218,311,525	(557,377,331)	-25%	10%	12%
Investments held for trading	73,053,645	84,260,926	(11,207,281)	-13%	0%	0%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	22%	21%
Receivables	277,787,614	468,752,085	(190,964,471)	-41%	2%	3%
Contract assets	70,319,085	39,903,188	30,415,897	76%	0%	0%
Other current assets	214,129,828	218,007,449	(3,877,621)	-2%	1%	1%
Total Current Assets	6,002,149,366	6,735,160,173	(733,010,807)	-11%	35%	38%
Noncurrent Assets						
Intangible asset	8,714,182,035	8,952,654,519	(238,472,484)	-3%	51%	50%
Financial assets at fair value through OCI	721,167,064	287,453,830	433,713,234	151%	4%	2%
Investment properties	285,510,452	285,510,452	-	0%	2%	2%
Goodwill	926,007,748	926,007,748	-	0%	5%	5%
Property and equipment	23,482,941	83,505,713	(60,022,772)	-72%	0%	0%
Deferred tax assets	21,398,655	82,414,559	(61,015,904)	-74%	0%	0%
Right of use assets	6,672,570	10,119,536	(3,446,966)	-34%	0%	0%
Contract assets - net of current portion	-	46,302,455	(46,302,455)	-100%	0%	0%
Other noncurrent assets	384,325,381	383,885,079	440,302	0%	2%	2%
Total Noncurrent Assets	11,082,746,846	11,057,853,891	24,892,955	0%	65%	62%
TOTAL ASSETS	17,084,896,212	17,793,014,064	(708,117,852)	-4%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables and other current liabilities	648,596,232	1,164,524,630	(515,928,398)	-44%	4%	7%
Lease liabilities - current portion	4,886,938	7,676,824	(2,789,886)	-36%	0%	0%
Income tax payable	-	6,146	(6,146)	-100%	0%	0%
Total Current Liabilities	653,483,170	1,172,207,600	(518,724,430)	-44%	4%	7%
Noncurrent Liabilities						
Lease liabilities - net of current portion	1,986,014	3,928,543	(1,942,529)	-49%	1%	0%
Retirement liability	30,894,331	59,290,772	(28,396,441)	-48%	0%	0%
Total Noncurrent Liabilities	32,880,345	63,219,315	(30,338,970)	-48%	1%	0%
Total Liabilities	686,363,515	1,235,426,915	(549,063,400)	-44%	4%	7%
Equity Attr to the Equity Holders of the Parent						
Capital stock	7,906,827,500	7,906,827,500	-	0%	46%	44%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	42%	41%
Treasury stocks	(220,430,080)	(220,430,080)	-	0%	-1%	-1%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(851,048,515)	(824,553,084)	(26,495,431)	3%	-5%	-5%
Retained earnings	2,566,288,233	2,629,106,978	(62,818,745)	-2%	15%	15%
Total Equity Attr to Equity Holders of the Parent	16,130,762,007	16,220,076,183	(89,314,176)	-1%	93%	91%
Non-controlling Interests	267,770,690	337,510,966	(69,740,276)	-21%	2%	2%
Total Equity	16,398,532,697	16,557,587,149	(159,054,452)	-1%	96%	93%
TOTAL LIABILITIES AND EQUITY	17,084,896,212	17,793,014,064	(708,117,852)	-4%	100%	100%

As at December 31, 2021, PLC's total assets amounted to Php17,084.9 million, lower by Php708.1 million (4%) compared to its total assets as at December 31, 2021. Key movements in balance sheet items are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents decreased by 25% (Php557.4 million) to Php 1,660.9 million in 2021 mainly because of the declaration and payment of cash dividends amounting to approximately Php1,272.1 million in the second quarter of 2021, offset by the collections made during the year, net of disbursements during the period.

Trade and other receivables

Trade and other receivables include trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as other receivables. The Company recorded net decrease in trade and other receivables by Php191.0 million (41%).

Investments held for trading

Investments held for trading decreased by Php11.2 million (13%) mainly due to the mark-to-market loss on share price value.

Intangible Asset

The Company's intangible asset pertains to the Philippine Gaming and Amusement Corporation (PAGCOR) gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). The decrease in the intangible asset account is brought about by the amortization of the license.

Investment Properties

This account pertains to investment properties of the Company in Tanauan, Batangas.

Financial assets at fair value through OCI

This account pertains to the Company's investments in equity securities classified as financial assets at FVOCI. This pertains mostly to share in Belle Corporation and club shares. In 2021, the Company made an investment in a special purpose acquisition company (SPAC) listed in the US Stock Exchange named Black Spade Acquisition, Inc. The increase in this account is due mainly to this new acquisition, offset by the decrease in fair value of the shares by year end.

Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is a decrease of Php60.0 million (72%) in the account compared to balances at December 31, 2020 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

Goodwill

Goodwill pertains mostly to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015.

Total Liabilities

Total liabilities decreased by Php549.1 million or 44% as at December 31, 2021 from total liabilities of Php1,235.4 million as at December 31, 2020. The decrease is due mostly to payments of liabilities and accruals during the year.

Equity

Stockholders' equity decreased by Php159.1 million as of December 31, 2021 from Php16,557.6 million as of December 31, 2020 to Php16,398.5 million as of December 31, 2021. The decrease was due mainly to the declaration and payment of dividends during the 2nd quarter of the year, offset in part by the net income recognized for the period.

Below are the comparative key performance indicators of the Company and its subsidiaries:

Ratio	Manner in which the financial rations are computed	Dec 31, 2021	Dec 31, 2020
Current ratio	Current assets divided by current liabilities	9.18	5.75
Quick ratio	(Current assets less invty - prepayments) / Current liabilities	8.86	5.56
Solvency ratio	Net income before non-cash expenses/ Total liabilities	2.16	0.93
Asset to equity	Total assets divided by total equity	1.04	1.07
Debt to equity	Interest bearing debt divided by total equity	-	-
Interest rate coverage	Earnings before interest, tax, depreciation and amortizaton divided by interest expense	1,633.17	48.15
Debt ratio	Total debt / total assets	0.04	0.07
Return on assets	Net income (loss) divided by average total assets during the period	6.44%	1.72%
Return on equity	Net income (loss) divided by average total equity during the period	6.81%	1.87%

The Company does not foresee any liquidity problems over the next twelve (12) months. The changes in the key performance indicators of the Company are discussed below:

Net income increased by 247% in 2021, accounting for the increase in return on assets and equity versus the same period in 2020.

Current, quick and solvency ratios increased due to decrease in current liabilities by Php518.7 million (44%).

There is a significant increase in Interest rate coverage ratio due to increase in EBITDA and decrease in finance charges in 2021.

As at December 31, 2021, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended December 31, 2021 and December 31, 2020, except those mentioned in the preceding.

2022 PLAN OF OPERATIONS

As the effects of the Covid-19 pandemic continues to be felt especially in the gaming and entertainment industry, the Company is focused on streamlining operations to curtail costs, finding ways to improve profitability and cost efficiency and increasing synergies within the Companies in the Group. It also maintains prudent financial management in decision making to uphold its strong financial position.

Nevertheless, PLC remains committed to look for various opportunities for growth through profitable investments that will increase the company's shareholder value for partners and investors alike. It shall likewise continue to partner with its parent Company's corporate social responsibility arm, Belle Kaagapay, to continue on enhancing quality of life for its host communities.

Analysis of Results of Operations and Financial Condition – 2020 compared to 2019

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2020	2019	Increase (Decrease)		2020	2019
REVENUE			Amount	%	%	%
Gaming revenue share	635,217,388	2,976,366,472	(2,341,149,084)	-79%	66%	75%
Equipment rental	293,104,496	681,483,757	(388,379,261)	-57%	30%	17%
Commission and distribution income	35,333,625	308,381,639	(273,048,014)	-89%	4%	8%
	963,655,509	3,966,231,868	(3,002,576,359)	-76%	100%	100%
COST AND EXPENSES						
Cost of services	503,896,574	986,207,833	(482,311,259)	-49%	52%	25%
General and administrative expenses	955,482,263	961,494,609	(6,012,346)	-1%	99%	24%
Amortization of intangible asset	238,472,484	238,472,484	-	0%	25%	6%
	1,697,851,321	2,186,174,926	(488,323,605)	-22%	176%	55%
OTHER INCOME (EXPENSES)						
Interest income	217,963,792	279,857,146	(61,893,354)	-22%	23%	7%
Dividend income	22,353,086	24,708,086	(2,355,000)	-10%	2%	1%
Finance charges	(6,800,483)	(9,525,989)	2,725,506	-29%	-1%	0%
Other expense - net	821,339,171	(32,888,983)	854,228,154	-2597%	85%	-1%
	1,054,855,566	262,150,260	792,705,306	302%	109%	7%
INCOME BEFORE INCOME TAX	320,659,754	2,042,207,202	(1,721,547,448)	-84%	33%	51%
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	28,076,028	22,422,019	5,654,009	25%	3%	1%
Deferred	(31,132,712)	(81,838,677)	50,705,965	-62%	-3%	-2%
	(3,056,684)	(59,416,658)	56,359,974	-95%	0%	-1%
NET INCOME	323,716,438	2,101,623,860	(1,777,907,422)	-85%	34%	53%
Net Income Attributable to:						
Equity holders of the parent	517,573,391	2,261,962,747	(1,744,389,356)	-77%	54%	57%
Non-controlling interests	(193,856,953)	(160,338,887)	(33,518,066)	21%	-20%	-4%
	323,716,438	2,101,623,860	(1,777,907,422)	-85%	34%	53%

Premium Leisure Corp. reported net income of Php323.7 million for 2020 despite the challenges that the year posed on the Philippine economy and particularly on the gaming and hospitality industry. The effects of Covid-19 pandemic impacted gaming operations of City of Dreams Manila and the national lottery operations of PCSO.

Total revenues are at Php963.7 million, down by 76% versus 2019 figures. Expenses, on the other hand are at Php1,697.9 million, improving by 22% from previous year due to the Company's initiatives on cost efficiency to improve profitability.

The Company's consistent profitability from previous years and its strong financial management enabled PLC to declare a regular cash dividend of Php0.04075 per share on April 14, 2021, for a total dividend payment of approximately Php1,272.1 million to its shareholders.

Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2020	2019
	2020	2019	Amount	%	%	%
NET INCOME	323,716,438	2,101,623,860	(1,777,907,422)	-85%	34%	53%
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:						
Marked-to-market losses on financial assets at fair value through OCI	(47,062,201)	(53,228,230)	6,166,029	-12%	-5%	-1%
Remeasurement gain (loss) on net retirement benefits - net of tax	3,599,814	(18,152,998)	21,752,812	-120%	0%	0%
	(43,462,387)	(71,381,228)	27,918,841	-39%	-5%	-2%
TOTAL COMPREHENSIVE INCOME (LOSS)	280,254,051	2,030,242,632	(1,749,988,581)	-86%	29%	51%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the parent	481,628,857	2,210,284,612	(1,728,655,755)	-78%	50%	56%
Non-controlling interests	(201,374,806)	(180,041,980)	(21,332,826)	12%	-21%	-5%
	280,254,051	2,030,242,632	(1,749,988,581)	-86%	29%	51%

PLC recognized comprehensive income of Php280.3 million for 2020 versus Php2,030.2 million in 2019.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2020.

Consolidated Statements of Financial Position

(Amounts in Peso except percentages)	December 31		Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2020	2019
	2020	2019	Amount	%	%	%
ASSETS						
Current Assets						
Cash and cash equivalents	2,218,311,525	3,537,075,479	(1,318,763,954)	-37%	12%	18%
Investments held for trading	84,260,926	140,456,581	(56,195,655)	-40%	0%	1%
Receivables	468,752,085	337,535,176	131,216,909	39%	3%	2%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	21%	19%
Contract assets	39,903,188	40,510,763	(607,575)	-1%	0%	0%
Other current assets	218,007,449	268,546,967	(50,539,518)	-19%	1%	1%
Total Current Assets	6,735,160,173	8,030,049,966	(1,294,889,793)	-16%	38%	40%
Noncurrent Assets						
Intangible asset	8,952,654,519	9,191,127,003	(238,472,484)	-3%	50%	46%
Financial assets at fair value through OCI	287,453,830	334,516,031	(47,062,201)	-14%	2%	2%
Property and equipment	83,505,713	107,432,510	(23,926,797)	-22%	0%	1%
Investment property	285,510,452	285,510,452	-	0%	2%	1%
Goodwill	926,007,748	1,358,298,121	(432,290,373)	-32%	5%	7%
Deferred tax assets	82,414,559	52,824,625	29,589,934	56%	0%	0%
Retirement asset	-	10,311,588	(10,311,588)	-100%	0%	0%
Right of use assets	10,119,536	73,225,966	(63,106,430)	-86%	0%	0%
Contract assets - net of current portion	46,302,455	89,612,359	(43,309,904)	-48%	0%	0%
Other noncurrent assets	383,885,079	398,013,734	(14,128,655)	-4%	2%	2%
Total Noncurrent Assets	11,057,853,891	11,900,872,389	(843,018,498)	-7%	62%	60%
TOTAL ASSETS	17,793,014,064	19,930,922,355	(2,137,908,291)	-11%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables and other current liabilities	1,164,524,630	1,618,365,470	(453,840,840)	-28%	7%	8%
Loans payable	-	150,000,000	(150,000,000)	-100%	0%	1%
Lease liabilities - current portion	7,676,824	75,030,683	(67,353,859)	-90%	0%	0%
Income tax payable	6,146	4,274,940	(4,268,794)	-100%	0%	0%
Total Current Liabilities	1,172,207,600	1,847,671,093	(675,463,493)	-37%	7%	9%
Noncurrent Liabilities						
Lease liabilities - net of current portion	3,928,543	16,576,645	(12,648,102)	-76%	1%	0%
Retirement liability	59,290,772	48,950,570	10,340,202	21%	0%	0%
Total Noncurrent Liabilities	63,219,315	65,527,215	(2,307,900)	-4%	1%	0%
Total Liabilities	1,235,426,915	1,913,198,308	(677,771,393)	-35%	7%	10%
Equity Attr to the Equity Holders of the Parent						
Capital stock	7,906,827,500	7,906,827,500	-	0%	44%	40%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	41%	36%
Treasury shares	(220,430,080)	(29,430,080)	(191,000,000)	649%	-1%	0%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(824,553,084)	(788,608,550)	(35,944,534)	5%	-5%	-4%
Retained earnings	2,629,106,978	3,660,924,536	(1,031,817,558)	-28%	15%	18%
Total Equity Attr to Equity Holders of the Parent	16,220,076,183	17,478,838,275	(1,258,762,092)	-7%	90%	88%
Non-controlling Interests	337,510,966	538,885,772	(201,374,806)	-37%	2%	3%
Total Equity	16,557,587,149	18,017,724,047	(1,460,136,898)	-8%	93%	90%
TOTAL LIABILITIES AND EQUITY	17,793,014,064	19,930,922,355	(2,137,908,291)	-11%	100%	100%

Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents decreased by 37% (Php1,318.8 million) to Php2,218.3 million in 2020 due mostly to the dividends paid during the first quarter of 2020 amounting to around Php1,388.8 million.

Investments held for trading

Investments held for trading decreased by 40% mainly due mark-to-market gains and losses due to changes in share prices.

Receivables

Receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila as well as operational advances to customers, suppliers and employees. The Company recorded net increase of 39% or Php131.2 million in receivables.

Notes receivable

Notes receivable includes interest-bearing short-term notes due on demand.

Intangible asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). The decrease in the account is brought about by the amortization of the intangible asset.

Financial assets at fair value through OCI

This account pertains to the Company's investments in equity securities classified as financial assets at FVOCI. This pertains mostly to share in Belle Corporation and club shares. The 14% decrease in the account is due mainly to the changes in fair value of the shares.

Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is an overall decrease of Php23.9 million in the account compared to balances at December 31, 2019 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

Goodwill

Goodwill pertains to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015. It also includes goodwill from POSC's acquisition of FRI and LCC subsidiaries. The decrease in the account pertains to the impairment of goodwill amounting to Php432.3 million in 2020.

Total Liabilities

Total liabilities decreased by Php677.8 million or 35% as at December 31, 2020 from total liabilities of Php1,913.2 million as at December 31, 2019. The decrease is due mostly to the decrease in trade and other payables, payment of loans payable (short-term, interest-bearing loan) that the Company's subsidiary availed of, and decrease in lease liabilities for 2020.

Equity

Stockholders' equity decreased by Php1,460.1 million as of December 31, 2020 from Php18,017.7 million as of December 31, 2019 to Php16,557.6 million as of December 31, 2020. The decrease was due mainly to the declaration and payment of dividends during the first quarter of the year, offset in part by the net income recognized for the period.

Below are the comparative key performance indicators of the Company and its majority-owned subsidiaries:

Ratio	Manner in which the financial rations are computed	December 31, 2020	December 31, 2019
Current ratio	Current assets divided by current liabilities	5.75 : 1.00	4.35 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	1.72%	10.74%
Return on equity	Net income (loss) divided by average total equity during the period	1.87%	11.82%
Asset to equity	Total assets divided by total equity	1.07 : 1.00	1.11 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.00 : 1:00	0.01 : 1.00
Interest rate coverage	Earnings before interest and taxes divided by interest expense	48.15	215.38

The current ratio of the Company increased from 4.35 in 2019 to 5.75 in 2020.

Return on assets (from 10.74% to 1.72%) and return on equity (from 11.82% to 1.87%) declined significantly in 2020 due to the substantial drop in the Company's net income because of the effect of the Covid-19 pandemic.

Interest-bearing debt refers to the short-term loan of the Company. Debt to equity ratio for 2020 is zero because the Company paid off its short-term loan within the year.

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities were created during the year.

As of December 31, 2020, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period
- Any significant elements of income or loss from continuing operation
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and

The Company does not foresee any liquidity problem over the next 12 months.

2021 Plan of Operations

Given the current state of gaming industry and the continuing effects of the Covid-19 pandemic, the Company is focused on streamlining operations to curtail costs and looking for ways to improve profitability and cost efficiency. It also maintains prudent financial management in decision making to uphold its strong financial position.

Nevertheless, PLC remains committed to look for various opportunities for growth through profitable investments that will increase the company's shareholder value for partners and investors alike. It shall likewise continue to partner with its parent Company's corporate social responsibility arm, Belle Kaagapay, to continue on enhancing quality of life for its host communities.

Financial Risk Management Objectives and Policies and Capital Management

The financial instruments mainly comprise cash and cash equivalents, receivables, notes receivables, contract assets and guarantee and refundable deposits (presented as part of "Other noncurrent assets"), investment held for trading and financial assets at FVOCI, trade and other current liabilities (excluding statutory liabilities, provisions and unearned income) and lease liabilities. The main purpose of these financial instruments is to finance the Group's projects and operations.

It is the policy that no trading of financial instruments should be undertaken by the Group. The main risks arising from the financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing these risks.

Credit Risk. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, receivables, notes receivables, contract assets and guarantee and refundable deposits (presented as part of "Other noncurrent assets"), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

The table below shows the Group's aging analysis of financial assets.

	2022						
	Neither Past Due nor Impaired	**Past Due but not Impaired**					
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
Cash and cash equivalent*	**₱1,778,068,579**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,778,068,579**
Receivables	**212,568,231**	**–**	**–**	**–**	**–**	**543,515,942**	**756,084,173**
Notes receivable	**3,705,925,000**	**–**	**–**	**–**	**–**	**–**	**3,705,925,000**
Contract asset	**4,000,000**	**–**	**–**	**–**	**–**	**–**	**4,000,000**
Advances to contractors**	**139,738,757**	**–**	**–**	**–**	**–**	**–**	**139,738,757**
Refundable deposit**	**2,769,769**	**–**	**–**	**–**	**–**	**–**	**2,769,769**
Guarantee bonds**	**14,500,000**	**–**	**–**	**–**	**–**	**–**	**14,500,000**
	₱5,857,570,336	**₱–**	**₱–**	**₱–**	**₱–**	**₱543,515,942**	**₱6,401,086,278**

**Excluding cash on hand.*
***Presented under "Other current assets" or "Other noncurrent assets" account in the consolidated statement of financial position.*

	2021						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalent*	₱1,660,389,063	₱–	₱–	₱–	₱–	₱–	₱1,660,389,063
Receivables	277,787,614	–	–	–	–	543,515,942	821,303,556
Notes receivable	3,705,925,000	–	–	–	–	–	3,705,925,000
Contract asset	70,319,085	–	–	–	–	–	70,319,085
Advances to contractors**	139,738,757	–	–	–	–	–	139,738,757
Refundable deposit**	3,706,928	–	–	–	–	–	3,706,928
Guarantee bonds**	14,500,000	–	–	–	–	–	14,500,000
	₱5,872,366,447	₱–	₱–	₱–	₱–	₱543,515,942	₱6,415,882,389

**Excluding cash on hand.*
***Presented under "Other current assets" or "Other noncurrent assets" account in the consolidated statement of financial position.*

Financial assets are considered past due when collections are not received on due date.

Credit Quality of Financial Assets
The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Group's financial assets are as follows:

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
High Grade				
Cash and cash equivalent*	**₱1,778,068,579**	**₱–**	**₱–**	**₱1,778,068,579**
Receivables	**212,568,231**	**–**	**–**	**212,568,231**
Notes receivable	**3,705,925,000**	**–**	**–**	**3,705,925,000**
Contract asset	**4,000,000**	**–**	**–**	**4,000,000**
Advances to contractors**	**139,738,757**	**–**	**–**	**139,738,757**
Refundable deposit**	**2,769,769**	**–**	**–**	**2,769,769**
Guarantee bonds**	**14,500,000**	**–**	**–**	**14,500,000**
Substandard Grade				**2,769,769**
Receivables	**–**	**–**	**543,515,942**	**543,515,942**
Gross Carrying Amount	**₱5,857,570,336**	**₱–**	**₱543,515,942**	**₱6,401,086,278**

**Excluding cash on hand.*
***Presented under "Other current assets" or "Other noncurrent assets" account in the consolidated statement of financial position.*

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High Grade				
Cash and cash equivalent*	₱1,660,389,063	₱–	₱–	₱1,660,389,063
Receivables	277,787,614	–	–	277,787,614
Notes receivable	3,705,925,000	–	–	3,705,925,000
Contract asset	70,319,085	–	–	70,319,085
Advances to contractors**	139,738,757	–	–	139,738,757
Refundable deposit**	3,706,928	–	–	3,706,928
Guarantee bonds**	14,500,000	–	–	14,500,000
Substandard Grade				
Receivables	–	–	543,515,942	543,515,942
Gross Carrying Amount	₱5,872,366,447	₱–	₱543,515,942	₱6,415,882,389

**Excluding cash on hand.*
***Presented under "Other current assets" or "Other noncurrent assets" account in the consolidated statement of financial position.*

High grade financial assets pertain to receivables from clients or customers who have no history of delayed payment while medium grade includes receivables from clients or customers who have history of delayed payment but is currently updated.

Cash in banks are deposited with the top ten banks in the Philippines; hence, considered high grade.

Investment held for trading and financial assets at FVOCI are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted investment held for trading and financial assets at FVOCI in listed equities decreases as a result of changes in the value of individual stock. The Group's exposure to equity price risk relates primarily to the Group's investment held for trading. The Group monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2022 and 2021 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	**2022**	2021
Impact in profit or loss		
5%	**₱3,634,123**	₱3,652,682
(5%)	**(3,634,123)**	(3,652,682)
Impact in comprehensive income		
1%	**6,867,312**	7,211,671
(1%)	**(6,867,312)**	(7,211,671)

Liquidity Risk. Liquidity risk is 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 seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Group considers obtaining borrowings as the need arises.

The table also analyzes the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments and liquidity.

2022	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	**₱98,733,852**	**₱–**	**₱–**	**₱58,832,186**	**₱157,566,038**
Loans payable	**–**	**–**	**–**	**67,500,000**	**67,500,000**
Lease liabilities	**1,149,804**	**766,536**	**–**	**–**	**1,916,340**
	₱99,883,656	**₱766,536**	**₱–**	**₱126,332,186**	**₱226,982,378**

** Excluding statutory liabilities, provisions and unearned income*

2021	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	₱243,895,297	₱48,156,775	₱7,087,656	₱26,345,063	₱325,484,791
Lease liabilities	–	–	5,124,015	2,012,156	7,136,171
	₱245,352,921	₱49,642,955	₱12,211,671	₱28,357,219	₱332,620,962

** Excluding statutory liabilities, provisions and unearned income*

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates.

As at December 31, 2022 and 2021, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2022	2021
Cash	**₱109,435,082**	₱10,679,109
Software license fee payable*	**(46,733,405)**	(37,455,466)
Foreign currency-denominated financial assets (liabilities)	**₱62,701,677**	₱26,776,357)

**Presented under "Trade and other current liabilities" account in the consolidated statement of financial position.*

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱55.76 to US$1.0 and ₱51.09 to US$1.0, as at December 31, 2022 and 2021, respectively.

It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Group seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2022 and 2021. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2022		2021	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
Change in US$ rate	**5%**	**(5%)**	5%	(5%)
Effect on income before income tax	**₱3,135,084**	**(₱3,135,084)**	₱1,338,810	(₱1,338,810)

The increase in US$ rate means stronger US dollar against peso while the decrease in US$ means stronger peso against the US dollar.

<u>Capital Management</u>

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and adjusts it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2022 and 2021.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to P15,754.1 million as at December 31, 2022 (P16,130.8 million as at December 31, 2021).

Fair Value of Assets and Financial Liabilities

Set out below is a comparison by category and by class of carrying values and fair values of the Group's assets and financial liabilities:

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At FVL:				
Investment held for trading	**₱72,682,452**	**₱72,682,452**	₱73,053,645	₱73,053,645
At FVOCI				
Financial assets at FVOCI	**686,731,218**	**686,731,218**	721,167,064	721,167,064
	₱759,413,670	**₱759,413,670**	₱794,220,709	₱794,220,709
Financial Liabilities				
Loans payable	**₱67,500,000**	**₱66,538,186**	₱-	₱-
	₱67,500,000	**₱66,538,186**	₱-	₱-

There were no transfers between fair value measurements in 2022 and 2021.

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

Cash and Cash Equivalents, Notes Receivables, Receivables, Contract Asset, Trade and Other Current Liabilities (excluding provisions, unearned income and statutory payables). The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Refundable Deposit and Guarantee deposits. The carrying value of refundable deposit and guaranteed deposit approximates fair value as at December 31, 2022 and 2021 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of Financial Assets at FVPL and financial assets at FVOCI in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Lease Liabilities. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used are 5.25% to 6.50% in 2022 and 2021.

Other Required Disclosures

A.) The attached financial reports were prepared in accordance with accounting standards generally accepted in the Philippines.

B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the period.

C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current period.

D.) Except as disclosed in the MD&A, there were no other issuance, repurchases and repayments of debt and equity securities.

E.) There were no material events that occurred subsequent to December 31, 2022 and up to the date of this report that need disclosure herein.

F.) There were no changes in the composition of the Company during the period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations, except for the accounting for the PinoyLotto Technologies Corporation as a joint operation as discussed above.

G.) There were no changes in contingent liabilities or contingent assets since December 31, 2022, as of the date of this report.

H.) There exist no material contingencies and other material events or transactions affecting the current period.

Key Variables and other Qualitative and Quantitative Factors

The Company expects no material commitments for capital expenditures and expected funds in 2022. To the best of the Company's knowledge, aside from what has already been mentioned in the preceding, there are no known trends, events or uncertainties that will have a material impact on sales; no significant elements of income or loss that did not arise from continuing operations aside from those disclosed in the Notes to the Audited Financial Statements; and no seasonal aspects with material effect on results of operations.

PLC maintains sufficient cash balances to meet minimum operational requirements, as determined by management from time to time. Additional cash requirements are sourced from affiliates. To the best of the Corporation's knowledge, there are no known trends, events or uncertainties that will have a material impact on its liquidity.

Information on Independent Accountant and Other Related Matters

a. External Audit Fees

a.1. Audit and Audit-Related Fees
The aggregate fees paid by the Corporation for professional services (excluding Value Added Tax) rendered by the external auditor for the audit of financial statements for the years ended 31 December 2022 and 2021 are as follows:

	(₱000's omitted)
2022	₱670.0
2021	640.0

a.2. There were no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

b. Tax Fees

There were no professional services rendered by the external auditor for tax accounting compliance, advice, planning and any other form of tax services in each of the last two years.

c. All Other Fees

There were no other professional services rendered by the external auditors for each of the last two years other than item (a) and (b) above.

d. The Audit Committee's approval policies and procedures for the above services

The Audit Committee has the oversight responsibility over the audit function and activities of the Corporation's internal and external auditors. It provides assurance that financial disclosures made by the Management as presented in the Auditor's Report reasonably reflect (a) the financial condition; the result of operation; and the plans and long-term commitments; and (b) internal controls are operating as intended.

The Audit Committee has the responsibility to recommend an external auditor to be selected and appointed by the stockholders during each ASM.

It reviews the audit coverage of the External Auditors and deliberates on their audit report prior to endorsement to the Board and presented to the stockholder's for approval.

Item 7. Financial Statements

Please see attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no disagreements with any accountant or any matter of accounting principles or practices, financial statement disclosure or auditing scope of procedure.

Independent Public Accountants, External Audit Fees and Services

Reyes Tacandong & Co. (RT&Co.), the Company's external auditors for the current year. Representatives of RT&Co. are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Over the past five (5) years, there was no event where RT&Co. or previous auditors and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

Based on the code of ethics adapted by the SEC through the revised SRC Rule 68, the engagement partners for audit of the Company's financials are changed at least every seven (7) years, as follows:

	Year/s	Partner-in-Charge
1.	2007-2009	Mr. Juanito A. Fullecido
2.	2010-2011	Mr. Roel E. Lucas
3.	2012-2013	Ms. Clairma T. Mangangey
4.	2014	Ms. Marydith C. Miguel
5.	2015-2020	Ms. Belinda T. Beng Hui
6.	2021-2022	Ms. Belinda B. Fernando

The Audit Committee composed of Atty. Maria Grace Tan, Messrs. Juan Victor S. Tanjuatco, Roberto V. Antonio, and Exequiel P. Villacorta recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Board of Directors or the Executive Committee approves the audit fees as recommended by the Management.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

(1) Directors and Executive Officers

The names and ages of all the incumbent Directors, elected on April 28, 2022 during the Annual Stockholders' Meeting and who are to serve for a term of one (1) year until their successor shall have been duly elected and qualified, and the Executive Officers are as follows:

Name	Citizenship	Age	Position	Period Served
Willy N. Ocier	Filipino	66	Chairman of the Board; Executive Director	June 25, 1999 - present
Armin Antonio B. Raquel Santos	Filipino	55	President and Chief Executive Officer; Executive Director	July 01, 2017 – present
Juan Victor S. Tanjuatco	Filipino	75	Independent Director	July 18, 2014 – present
Exequiel P. Villacorta, Jr.	Filipino	77	Non-Executive Director	July 18, 2014 – present
Maria Gracia P. Tan	Filipino	66	Independent Director	June 25, 2021 – present
Roberto V. Antonio	Filipino	60	Independent Director	August 24, 2022 – present
Jerry C. Tiu	Filipino	65	Independent Director	June 25, 2021 – present
Maria Neriza C. Banaria	Filipino	40	Acting Chief Financial Officer and Treasurer	April 28, 2022 – January 24, 2023 January 30, 2023 – present
Elmer B. Serrano	Filipino	55	Corporate Secretary	April 27, 2015 – present
Arthur A. Sy	Filipino	53	Assistant Corporate Secretary	July 19, 2011 – present
Phil Ivan A. Chan	Filipino	40	Assistant Corporate Secretary	May 11, 2015 – present
Anna Josefina G. Esteban	Filipino	55	Chief Audit Executive	September 11, 2018 – present
Michelle Angeli T. Hernandez	Filipino	51	Chief Risk Officer Compliance Officer	June 25, 2021 – present April 28, 2022 – present

The following are the business experience/s of the members of the Board during the last five (5) years.

Willy N. Ocier
Chairman, Executive Director
Date of first appointment – June 1999
Chairman, Executive Committee

Mr. Willy Ocier, 66, is an Executive Director and Chairman of Premium Leisure Corp. He is also the Chairman and Director of Belle Corporation, APC Group, Inc., Pacific Online Systems Corporation, Total Gaming and Technologies, Inc., Premium Leisure and Amusement, Inc. and Philippine Global Communications, Inc. He is also the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. Mr. Ocier is also the Chairman and Director of Tagaytay Midlands Golf Club, Inc., and The Country Club at the Tagaytay Highlands, Inc. He is also a Director of Leisure and Resorts World Corporation. He also sits as a Director to the following unaffiliated corporations, IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation.

Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.

Armin Antonio B. Raquel Santos
Executive Director, President and Chief Executive Officer
Date of first election/appointment as director/President and CEO – July 2017
Date of first appointment as officer – July 2014
Member, Compensation and Remuneration Committee
Member, Executive Committee

Mr. Raquel Santos, 55, Filipino, is a director and the President and Chief Executive Officer of both Premium Leisure Corp. and its subsidiary, PremiumLeisure and Amusement, Inc. He is also a non-executive director and member of the Executive Committee of Belle Corporation. He is also a Director of Pacific Online Systems Corporation, Pinoy Lotto Technologies Corporation, Sagittarius Mines Incorporated, Tagaytay Highlands International Golf Club, Inc., and member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation. Formerly, he was Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II and First Philippine Electric Company. He was also former Governor of the Board of Investments (BOI), served as Assistant Secretary with the Department of Trade and Industry (DTI), Vice Chairman and CEO of Philippine Retirement Authority (PRA), Executive Vice President of Philippine International Trading Corporation (PITC), and Deputy Administrator of Subic Bay Metropolitan Authority (SBMA). His experience includes stints with multinational companies; Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York.

Mr. Raquel Santos holds a Master of Arts in Liberal Studies from Dartmouth College, U.S.A. and Bachelor of Science in Business Administration Major in Finance from Iona College, U.S.A.

Juan Victor S. Tanjuatco
Independent Director
Date of first appointment – July 2014
Lead Independent Director
Chairman, Corporate Governance Committee
Chairman, Compensation and Remuneration Committee
Member, Related Party Transactions Committee
Member, Audit Committee

Mr. Tanjuatco, 75, Filipino, is the Lead Independent Director of Premium Leisure Corp. and Independent Director of MEDCO Holdings, Inc. He is also a director of IP Ventures, Inc., and Ketmar Fast Food Corporation. Previously, he served in the same capacity on the board of Insular Savings Bank and Asiatrust Development Bank. A career banker, he was the former President of Export and Industry Bank and was assigned to various managerial and executive positions at Credit Agricole Indosuez Manila, New Zealand and Hongkong, where, after 21 years, he retired as Deputy General Manager in Manila.

Mr. Tanjuatco holds a Bachelor of Arts Degree in Economics from the Ateneio de Manila University (cum laude) and a Masters in Business Administration, major in Finance, from the Wharton School, University of Pennsylvania.

Exequiel P. Villacorta, Jr
Non-Executive Director
Date of first appointment – July 2014
Member, Audit Committee
Member, Risk Oversight Committee
Member, Executive Committee

Mr. Villacorta, 77, Filipino, is a Non-Executive Director of Premium Leisure Corp. He was a Director of BDO Leasing and Finance, Inc., Equitable PCI Bank, EBC Insurance Brokerage, and Maxicare Healthcare Corporation. He was the former Chairman of EBC Strategic Holdings Corporation, EBC Investments (now BDO Strategic Holdings), Jardine Equitable Finance Corporation, Strategic Property Holdings, PCIB Properties, Equitable Data Center, and PCI Automation Center. He was a past President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of the Private Development Corporation of the Philippines. He was Senior Adviser and BSP Controller of Equitable PCI Bank and PBCom, and Adviser to the Board of PCI Capital Corporation.

Mr. Villacorta holds a Bachelor of Science degree in Business Administration from De La Salle University and a Master's degree in Business Management from the Asian Institute of Management.

Maria Gracia M. Pulido Tan
Independent Director
Date of first election – June 2021
Chairperson, Audit Committee
Member, Corporate Governance Committee
Member, Risk Oversight Committee

Atty. Tan, 67, Filipino, is an independent director of the Company. She is likewise an Independent Director of Belle Corporation and Pacific Online Systems Corporation. She is the former Chairperson of the Commission on Audit, Undersecretary of Finance and Commissioner of the Presidential Commission on Good Government. She is currently a Trustee of the International Budget Partnership, an international NGO based in Washington DC, USA. She is also a member of the Tax Faculty of the Philippine Judicial Academy. She is a director of several Philippine corporations, a tax consultant and legal adviser of some private clients, and an accredited Arbitrator of the Construction Industry Arbitration Commission, Philippines and Philippine Dispute Resolution Center, Inc, Philippines.

Atty. Tan served as Chairman of the United Nations Independent Audit Advisory Committee, the first Filipino to have been elected to this 5-member Committee. She is also a professor at the University of the Philippines for Mandatory Continuing Legal Education.

Backed by four decades of professional work in the Philippines and abroad as a private law and accounting practitioner, government official, arbitrator and international consultant. She is an expert in the fields of legal, finance, audit, governance, dispute resolution and administration.

She graduated from the University of the Philippines in 1977 with a degree in Bachelor of Science in Business Administration and Accountancy and in 1981 with Bachelor of Laws. In 1987, she obtained her Master of Laws (Tax) from the New York University. She is a Certified Public Accountant.

Roberto V. Antonio
Independent Director
Date of first election – August 24, 2022
Chairman, Risk Oversight Committee
Member, Audit Committee
Member, Corporate Governance Committee
Member, Related Party Transactions Committee

Mr. Antonio, 60, is an independent director of the Company. He is also an Independent Director of Pacific Online Systems Corporation and the Development Bank of the Philippines. He is currently the President of Kalimera, Inc., RVA and Sons, Inc., RVA International Trading Corporation, and La Salle Greenhills Foundation. He is also the Vice Chairman of Right Eight Security Agency, Inc. He also serves as a Consultant for Mustang Holdings, Inc. and Board Member of the La Salle Greenhills Alumni. Mr. Antonio served as one of the Department of Tourism's Undersecretaries from 1998-2000 and Senior Consultant from 2004-2010.

He graduated from De La Salle University with a degree in Economics major in Marketing Management in 1984. He obtained his Juris Doctor (candidate) at the Ateneo De Manila University Law School in 1989. He finished his Masters in Business Economics at the University of Asia and the Pacific in 1997.

Jerry C. Tiu
Independent Director
Date of first election – June 2021
Chairman, Related Party Transactions Committee
Member, Compensation and Remuneration Committee
Member, Risk Oversight Committee

Mr.Tiu, 65, Filipino, is an independent director of Premium Leisure Corp. He is likewise an Independent Director of APC Group, Inc. He is a director and the President of Tagaytay Highlands Community Condominium Association, Inc., Tagaytay Midlands Community Homeowners' Association, Inc., and Greenlands Community Homeowners' Association, Inc. He is also the President of the following companies: Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., and The Spa & Lodge at Tagaytay Highlands, Inc. He is a former Director of the Manila Polo Club.

Mr. Tiu holds a Bachelor of Science degree in Commerce (Major in Marketing) from the University of British Columbia.

Other Executive Officers

Maria Neriza C. Banaria

Ms. Banaria, 40, Filipino, is the Acting Chief Financial Officer (CFO) and Treasurer of the Company. She is also the CFO and Treasurer of Belle Corporation and Pacific Online Systems Corporation. As a Certified Public Accountant, her strong background in accounting, audit and finance have been accumulated through extensive experience and exposure to various industries. She holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines.

Elmer B. Serrano

Mr. Elmer B. Serrano is the Corporate Secretary and Corporate Information Officer of the Company. He is concurrently the Chairman of Dominion Holdings, Inc., a director of 2GO Group, Inc., and Independent Director of Philippine Telegraph and Telephone Corporation. He is Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO Unibank, Inc., and of DFNN Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies.

Atty. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW. He has been awarded "Asia Best Lawyer" 3 years in a row by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in all three practice areas in the Philippines. This comes after being consistently recognized as a "Highly Regarded-Leading Lawyer" in the same fields by IFLR.

The Legal 500 Asia Pacific also named Atty. Serrano as a "Leading Individual" in Banking & Finance, after constant citation as a "Recommended Lawyer".

Atty. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Atty. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

Arthur A. Sy

Atty. Sy, 53, is the Assistant Corporate Secretary of Premium Leisure Corp. He is the Senior Vice President for Legal Department and Assistant Corporate Secretary at SM Investments Corporation. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation and 2GO

Group, Inc. Further, he is currently the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo de Manila University, School of Law.

Phil Ivan A. Chan

Atty. Chan, 40, is the Assistant Corporate Secretary of Premium Leisure Corp. He is co-founder of Serrano Law. He was previously a partner at Martinez Vergara Gonzalez & Serrano. He has been recognized by the Legal 500 Asia Pacific as a "Recommended Lawyer" in Corporate and M&A, and Real Estate and Construction.

He also acts as the Assistant Corporate Information Officer of listed company, 2GO Group, Inc. Atty. Chan holds a degree of B.S. Legal Management from Ateneo de Manila University and a Juris Doctor degree from Ateneo Law School.

Anna Josefina G. Esteban

Ms. Esteban, Filipino, 55, is the Chief Audit Executive of the following publicly listed companies: (i) Premium Leisure Corp.; (ii) Belle Corporation; (iii) Pacific Online Systems Corporation; and (iv) APC Group, Inc. Prior to joining the Belle Group, she served as Treasurer and Chief Finance Officer of Miriam (formerly Maryknoll) College Foundation, Inc. and worked at the Asian Development Bank for 18 years as Senior Officer at the Office of the Treasurer, Office of the Auditor General and Operations Evaluation Office. Earlier on, she was the Head of the Finance Systems and Audit Unit of Magnolia Nestle Corporation (a joint venture of San Miguel Corporation and Nestle S.A.). She was an auditor and management consultant at Carlos J. Valdes & Co. and was an accounting/finance professor at the College of St. Benilde and the Graduate School of Business of De La Salle University (DLSU). Ms. Esteban is a Certified Public Accountant, Certified Information Systems Auditor and Certified Data Privacy Auditor. She earned her Bachelor of Science degree in Accounting at the College of the Holy Spirit, Manila and her Master in Business Administration (with distinction) at DLSU.

Michelle Angeli T. Hernandez

Ms. Hernandez, 51, Filipino, is the Compliance Officer and Chief Risk Officer of the Company. She is also the Compliance Officer, Chief Risk Officer and Vice President for Governance of Belle Corporation, in which capacity she is mainly responsible for developing, implementing and managing various strategies, processes and policies related to Corporate Governance, Enterprise Risk Management and Corporate Affairs for the Company and its subsidiaries. She is likewise the Compliance Officer of Pacific Online Systems Corporation and the Chief Risk Officer of APC Group, Inc. She has a bachelor's degree in Tourism (Cum Laude) from the University of Sto. Tomas.

(2) Significant Employees

The Company has no employee who is not an executive officer but is expected to make a significant contribution to the business.

(3) Family Relationships

No director and/or executive officer of PLC are related up to the fourth degree by affinity or consanguinity.

(4) Involvement in Certain Legal Proceedings

Except as here disclosed, the Corporation is not aware of any of the following events wherein any of its directors, executive officers, nominees for election as director, underwriter or control persons were involved during the past five (5) years up to the latest date:

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

(2) Any conviction by final judgment, in a criminal proceeding, domestic or foreign;

(3) Any order or judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities, or banking activities; and,

(4) Any findings by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

The Corporation and its major subsidiaries and associates are neither involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

Item 10. Compensation of Directors and Executive Officers

Summary of Annual Compensation

Name and Principal Position	Year	Salary/ Per Diem Allowance	Bonus	Other Annual Compen sation	Total Annual Compensation
Willy N. Ocier, Chairman of the Board and Executive Director Armin Antonio B. Raquel Santos, President& CEO Carlo R. Climaco, SAVP for Operations Maria Neriza C. Banaria, Chief Financial Officer					
President and 4 most highly compensated executive officers	2023* 2022 2021	13,674,966 13,437,934 13,021,918	– – –	112,501 110,295 113,580	13,787,467 13,548,229 13,135,498
All other officers and directors as a Group (Unnamed)	2023* 2022 2021	7,480,000 7,211,871 5,143,945	– – –	– – –	7,480,000 7,211,871 5,143,945

*estimates

Except as provided above, there are no other officers of the Company receiving compensation.

Per Diem for Meetings Attended by Directors

Each member of the Board of Directors received the following as Directors for the year 2022. The amounts represent their per diem for the meetings attended and all other responsibilities undertaken for the Company.

	Directors		2022 Per Diem
1	Juan Victor S. Tanjuatco	ID	1,296,000
2	Maria Gracia M. Pulido Tan	ID	1,296,000
3	Jaime J. Bautista*	ID	648,000
4	Jerry C. Tiu	ID	1,296,000
5	Roberto V. Antonio*	ID	379,871
6	Exequiel P. Villacorta Jr.	NED	1,296,000
7	Willy N. Ocier	ED	1,000,000
8	Armin Antonio B. Raquel Santos	ED	1,000,000
	Total		7,211,871

	Directors		2022 Per Diem
1	Juan Victor S. Tanjuatco	ID	1,296,000
2	Maria Gracia M. Pulido Tan	ID	1,296,000
3	Jaime J. Bautista*	ID	648,000
4	Jerry C. Tiu	ID	1,296,000
5	Roberto V. Antonio*	ID	379,871
6	Exequiel P. Villacorta Jr.	NED	1,296,000
7	Willy N. Ocier	ED	1,000,000
8	Armin Antonio B. Raquel Santos	ED	1,000,000
	Total		7,211,871

*Mr. Jaime J. Baustista resigned as independent director of the Company on 29 June 2022.
Mr. Roberto V. Antonio was elected as independent director on 24 August 2022

Except for reasonable per diems, directors, as such, shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before income tax of the Company during the preceding year.

Below is the summary of Board meetings held/attended by each director during 2022:

BOARD OF DIRECTORS	24-Feb-22	28-Apr-22	28-Apr-22[3]	28-Jul-22	24-Aug-22	27-Oct-22	21-Nov-22	% Attendance
Ocier, Willy N.	✓	✓	✓	✓	✓	✓	✓	100%
Raquel Santos, Armin Antonio B.	✓	✓	✓	✓	✓	✓	✓	100%
Bautista, Jaime J.[1]	✓	✓	✓	N/A	N/A	N/A	N/A	100%
Tan, Maria Gracia Pulido M.	✓	✓	✓	✓	✓	✓	✓	100%
Tanjuatco, Juan Victor S.	✓	✓	✓	✓	✓	✓	✓	100%
Tiu, Jerry C.	✓	✓	✓	✓	✓	✓	✓	100%
Villacorta, Exequiel P. Jr.	✓	✓	✓	✓	✓	✓	✓	100%
Antonio, Roberto V.[2]	N/A	N/A	N/A	N/A	N/A	✓	✓	100%

[1] - resigned on June 29, 2022
[2] - elected on August 24, 2022
[3] - Annual Shareholders' Meeting

The Board Committees met in 2022 as shown below:

Audit Committee	23-Feb-22	27-Apr-22	27-Jul-22	28-Sep-22	26-Oct-22
Chairman (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.
Member (ID)	Bautista, Jaime J.	Bautista, Jaime J.[1]	-	Antonio, Roberto V.[2]	Antonio, Roberto V.
Member (ID)	Tanjuatco, Juan Victor S.	-	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.

[1] - resigned on June 29, 2022
[2] - elected on August 24, 2022

Corporate Governance Committee	23-Feb-22	27-Apr-22	24-Aug-22	26-Oct-22
Chairman (ID)	Tanjuatco, Juan Victor S.	-	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member (ID)	Bautista, Jaime J.	Bautista, Jaime J.[1]	-	Antonio, Roberto V.
Member (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.

[1] - resigned on June 29, 2022
[2] - elected on August 24, 2022

Related Party Transactions Committee	23-Feb-22	7-Dec-22
Chairman (ID)	Tiu, Jerry C.	Tiu, Jerry C.
Member (ID)	Bautista, Jaime J.[1]	Antonio, Roberto V.[2]
Member (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.

[1] - resigned on June 29, 2022
[2] - elected on August 24, 2022

Risk Oversight Committee	23-Feb-22	27-Jul-22	26-Oct-22
Chairman (ID)	Bautista, Jaime J.[1]	-	Antonio, Robert V.[2]
Member (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia M. Pulido	Tan, Maria Gracia M. Pulido
Member (ID)	Tiu, Jerry C.	Tiu, Jerry C.	Tiu, Jerry C.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.

[1] - resigned on June 29, 2022

[2] - elected on August 24, 2022

Compensation and Remuneration Committee	23-Feb-22	21-Nov-2022
Chairman (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Raquel Santos, Armin Antonio B.	Raquel Santos, Armin Antonio B.
Member (ID)	Tiu, Jerry C.	Tiu, Jerry C.

Employment Contracts and Termination of Employment and Change in Control Arrangements

There is no compensatory plan or arrangement with respect to named executive officers that resulted or will result from the resignation, retirement or termination of such executive officer or from a change-in-control in the Company.

Warrants and Options Outstanding

There are no outstanding warrants or options held by directors and officers of the Company. There are also no actions to be taken regarding election, any compensatory plan, contract, or arrangement, any bonus or profit-sharing, change in pension/retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The persons or groups identified in the table below are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of **December 31, 2022**:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares	Percent of ownership
Common	Belle Corporation (Belle) * 5th Floor Tower A, Two E-Com Center Pa Coast Ave., Mall of Asia Complex, Pasay City, Metro Manila, Philippines (a)	Belle Corporation	Filipino	24,904,904,324	79.78
Common	PCD Nominee Corp. (Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City (b)	*(please see footnote)*	Filipino	5,911,227,299	18.690

*Belle Corporation is the parent company of Premium Leisure Corp. The shares held by Belle Corporation, being a corporate shareholder, shall be voted or disposed of, by the persons who shall be duly authorized by Belle for the purpose. The natural person/s that has/have the power to vote on the shares of Belle shall be determined upon the submission of its proxy form to the Company, which is not later than three (3) business days before the date of the meeting.

**PCD Nominee Corporation (PCDNC) is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in Premium Leisure Corp. are to be voted.

As of December 31, 2022, the participant of PCD who owns more than 5% of the Company's outstanding capital is BDO Securities Corporation with 2,484,909,080 shares or 7.9601% ownership.

As of December 31, 2022, 259,191,806 Common Shares of the Company are owned by non-Filipinos, constituting 0.83% of the Company's outstanding capital stock.

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of December 31, 2022:

Title Class	Name of Beneficial Owner	Citizenship	Direct		Indirect		Total	
			No.	%	No.	%	No.	%
Common	Willy N. Ocier	Filipino	39,888,001	0	-	-	39,888,001	0
Common	Armin Antonio B. Raquel Santos	Filipino	11,000	0	-	-	11,000	0
Common	Maria Gracia M. Pulido Tan	Filipino	10,001	0	-	-	10,001	0
Common	Jerry C. Tiu	Filipino	-	-	4,000,000	0	4,000,000	0
Common	Juan Victor S. Tanjuatco	Filipino	1	0	-	-	1	0
Common	Exequiel P. Villacorta, Jr.	Filipino	500,001	0	-	-	500,001	0
Common	Roberto V. Antonio	Filipino	10,000	0	-	-	10,000	0
Common	Maria Neriza C. Banaria	Filipino	-	-	-	-	-	-
Common	Elmer B. Serrano	Filipino	-	-	-	-	-	-
Common	Arthur A. Sy	Filipino	20,000	0	-	-	20,000	0
Common	Phil Ivan A. Chan	Filipino	-	-	-	-	-	-
Common	Anna Josefina G. Esteban	Filipino	-	-	-	-	-	-
Common	Michelle Angeli T. Hernandez	Filipino	-	-	-	-	-	-

*No. reflects the number of shares beneficially owned by the Company's directors and executive officers
**Shares of Mr. Jerry C. Tiu are lodged with broker duly registered in Mr. Tiu's name

(3) Voting Trust Holders of 5% or More

The Company is not aware of any party which holds any voting trust or any similar agreement for 5% or more of Premium Leisure Corp.'s voting securities.

(4) Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year. As of December 31, 2022, there are no existing or planned stock warrant offerings by PLC. There are no arrangements which may result in a change in control of the Company.

On June 2, 2014, the Company's Board of Directors approved to take on the gaming business and interests of the Belle Group. The transaction involved the sale to Belle of PLC's non-gaming assets (comprising primarily real properties and corporate club membership shares) and acquisition of all of Belle's interest in PremiumLeisure and Amusement, Inc. (PLAI) and 34.5% interest in POSC Systems Corporation (POSC). The transfers of the said assets were completed on July 24, 2014. As part of the consideration for the transfer of assets, PLC undertook to increase its authorized capital stock, and out of such increase, Belle agreed to subscribe to new shares to increase its stake in the Company to 90% of the outstanding capital.

As a result of the transactions, the Company directly owns 100% of PLAI and 34.5% of POSC. Belle, together with other principal shareholders agreed to offer a certain number of shares for sale, and as a result of which, its shareholdings in PLC was reduced. As of December 31, 2015, Belle directly owns 78.745% (24,904,904,324 shares) of PLC.

On August 5, 2015, PLC acquired additional 47,851,315 shares of POSC, thereby increasing its ownership from 34.5% to 50.1%. This resulted to the line by line consolidation of POSC by PLC. As of December 31, 2018, PLC owns 53.1% of POSC's outstanding shares.

On July 1, 2017, Lucky Circle Corporation (LCC), a subsidiary of POSC that operates and/or manages several outlets throughout the Philippines that sell products of POSC, including lotto, keno and instant scratch tickets, acquired 100% ownership interest in nine entities.

On February 6, 2020, POSC's BOD approved the sale of LCC for POSC to focus its resources to its principal business of providing modern and efficient online gaming facilities and equipment to its customers. LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Company's reportable segment.

On February 13, 2020, POSC has concluded the sale of all of the POSC's equity interest in LCC, equivalent to 127.0 million shares for Php1.082 per share to a third party for a total consideration of Php137.4 million.

On September 7, 2021, Pinoylotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated with the SEC. PinoyLotto was awarded the five years lease of the customized PCSO Lottery System, also known as '2021 PLS Project'.

The Group's interest in PinoyLotto was classified as a joint operation. PinoyLotto is 50% owned by POSC but controlled jointly with the other owner. PinoyLotto has been classified as a joint operation because the parties have equal number of board representatives and because relevant activities that significantly affect the return on the investment requires approval of representatives from both partners.

Item 12. Certain Relationships and Related Transactions

No director or executive officer or any member of their immediate family has, during the last two years, had direct or indirect, material interest in a transaction of proposed transaction to which the Company was a party.

As summarized and disclosed in its consolidated financial statements, in the ordinary course of business, the Company has transactions with related parties which consist mainly of extension of interest-bearing notes to, or availment of noninterest-bearing advances from Belle Corporation. The outstanding balances at year-end are due and demandable. There have been no guarantees provided or received for any related party receivables or payables.

Related party transactions amounting to 10% or higher of the Company's consolidated total assets are subject to the approval of the BOD. Aside from these transactions, the Company has no other significant transactions that need to be disclosed.

The related party transactions are described in the Notes to Financial Statements (Related Party Transactions) of the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2022, each of the Company's directors have complied with the requirements.

Below table shows the attendance of each board member in the meetings conducted during the year:

BOARD OF DIRECTORS	24-Feb-22	28-Apr-22	28-Apr-22[3]	28-Jul-22	24-Aug-22	27-Oct-22	21-Nov-22	% Attendance
Ocier, Willy N.	✓	✓	✓	✓	✓	✓	✓	100%
Raquel Santos, Armin Antonio B.	✓	✓	✓	✓	✓	✓	✓	100%
Bautista, Jaime J.[1]	✓	✓	✓	N/A	N/A	N/A	N/A	100%
Tan, Maria Gracia Pulido M.	✓	✓	✓	✓	✓	✓	✓	100%
Tanjuatco, Juan Victor S.	✓	✓	✓	✓	✓	✓	✓	100%
Tiu, Jerry C.	✓	✓	✓	✓	✓	✓	✓	100%
Villacorta, Exequiel P. Jr.	✓	✓	✓	✓	✓	✓	✓	100%
Antonio, Roberto V.[2]	N/A	N/A	N/A	N/A	N/A	✓	✓	100%

1 - resigned on June 29, 2022
2 - elected on August 24, 2022
3 - Annual Shareholders' Meeting

The Board of Directors during its meeting in October 2022 approved the scheduling of the 2023 Board and Committee Meetings in adherence to good governance practices.

Board Performance Evaluation
The Company conducts annual performance evaluations of the Board, its individual members and Board Committees to ensure optimum Board performance. In this evaluation process, directors identify areas for improvement, some of which are: the timeliness and integrity of information given to them, directors' access to management, the Corporate Secretary and Board Advisors, and other forms of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised. In line with governance best practices, the board evaluations shall be facilitated by a third-party independent assessor every three (3) years reckoned from January 1, 2017 (effectivity date of the 2016 Code of Corporate Governance for Publicly Listed Companies).

The Board members assessed the Board as a whole based on their balance/diversity, competencies, background and experience. Board efficiency and importance as well as board activities were also given the appropriate ratings.

The six (6) Board Committees were also assessed based on their performance.

Individual performances were also assessed based on independence, participation and diligence.

Likewise, Chairperson and CEO were assessed for their leadership, integrity, diligence and adherence to corporation governance, while the following key officers were also evaluated for their over-all performance:

1. Chief Risk Officer
2. Compliance Officer
3. Chief Audit Executive

The said performance evaluation for 2022 was conducted in February 2023.

As a recommended good governance practice, the performance evaluation by a third party for the Board, Committee and Key Officers' 2021 performance was initiated in Q4 of 2022.

Continuing Education Programs
The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC.

Name	CG Training		
	Training Provider	Date	Topic
Willy N. Ocier	BDO	20-Jul-22	Sustainability and the Role of Boards Geopolitical Risk
Armin Antonio B. Raquel Santos	BDO	20-Jul-22	
Exequiel P. Villacorta, Jr.	BDO	20-Jul-22	
Juan Victor S. Tanjuatco	BDO	20-Jul-22	
Jerry C. Tiu	BDO	20-Jul-22	
Ma. Gracia M. Pulido Tan	BDO	20-Jul-22	
Roberto V. Antonio	ROAM, Inc	21-Oct-22	Webinar on Corporate Governance
Maria Neriza C. Banaria	BDO	20-Jul-22	Sustainability and the Role of Boards Geopolitical Risk
Elmer B. Serrano	BDO	20-Jul-22	
Arthur A. Sy	BDO	20-Jul-22	
Phil Ivan A. Chan	BDO	20-Jul-22	
Michelle Angeli T. Hernandez	BDO	20-Jul-22	
Anna Josefina G. Esteban	BDO	20-Jul-22	

Manual on Corporate Governance
In compliance with the initiative of the SEC, PLC submitted its Revised Manual on Corporate Governance (the "Revised Manual") to the SEC. The Revised Manual institutionalizes the principles of good corporate governance in the entire Company. PLC believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board and Management of their respective duties and responsibilities, and from which the organization's values and ethics emerge, is of utmost importance to the Company's shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates. The Company undertakes every effort possible to create awareness throughout the entire organization.

Board Committees
Even prior to the submission of its Manual, the Company already created various Board-level committees.
These committees were comprised of:

1. The Executive Committee – to oversee the management of the Company and is responsible for the Company's goals, finances and policies;
2. Audit Committee – to review financial and accounting matters;
3. Compensation and Remuneration Committee – to look into an appropriate remuneration system;
4. Risk Oversight Committee – to review the policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks;
5. Related Party Transactions Committee – to assess material agreements with related parties to ensure that the RPT are conducted at market rates and on an arm's length basis; and
6. Corporate Governance Committee – to assist and advise the Board in performing corporate governance compliance responsibilities in relation with the Company's Revised Manual on Corporate Governance, the Philippine Code of Corporate Governance, and the disclsoure rules of the SEC and the PSE.
   - Nomination Committee – for the selection and evaluation of qualifications of directors and officers. On April 24, 2017, the Nomination Committee was merged with the Corporate Governance Committee.

Each of the above is guided by their respective Committee Charters that indicates the purpose, composition, duties and responsibilities. The Board Committee Charters are reviewed annually.

Below is the attendance of the members of the Board Committees for 2022.

Audit Committee	23-Feb-22	27-Apr-22	27-Jul-22	28-Sep-22
Chairman (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.
Member (ID)	Bautista, Jaime J.	Bautista, Jaime J.[1]	-	Antonio, Roberto V.[2]
Member (ID)	Tanjuatco, Juan Victor S.	-	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.

[1] - resigned on June 29, 2022
[2] - elected on August 24, 2022

Corporate Governance Committee	23-Feb-22	27-Apr-22	24-Aug-22	26-Oct-22
Chairman (ID)	Tanjuatco, Juan Victor S.	-	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member (ID)	Bautista, Jaime J.	Bautista, Jaime J.[1]	-	Antonio, Roberto V.
Member (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.

[1] - resigned on June 29, 2022
[2] - elected on August 24, 2022

Related Party Transactions Committee	23-Feb-22	7-Dec-22
Chairman (ID)	Tiu, Jerry C.	Tiu, Jerry C.
Member (ID)	Bautista, Jaime J.[1]	Antonio, Roberto V.[2]
Member (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.

[1] - resigned on June 29, 2022
[2] - elected on August 24, 2022

Risk Oversight Committee	23-Feb-22	27-Jul-22	26-Oct-22
Chairman (ID)	Bautista, Jaime J.[1]	-	Antonio, Robert V.[2]
Member (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia M. Pulido	Tan, Maria Gracia M. Pulido
Member (ID)	Tiu, Jerry C.	Tiu, Jerry C.	Tiu, Jerry C.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.

[1] - resigned on June 29, 2022
[2] - elected on August 24, 2022

Compensation and Remuneration Committee	23-Feb-22	21-Nov-2022
Chairman (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Raquel Santos, Armin Antonio B.	Raquel Santos, Armin Antonio B.
Member (ID)	Tiu, Jerry C.	Tiu, Jerry C.

Risk Oversight Committee

The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company's risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company's risk management system for 2022 and has found the same effective and adequate.

The Audit Committee

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2022.

Corporate Objectives

The Board establishes the corporate objectives, which are:

- To create opportunities for growth through strategic and lucrative investments and to enhance shareholder value for PLC's partners and investors
  - Declaration of regular dividends of at least 80% of the prior year's unrestricted retained earnings, taking into consideration the Company's operating result, cash flow, regulatory requirements and other factors.
  - Adoption of good governance practices, and being assessed as one of the top 100 Philippine Publicly-Listed Companies scoring above 90% in the annual ASEAN Corporate Governance Scorecard.
  - Endeavor to realize increases in net income, surpassing operating performance in 2018-2019, by continuous exercise of financial prudence and undertaking of business risks only upon careful study and evaluation.
- To promote mutually beneficial relationship with all the stakeholders that is grounded on transparency, integrity and respect and to enhance the quality of life of the communities it serves
  - Participation in activities that uplift the quality of life in surrounding communities thru coordination with Belle Kaagapay, which is Belle Corporation's corporate social responsibility arm. Such activities include joining the Department of Education's *Brigada Eskwela*, feeding programs, medical and dental / eye and ear missions, tree-planting and livelihood programs

Code of Business Conduct and Ethics

The Company remains committed to align with the best corporate governance practices following the release of the 2016 Code of Corporate Governance for Publicly-Listed Companies. In addition to the Revised Manual, the Company's Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The Revised Manual and CBCE are communicated to directors, officers and employees to ensure familiarity and adherence. These documents are also made public through the Company's website.

Governance Policies

Corporate policies on governance were developed, submitted to and approved by the Board to protect the interests and rights of the shareholders and stakeholders and to promote transparency and accountability. Such governance related policies are shown below and may be viewed through the PLC Corporate website https://www.premiumleisurecorp.com/governance-plc/corporate-policies: These policies and procedures are initially cascaded throughout the organization via email blast, intranet portal and annual corporate governance trainings. The Board, through its various Board Committees, ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

1. Accountability, Integrity and Vigilance (Whistle-Blowing)
2. Alternative Dispute Resolution
3. Board Diversity
4. Conflict of Interest
5. Corporate Disclosures
6. Directors' Board Seats Held in Other Companies
7. Employees' Safety, Health and Welfare
8. Gifts / Hospitality / Entertainment
9. Insider Trading
10. Related Party Transactions
11. Succession Planning and Retirement Age for Directors and Key Officers
12. Tenure of Independent Directors
13. Vendor Accreditation and Selection
14. Material Related Party Transactions

Board Diversity

The Corporate values and promotes a diversity policy in the composition of our Board to reinforce its effectiveness in providing strategic direction, oversight and compliance with laws and regulations.

Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers. Diversity will foster critical discussion and promote balanced decisions by the Board by utilizing the difference in perspective of its directors.

PLC Board Skill Set Matrix				INDUSTRY EXPERIENCE / EXPERTISE / COMPETENCIES																			
NAME and DESIGNATION	AGE	GENDER	EDUCATIONAL BACKGROUND	Accounting / Audit	Anti-Money Laundering	Banking	Construction	Corp. Gov.	Economics	Finance	Hospitality / Leisure	IT / Comm	Insurance	Investment	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales & Mktg.
Willy N. Ocier Chairman Executive Director	66	M	Bachelor of Arts in Economics					✓	✓	✓	✓	✓		✓			✓			✓	✓	✓	✓
Armin Antonio B. Raquel Santos President & CEO	55	M	Bachelor of Science in Business Administration Major in Finance Master of Arts in Liberal Studies	✓	✓			✓	✓	✓	✓			✓	✓		✓			✓		✓	
Exequiel P. Villacorta, Jr. Non-Executive Director	77	M	Bachelor of Science in Business Administration Masters in Business Management		✓	✓		✓	✓	✓	✓	✓	✓	✓			✓			✓		✓	
Juan Victor S. Tanjuatco Lead Independent Director	75	M	Bachelor of Arts in Economics Masters in Business Administration Major in Finance		✓	✓		✓	✓	✓	✓			✓			✓					✓	
Maria Gracia M. Pulido Tan Independent Director	67	F	Bachelor of Science in Business Administration Major in Finance Master of Arts in Liberal Studies	✓	✓	✓		✓	✓	✓			✓	✓	✓	✓	✓					✓	
Roberto V. Antonio Independent Director	60	M	Bachelor in Economics major in Marketing Management Juris Doctor Candidate Masters in Business Economics	✓	✓	✓		✓	✓	✓			✓	✓	✓	✓	✓					✓	
Jerry C. Tiu Independent Director	65	M	Bachelor of Science-Commerce major in Marketing	✓	✓	✓		✓	✓	✓	✓			✓	✓		✓			✓		✓	✓

Premium Leisure Corp. prohibits its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of December 31, 2022 is shown below:

Name of Director/Officer	Number of Shares held as of 12.31.2021	Acquisition (+)	Disposition (-)	Number of Shares held as of 12.31.2022	% of Ownership
Willy N. Ocier	39,888,001	-	-	39,888,001	0.13%
Armin Antonio B. Raquel Santos	1,000	10,000	-	11,000	0.00%
Maria Gracia M. Pulido Tan	10,001	-	-	10,001	0.00%
Jerry C. Tiu	4,000,000	-	-	4,000,000	0.01%
Juan Victor S. Tanjuatco	1	-		1	0.00%
Exequiel P. Villacorta, Jr.	500,001	-	-	500,001	0.00%
Roberto V. Antonio*	-	10,000	-	10,000	0.00%
Total	**44,399,004**	**20,000**	**-**	**44,419,004**	**0.14%**

*elected on August 24, 2022

For governance related issues or concerns, stakeholders may refer to:

Governance and Corporate Affairs Department
5th Floor Tower A, Two E-com Center
Palm Coast Avenue, Mall of Asia Complex
Pasay City 1300 Philippines
Tel.No.:(632) 8662-8888
Email: governance@bellecorp.com

Investor Relations
Carlo R. Climaco
Vice President for Operations and Regulatory
Premium Leisure Corp.
5th Floor Tower A, Two E-com CenterPalm Coast Avenue
Mall of Asia Complex Pasay City 1300 Philippines
Tel.No.:(632) 8662-8888
Email: carlo.climaco@premiumleisurecorp.com

The Company, through its Chief Compliance Officer, stresses full compliance with applicable laws and adherence to ethical practices as stated in the Code of Business Conduct and Ethics (CBCE) and the Revised Manual. PLC is not aware of any non-compliance with the Revised Manual by any of its directors, officers or employees.

PART V - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

a. Exhibits on SEC Form 17-C

There are no exhibits to be provided/applicable to the Company.

b. Reports on SEC Form 17-C

Date	Item No.	Matter
2/24/2022	9	Notice of Annual or Special Stockholder's Meeting
4/28/2022	9	Results of Annual or Special Stockholder's Meeting
4/28/2022	9	Results of Organizational Meeting of Board of Directors
4/29/2022	9	Declaration of Cash Dividends
6/29/2022	4	Change in Directors and/or Officers
8/24/2022	4	Change in Directors and/or Officers

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the ~~City of Pasay~~ TAGUIG CITY on 03 day of APR 2023.

By:

Willy N. Ocier
Chairman of the Board

Armin Antonio B. Raquel Santos
President and Chief Executive Officer

Maria Neriza C. Banaria
Acting Chief Financial Officer/ Treasurer

Atty. Elmer B. Serrano
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ th day of APR 03 2023 2023 affiants exhibiting to me their ______________________, as follows:

NAME	PASSPORT/ TIN No.	EXPIRATION DATE	PLACE OF ISSUE
Willy N. Ocier	[redacted] TIN [redacted]	[redacted]	Manila
Armin Antonio B. Raquel Santos	[redacted] TIN [redacted]	[redacted]	NCR
Maria Neriza C. Banaria	[redacted] TIN [redacted]	[redacted]	NCR
Atty. Elmer B. Serrano	TIN [redacted]		

Doc. No. 135;
Page No. 28;
Book No. II;
Series of 2023.

MELISSA JEAN G. HIPOLITO
Appointment No. 25 (2022-2023)
Notary Public for Taguig City
Until December 31, 2023
Attorney's Roll No. 70077
1105 Tower 2 High Street South Corporate Plaza
26th Street Bonifacio Global City, Taguig City
PTR No. 5675504; 01.04.23; Taguig City
IBP Receipt No. 266967; 01.04.23; Pampanga
MCLE Compliance No. VI-0019878; 4.14.22*
*until April 14, 2023, per Supreme Court En Banc
Resolution dated February 15, 2022

PREMIUM LEISURE CORP.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

INDEX TO EXHIBITS

Form 11-A

No.		**Page No.**
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*

*These Exhibits are either not applicable to the Company or require no answer.

PREMIUM
LEISURE CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Premium Leisure Corp and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2022, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co. and Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the periods December 31, 2022 and 2021 and December 31, 2020, respectively, have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

WILLY N. OCIER
Chairman of the Board

ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer

MARIA NERIZA C. BANARIA
Chief Finance Officer / Treasurer

Signed this 28th day of February 2023

SUBSCRIBED AND SWORN to before me this FEB 28 2023 day of ________2023 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	[redacted]	[redacted]	Manila
ARMIN ANTONIO B. RAQUEL SANTOS	[redacted]	[redacted]	NCR
MARIA NERIZA C. BANARIA	[redacted]	[redacted]	NCR

DOC NO. : 148
PAGE NO. : 31
BOOK NO. : 5
SERIES OF : 2023.

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376 / MCLE (EXEMPT)
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY
1107 D. BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	3	0	0	9	2	8	9

COMPANY NAME

PREMIUM LEISURE CORP. AND SUBSIDIARIES

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

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila

Form Type	Department Requiring the Report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
plc_governance@bellecorp.com	(02) 8662-8888	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
359	Any Day in May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Michelle Angeli T. Hernandez	plc@premiumleisure.com	(02) 8662-8888	+639175691734

CONTACT PERSON'S ADDRESS

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Premium Leisure Corp. and Subsidiaries
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, Pasay City
Metro Manila

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Premium Leisure Corp. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 were audited by another auditor whose report dated April 14, 2021, expressed an unmodified opinion on those consolidated financial statements.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of Recoverability of Goodwill in Pacific Online Systems Corporation (POSC)
The Group is required to assess at each reporting date the recoverability of goodwill. As at December 31, 2022, the carrying amount of goodwill arising from the acquisition of POSC amounted to ₱926.0 million. This matter is considered significant to our audit because the assessment of the recoverability of goodwill involves the exercise of significant management judgment and estimates such as determination of forecasted cash flows and discount rate. These judgment and estimates are based on assumptions that are subject to high level of estimation uncertainty because of the remaining challenges in the conduct of business brought about by the pandemic, current economic conditions and imminent changes in the operations and sources of cash flows of POSC.

Our audit procedures include, among others, assessing management's assessment of the recoverable amount of goodwill considering the potential impact of regulatory processes and decisions, changes in business strategies and expected market or economic conditions. We evaluated the appropriateness of the assumptions used by the Group in the impairment assessment, in particular those involving the forecasted cash flows from existing and committed contracts, discount rate and other areas to which the outcome of the impairment test is most sensitive. We also reviewed the adequacy of the Group's related disclosures in Note 2, *Summary of Significant Accounting Policies,* Note 3, *Significant Judgments, Accounting Estimates and Assumptions* and Note 15, *Goodwill* to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Belinda B. Fernando.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. [redacted]
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱1,778,570,078**	₱1,660,934,194
Investments held for trading	6	**72,682,452**	73,053,645
Notes receivable	7	**3,705,925,000**	3,705,925,000
Receivables	8	**212,568,231**	277,787,614
Contract asset	28	**4,000,000**	70,319,085
Other current assets	9	**213,582,191**	214,129,828
Total Current Assets		**5,987,327,952**	6,002,149,366
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	11	**686,731,218**	721,167,064
Intangible asset	10	**8,475,709,551**	8,714,182,035
Investment properties	12	**285,510,452**	285,510,452
Goodwill	15	**926,007,748**	926,007,748
Property and equipment	13	**2,103,394**	23,482,941
Right-of-use (ROU) assets	24	**1,815,399**	6,672,570
Net deferred tax assets	22	**–**	21,398,655
Other noncurrent assets	9	**620,699,824**	384,325,381
Total Noncurrent Assets		**10,998,577,586**	11,082,746,846
		₱16,985,905,538	₱17,084,896,212
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	16	**₱728,696,132**	₱648,596,232
Lease liabilities - current portion	24	**1,891,442**	4,886,938
Total Current Liabilities		**730,587,574**	653,483,170
Noncurrent Liabilities			
Loan payable	4	**67,500,000**	–
Lease liabilities - net of current portion	24	**–**	1,986,014
Net retirement liability	17	**17,903,002**	30,894,331
Net deferred tax liability	22	**531,152**	–
Total Noncurrent Liabilities		**85,934,154**	32,880,345
Total Liabilities		**816,521,728**	686,363,515

(Forward)

		December 31	
	Note	**2022**	2021
EQUITY	18		
Capital stock		**₱7,906,827,500**	₱7,906,827,500
Additional paid-in capital		**7,238,721,924**	7,238,721,924
Treasury stock		**(220,430,080)**	(220,430,080)
Cost of Parent Company common shares held by a subsidiary		**(509,597,055)**	(509,597,055)
Other equity reserves		**(707,307,851)**	(851,048,515)
Retained earnings		**2,094,797,559**	2,566,288,233
		15,803,011,997	16,130,762,007
Non-controlling interests		**366,371,813**	267,770,690
Total Equity		**16,169,383,810**	16,398,532,697
		₱16,985,905,538	₱17,084,896,212

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(With Comparative Figures for 2020)

	Note	2022	2021	2020
REVENUE				
Gaming revenue share	28	**₱1,560,845,412**	₱1,300,291,468	₱635,217,388
Equipment rental	24	**519,051,226**	426,345,611	293,104,496
Commissions and distribution income		**–**	–	35,333,625
		2,079,896,638	1,726,637,079	963,655,509
COST AND EXPENSES				
Cost of services	19	**503,646,918**	632,737,322	742,369,058
General and administrative	20	**438,961,707**	331,171,925	955,482,263
		942,608,625	963,909,247	1,697,851,321
OTHER INCOME (CHARGES)				
Interest income	5	**147,434,493**	135,626,403	217,963,792
Finance cost	24	**(220,505)**	(642,417)	(6,800,483)
Dividend income	6, 11	**–**	–	22,353,086
Others – net	21	**6,529,873**	286,449,932	821,339,171
		153,743,861	421,433,918	1,054,855,566
INCOME BEFORE INCOME TAX		**1,291,031,874**	1,184,161,750	320,659,754
PROVISION FOR (BENEFIT FROM) INCOME TAX	22			
Current		**14,627,225**	11,118,008	28,076,028
Deferred		**20,457,201**	50,134,332	(31,132,712)
		35,084,426	61,252,340	(3,056,684)
NET INCOME		**1,255,947,448**	1,122,909,410	323,716,438
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Unrealized valuation gain (loss) on financial assets at FVOCI	11	**54,225,946**	(50,496,141)	(47,062,201)
Remeasurement gains on net retirement liability, net of tax	17	**8,655,955**	25,253,640	3,599,814
		62,881,901	(25,242,501)	(43,462,387)
TOTAL COMPREHENSIVE INCOME		**₱1,318,829,349**	₱1,097,666,909	₱280,254,051
Net income (loss) attributable to:				
Equity holders of the parent company		**₱1,159,554,790**	₱1,193,902,616	₱517,573,391
Non-controlling interests		**96,392,658**	(70,993,206)	(193,856,953)
		₱1,255,947,448	₱1,122,909,410	₱323,716,438
Total comprehensive income (loss) attributable to:				
Equity holders of the parent company		**₱1,220,228,226**	₱1,167,407,185	₱481,628,857
Non-controlling interests		**98,601,123**	(69,740,276)	(201,374,806)
		₱1,318,829,349	₱1,097,666,909	₱280,254,051
Basic/Diluted Earnings per Common Share	25	**₱0.0376**	₱0.0387	₱0.0168

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(With Comparative Figures for 2020)

	Note	Capital Stock (see Note 18)	Additional Paid-in Capital (see Note 18)	Treasury Stock (see Note 18)	Cost of Parent Company Shares Held by a Subsidiary (see Note 18)	Other Equity Reserves (see Note 18)	Retained Earnings	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests	Total
Balance at January 1, 2022		**₱7,906,827,500**	**₱7,238,721,924**	**(₱220,430,080)**	**(₱509,597,055)**	**(₱851,048,515)**	**₱2,566,288,233**	**₱16,130,762,007**	**₱267,770,690**	**₱16,398,532,697**
Net income		–	–	–	–	–	1,159,554,790	1,159,554,790	96,392,658	1,255,947,448
Other comprehensive income:										
Unrealized valuation gain on financial assets at FVOCI	11	–	–	–	–	54,225,946	–	54,225,946	–	54,225,946
Remeasurement gain on net retirement liability - net of tax	17	–	–	–	–	6,447,490	–	6,447,490	2,208,465	8,655,955
Total comprehensive income		–	–	–	–	60,673,436	1,159,554,790	1,220,228,226	98,601,123	1,318,829,349
Realized portion of the fair value reserve		–	–	–	–	87,305,366	(87,305,366)	–	–	–
Reclassification to retained earnings of retirement benefit reserve		–	–	–	–	(4,238,138)	5,650,851	1,412,713	–	1,412,713
Cash dividends	18	–	–	–	–	–	(1,549,390,949)	(1,549,390,949)	–	(1,549,390,949)
Balance at December 31, 2022		**₱7,906,827,500**	**₱7,238,721,924**	**(₱220,430,080)**	**(₱509,597,055)**	**(₱707,307,851)**	**₱2,094,797,559**	**₱15,803,011,997**	**₱366,371,813**	**₱16,169,383,810**
Balance at January 1, 2021		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱824,553,084)	₱2,629,106,978	₱16,220,076,183	₱337,510,966	₱16,557,587,149
Net income (loss)		–	–	–	–	–	1,193,902,616	1,193,902,616	(70,993,206)	1,122,909,410
Other comprehensive income (loss):										
Unrealized valuation loss on financial assets at FVOCI	11	–	–	–	–	(38,520,800)	–	(38,520,800)	(11,975,341)	(50,496,141)
Remeasurement gain on net retirement liability - net of tax	17	–	–	–	–	12,025,369	–	12,025,369	13,228,271	25,253,640
Total comprehensive income (loss)		–	–	–	–	(26,495,431)	1,193,902,616	1,167,407,185	(69,740,276)	1,097,666,909
Cash dividends	18	–	–	–	–	–	(1,256,721,361)	(1,256,721,361)	–	(1,256,721,361)
Balance at December 31, 2021		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱851,048,515)	₱2,566,288,233	₱16,130,762,007	₱267,770,690	₱16,398,532,697

	Note	Capital Stock (see Note 18)	Additional Paid-in Capital (see Note 18)	Treasury Stock (see Note 18)	Cost of Parent Company Shares Held by a Subsidiary (see Note 18)	Other Equity Reserves (see Note 18)	Retained Earnings	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests	Total
Balance at January 1, 2020		₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱788,608,550)	₱3,660,924,536	₱17,478,838,275	₱538,885,772	₱18,017,724,047
Net income (loss)		–	–	–	–	–	517,573,391	517,573,391	(193,856,953)	323,716,438
Other comprehensive income (loss):										
Unrealized valuation loss on financial assets at FVOCI	11	–	–	–	–	(37,748,046)	–	(37,748,046)	(9,314,155)	(47,062,201)
Remeasurement gain on net retirement liability - net of tax	17	–	–	–	–	1,803,512	–	1,803,512	1,796,302	3,599,814
Total comprehensive income (loss)		–	–	–	–	(35,944,534)	517,573,391	481,628,857	(201,374,806)	280,254,051
Treasury stock		–	–	(191,000,000)	–	–	–	(191,000,000)	–	(191,000,000)
Cash dividends	18	–	–	–	–	–	(1,549,390,949)	(1,549,390,949)	–	(1,549,390,949)
Balance at December 31, 2020		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱824,553,084)	₱2,629,106,978	₱16,220,076,183	₱337,510,966	₱16,557,587,149

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Figures for 2020)

	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱1,291,031,874**	₱1,184,161,750	₱320,659,754
Adjustments for:				
Amortization of intangible asset	10	**238,472,484**	238,472,484	238,472,484
Provisions (reversal of provisions)	16	**187,301,449**	(281,316,859)	(756,115,335)
Interest income	5	**(147,434,493)**	(135,626,403)	(217,963,792)
Depreciation and amortization	13	**33,772,871**	148,389,562	240,067,999
Retirement expense	17	**8,802,230**	12,062,363	14,850,616
Gain on disposal of:				
Net assets of subsidiaries	14	**(542,645)**	–	(70,338,145)
Property and equipment	13	**(395,719)**	(175,500)	(15,850)
Mark-to-market loss on investments held for trading	6	**371,193**	23,622,906	6,195,655
Finance costs	24	**220,505**	642,417	6,800,483
Foreign exchange loss		**170,916**	511,428	238,218
Provision for (reversal of) impairment loss on:				
Other current assets	9	**(32,611,784)**	(10,860,620)	44,068,440
Contract asset	28	**–**	(26,000,000)	26,000,000
Goodwill	15	**–**	–	432,290,373
Receivables	8	**–**	–	113,677,613
ROU assets	24	**–**	–	9,324,857
Dividend income	6, 11	**–**	–	(22,353,086)
Gain on termination of leases	24	**–**	–	(1,165,723)
Operating income before working capital changes		**1,579,158,881**	1,153,883,528	384,694,561
Decrease (increase) in:				
Investments held for trading		**–**	(12,415,625)	50,000,000
Receivables		**51,886,620**	190,964,471	(278,975,919)
Contract asset		**70,000,000**	47,999,600	29,098,255
Other current assets		**7,205,123**	(52,079,940)	(203,504,964)
Other noncurrent assets		**(236,374,443)**	(440,302)	(9,097,146)
Increase (decrease) in trade payables and other current liabilities		**(89,079,593)**	(235,122,967)	438,940,774
Net cash generated from operations		**1,382,796,588**	1,092,788,765	411,155,561
Interest received		**143,436,911**	129,513,361	212,373,404
Retirement contributions	17	**(10,000,000)**	(5,000,000)	–
Retirement benefits paid	17	**(252,285)**	–	(1,809,643)
Income taxes paid		**–**	(10,447,746)	(1,895,478)
Net cash provided by operating activities		**₱1,515,981,214**	₱1,206,854,380	₱619,823,844

(Forward)

	Note	**2022**	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from (payment on) disposal of:				
Financial assets at FVOCI	11	**₱88,661,791**	₱–	₱–
Net assets of subsidiaries, net of cash disposed	13	**(3,910,087)**	–	74,027,310
Property and equipment		**3,869,287**	1,748,246	828,622
Acquisition of:				
Property and equipment	13	**(85,500)**	(12,221,823)	(90,839,188)
Financial assets at FVOCI	11	**–**	(484,209,375)	–
Dividend received		**–**	–	22,353,086
Net cash provided by (used in) investing activities		**88,535,491**	(494,682,952)	6,369,830
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	18	**(1,549,390,949)**	(1,256,721,361)	(1,549,390,949)
Proceeds from (payments of):				
Loans payable	4, 24	**67,500,000**	–	(150,000,000)
Lease liabilities	24	**(4,989,872)**	(12,827,398)	(50,208,626)
Interest on loans payable	24	**–**	–	(4,358,053)
Acquisition of treasury stock	18	**–**	–	(191,000,000)
Net cash used in financing activities		**(1,486,880,821)**	(1,269,548,759)	(1,944,957,628)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**117,635,884**	(557,377,331)	(1,318,763,954)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,660,934,194**	2,218,311,525	3,537,075,479
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱1,778,570,078**	₱1,660,934,194	₱2,218,311,525

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Information for 2020)

1. **General Information**

Corporate Information

Premium Leisure Corp. (PLC or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993. The Parent Company was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved the change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. On September 5, 2014, the SEC approved the change in PLC's primary purpose to that of engagement and/or investment in gaming-related businesses. On July 19, 2019 the SEC approved the change in PLC's primary purpose to include that the Parent Company shall not engage in real estate business activities.

PLC, a publicly-listed company in the Philippine Stock Exchange (PSE), is 79.78% (directly and indirectly) owned by Belle Corporation (Belle or the Ultimate Parent Company) and the rest by the public as at December 31, 2022 and 2021.

The registered office address of the Parent Company is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries and interest in a joint operation:

	Percentage of Ownership					
	2022		2021		2020	
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect
Gaming Business						
PremiumLeisure and Amusement, Inc. (PLAI)	**100.00**	**–**	100.00	–	100.00	–
Real Estate						
Foundation Capital Resources, Inc. (FCRI)	**100.00**	**–**	100.00	–	100.00	–
Public Amusement and Recreation						
Sinophil Leisure and Resorts Corporation (SLRC)	**100.00**	**–**	100.00	–	100.00	–
Lottery Equipment Leasing, Distribution and Others						
Pacific Online Systems Corporation (POSC)	**50.10**	**–**	50.10	–	50.10	–
Loto Pacific Leisure Corporation (LotoPac)	**–**	**100.00**	–	100.00	–	100.00
Total Gaming Technologies, Inc. (TGTI)	**–**	**98.92**	–	98.92	–	98.92
Falcon Resources, Inc. (FRI)	**–**	**100.00**	–	100.00	–	100.00
TGTI Services, Inc. (TGTISI)[(a)]	**–**	**–**	–	100.00	–	100.00
PinoyLotto Technologies Corp. (PinoyLotto)	**–**	**50.00**	–	50.00	–	–

(a) Sold in 2022

On June 21, 2021, PinoyLotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated with the SEC. PinoyLotto was awarded with the five year-lease of the customized PCSO Lottery System (PLS Project) upon commencement of commercial operations, with a contract price of ₱5,800.0 million.

Commencement of commercial operations is 14 months after the issuance of the Notice to Proceed. In December 2021, the joint venture of POSC, PGMC and ILTS was issued the Notice to Proceed. In June 2022, PCSO approved the extension of commencement of commercial operations from 14 months to 22 months.

The Group's interest in PinoyLotto was accounted for as a joint operation (see Note 4).

The Parent Company, its subsidiaries and interest in joint operation are collectively referred herein as "the Group."

Approval of the Consolidated Financial Statements

The consolidated financial statements as at and for the years ended December 31, 2022 and 2021 (with comparative figures for 2020) were approved and authorized for issuance by the Board of Directors (BOD) on February 28, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial and Sustainability Reporting Standards Council and adopted by the SEC, including the SEC provisions.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for:

- Investments held for trading which are measured at fair value;
- Financial assets at fair value through other comprehensive income (FVOCI); and
- Retirement liability which is measured as the difference between the present value of defined benefit obligation and the fair value of plan assets.

Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 - *Investments held for Trading*
- Note 11 - *Financial Assets at Fair Value through Other Comprehensive Income*
- Note 12 - *Investment Properties*
- Notes 26 - *Financial Instruments*

Adoption of Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS.

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Under prevailing circumstances, the adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

Amendments to PFRS Issued But Not Yet Effective
Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers,* to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the separate financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS, is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company including its interest in its subsidiaries and joint operation.

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NCI represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of comprehensive income. NCI represent the equity interest in POSC and TGTI not held by the Parent Company.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

If the Parent Company loses control over a subsidiary, it derecognizes the assets including goodwill, liabilities and NCI in the subsidiary. The Parent Company recognizes the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the consolidated statement of comprehensive income.

Business Combinations and Goodwill. Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. However, business combinations under common control may also be accounted for using the acquisition method of accounting when the transaction has commercial substance from the perspective of the reporting entity.

Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed outright.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group measures in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group also recognizes additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs), or group of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment or determined in accordance with PFRS 8, *Operating Segment*.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs, to which the goodwill relates. When the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognized. Impairment loss with respect to goodwill cannot be reversed in future periods.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the CGUs to which the goodwill is allocated. These budgets and forecasts calculations generally cover a period of five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

When goodwill has been allocated to a CGU or group of CGUs and part of the operations within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the CGU retained.

When business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Group, using the cost of transaction and fair value information at the date of each exchange transactions, to determine the amount of goodwill associated with that transaction. Any adjustment to fair value relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in profit or loss.

Joint Arrangements. Joint arrangements represent activities where the Parent Company has joint control established by a contractual agreement. Joint control requires unanimous consent for financial and operational decisions. A joint arrangement is either a joint operation, whereby the parties have rights to the assets and obligations for the liabilities, or a joint venture, whereby the parties have rights to the net assets.

Classification of a joint arrangement as either joint operation or joint venture requires judgment. Management's considerations include, but are not limited to, determining if the arrangement is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity direct rights to the assets and obligations for the liabilities within the normal course of business. Other facts and circumstances are also assessed by management, including the entity's rights to the economic benefits of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

The Group accounted for its interest in PinoyLotto as a joint operation (see Note 4).

For a joint operation, the consolidated financial statements include the Parent Company's proportionate share of the assets, liabilities, revenues, expenses and cash flows of the joint arrangement. The Parent Company reports items of a similar nature to those on the financial statements of the joint arrangement, on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

The financial statements of PinoyLotto with a fiscal period ended June 30, are incorporated in the consolidated financial statements as at December 31. Adjustments and disclosures are made for the effects of significant transactions or events that occurred between the date of PinoyLotto's financial statements and the date of the consolidated financial statements.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classifications.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments

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

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends on the Group's business model and on the purpose for which the financial instruments are acquired or incurred and whether these are quoted in an active market.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

There were no reclassifications of financial assets in 2022 and 2021.

As at December 31, 2022 and 2021, the Group does not have financial liabilities at FVPL and debt instruments measured at FVOCI.

Financial Assets at FVPL. Financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "unrealized gain (loss) on financial assets at FVPL" account in profit or loss.

Classified under this category are the Group's investments in equity securities and share warrants included under "Investments held for trading" account (see Note 6).

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Group's cash and cash equivalents, notes receivable, receivables, contract asset, guarantee deposits (presented as part of "Other currents assets") advances to contractors and refundable deposits (presented as part of "Other noncurrent assets") (see Notes 5, 7, 9 and 28).

Financial Assets at FVOCI. Equity securities which are not held for trading are irrevocably designated at initial recognition under the FVOCI category.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are included under "Other comprehensive income" account in the equity section of the consolidated statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative valuation gains or losses will be reclassified to retained earnings.

Classified under this category are the Group's investments in equity securities included under "Financial assets at FVOCI" account (see Note 11).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Classified under this category are the Group's trade and other current liabilities (excluding provisions, unearned income and statutory payables), lease liabilities and loan payable (see Notes 4, 16 and 24).

Impairment of Financial Assets at Amortized Cost
The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Trade Receivables and Contract Asset. The Group has applied the simplified approach in measuring the ECL on trade receivables and contract asset. Simplified approach requires that ECL should always be based on the lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Instruments Measured at Amortized Cost. For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Derecognition of Financial Assets and Liabilities

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

- The right to receive cash flows from the asset has expired;

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

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

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

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

Offsetting Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

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

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

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

Other Assets
This account mainly consists of creditable withholding taxes (CWT), advances to suppliers, prepaid expenses, input value-added tax (VAT) and spare parts and supplies. Other assets are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

CWT. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at its net realizable amount.

Advances to Suppliers. Advances to suppliers represent payment for purchased goods which are not yet delivered to the Group as at reporting date. Advances to suppliers are measured at the amount of cash paid. Subsequently, these are transferred to appropriate account upon receipt of the goods or services.

Prepaid Expenses. Prepaid expenses are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of tax included.

Under Revenue Regulations No. 16-2005, sale to the government agencies is subject to a 5% final withholding VAT. Allowable input VAT should not exceed 7% of the gross receipts, which effectively accounts for the standard input VAT in lieu of the actual input VAT attributable to such sale. Any excess standard input VAT over actual input VAT is recognized as other income.

Starting 2021, the 5% final withholding VAT should be treated as creditable VAT.

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" account in the consolidated statements of financial position.

The amount of VAT on revenue not yet collected is included as part of “Statutory payables” line item presented under “Trade and other current liabilities” account in the consolidated statements of financial position.

Spare Parts and Supplies. Spare parts and supplies are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method and includes expenditures incurred in acquiring the supplies and bringing them to their existing location and condition. NRV is the current replacement cost.

Intangible Asset

Intangible asset acquired separately is measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible asset is carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible asset, excluding capitalized development costs, is not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the year the expenditure is incurred.

The useful life of an intangible asset is assessed as either finite or indefinite.

Intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If an intangible asset arises from contractual or other legal rights that are conveyed for a limited term that can be renewed, the useful life should include the renewal period only if there is evidence to support renewal by the entity without significant cost to the entity.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with finite life is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of intangible asset.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

The Group made upfront payments to purchase a license. The license has been granted for a period of 18.6 years and renewable for another 25 years by the relevant government agency. The license was assessed as having a finite life and is amortized on a straight-line basis over 43.6 years.

Investment Properties

Investment properties comprise of parcels of land held by the Group for capital appreciation. Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, land is stated at cost less accumulated impairment loss, if any.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

Investment property is derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from its disposal. Any gain or loss on the retirement of disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

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

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization commence when property and equipment is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale and the date the property and equipment is derecognized.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the depreciable assets as follows:

Asset Type	Number of Years
Leasehold improvements	4 or the term of the lease, whichever is shorter
Transportation equipment	4-5
Office furniture, fixtures and equipment	3-4
Lottery equipment	4-10 or term of lease, whichever is shorter

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Impairment of Nonfinancial Assets (excluding Goodwill)

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued and outstanding. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

Treasury Stock. Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury stock are nullified for the Group and no dividends are allocated to them.

Cost of Parent Company Common Shares Held by a Subsidiary. Parent Company's shares which are held by a subsidiary are treated similar to treasury stock and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Any difference between the carrying amount and the consideration is recognized in other reserves.

Other Equity Reserves. Other equity reserves comprise of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS.

Other equity reserves of the Group pertain to cumulative unrealized mark-to-market losses on financial assets at FVOCI, cumulative remeasurement gains and losses on net retirement liability and other reserves.

Retained Earnings. Retained earnings represent the cumulative balance of the Group's results of operations, net of dividends declared to date.

NCI. NCI represents the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company. Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

NCI represent the equity interest in POSC and TGTI not held by the Parent Company.

<u>Revenue Recognition</u>

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has generally concluded that it is the principal in its revenue arrangements, except for commission and distribution income in which the Group acts as an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Gaming Revenue Share. Revenue representing monthly payments from Melco Resorts Leisure (PHP) Corporation (Melco), formerly MCE Leisure (Philippines) Corporation, based on the performance of gaming operations of City of Dreams Manila integrated resort and casino, is recognized when earned pursuant to an Operating Agreement and is measured at the fair value of the consideration received or receivable, net of Philippine Amusement and Gaming Corporation (PAGCOR) license fee.

In determining the transaction price for gaming revenue share, the Group considers the effect of variable consideration. The Group estimates the amount of consideration to which it will be entitled in exchange for transferring the service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Equipment Rental. Revenue is recognized over time based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement.

Commissions and Distribution Income. Revenues from the distribution of lottery tickets such as lotto, keno, sweepstakes and instant scratch tickets to customers, including retailers and sub-distributors, representing the Group's share from the sales, are recognized at a point in time, specifically, upon delivery of the tickets to the customers.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

Other Income. Revenue is recognized when earned.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Cost of Services. Cost of services is recognized as expense when the related services are rendered.

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business. These expenses are recognized in profit or loss when incurred.

Finance Cost. Finance cost is recognized in profit or loss using the effective interest method.

Other Charges. Other charges are recognized when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

a) The right to obtain substantially all of the economic benefits from the use of the identified asset; and
b) The right to direct the use of the identified asset.

Group as a Lessee. At the commencement date, the Group recognizes right-of-use (ROU) assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value. For leases with lease terms of 12 months or less but with an option to extend the lease, the management assesses whether there is reasonable certainty that the Group will extend the lease, by considering all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, to determine the appropriate lease term.

ROU Assets. At commencement date, the Group measures ROU assets at cost which is comprised of the following:

a) The amount of the initial measurement of lease liabilities;
b) Any lease payments made at or before the commencement date less any lease incentives received;
c) Any initial direct costs; and
d) An estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the ROU assets are depreciated over the shorter of the lease terms or the useful lives of the underlying assets.

Lease Liabilities. At commencement date, the Group measures lease liabilities at the present value of future lease payments using the interest rate implicit in the leases, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of lease liabilities consist of the following:

a) Fixed payments, including in-substance fixed payments;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) Amounts expected to be payable by the lessee under residual value guarantees; and
d) The exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liabilities are remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Short-term Leases and Leases of Low-value Assets. The Group has elected not to recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For income tax reporting purposes, expenses under operating lease agreements are treated as deductible expenses in accordance with the terms of the lease agreements.

Group as a Lessor. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income under operating leases is recognized on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which these are earned.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The retirement liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, difference between interest income and return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognized the related restructuring costs.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are initially recorded in Philippine Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes except for:

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), only if it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in OCI or directly in equity.

Related Parties and Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or a member of the key management personnel of the reporting entity. Parties are also considered to be related if they are subject to common control or common significant influence.

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Group's total assets, or ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed in accordance with the Group's related party transactions policy.

Earnings per Share (EPS)

Basic EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the Parent Company, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on EPS.

As the Group has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

Operating Segments

For management purposes, the Group is organized into business units based on the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

Contingencies

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgment, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments
In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Determining the Subsidiaries with Material Non-controlling Interests. The Group is required to disclose certain financial information on its subsidiaries with material non-controlling interests. There are also qualitative considerations including the nature of relationship between the Group and the subsidiary and the nature of their businesses.

Management determines material subsidiaries with material non-controlling interests as those with assets, non-controlling interests, revenues and net income greater than 5% of consolidated assets, non-controlling interests, revenues and net income.

The Group has determined POSC as a subsidiary with material non-controlling interests (See Note 4).

Assessing Joint Control and Determining Proper Classification of a Joint Arrangement. Management has used judgment in relation to the classification of the Group's interest in PinoyLotto and classified it as a joint operation. PinoyLotto is 50% owned by the Parent Company but controlled jointly with the other owner. PinoyLotto has been classified as a joint operation because the parties have equal number of board representatives and because relevant activities that significantly affect the return on the investment requires approval of representatives from both partners. Management's considerations include, but are not limited to, determining if the arrangement is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity direct rights to the assets and obligations for the liabilities within the normal course of business. Other facts and circumstances are also assessed by management, including the entity's rights to the economic benefits of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

Evaluating Lease Commitments. The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfillment of the arrangement depends on specific asset or assets and the arrangement conveys a right to use the asset.

Lease commitments are disclosed in Note 24.

Determining the Classification of Lease. The Parent Company and TGTI leases to PCSO the lottery equipment it uses for its nationwide online lottery operations. The Parent Company and TGTI have determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental is disclosed in Note 24.

Determining the Classification of Financial Instruments. The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group's financial assets and liabilities are disclosed in Note 26.

Determining the Fair Value of Financial Instruments. PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit or loss and equity.

The fair value of the Group's financial assets and liabilities are disclosed in Note 26.

Determining whether the Group is acting as Principal or an Agent. The Group assesses its revenue arrangements using the following processes to determine whether it is acting as a principal or an agent:

- Identify the specified goods or services to be provided to the customer (which for example, could be a right to a good or service to be provided by another party) and

- Assess whether it controls each specified good or service before that good or service is transferred to the customer.

The Group has determined that it is acting as an agent in its commission and distribution income arrangements and as principal in all other revenue contracts and arrangements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Assessing the Impairment Losses on Financial Assets. The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses a provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Allowance for impairment losses aggregated to ₱543.5 million as at December 31, 2022 and 2021 (see Note 8). Provision and reversal of impairment losses are disclosed in Notes 20 and 21.

The carrying amount of financial assets as at December 31, 2022 and 2021 are as follows:

	Note	**2022**	2021
Cash and cash equivalents	5	**₱1,778,570,078**	₱1,660,934,194
Notes receivable	7	**3,705,925,000**	3,705,925,000
Receivables	8	**212,568,231**	277,787,614
Contract asset	28	**4,000,000**	70,319,085
Guarantee deposits*	9	**14,500,000**	14,500,000
Advances to contractors**	9	**139,738,757**	139,738,757
Refundable deposits**	9	**2,769,769**	3,706,928

**Presented under "Other current assets" account in the consolidated statements of financial position.*
***Presented under "Other noncurrent assets" account in the consolidated statements of financial position.*

Assessing the Impairment of Significant Nonfinancial Assets (Except Goodwill). The Group assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Nonfinancial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. Determining the value of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and performance.

No provision for impairment loss was recognized for significant nonfinancial assets (excluding goodwill) in 2022, 2021 and 2020.

The carrying amount of significant nonfinancial assets (excluding goodwill) as at December 31, 2022 and 2021 are as follows:

	Note	**2022**	2021
Intangible asset	10	**₱8,475,709,551**	₱8,714,182,035
Investment properties	12	**285,510,452**	285,510,452

Assessing the Impairment of Goodwill. The Group determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the CGUs and to choose a suitable discount rate to calculate the present value of those cash flows. The key assumptions used in the value in use calculations include discount rate, revenue growth rate and long-term growth rate.

No impairment loss was recognized in 2022 and 2021. The carrying amount of goodwill as at December 31, 2022 and 2021 is disclosed in Note 15.

Assessing the Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and unused tax credits and NOLCO to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Recognized deferred tax assets amounted to ₱6.2 million and ₱43.1 million as at December 31, 2022 and 2021, respectively (see Note 22). Unrecognized deferred tax assets amounted to ₱172.3 million and ₱191.5 million as at December 31, 2022 and 2021, respectively (see Note 22).

Determining the Significant Financing Component in a Contract. POSC entered into a brand and trademark license agreement, where POSC granted its customer a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademark, effective January 1, 2018. The contract provides right to use to the customer, which exists at a point in time (i.e., January 1, 2018) and the customer gains control over the brand and trademark at the beginning of the period. Thus, the revenue, from which collection shall be received over five years, shall be recognized at the beginning of the period. POSC has concluded that there is a significant financing component considering the length of time between the transfer of control and customer's payments.

As at December 31, 2022 and 2021, the carrying amount of contract asset amounted to ₱4.0 million and ₱70.3 million, respectively (see Note 28).

Estimating Useful Life of Gaming License. The useful life of the Group's gaming license recognized as "Intangible asset" account in the consolidated statements of financial position is estimated based on the period over which the asset is expected to be available for use. The estimated useful life of intangible asset is reviewed periodically and updated if expectations differ from previous estimates. If an intangible asset arises from contractual or other legal rights that are conveyed for a limited term that can be renewed, the useful life should include the renewal period only if there is evidence to support renewal by the entity without significant cost to the entity. Management concludes that the cost of renewal is not significant compared with the future economic benefits expected to flow to the Group from the renewal of gaming license. Hence, renewal period was included in the amortization period. The gaming license runs concurrent with PAGCOR's congressional franchise which is set to expire in 2033 and renewable for another 25 years.

In 2022 and 2021, there were no changes in the estimated useful life of gaming license. The carrying amount of the gaming license as at December 31, 2022 and 2021 amounted to ₱8,475.7 million and ₱8,714.2 million, respectively (see Note 10).

Evaluating Contingencies. The Group recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel (see Note 16).

4. Material Partly-owned Subsidiary and Interest in Joint Operation

Material Partly-owned Subsidiary

The non-controlling interests of POSC are material to the Group. NCI is 49.9% as at December 31, 2022 and 2021.

The summarized financial information of POSC is provided below. This information is based on amounts before intercompany eliminations.

	2022	2021
Total current assets	**₱930,215,799**	₱546,896,174
Total noncurrent assets	**185,741,634**	308,260,726
Total current liabilities	**111,378,809**	117,809,297
Total noncurrent liabilities	**68,473,305**	18,048,641
Total equity	**936,105,319**	719,298,962
Net income (loss)	**191,099,513**	(140,744,819)
Other comprehensive income (loss)	**25,627,391**	(3,096,771)

Interest in Joint Operation

On June 21, 2021, PinoyLotto, a joint venture corporation owned by POSC, PGMC and ILTS, was incorporated with the SEC. PinoyLotto was awarded a five-year lease of the customized PCSO Lottery System, also known as '2021 PLS Project' with a contract price of ₱5,800.0 million (see Note 1).

The five-year lease will begin from the commencement of commercial operations of PinoyLotto which is expected to be in October 2023.

The Group's interest in PinoyLotto was considered as joint operation.

Relevant financial information of PinoyLotto and the Group's share of the assets, liabilities, and results of operations as at and for the year ended December 31, 2022 and 2021 are as follows:

	2022		2021	
	PinoyLotto	**Share in Joint Operation**	PinoyLotto	Share in Joint Operation
Cash	**₱51,784,995**	**₱25,892,498**	₱5,377,271	₱2,688,635
Advances to supplier	**418,472,225**	**209,236,112**	–	–
Other current assets	**4,578,601**	**2,289,300**	262,591	131,296
Property and equipment	**28,800**	**14,400**	–	–
Trade and other current liabilities	**(4,500)**	**2,250**	(3,425)	(1,713)
Nontrade payable	**(26,222,339)**	**(13,111,169)**	–	–
Loans payable	**(135,000,000)**	**(67,500,000)**	–	–
Net loss (mainly pre-operating expenses)	**(27,957,380)**	**(13,978,690)**	97,263,563	48,631,781

Loan Agreement
On October 15, 2022, PinoyLotto entered into a long-term loan agreement with a local bank for a loan facility with a maximum aggregate principal amount of ₱1,000.0 million, the proceeds of which shall be used to partially finance the capital expenditure requirements of the PLS Project.

In November 2022, PinoyLotto made its first drawdown for the principal amount of ₱135.0 million. The loan has a term of five years, payable in equal quarterly installments beginning on the second year from initial drawdown up to the maturity. Annual effective interest rate on the loan is 7.96%.

The loan is secured by a continuing surety of the Parent Company and PGMC and maintenance of a debt service reserve account.

Pursuant to the terms of the loan agreement, PinoyLotto is required to comply with certain financial covenants starting June 30, 2024. PinoyLotto is also restricted from performing certain corporate acts such as declaration or payment of dividends and incurrence of additional long-term loans, among others, if doing so, will result in violation of financial ratios or default.

As at December 31, 2022, PinoyLotto is compliant with the loan covenants.

Capital Expenditure Commitments
In connection with the acquisition of property and equipment pursuant to the PLS Project, PinoyLotto entered into purchase, supply, implementation and maintenance support agreements in 2022. The estimated capital expenditure is ₱1.36 billion. Advances made to suppliers as at December 31, 2022 amounted to ₱418.5 million.

5. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	**₱570,167,656**	₱290,393,844
Cash equivalents	**1,208,402,422**	1,370,540,350
	₱1,778,570,078	₱1,660,934,194

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

Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Details of interest income follow:

	Note	**2022**	2021	2020
Notes receivable	7	**₱125,333,368**	₱112,356,539	₱166,344,251
Cash in banks and cash equivalents		**18,420,210**	17,156,822	46,029,153
Contract asset	28	**3,680,915**	6,113,042	5,590,388
		₱147,434,493	₱135,626,403	₱217,963,792

6. Investments Held for Trading

This account consists of share warrants and the Group's investments in shares of stock of Leisure and Resorts World Corporation, Vantage Equities, Inc., APC Group, Inc. and Philippine Long Distance Telephone Company.

Movements in this account are as follows:

	Note	**2022**	2021
Balance at beginning of year		**₱73,053,645**	₱84,260,926
Mark-to-market loss	21	**(371,193)**	(23,622,906)
Additions	11	**–**	12,415,625
Balance at end of year		**₱72,682,452**	₱73,053,645

The fair values of these securities are based on the quoted prices on the last market day of the year. The Group determines the cost of investments sold using specific identification method.

Dividend income earned from investments held for trading amounted to ₱2.4 million in 2020.

7. Notes Receivable

Notes receivable amounting to ₱3,705.9 million as at December 31, 2022 and 2021 are unsecured, payable on demand and bear interest at rates ranging from 2.42% to 4.73% and 2.91% to 3.16% in 2022 and 2021, respectively (4.11% to 5.06% in 2020) (see Note 23).

Interest income from notes receivable recognized in the consolidated statement of comprehensive income amounted to ₱125.3 million, ₱112.4 million and ₱166.3 million in 2022, 2021 and 2020, respectively (see Notes 5 and 23).

8. Receivables

This account consists of:

	2022	2021
Trade receivables	**₱81,355,232**	₱169,522,215
Loan assets	**422,341,815**	422,341,815
Advances to:		
Consultant	**127,500,000**	104,000,000
Officers and employees	**533,261**	1,867,609
Nontrade receivables	**113,677,614**	113,677,613
Other receivables	**10,676,251**	9,894,304
	756,084,173	821,303,556
Less: allowance for impairment losses	**543,515,942**	543,515,942
	₱212,568,231	₱277,787,614

Loan assets pertain to the Parent Company's receivable from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") and Legend International Resort H.K. Limited ("LIR-HK") amounting to ₱422.3 million as a result of the compensation to parties who were in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares. The loan assets were fully provided with allowance as at December 31, 2022 and 2021.

Trade receivables are generally on a 20-day to 60-day credit term. These are mostly receivables arising from equipment lease agreement with PCSO and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila.

Nontrade receivables pertain to advances to LCC Group. The management assessed that there may be delayed payments from LCC Group due to the impact of COVID 19 pandemic to its operations and since the balances pertain to long outstanding advances, the management assessed that allowance for impairment loss is necessary.

Advances to consultant are noninterest-bearing and are subject to liquidation but are for refund to the Group in the absence of the required output.

Advances to officers and employees and other receivables are noninterest-bearing and generally collected within the next financial year.

In 2022 and 2021, no provision for impairment loss was recognized (₱113.7 million provided in 2020) (see Note 20).

9. **Other Assets**

Other Current Assets

This account consists of:

	Note	2022	2021
CWT		**₱194,426,901**	₱158,533,301
Guarantee deposits	28	**14,500,000**	14,500,000
Input VAT		**3,854,751**	1,196,209
Prepaid expenses		**1,396,575**	12,094,403
Spare parts and supplies - at cost		**–**	61,013,735
		214,178,227	247,337,648
Less: Allowance for impairment loss		**596,036**	33,207,820
		₱213,582,191	₱214,129,828

Other Noncurrent Assets

This account consists of:

	Note	2022	2021
CWT		**₱271,136,967**	₱239,961,695
Advances to suppliers		**207,054,331**	–
Advances to contractors		**139,738,757**	139,738,757
Refundable deposits	24	**2,769,769**	3,706,928
Others		**–**	918,001
		₱620,699,824	₱384,325,381

Movements of allowance for impairment loss are as follows:

	2022			
	Spare parts and supplies	**Input VAT**	**CWT**	**Total**
Balance at beginning of year	**₱32,673,528**	**₱62,870**	**₱471,422**	**₱33,207,820**
Provision (reversal)	**(32,673,528)**	**–**	**61,744**	**(32,611,784)**
Balance at end of year	**₱–**	**₱62,870**	**₱533,166**	**₱596,036**

	2021			
	Spare parts and supplies	Input VAT	CWT	Total
Balance at beginning of year	₱43,534,148	₱62,870	₱471,422	₱44,068,440
Reversal	(10,860,620)	–	–	(10,860,620)
Balance at end of year	₱32,673,528	₱62,870	₱471,422	₱33,207,820

	2020			
	Spare parts and supplies	Input VAT	CWT	Total
Balance at beginning of year	₱–	₱62,870	₱–	₱62,870
Provision	43,534,148	–	471,422	44,005,570
Balance at end of year	₱43,534,148	₱62,870	₱471,422	₱44,068,440

CWT under "Other noncurrent assets" account pertain to CWT from the gaming revenue share of PLAI.

Advances to suppliers will be applied in future billings. Advances to contractors that are considered noncurrent are expected to be refunded within two years.

Guarantee deposits pertain to cash bonds held in escrow account as part of the agreement with PCSO (see Note 28).

Refundable deposits are subject to adjustments every year if rent rates increase and shall be returned to the lessee without interest.

Prepaid expenses pertain to various prepayments, including POSC's advisory and maintenance services related to the software development contract, which will be applied in the next financial year. Amortization of software development amounted to ₱11.1 million and ₱66.8 million in 2022 and 2021, respectively (₱126.6 million in 2020) (see Note 13).

Spare parts and supplies are carried at lower and cost or net realizable value. Reversal of provision for probable loss on spare parts and supplies are netted against related expense and included as part of "Rental, utilities and supplies" line item under "Cost of services" account.

10. Intangible Asset

Intangible asset, which was part of the assets acquired from Belle in 2014, pertains to the provisional license granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. On April 29, 2015, PAGCOR granted the Regular Gaming License (License), which has the same terms and conditions of the provisional license. The License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033, renewable for another 25 years.

The amortization of the intangible asset started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

Movements in intangible asset are as follows:

	Note	**2022**	2021
Cost			
Balance at beginning and end of year		**₱10,843,215,811**	₱10,843,215,811
Accumulated Amortization			
Balance at beginning of year		**2,129,033,776**	1,890,561,292
Amortization	19	**238,472,484**	238,472,484
Balance at end of year		**2,367,506,260**	2,129,033,776
Carrying Amount		**₱8,475,709,551**	₱8,714,182,035

The unamortized life of the license as at December 31, 2022 is 35.5 years.

11. **Financial Assets at FVOCI**

This account pertains to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2022 and 2021, consisting of the following:

	Note	**2022**	2021
Quoted shares:			
Black Spade Acquisition, Inc. (BSA)		**₱558,665,100**	₱490,207,738
Belle-common shares	23	**121,985,018**	226,978,226
Golf club shares		**6,000,000**	3,900,000
		686,650,118	721,085,964
Unquoted shares:			
Others		**81,100**	81,100
		₱686,731,218	₱721,167,064

The movements of financial assets at FVOCI in 2022 and 2021 are as follows:

	2022	2021
Cost		
Balance at beginning of year	**₱1,374,727,979**	₱890,518,604
Disposal	**(223,490,081)**	–
Addition	**–**	484,209,375
Balance at end of year	**1,151,237,898**	1,374,727,979
Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI		
Balance at beginning of year	**(653,560,915)**	(603,064,774)
Disposal	**134,828,289**	–
Unrealized valuation gain (loss)	**54,225,946**	(50,496,141)
Balance at end of year	**(464,506,680)**	(653,560,915)
Carrying Amount	**₱686,731,218**	₱721,167,064

On February 4, 2022, the Group sold its investment in its Ultimate Parent Company for a consideration of ₱88.7 million.

Investment in BSA with a total acquisition cost of ₱496.6 million pertains to 1,000,000 units of BSA which is composed of 1,000,000 common shares and 500,000 share warrants. Each whole warrant entitles the holder to purchase one Class A ordinary share at a price of $11.50 per share. Share warrants amounting to ₱12.4 million as at December 31, 2021 were classified under “Investments held for Trading” account (see Note 6).

Dividend income earned from financial assets at FVOCI amounted to ₱20.0 million in 2020.

The investment in BSA and common shares of Belle based on the quoted price as at reporting date while the investment in golf club shares is based on secondary market prices as at reporting date.

12. **Investment Properties**

Investment properties pertain to parcels of land amounting to ₱285.5 million as at December 31, 2022 and 2021.

No rental income was earned from investment properties in 2022, 2021 (and 2020).

Expenses related to investment properties amounted to ₱73,744 and ₱73,754 million in 2022 and 2021, respectively (₱73,694 in 2020), which mainly pertain to real property taxes.

The fair value of the investment properties as at December 31, 2022 and 2021 amounting to ₱295.2 million is higher than its carrying value, as determined by an independent appraiser and estimated using market approach. The value of the land was based on the sales and listings of comparable properties registered within the vicinity and within Level 3 fair value hierarchy. The Group assessed that the highest and best use of its properties does not differ from their current use.

13. **Property and Equipment**

The movements in this account follow:

	2022				
	Leasehold Improvement	**Transportation Equipment**	**Office Equipment, Furniture and Fixtures**	**Lottery Equipment**	**Total**
Cost					
Balance at beginning of year	**₱16,158,665**	**₱37,621,408**	**₱39,379,210**	**₱527,639,556**	**₱620,798,839**
Disposals	**(9,426,435)**	**(20,012,553)**	**(22,282,168)**	**(25,775,312)**	**(77,496,468)**
Additions	**–**	**–**	**85,500**	**–**	**85,500**
Balance at end of year	**6,732,230**	**17,608,855**	**17,182,542**	**501,864,244**	**543,387,871**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**13,924,344**	**30,336,922**	**37,884,652**	**515,169,980**	**597,315,898**
Disposals	**(9,426,435)**	**(16,587,657)**	**(22,233,496)**	**(25,775,312)**	**(74,022,900)**
Depreciation and amortization	**1,078,637**	**3,001,725**	**1,441,541**	**12,469,576**	**17,991,479**
Balance at end of year	**5,576,546**	**16,750,990**	**17,092,697**	**501,864,244**	**541,284,477**
Carrying Amount	**₱1,155,684**	**₱857,865**	**₱89,845**	**₱–**	**₱2,103,394**

	2021				
	Leasehold Improvement	Transportation Equipment	Office Equipment, Furniture and Fixtures	Lottery Equipment	Total
Cost					
Balance at beginning of year	₱31,175,485	₱54,492,467	₱40,378,748	₱814,177,341	₱940,224,041
Additions	330,601	116,250	979,330	10,795,642	12,221,823
Disposals	(15,347,421)	(16,987,309)	(1,978,868)	(297,333,427)	(331,647,025)
Balance at end of year	16,158,665	37,621,408	39,379,210	527,639,556	620,798,839
Accumulated Depreciation and Amortization					
Balance at beginning of year	27,813,803	41,065,240	37,520,299	750,318,986	856,718,328
Depreciation and amortization	1,457,961	5,520,990	2,343,221	61,349,677	70,671,849
Disposals	(15,347,420)	(16,249,308)	(1,978,868)	(296,498,683)	(330,074,279)
Balance at end of year	13,924,344	30,336,922	37,884,652	515,169,980	597,315,898
Carrying Amount	₱2,234,321	₱7,284,486	₱1,494,558	₱12,469,576	₱23,482,941

The Group sold certain equipment with a carrying amount of ₱3.5 million and ₱1.5 million for a total consideration of ₱3.9 million and ₱1.7 million in 2022 and 2021, respectively, resulting to a gain on sale amounting to ₱0.4 million and ₱0.2 million in 2022 and 2021, respectively (see Note 21).

Depreciation and amortization consist of the following:

	Note	2022	2021	2020
Property and equipment		**₱17,991,479**	₱70,671,849	₱89,747,937
Software development	9	**11,136,364**	66,818,181	126,590,909
ROU assets	24	**4,645,028**	10,899,532	23,729,153
		₱33,772,871	₱148,389,562	₱240,067,999

Depreciation and amortization are allocated as follows:

	Note	2022	2021	2020
Cost of services	19	**₱29,217,792**	₱137,888,867	₱97,892,775
General and administrative expenses	20	**4,555,079**	10,500,695	15,584,315
		₱33,772,871	₱148,389,562	₱113,477,090

14. Sale of Subsidiaries

TGTISI. On June 9, 2022, POSC's BOD approved the transfer of all the rights, title and interests in TGTISI's shares to a third party for a consideration of ₱1.0 million.

Total payment on the disposal of the net assets of TGTISI, net of cash disposed amounted to ₱3.9 million. Total gain on deconsolidation, which is the difference between the consideration received and the Group's share on TGTISI's net asset at the date of disposal, amounting to ₱0.5 million is presented under "Other income (charges)" account in the statements of comprehensive income (see Note 21).

LCC. On February 6, 2020, POSC's BOD approved the sale of Lucky Circle Corporation (LCC), the Group's Distribution and Retail Activities segment, to focus its resources on its principal business of providing modern and efficient online gaming facilities and equipment to its customers. LCC operates and/or manages several outlets throughout the Philippines which sell products of the PCSO, including lotto, keno and instant scratch tickets. LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Group's reportable segment.

On February 13, 2020, POSC concluded the sale of all of POSC's equity interest in LCC, equivalent to ₱127.0 million shares for ₱1.082 per share to a third party for a total consideration of ₱137.4 million. Total proceeds from the disposal of the net assets of LCC, net of cash disposed amounted to ₱74.0 million. Gain from the disposal of the net assets of LCC group in 2020 amounting to ₱70.3 million is presented under "Other income (charges)" account in the statements of comprehensive income (see Note 21).

15. **Goodwill**

As at December 31, 2022 and 2021, goodwill arising from business combination consists of:

POSC	**₱1,717,643,956**
FRI	**110,933,996**
	1,828,577,952
Less: allowance for impairment loss	**902,570,204**
	₱926,007,748

Goodwill is subject to an annual impairment review. The recoverable amounts of the operations have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years, taking into consideration the effect of significant events such as the Covid-19 pandemic on the macroeconomic factors used in developing the assumptions.

No provision for impairment loss on goodwill was recognized in 2022 and 2021. In 2020, provision for impairment loss on goodwill amounted to ₱432.3 million (see Note 20).

POSC
Key assumptions considered are as follows:

Discount Rate. Discount rate reflects management's estimate of the risks specific to the CGU. The pre-tax discount rate of 9.79% and 5.08% was used in 2022 and 2021 (8.80% in 2020), respectively, based on the Weighted Average Cost of Capital (WACC) of POSC.

Revenue Growth Rate, Long-Term Growth Rate and Terminal Values. No growth rate was applied in the 5-year cash flow projections in 2022, 2021 (and 2020), considering the contract of PinoyLotto with PCSO and historical performance of POSC.

FRI
The recoverable amount of goodwill from the acquisition of FRI by TGTI was determined based on value-in-use calculations using actual past results and observable market data such as growth rates, operating margins, among others. The expected cash flows are discounted by applying a suitable WACC.

With the change in FRI's exclusivity arrangement with its principal, goodwill in FRI was fully provided with allowance for impairment loss as at December 31, 2022 and 2021.

16. Trade Payables and Other Current Liabilities

This account consists of:

	2022	2021
Trade payables	**₱41,878,364**	₱45,795,389
Accrued expenses and other payables	**409,914,910**	229,385,826
Unearned income	**215,174,739**	320,241,477
Software and license fees payable	**22,551,018**	18,240,074
Statutory payables	**12,387,650**	10,738,001
Communication, rental and utilities	**3,175,387**	6,166,044
Others	**23,614,064**	18,029,421
	₱728,696,132	₱648,596,232

Trade payables are generally on a 30-day credit term.

Accrued expenses and other payables mainly represent provisions. Other than provisions, accruals are usually payable within a 30-day term upon receipt of billing. The Group provides for probable losses. Provisions represent estimated probable losses arising in the normal course of business. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, further information are not disclosed so as not to prejudice the Group's position on the matter. In 2022, the Group recognized provisions amounting to ₱187.3 million (see Note 20). In 2021 and 2020, reversal of provisions amounted to ₱281.3 million and ₱756.1 million, respectively (see Note 21).

Unearned income pertains to the advance payment from Melco, which will be applied as payment of PLAI's future gaming revenue share (see Note 28).

Software and license fees payable are for consultancy services on gaming operations and the supply of computer hardware and operating system software for online lottery system (see Note 28). These are normally settled within the next financial year.

Statutory payables mainly pertain to statutory contributions, withholding taxes, VAT payable and deferred output VAT and other liabilities to the government agencies, which are payable within the next financial year.

17. Net Retirement Benefits

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in the retirement liability of the Group in 2022 and 2021 are as follows:

	2022		
	Fair Value of Plan Assets	**Present Value of Defined Benefit Obligation**	**Net Retirement Liability**
Balance at beginning of year	**₱53,291,874**	**(₱84,186,205)**	**(₱30,894,331)**
Net retirement income (costs) in profit or loss:			
Current service cost	**–**	**(7,851,272)**	**(7,851,272)**
Net interest	**3,603,090**	**(4,554,048)**	**(950,958)**
	3,603,090	**(12,405,320)**	**(8,802,230)**
Contribution	**10,000,000**	**–**	**10,000,000**
Benefits paid	**(11,384,305)**	**11,636,590**	**252,285**
Remeasurement gain recognized in OCI:			
Actual return excluding amount included in net interest cost	**(4,899,000)**	**–**	**(4,899,000)**
Actuarial changes arising from changes in financial assumptions	**–**	**14,900,199**	**14,900,199**
Actuarial changes due to experience adjustment	**–**	**1,540,075**	**1,540,075**
	(4,899,000)	**16,440,274**	**11,541,274**
Balance at end of year	**₱50,611,659**	**(₱68,514,661)**	**(₱17,903,002)**

	2021		
	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Net Retirement Liability
Balance at beginning of year	₱64,259,827	(₱123,550,599)	(₱59,290,772)
Net retirement income (costs) in profit or loss:			
Current service cost	–	(13,601,070)	(13,601,070)
Past service cost	–	4,138,954	4,138,954
Net interest	2,255,130	(4,855,377)	(2,600,247)
	2,255,130	(14,317,493)	(12,062,363)
Contribution	5,000,000	–	5,000,000
Benefits paid	(19,430,421)	19,430,421	–
Remeasurement gain recognized in OCI:			
Actuarial changes due to experience adjustment	–	19,998,356	19,998,356
Actuarial changes arising from changes in financial assumptions	–	9,232,318	9,232,318
Actuarial changes arising from changes demographic assumptions	–	5,020,792	5,020,792
Actual return excluding amount included in net interest cost	1,207,338	–	1,207,338
	1,207,338	34,251,466	35,458,804
Balance at end of year	₱53,291,874	(₱84,186,205)	(₱30,894,331)

Movements in cumulative remeasurement gains (losses) on net retirement liability consist of the following:

	2022		
	Retirement benefits reserve	**Deferred Tax** (see Note 22)	**Total**
Balance at beginning of year	**₱14,637,044**	**₱4,120,509**	**₱10,516,535**
Remeasurement gain	**11,541,274**	**2,885,319**	**8,655,955**
Realized remeasurement	**(5,650,853)**	**(1,412,713)**	**(4,238,140)**
Balance at end of year	**₱20,527,465**	**₱5,593,115**	**₱14,934,350**

	2021		
	Retirement benefits reserve	Deferred Tax (see Note 22)	Total
Balance at beginning of year	(₱20,821,760)	(₱6,084,655)	(₱14,737,105)
Remeasurement gain	35,458,804	11,499,724	23,959,080
Effect of change in tax rate	–	(1,294,560)	1,294,560
Balance at end of year	₱14,637,044	₱4,120,509	₱10,516,535

The latest actuarial valuation of the Group is as at December 31, 2022.

The Group's plan assets are administered by a Trustee. The Group and the retirement plan have no specific matching strategies between the retirement plan assets and define benefit asset or obligation under the retirement plan. The Group expects to contribute ₱10.0 million to the fund in 2023.

The following table presents the fair values of the plan assets of the Group as at December 31:

	2022	2021
Cash and cash equivalents	**₱46,707**	₱29,361
Debt instruments-government bonds	**21,902,515**	31,280,723
Debt instruments-other bonds	**3,695,652**	2,092,934
Unit investment trust funds	**24,318,213**	19,230,112
Others	**648,572**	658,744
	₱50,611,659	₱53,291,874

The principal assumptions used to determine retirement plan assets as at December 31 are as follows:

	2022	2021
Discount rate	**5.05% - 7.32%**	5.05% - 5.19%
Rate of compensation increase	**6.00% - 8.00%**	6.00%-8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021 assuming all other assumptions were held constant:

	2022		2021	
	Increase (Decrease)	**Increase (Decrease) in Defined Benefit Obligation**	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	**+100**	**(₱43,208,726)**	+100	(₱9,153,062)
	-100	**54,153,988**	-100	10,984,943
Salary increase rate	**+100**	**60,449,885**	+100	10,909,242
	-100	**(48,191,845)**	-100	(9,284,240)

The average duration of the defined benefit obligation is 16.35 years in 2022.

The maturity analysis (ten-year projection) of the undiscounted benefit payments follows:

	2022	2021
Less than one year	**₱4,728,118**	₱8,112,891
More than one year to five years	**9,685,976**	9,395,115
More than five years to ten years	**405,722,008**	53,234,856

18. **Equity**

Preferred Stock
As at December 31, 2022 and 2021, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. Under the provision of the Group's articles of incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

Common Stock
Common stock as at December 31, 2022 and 2021 consists of the following:

	Number of Shares	Amount
Authorized - ₱0.25 par value per share	37,630,000,000	₱9,407,500,000
Issued and subscribed -		
Balance at beginning and end of year	31,627,310,000	₱7,906,827,500

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
Common stock			
August 28, 1995	100,000,000,000	1,000,000,000	₱0.01
September 30, 1996	100,000,000,000	1,000,000,000	0.01
March 10, 1997	(198,000,000,000)	–	–
March 10, 1997	12,000,000,000	8,797,310,000	1.00
March 28, 2006	(1,870,000,000)	(1,870,000,000)	1.00
June 24, 2008	(1,000,000,000)	(1,000,000,000)	1.00
July 9, 2009	(1,000,000,000)	(1,000,000,000)	1.00
September 5, 2014	27,500,000,000	24,700,000,000	0.25
	37,630,000,000	31,627,310,000	
Preferred stock			
March 10, 1997	6,000,000,000	–	₱0.25*

**On May 29, 2014, SEC approved the reduction of par value of preferred shares to ₱0.25 from ₱1.00 per share.*

In 1995, 25,000,000 primary shares of the Parent Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Parent Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Parent Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares at the same par value.

On March 10, 1997, the stockholders approved the increase in the Parent Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both at ₱1 par value.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Parent Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008.

On March 28, 2006, the SEC approved the reduction of the Parent Company's authorized capital stock by 1,870,000,000 shares to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares.

On June 24, 2008, the SEC formally approved the Parent Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares.

On July 9, 2009, the SEC approved the Parent Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares.

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the remaining 1,000,000,000 shares to fully implement the Memorandum of Agreement (MOA) rescinding the Swap Agreement with Metroplex and LIR-HK.

On May 29, 2014, the SEC approved PLC's application for equity restructuring which included the following:

- Reduction in par value per share in par value per share from ₱16,130.0 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with the par value of ₱1.00 per share, to ₱4,032.5 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with a par value of ₱0.25 per share.

- Application of the resulting additional paid-in capital amounting to ₱2,614.5 million to partially wipe out the Parent Company's deficit of ₱3,543.4 million as at December 31, 2013.

On July 18, 2014, PLC's BOD and stockholders unanimously approved the amendment to the articles of incorporation for the increase in authorized capital stock from ₱4,032,500,000, divided into 10,130,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share, to ₱10,907,500,000, divided into 37,630,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share. The application for the increase in authorized capital stock was approved by the SEC on September 5, 2014.

Additional Paid-in Capital

Additional paid-in capital as at December 31, 2022 and 2021 consists of the following:

Subscriptions and/or issuances of shares	₱6,941,634,391
Business combination	297,087,533
	₱7,238,721,924

Additional paid-in capital arising from business combination pertains to the excess of consideration from the carrying values of net assets acquired from the step acquisition of POSC in 2015, which was accounted for as business combination under common control using pooling of interest method.

Treasury Stock

The BOD has authorized the buy-back of the Parent Company's common shares to enhance the shareholder value. The Parent Company is authorized to repurchase up to ₱500.0 million worth of common shares.

As at December 31, 2022 and 2021, 410,379,000 shares have been bought back by the Parent Company with a cost of ₱220.4 million. In 2020, the Parent Company bought back 382,000,000 shares with a cost of ₱191.0 million.

Parent Company Common Shares Held by a Subsidiary

POSC holds common shares of the Parent Company totaling 377,143,000 shares as at December 31, 2022 and 2021 with a cost of ₱509.6 million as at December 31, 2022 and 2021. These are presented as "Cost of Parent Company common shares held by a subsidiary" and is treated as a reduction in equity. Related other reserve amounted to ₱254.3 million as at December 31, 2022 and 2021.

Retained Earnings

On April 18, 2022, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at May 16, 2022. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱18.9 million.

On April 14, 2021, the Parent Company's BOD approved the declaration of cash dividends of ₱0.04075 per share amounting to approximately ₱1,272.1 million to shareholders of record as at April 28, 2021. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱15.4 million.

On February 21, 2020, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at March 6, 2020. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱18.9 million.

The consolidated retained earnings as at December 31, 2022 and 2021 includes the accumulated earnings of the subsidiaries which are not currently available for dividend declaration unless declared by the subsidiaries of the Parent Company. The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱2,633.0 million and ₱2,687.5 million as at December 31, 2022 and 2021, respectively.

Other Equity Reserves

Details of other equity reserves shown in the consolidated statements of financial position follows:

	2022	2021
Cumulative unrealized valuation losses on financial asset at FVOCI	**(₱464,506,680)**	(₱606,037,992)
Cumulative remeasurement gains on net retirement liability	**11,518,526**	9,309,174
Other reserves	**(254,319,697)**	(254,319,697)
	(₱707,307,851)	(₱851,048,515)

19. **Cost of Services**

This account consists of:

	Note	**2022**	2021	2020
Amortization of intangible asset	10	**₱238,472,484**	₱238,472,484	₱238,472,484
Online lottery system expenses		**102,829,369**	112,725,047	225,685,647
Software and license fees		**60,508,456**	54,498,348	40,565,718
Communication		**43,522,403**	59,064,228	74,763,898
Depreciation and amortization	13	**29,217,792**	137,888,867	97,892,775
Payroll and related expenses		**12,207,289**	11,919,159	35,630,729
Rental, utilities and supplies		**8,584,463**	10,027,692	27,990,035
Others		**8,304,662**	8,141,497	1,367,772
		₱503,646,918	₱632,737,322	₱742,369,058

20. **General and Administrative Expenses**

This account consists of:

	Note	**2022**	2021	2020
Provisions		**₱187,363,193**	₱–	₱625,298,413
Transportation and travel		**68,096,691**	83,235,532	89,630,415
Outside services		**62,805,069**	67,772,459	70,101,954
Salaries, wages and benefits		**42,568,378**	63,431,441	74,107,138
Professional, service and management fees		**20,921,858**	12,648,620	15,093,380
Pre-operating expenses		**13,993,257**	48,630,295	–
Marketing, advertising and promotion		**12,036,387**	96,000	229,029
Taxes and licenses		**6,563,665**	22,463,644	23,229,561
Rental and utilities		**5,812,273**	3,602,109	9,584,270
Depreciation and amortization	13	**4,555,079**	10,500,695	15,584,315
Insurance		**2,556,769**	2,892,686	4,056,583
Communication		**2,508,353**	3,919,796	4,558,347
Representation and entertainment		**2,473,236**	1,533,387	5,116,544
Placement and listing fee		**1,374,499**	1,419,490	1,844,432
Repairs and maintenance		**1,251,808**	2,174,642	1,688,333
Miscellaneous		**4,081,192**	6,851,129	15,359,549
		₱438,961,707	₱331,171,925	₱955,482,263

Provisions represent estimated probable losses arising in the normal course of business in 2022 (see Note 16). In 2020, provisions pertain to impairment losses on goodwill, receivables, spare parts and supplies, contract asset, ROU assets and CWT (see Notes 8, 9, 15, 24 and 28).

Pre-operating expenses of PinoyLotto is as follows:

	2022	2021	2020
Professional fees	**₱6,221,510**	₱–	₱–
Bank charges	**3,266,241**	–	–
Taxes and licenses	**2,740,990**	–	–
Rent and utilities	**920,890**	–	–
Entertainment and representation	**398,094**	–	–
Pre-operating expenses	**–**	48,630,295	–
Others	**445,532**	–	–
	₱13,993,257	₱48,630,295	₱–

Pre-operating expenses pertain to cost to obtain contract.

21. **Other Income (Charges)** - Net

This account consists of:

	Note	**2022**	2021	2020
Sale of scrap items		**₱2,892,120**	₱–	₱–
Service income (expense)		**2,035,056**	490,728	(1,132,202)
Foreign exchange gain (loss)		**(1,830,662)**	745,079	(949,730)
Gain from disposal of net assets of subsidiaries	14	**542,645**	–	70,338,145
Gain on sale of property and equipment	13	**395,719**	175,500	15,850
Mark-to-market loss on investments held for trading	6	**(371,193)**	(23,622,906)	(6,195,655)
Reversal of provisions	16	**–**	281,316,859	756,115,335
Reversal of allowance for impairment of contract asset	28	**–**	26,000,000	–
Gain on termination of lease	24	**–**	–	1,165,723
Others		**2,866,188**	1,344,672	1,981,705
		₱6,529,873	₱286,449,932	₱821,339,171

Others mainly consist of miscellaneous income, bank charges and seller's prize from winning tickets exceeding ₱10,000.

22. **Income Taxes**

Current income tax expense pertains to RCIT.

The components of the net deferred tax assets of the Group are as follows:

	2022	2021
Items recognized in profit or loss		
Deferred tax assets:		
Retirement liability	**₱5,703,653**	₱8,136,166
Unamortized past service costs	**331,820**	2,271,666
Unrealized foreign exchange loss	**125,761**	–
NOLCO	**–**	32,966,294
	6,161,234	43,374,126
Deferred tax liabilities:		
Contract asset	**(1,000,000)**	(17,579,771)
Excess payment over lease related expenses	**(99,271)**	(70,700)
Unrealized foreign exchange gain	**–**	(204,491)
	(1,099,271)	(17,854,962)
	5,061,963	25,519,164
Items recognized in OCI		
Cumulative remeasurement gains on retirement liability	**(5,593,115)**	(4,120,509)
Net deferred tax assets (liabilities)	**(₱531,152)**	₱21,398,655

Unrecognized deferred tax assets pertain to the following:

	2022	2021
Allowance for impairment losses on receivables	**₱171,959,192**	₱106,922,735
NOLCO	**369,810**	84,583,966
	₱172,329,002	₱191,506,701

The foregoing deferred tax assets were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 to implement Section 4 of the Republic Act No. 11494 (Bayanihan to Recover as One Act) allowing the net operating loss of a business or enterprise incurred for the taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

The details of the Group's unused NOLCO which can be claimed as deduction from future taxable income during the stated validity are as follows:

Year Incurred	Beginning Balance	Incurred	Applied	Expired	Ending Balance	Valid Until
2022	₱–	₱16,436,829	₱–	₱–	₱16,436,829	2025
2021	53,848,887	–	–	–	₱53,848,887	2026
2020	187,338,965	–	(143,634,179)	–	43,704,786	2025
2019	190,988,252	–	(131,865,178)	(59,123,074)	–	2022
	₱432,176,104	₱16,436,829	(₱275,499,357)	(₱59,123,074)	₱113,990,502	

The reconciliation between the provision for income tax computed at statutory tax rate and the provision for (benefit from) income tax shown in the consolidated statement of comprehensive income is as follows:

	2022	2021	2020
Income tax at statutory income tax rate	**₱387,174,694**	₱296,040,438	₱103,488,629
Income tax effects of:			
Income not subject to income tax	**(383,096,549)**	(373,605,131)	(204,561,845)
Nondeductible expenses	**66,096,064**	61,268,235	84,546,809
Change in unrecognized deferred tax assets	**(25,754,850)**	69,194,594	2,881,247
Effect in beginning balance due to change in tax rate	**–**	12,608,916	–
Income subjected to final tax	**(9,341,875)**	(4,289,206)	(13,808,746)
Expired NOLCO	**6,942**	34,494	29,380
Reversal of deferred tax assets	**–**	–	24,367,842
	₱35,084,426	₱61,252,340	(₱3,056,684)

Pursuant to Presidential Decree No. 1869, *Consolidating and Amending Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1399 and 1632, relative to the Franchise and Powers of the PAGCOR*, as amended by RA No. 9487, *PAGCOR Charter*, co-licensee's share from gaming revenue is subject to 5% franchise tax in lieu of all taxes. Accordingly, PLAI's gaming revenue share is not subjected to income tax.

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or RA No. 11534 was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the corporate income tax rate from 30% to 25% and 20% and minimum corporate income tax rate from 2% to 1% starting July 1, 2020.

The effect of the reduction of tax rates were applied in the 2021 deferred tax expense, as required by PAS 12, *Income Taxes*. Details of adjustments are as follows:

Deferred tax expense	₱37,525,416
Effect of change in tax rate	12,608,916
Adjusted deferred tax expense	₱50,134,332

23. Related Party Transactions and Balances

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, and subsidiaries. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Related party transactions amounting to 10% or higher of the Group's consolidated total assets are subject to the approval of the BOD. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

<u>Transactions with Related Parties</u>
In the ordinary course of business, the Group has the following transactions with related parties.

Related Party	Note	Nature of Transactions	Year	Transactions for the Year	Outstanding Balance of Assets (Liabilities)	Terms and Conditions
Ultimate Parent Company	7	Notes receivable	**2022**	**₱–**	**₱3,705,925,000**	Unsecured and bearing interest rates ranging 2.42% to 4.73% and 2.91% to 3.16% in 2022 and 2021, respectively (4.11% to 5.06% in 2020)
			2021	–	3,705,925,000	
			2020	–	3,705,925,000	
	11	Financial assets at FVOCI	**2022**	**89,995,050**	**121,985,018**	
			2021	–	226,978,226	
			2020	–	284,972,730	
	7	Interest income	**2022**	**125,333,368**	**–**	Unsecured and noninterest-bearing, 30 days
			2021	112,356,539	–	
			2020	166,344,251	–	
	20	Service fee	**2022**	**54,000,000**	**–**	Unsecured and noninterest-bearing, 30 days
			2021	54,000,000	–	
			2020	54,000,000	–	
Affiliate		Rent	**2022**	**13,500,000**	**–**	Unsecured and noninterest-bearing, 30 days
			2021	–	–	
			2020	4,500,000	–	

As at December 31, 2022 and 2021, PLC has a Service Agreement with Belle wherein the latter shall provide services to support the operations of the casino license from PAGCOR. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Management and service fees amounting to ₱54.0 million in 2022, 2021 (and 2020) were presented as part of "Outside services" under general and administrative expenses in the consolidated statements of comprehensive income.

The outstanding balances at year-end are due on demand. There have been no guarantees provided or received for any related party receivables or payables and settlements occur in cash.

Compensation of key management personnel of the Group are as follows:

	2022	2021	2020
Short-term employee benefits	**₱21,526,866**	₱35,999,293	₱32,503,805
Retirement benefits costs	**3,997,315**	2,395,949	3,581,139
	₱25,524,181	₱38,395,242	₱36,084,944

24. **Lease**

Group as Lessor

POSC leases online lotto equipment and accessories to PCSO for a period of one year until July 31, 2021 as provided in the 2020 Amended ELA. The ELA has several extensions until May 2023 (see Note 28).

Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of all POSC's lotto terminals. Equipment rental income amounted to ₱512.7 million and ₱390.8 million in 2022 and 2021, respectively (₱245.9 million in 2020) (see Note 28).

TGTI leases "Online KENO" equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. In 2021, the ELA was extended on a month-to-month basis not exceeding 1 year, commencing from April 1, 2021 and not exceeding April 1, 2022. The ELA expired and was not renewed in 2022. Rental payment by PCSO is based on certain percentage of gross amount of "Online KENO" games from the operation of all TGTI's KENO terminals. Equipment rental income amounted to ₱6.3 million and ₱35.6 million in 2022 and 2021, respectively (₱47.2 million in 2020) (see Note 28).

Group as Lessee

The Group leases office space, and warehouses. The leases typically run for a period of two to five years, with an option to renew the lease after date. Amounts recognized in the consolidated statements of comprehensive income follow:

	Note	**2022**	2021	2020
Rent expense		**₱12,592,852**	₱14,851,199	₱22,988,476
Amortization on ROU assets	13	**4,645,028**	10,899,532	23,729,153
Interest expense on lease liabilities		**220,505**	642,417	2,442,430
Impairment loss of ROU assets	20	**–**	–	9,324,857
Gain on termination of lease	21	**–**	–	(1,165,723)
		₱17,458,385	₱26,393,148	₱57,319,193

In 2020, PLC and SM Arena Complex Corporation, an affiliate, agreed to terminate the original term of the lease of corporate suites. Gain on termination of leases recognized under "Other income (expense)" account amounted to ₱1.2 million (see Note 21).

Interest expense on lease liabilities is recognized under "Finance cost" account in the consolidated statements of comprehensive income. In 2020, finance cost also includes interest on fully paid loan amounting to ₱4.4 million. The unsecured loan amounting to 150.0 million was availed in 2019 and was fully paid in 2020.

Rent expense in 2022, 2021 (and 2020) pertains to low-value asset leases on storage and short-term leases on warehouses.

The movements in the ROU assets are presented below:

	Note	2022	2021
Balance at beginning of year		**₱6,672,570**	₱10,119,536
Amortization	13	**(4,645,028)**	(10,899,532)
Modification		**(212,143)**	–
Addition		**–**	8,926,056
Pre-termination		**–**	(1,473,490)
Balance at end of year		**₱1,815,399**	₱6,672,570

The movements in the lease liabilities are presented below:

	2022	2021
Balance at beginning of year	**₱6,872,952**	₱11,605,367
Payments	**(4,989,872)**	(12,827,398)
Interest expense	**220,505**	642,417
Modification	**(212,143)**	–
Addition	**–**	8,926,056
Pre-termination	**–**	(1,473,490)
Balance at end of year	**1,891,442**	6,872,952
Current portion	**1,891,442**	4,886,938
Noncurrent portion	**₱–**	₱1,986,014

Refundable deposits amounted to ₱2.8 million and ₱3.7 million as at December 31, 2022 and 2021, respectively (see Note 9). An amount of ₱1.8 million was impaired pertaining to the pre-termination of ROU assets in 2020.

The future minimum lease payments under noncancellable leases are as follows:

	2022	2021
Within one year	**₱1,916,339**	₱5,124,015
After one year but not more than five years	**–**	2,012,156
	₱1,916,339	₱7,136,171

25. Basic/Diluted Earnings per Common Share

As at December 31, 2022, 2021 and 2020, the basic/diluted earnings per share were computed as follows:

	2022	2021	2020
Earnings attributable to Equity holders of the Parent (a)	**₱1,159,554,790**	₱1,193,902,616	₱517,573,391
Number of issued common shares at beginning of year	**31,627,310,000**	31,627,310,000	31,627,310,000
Number of Parent Company common shares held by a subsidiary at beginning of year	**(377,143,000)**	(377,143,000)	(377,143,000)
Weighted average number of treasury stock	**(410,379,000)**	(410,379,000)	(378,545,667)
Weighted average number of issued common shares - basic, at end of year (b)	**30,839,788,000**	30,839,788,000	30,871,621,333
Basic/diluted EPS (a/b)	**₱0.0376**	₱0.0387	₱0.0168

26. **Financial Instruments**

Financial Risk Management Objectives and Policies

The financial instruments mainly comprise cash and cash equivalents, notes receivables, receivables, contract asset, guarantee deposits (presented as part of "Other currents assets"), advances to contractors and refundable deposits (presented as part of "Other noncurrent assets, investments held for trading, financial assets at FVOCI, trade and other current liabilities (excluding provisions, unearned income and statutory payables), lease liabilities and loan payable. The main purpose of these financial instruments is to finance the Group's projects and operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

It is the Group's policy that no trading of financial instruments should be undertaken by the Group.

The main risks arising from the financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing these risks.

Credit Risk. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, notes receivables, receivables, contract asset, guarantee deposits (presented as part of "Other currents assets"), advances to contractors and refundable deposits (presented as part of "Other noncurrent assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

The table below shows the Group's aging analysis of financial assets.

	2022						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	**₱1,778,068,579**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,778,068,579**
Notes receivable	**3,705,925,000**	–	–	–	–	–	**3,705,925,000**
Receivables	**212,568,231**	–	–	–	–	**543,515,942**	**756,084,173**
Contract asset	**4,000,000**	–	–	–	–	–	**4,000,000**
Guarantee deposits**	**14,500,000**	–	–	–	–	–	**14,500,000**
Advances to contractors***	**139,738,757**	–	–	–	–	–	**139,738,757**
Refundable deposits***	**2,769,769**	–	–	–	–	–	**2,769,769**
	₱5,857,570,336	**₱–**	**₱–**	**₱–**	**₱–**	**₱543,515,942**	**₱6,401,086,278**

**Excluding cash on hand.*
***Presented under "Other current assets" account in the consolidated statements of financial position.*
****Presented under "Other noncurrent assets" account in the consolidated statements of financial position.*

	2021						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	₱1,660,389,063	₱–	₱–	₱–	₱–	₱–	₱1,660,389,063
Notes receivable	3,705,925,000	–	–	–	–	–	3,705,925,000
Receivables	277,787,614	–	–	–	–	543,515,942	821,303,556
Contract asset	70,319,085	–	–	–	–	–	70,319,085
Guarantee deposits**	14,500,000	–	–	–	–	–	14,500,000
Advances to contractors***	139,738,757	–	–	–	–	–	139,738,757
Refundable deposits***	3,706,928	–	–	–	–	–	3,706,928
	₱5,872,366,447	₱–	₱–	₱–	₱–	₱543,515,942	₱6,415,882,389

**Excluding cash on hand.*
***Presented under "Other current assets" account in the consolidated statements of financial position.*
****Presented under "Other noncurrent assets" account in the consolidated statements of financial position.*

Financial assets are considered past due when collections are not received on due date.

Credit Quality of Financial Assets
The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Group's financial assets are as follows:

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
High Grade				
Cash and cash equivalents*	**₱1,778,068,579**	**₱–**	**₱–**	**₱1,778,068,579**
Notes receivable	**3,705,925,000**	**–**	**–**	**3,705,925,000**
Receivables	**212,568,231**	**–**	**–**	**212,568,231**
Contract asset	**4,000,000**	**–**	**–**	**4,000,000**
Guarantee deposit**	**14,500,000**	**–**	**–**	**14,500,000**
Advances to contractors**	**139,738,757**	**–**	**–**	**139,738,757**
Refundable deposits**	**2,769,769**	**–**	**–**	**2,769,769**
Substandard Grade				
Receivables	**–**	**–**	**543,515,942**	**543,515,942**
Gross Carrying Amount	**₱5,857,570,336**	**₱–**	**₱543,515,942**	**₱6,401,086,278**

**Excluding cash on hand.*
***Presented under "Other current assets" account in the consolidated statements of financial position.*
***Presented under "Other noncurrent assets" account in the consolidated statements of financial position.*

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High Grade				
Cash and cash equivalents*	₱1,660,389,063	₱–	₱–	₱1,660,389,063
Notes receivable	3,705,925,000	–	–	3,705,925,000
Receivables	277,787,614	–	–	277,787,614
Contract asset	70,319,085	–	–	70,319,085
Guarantee deposits**	14,500,000	–	–	14,500,000
Advances to contractors**	139,738,757	–	–	139,738,757
Refundable deposits**	3,706,928	–	–	3,706,928
Substandard Grade				
Receivables	–	–	543,515,942	543,515,942
Gross Carrying Amount	₱5,872,366,447	₱–	₱543,515,942	₱6,415,882,389

**Excluding cash on hand.*
***Presented under "Other current assets" account in the consolidated statements of financial position.*
***Presented under "Other noncurrent assets" account in the consolidated statements of financial position.*

High grade financial assets consist of receivables, which are normally settled by the counterparty following the terms. Standard grade financial assets consist of receivables from its counterparties with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

ECL for trade receivables and contract asset is based on simplified approach which requires a lifetime ECL computation.

Other financial assets at amortized cost consist mostly of cash and cash equivalents, notes receivables, other receivables, guarantee deposit, advances to contractors and refundable deposits. It is the Company's policy to measure ECL on the foregoing instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Cash and cash equivalents are deposited and invested with the top ten banks in the Philippines and are considered low risk credit investments.

Notes receivables have low credit risk, since the related parties with whom the Group has transacted with are not expected to default in settling its obligations with respect to these financial assets. Hence, these financial assets are considered high grade.

For guarantee deposits, advances to contractors and refundable deposits, credit risk is low since the parties are not expected to default in settling its obligations and the Group only transacted with reputable companies with respect to these financial assets.

Receivables with high probability of delinquency and default were provided with allowance for impairment losses.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted investments held for trading and financial assets at FVOCI in listed equities decreases as a result of changes in the value of individual stock. The Group's exposure to equity price risk relates primarily to the Group's Investments held for trading. The Group monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2022 and 2021 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	**2022**	2021
Impact in profit or loss		
5%	**₱3,634,123**	₱3,652,682
(5%)	**(3,634,123)**	(3,652,682)
Impact in other comprehensive income		
1%	**6,867,312**	7,211,671
(1%)	**(6,867,312)**	(7,211,671)

Liquidity Risk. Liquidity risk is 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 seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Group considers obtaining borrowings as the need arises.

The table also analyzes the maturity profile of the Group's financial liabilities in order to provide a complete view of the Group's contractual commitments and liquidity.

	2022				
	Less than 3 months	**3-6 months**	**6-12 months**	**More than 12 months**	**Total**
Trade and other current liabilities*	**₱98,733,852**	**₱–**	**₱–**	**₱58,832,186**	**₱157,566,038**
Loan payable	**–**	**–**	**–**	**67,500,000**	**67,500,000**
Lease liabilities**	**1,149,804**	**766,536**	**–**	**–**	**1,916,340**
	₱99,883,656	**₱766,536**	**₱–**	**₱126,332,186**	**₱226,982,378**

** Excluding provisions, unearned income and statutory payables*
***Based on undiscounted payments*

	2021				
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	₱243,895,297	₱48,156,775	₱7,087,656	₱26,345,063	₱325,484,791
Lease liabilities**	–	–	5,124,015	2,012,156	7,136,171
	₱243,895,297	₱48,156,775	₱12,211,671	₱28,357,219	₱332,620,962

** Excluding provisions, unearned income and statutory payables*
***Based on undiscounted payments*

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates.

It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Group seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.

As at December 31, 2022 and 2021, foreign currency-denominated financial assets and financial liability in US dollars, translated into Philippine peso at the closing rate are as follows:

	2022		2021	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Cash	**$1,962,785**	**₱109,435,082**	$209,028	₱10,679,109
Software license fee payable*	**(838,192)**	**(46,733,405)**	(733,127)	(37,455,466)
Foreign currency-denominated financial assets (liabilities)	**$1,124,593**	**₱62,701,677**	($524,099)	(₱26,776,357)

**Presented under "Trade and other current liabilities" account in the consolidated statements of financial position.*

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱55.76 to US$1.0 and ₱51.09 to US$1.0, as at December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2022 and 2021. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2022		2021	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
Change in US$ rate	**5%**	**(5%)**	5%	(5%)
Effect on income before income tax	**₱3,135,084**	**(₱3,135,084)**	(₱1,338,810)	₱1,338,810

The increase in US$ rate means stronger US dollar against peso while the decrease in US$ means stronger peso against the US dollar.

Capital Management

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2022 and 2021.

The Group considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱15,754.1 million and ₱16,130.8 million as at December 31, 2022 and 2021, respectively.

The Group is not subject to any externally imposed capital requirements.

Fair Value of Assets and Financial Liabilities

Set out below is a comparison by category and by class of carrying values and fair values of the Group's assets and financial liabilities:

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At FVPL				
Investments held for trading	**₱72,682,452**	**₱72,682,452**	₱73,053,645	₱73,053,645
At FVOCI				
Financial assets at FVOCI	**686,731,218**	**686,731,218**	721,167,064	721,167,064
	759,413,670	**759,413,670**	794,220,709	794,220,709
Financial Liabilities				
Loan Payable	**₱67,500,000**	**₱66,538,186**	₱–	₱–

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of financial assets at FVPL and financial assets at FVOCI in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss. The fair value measurement of financial assets at FVPL and FVOCI is classified as Level 1.

Loan Payable. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rate used in 2022 is 5.78%. The fair value measurement of loan payable is classified as Level 2.

The carrying values of the following financial instruments approximate their fair values:

	2022	2021
Financial Assets at Amortized Cost:		
Cash and cash equivalents	**₱1,778,570,078**	₱1,660,934,194
Notes receivable	**3,705,925,000**	3,705,925,000
Receivables	**212,568,227**	277,787,614
Contract asset	**4,000,000**	70,319,085
Guarantee deposits*	**14,500,000**	14,500,000
Advances to contractors**	**139,738,757**	139,738,757
Refundable deposits**	**2,769,770**	3,706,928
	₱5,858,071,832	₱5,872,911,578
Financial Liabilities at Amortized Cost:		
Trade and other current liabilities***	**₱157,592,988**	₱325,484,791

**Presented under "Other current assets" account in the consolidated statements of financial position.*
***Presented under "Other noncurrent assets" account in the consolidated statements of financial position.*
**** Excluding provisions, unearned income and statutory payables*

Cash and Cash Equivalents, Notes Receivables, Receivables, Contract Asset, Trade and Other Current Liabilities (excluding provisions, unearned income and statutory payables). The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Refundable Deposits and Guarantee deposits. The carrying value of refundable deposits and guaranteed deposit approximates fair value as at December 31, 2022 and 2021 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

The Group has no financial liabilities measured at fair value as at December 31, 2022 and 2021. There were no transfers between fair value measurements in 2022 and 2021.

27. Segment Information

The primary segment reporting format is presented based on business segments in which the Group's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

As at December 31, 2022 and 2021, the Group is organized into five business segments, namely: investment holding, real estate, public amusement and recreation, gaming business and lottery equipment, leasing and others.

	2022						
	Investment Holding	**Real Estate**	**Public Amusement and Recreation**	**Gaming Business**	**Lottery Equipment, Leasing and Others**	**Eliminations/ Adjustments**	**Consolidated**
Earnings Information							
Revenue:							
External	**₱–**	**₱–**	**₱–**	**₱1,560,845,412**	**₱519,051,226**	**₱–**	**₱2,079,896,638**
Internal	**1,470,000,000**	**–**	**–**	**–**	**–**	**(1,470,000,000)**	**–**
Cost and expenses, excluding depreciation and amortization	**(81,127,817)**	**(84,997)**	**(11,064,390)**	**(278,521,322)**	**(309,537,374)**	**–**	**(680,335,900)**
Interest income	**133,667,401**	**1,144**	**429**	**9,647,317**	**437,289**	**–**	**143,753,580**
Finance cost	**–**	**–**	**–**	**–**	**(282,677)**	**–**	**(282,677)**
Dividend income	**–**	**–**	**–**	**–**	**18,947,664**	**(18,947,664)**	**–**
Depreciation and amortization	**(3,408)**	**–**	**–**	**(41,148)**	**(33,721,116)**	**(238,472,484)**	**(272,238,156)**
Other income	**–**	**–**	**–**	**–**	**20,238,389**	**–**	**20,238,389**
Provision for income tax	**(11,050,536)**	**–**	**–**	**–**	**(24,033,890)**	**–**	**(35,084,426)**
Net income (loss) for the year	**1,511,485,640**	**(83,853)**	**(11,063,961)**	**1,291,930,259**	**191,099,511**	**(1,727,420,148)**	**1,255,947,448**
Other Information							
Investments held for trading and financial assets at FVOCI	**128,066,117**	**–**	**558,665,100**	**–**	**179,142,925**	**(179,142,925)**	**686,731,217**
Total assets	**18,501,651,876**	**742,284**	**562,599,137**	**1,872,561,006**	**1,115,957,434**	**(5,067,606,203)**	**16,985,905,534**
Total liabilities	**1,561,499,122**	**260,486,957**	**470,841,157**	**578,145,573**	**179,852,114**	**(2,234,303,195)**	**816,521,728**
Goodwill	**–**	**–**	**–**	**–**	**926,007,748**	**–**	**926,007,748**
Earnings before income taxes, depreciation and amortization (EBITDA)	**–**	**–**	**–**	**–**	**–**	**–**	**1,553,341,918**

	2021						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery Equipment, Leasing and Others	Eliminations/ Adjustments	Consolidated
Earnings Information							
Revenue:							
External	₱–	₱–	₱–	₱1,300,291,468	₱426,345,611	₱–	₱1,726,637,079
Internal	1,310,000,000	–	–	–	–	(1,310,000,000)	–
Cost and expenses, excluding depreciation and amortization	(67,881,097)	(10,602)	(1,303,346)	(113,171,225)	(395,672,297)	–	(578,038,567)
Interest income	123,651,297	–	94	5,739,835	122,135	–	129,513,361
Finance cost	–	–	–	–	(748,897)	–	(748,897)
Dividend income	–	–	–	–	15,368,577	(15,368,577)	-
Depreciation and amortization	(3,408)	–	–	(16,577)	(148,369,578)	(238,472,484)	(386,862,047)
Other income	–	–	–	281,316,859	12,343,963	–	293,660,822
Provision for income tax	(11,118,009)	–	–	–	(50,134,332)	–	(61,252,341)
Net income (loss) for the year	1,354,648,783	(10,602)	(1,303,252)	1,474,160,360	(140,744,818)	(1,563,841,061)	1,122,909,410
				-			
Other Information							
Investments held for trading and financial assets at FVOCI	140,964,275	–	490,207,738	–	252,166,540	(162,171,490)	721,167,063
Total assets	18,571,506,860	753,908	505,050,728	1,966,091,492	855,156,901	(4,813,663,677)	17,084,896,212
Total liabilities	1,561,602,974	260,458,760	470,686,149	493,606,318	135,857,937	(2,235,848,623)	686,363,515
Goodwill	–	–	–	–	926,007,748	–	926,007,748
Earnings before income taxes, depreciation and amortization (EBITDA)	–	–	–	–	–	–	1,279,103,240

28. Significant Contracts and Commitments

Operating Agreement with Melco

On March 13, 2013, Belle, together with PLAI, entered into an Operating Agreement with MPHIL Holdings No. 2 Corporation, MPHIL Holdings No. 1 Corporation and Melco. Under the terms of the Operating Agreement, Melco was appointed as the operator and manager of the casino development project.

The Operating Agreement shall be in full force and effect for the period of the PAGCOR License, unless terminated earlier in accordance with the agreements among the parties.

Pursuant to this agreement, the PLAI shares from the performance of the casino gaming operations.

PLAI's gaming revenue share is determined in accordance with PLAI's operating agreement with Melco as follows:

	2022	2021	2020
Gaming revenue share - gross	**₱1,973,905,543**	₱2,040,109,900	₱1,017,666,745
Less PAGCOR license fee paid by Melco	**413,060,131**	739,818,432	382,449,357
Gaming revenue share - net	**₱1,560,845,412**	₱1,300,291,468	₱635,217,388

Unearned income amounted ₱215.2 million and ₱320.2 million as at December 31, 2022 and 2021, respectively (see Note 16).

Agreements with PCSO

POSC. POSC has an ELA with the PCSO for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment of PCSO. This also includes the supply of betting slips and ticket paper rolls.

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through holding and conducting charity sweepstakes, races, and lotteries.

Pursuant to the amended ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2022 and 2021, the total guarantee deposits, included under “Other current assets” in the consolidated statements of financial position, amounted to ₱12.0 million (see Note 9).

Since July 31, 2019, the ELA has been extended several times up to May 31, 2023 to allow PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO.

On September 9, 2020, the term of the ELA was extended on a month-to-month basis effective August 1, 2020 but not to exceed one year, commensurate to the necessity and immediacy to complete the bidding process of the new lottery system. POSC undertakes not to pull-out the lottery terminals until after the 7th month after the expiration of the ELA.

The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO’s Luzon and VISMIN operations. The number of installed lotto terminals totaled 3,605 and 3,129 as at December 31, 2021 and 2020. POSC’s rental income amounted to ₱512.7 million and ₱390.8 million in 2022 and 2021, respectively (₱245.9 million in 2020) (see Note 24).

TGTI. TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO’s Online KENO games. This covers PCSO’s online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the “Online KENO” terminals. The ELA may be extended and/or renewed upon the mutual consent of the parties.

Since December 11, 2020, the ELA had several extensions up to April 1, 2022 when the ELA expired and was not renewed.

TGTI is required to post a cash bond and performance security bond with an aggregate amount of ₱2.5 million. The guarantee deposit is included under “Other current assets” in the consolidated statements of financial position (see Note 9).

The number of installed online KENO terminals totaled 57 and 569 as at December 31, 2022 and 2021, respectively. TGTI’s revenue from equipment rental amounted to ₱6.3 million and ₱35.6 million in 2022 and 2021, respectively (₱47.2 million in 2020) (see Note 24).

Brand and Trademark Agreement with PMLC

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC’s instant scratch tickets’ brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with the term of the PMLC’s agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC.

In 2020, management recognized an impairment loss of ₱26.0 million on contract asset because of the delays on the payment of accrued license fees equivalent to the months when the PCSO games were suspended. These were subsequently reversed in 2021 when payments were received (see Notes 20 and 21).

Accreted interest income amounted to ₱3.7 million and ₱6.1 million in 2022 and 2021, respectively (₱5.6 million in 2020) (see Note 5). Contract asset was recognized for the earned consideration but not yet collected. As at December 31, 2022 and 2021, contract asset amounted to ₱4.0 million and ₱70.3 million, respectively.

Contracts with Scientific Games and Intralot and Management Agreement

Scientific Games. As at December 31, 2022 and 2021, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect.

In 2021, the contract with Scientific Games was extended until July 31, 2022.

In 2022, the contract with Scientific Games was extended until December 31, 2022.

Intralot. As at December 31, 2022 and 2021, POSC and TGTI have contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The Contract shall continue as long as POSC's and TGTI's ELA with PCSO are in effect.

The contract with POSC was extended until December 31, 2022 while the contract with TGTI was no longer renewed when TGTI's ELA with PCSO expired on April 1, 2022.

Software and license fee recognized amounted to ₱60.5 million and ₱54.5 million in 2022 and 2021, respectively (₱40.6 million in 2020) (see Note 19). Software and license fees payable, included under "Trade and other current liabilities" account, amounted to ₱22.6 million and ₱18.2 million as at December 31 2022 and 2021, respectively (see Note 16).

29. **Supplemental Schedule of Cash Flow Information**

Changes in Liabilities Arising from Financing Activities

	1/1/2022	**Additions (Reversals)**	**Finance Costs**	**Cash Flows**	**12/31/2022**
Lease liabilities	**₱6,872,952**	**(₱212,143)**	**₱220,505**	**(₱4,989,872)**	**₱1,891,442**
Dividends payables	**–**	**1,549,390,949**	**–**	**(1,549,390,949)**	**–**
Loans payable	**–**	**67,500,000**	**–**	**–**	**67,500,000**
Total liabilities from financing activities	**₱6,872,952**	**₱1,616,678,806**	**₱220,505**	**(₱1,554,380,821)**	**₱69,391,442**

	1/1/2021	Additions (Reversals)	Finance Costs	Cash Flows	12/31/2021
Lease liabilities	₱11,605,367	₱7,452,566	₱642,417	(₱12,827,398)	₱6,872,952
Dividends payables	–	1,256,721,361	–	(1,256,721,361)	–
Total liabilities from financing activities	₱11,605,367	₱1,264,173,927	₱642,417	(₱1,269,548,759)	₱6,872,952

	1/1/2020	Additions (Reversals)	Finance Costs	Cash Flows	12/31/2020
Lease liabilities	₱91,607,328	(₱32,235,765)	₱2,442,430	(₱50,208,626)	₱11,605,367
Dividends payables	–	1,549,390,949	–	(1,549,390,949)	–
Treasury stock	(29,430,080)	–	–	(191,000,000)	(220,430,080)
Loans payables	150,000,000	–	–	(150,000,000)	–
Interest payables	–	–	4,358,053	(4,358,053)	–
Total liabilities from financing activities	₱212,177,248	₱1,517,155,184	₱6,800,483	(₱1,944,957,628)	(₱208,824,713)

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**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Premium Leisure Corp. and Subsidiaries
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, 1300 Pasay City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Premium Leisure Corp. and Subsidiaries (the Group) as at and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole.

The following supplementary schedules are the responsibility of the Group's management. These are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements:

- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration as at December 31, 2022
- Schedules required by Annex 68-J as at December 31, 2022
- Conglomerate Map as at December 31, 2022
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2022 and 2021

The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

The Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management.

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. [redacted]
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

PREMIUM LEISURE CORP. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2022 and 2021

Ratio	Formula	2022	2021
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		
	Total Current Assets	**₱5,987,327,952**	₱6,002,149,366
	Divide by: Total Current Liabilities	**730,587,574**	653,483,170
	Current Ratio	**8.20**	9.18
Acid Test Ratio	**Quick assets (Total Current Assets lessInventories and Other Current Assets) divided by Total Current Liabilities**		
	Total Current Assets	**₱5,987,327,952**	₱6,002,149,366
	Other Current Assets	**213,582,191**	214,129,828
	Quick Assets	**6,200,910,143**	6,216,279,194
	Divide by: Total Current Liabilities	**730,587,574**	653,483,170
	Acid Test Ratio	**8.49**	9.51
Debt-to-Equity Ratio	**Total Interest-Bearing debt divided by Total Equity**		
	Total interest-bearing debt	**₱67,500,000**	₱–
	Total Equity	**16,169,383,810**	16,398,532,697
	Debt to Equity Ratio	**0.42%**	–
Asset-to-Equity Ratio	**Total Assets divided by Total Equity**		
	Total Assets	**₱16,985,905,538**	₱17,084,896,212
	Total Equity	**16,169,383,810**	16,398,532,697
	Asset to Equity Ratio	**1.05**	1.04
Interest Rate Coverage Ratio	**Earnings Before Interest and Taxes divided by Total Interest Expense**		
	Net Income Before Income Tax	**₱1,291,031,874**	₱1,184,161,750
	Less: Interest income	**(147,434,493)**	(135,626,403)

Ratio	Formula	2022	2021
	Add: Interest Expense	**220,505**	642,417
	Earnings Before Interest and Taxes	**1,143,817,886**	1,049,177,764
	Divide by: Interest Expense	**220,505**	642,417
	Interest Rate Coverage Ratio	**5,187.27**	1,633.17
Return on Equity	**Net Income divided by Average Total Equity**		
	Net Income	**₱1,255,947,448**	₱1,122,909,410
	Average Total Equity	**16,283,958,254**	16,478,059,923
	Return on Equity	**7.71%**	6.81%
Return on Assets	**Net Income divided by Average Total Assets**		
	Net Income	**₱1,255,947,448**	₱1,122,909,410
	Average Total Assets	**17,035,400,875**	17,438,955,138
	Return on Assets	**7.37%**	6.44%
Solvency Ratio	**Net Income Before Non-Cash Expenses divided by Total Liabilities**		
	Net Income	**₱1,255,947,448**	₱1,122,909,410
	Add: Non-Cash Expenses	**468,781,971**	355,729,134
	Net Income Before Non-Cash Expenses	**1,724,729,419**	1,478,638,544
	Total Liabilities	**816,521,728**	686,363,515
	Solvency Ratio	**2.11**	2.15
Net Profit Margin	**Net Income divided by Total Revenue**		
	Net Income	**₱1,255,947,448**	₱1,122,909,410
	Total Revenue	**2,079,896,638**	1,726,637,079
	Net Profit Margin	**60.39%**	65.03%

PREMIUM LEISURE CORP. AND SUBSIDIARIES

PARENT COMPANY'S RECONCILIATON OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2022

Retained earnings available for dividend distribution as at beginning of year	₱2,910,249,059
Net income during the year closed to retained earnings	1,511,485,640
Less: Dividend declarations during the year	(1,568,338,613)
Treasury stock	(220,430,080)
Total retained earnings available for dividend declaration as at end of year	₱2,632,966,006

PREMIUM LEISURE CORP. AND SUBSIDIARIES

SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6
PART II OF REVISED SRC RULE 68
DECEMBER 31, 2022

Table of Contents

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Financial Assets at Fair Value through Profit or Loss				
APC Goup, Inc.	45,821,000	9,439,126	9,439,126	–
Leisure and Resorts World Corporation	10,724,792	25,846,749	25,846,749	–
Vantage Equities, Inc.	43,376,750	36,002,702	36,002,702	–
Share warrants	500,000	1,393,875	1,393,875	
		72,682,452	72,682,452	–
Financial Assets at Fair Value through Other Comprehensive Income				
Black Spade Acquisition Co	1,000,000	558,665,100	558,665,100	–
Belle Corporation	99,987,719	121,985,018	121,985,018	–
Tagaytay Highlands International Golf Club, Inc.	2	3,000,000	3,000,000	–
Tagaytay Midlands Golf Club Inc.	2	3,000,000	3,000,000	–
APC Group, Inc.		11,100	–	–
PLDT Inc.		70,000	–	–
		686,731,218	686,650,118	–
		₱759,413,670	**₱759,332,570**	**₱–**

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at end of period
Advances to officers and employees	₱1,867,609	₱–	(₱1,336,348)	₱–	₱531,261	₱–	₱531,261

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial statements

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Allowance for Doubtful Accounts	Current	Not Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	₱6,824,938	₱–	₱–	₱–	₱–	₱6,824,938	₱6,824,938
Premium Leisure Corp. (Parent)	1,403,000,000	–	(1,155,937)	–	–	1,401,844,063	1,401,844,063
	₱1,409,824,938	₱–	(₱1,155,937)	₱–	₱–	₱1,408,669,001	₱1,408,669,001

Schedule D. Long-term debt

(In Thousands)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
Loan Payable			
Unionbank of the Philippines	₱135,000	₱–	₱67,500

Schedule G. Capital Stock

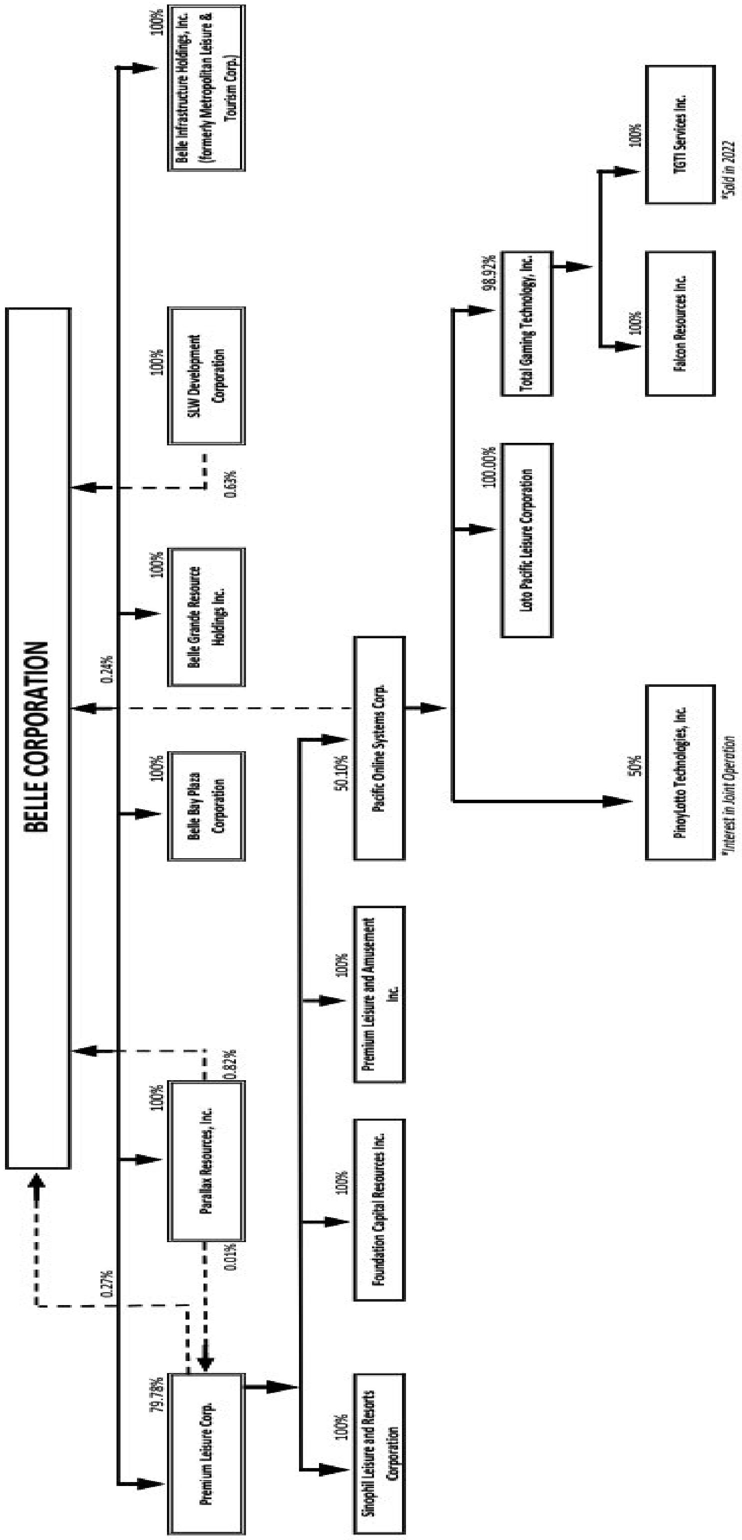
Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,216,931,000*	–	24,904,904,324	44,439,004	6,267,587,672
Preferred Stock	6,000,000,000	–	–	–	–	–

* Net of 410,379,000 treasury shares

PREMIUM LEISURE CORP. AND SUBSIDIARIES

Map of the Relationship of the Companies within the Group

December 31, 2022



Premium Leisure Corp.
Sustainability Reporting Template

Contextual Information

Company Details	
Name of Organization	Premium Leisure Corp. ("PLC" or the "Corporation")
Location of Headquarters	5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila 1300
Location of Operations	PLC's principal address is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila 1300 As an investments holding company, the Corporation is invested in companies operating and located in the Philippines. Among its subsidiaries is PremiumLeisure and Amusement, Inc. ("PLAI"), which holds office at 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City 1300.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	Within PLC and PLAI
Business Model, including Primary Activities, Brands, Products, and Services	Premium Leisure Corp., formerly Sinophil Corporation, ("PLC" or the "Corporation"), incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") as Sinophil Exploration Co., Inc. on November 26, 1993, was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved PLC's application for a change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. On September 5, 2014, the SEC approved the change in PLC's primary purpose to that of engagement and/or investment in gaming-related businesses. PLC, a publicly-listed company traded in the Philippine Stock Exchange ("PSE"), is 79.78% (direct and indirect) owned by Belle Corporation ("Belle") and the rest by the public as of December 31, 2022. PLC and its subsidiaries have an investment portfolio consisting of investment holding, gaming business and lottery equipment leasing, distribution and others. Meanwhile, PLAI, a fully owned subsidiary of PLC, is a grantee by the Philippine Amusement and Gaming Corporation of a

	license to operate integrated resorts, including casinos, within PAGCOR's Entertainment City in Paranaque City, Metro Manila. Through its partnership with Melco Resorts and Entertainment (Philippines) Corporation, a leading developer, owner and operator of casino gaming and entertainment resort facilities in Asia, PLAI has an interest in the development of City of Dreams Manila, an integrated entertainment and gaming complex located at the PAGCOR Entertainment City, and from where PLAI receives its share in gaming revenues. Pacific Online Systems Corporation ("Pacific Online"), PLC's subsidiary, leases online betting equipment to the Philippine Charity Sweepstakes Office for their lottery operations.
Reporting Period	January 1 to December 31, 2022
Highest Ranking Person responsible for this report	Mr. Armin Antonio B. Raquel Santos, President and Chief Executive Officer of the Corporation

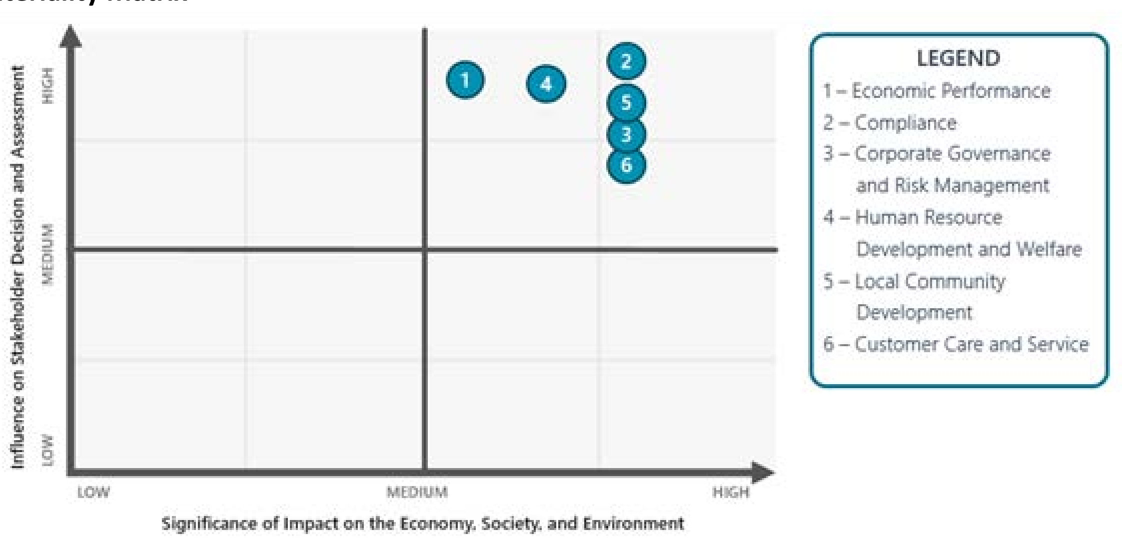
Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
To identify our Corporation's material economic, environmental, social, and governance topics, we went through the following process:

Materiality Process

Steps Taken	1 **Build Corporate Capacity**	2 **Review of Business Model with Senior Management and Employees**	3 **Identify Material Topics**	4 **Prioritize Material Topics**	5 **Process Review**
Description	Participation and attendance to SEC workshops on sustainability reporting, and internal training	Review of vision, operations, policies and practices, and identification of aspects which have critical impact on the economy, society, and environment	Identification of material topics based on review of business	Engagement with internal and external stakeholders through dialogues and online surveys	Review of material topics and existing disclosures

Materiality Matrix



ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Figures in Php millions

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,686	PhP
Direct economic value distributed:	1,939	
a. Operating costs	345	PhP
b. Employee wages and benefits	15	PhP
c. Payments to suppliers, other operating costs	-	Php
d. Dividends given to stockholders and interest payments to loan providers	1,549	PhP
e. Taxes given to government	30	PhP
f. Investments to community (e.g. donations, CSR)	*	PhP

*Note: As a co-licensee, 2% of the gaming revenue share is allotted for social development fund

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations and supply chain of the organization	Employees, investors / shareholders, suppliers, business partners, host communities, local government units	PLC endeavors to deliver and sustain direct economic impact despite business disruptions and uncertainties brought forward by the pandemic. It generates and distributes economic value to various stakeholders in its primary business operations and supply chain. The Corporation recognizes the importance of sustainability to its businesses. To be able to uphold its sustainability programs, the Corporation, through its parent company, Belle, has adopted a global standard guiding principle aligned to the United Nations Global Compact to ensure proper implementation of current practices and to seek for further enhancements. Led by its Board of Directors (BOD) and Management, the Corporation regularly

		engages with its stakeholders in order to safeguard their interests. In alignment with Belle and other co-subsidiaries, and as part of the SM Group of Companies, the Corporation anchored its sustainable development strategy to the seventeen (17) Sustainable Development Goals of the United Nations. Having a strategic and focused portfolio of businesses that delivers stable and reliable economic returns is a manifestation of PLC's approach to doing business sustainably.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Competition Risk As Entertainment City Manila expands and accommodates more tourist arrivals and players due to the economic re-opening and return of demand, the increase in competition poses a risk to the Corporation especially as it obtains gaming revenue share, through PLAI, from City of Dreams Manila, whose operations may be affected by the flight of players to other integrated resorts. Aside from Entertainment City Manila, new developments are also expected in other parts of Metro Manila as well as in other cities such as Cebu.	Employees, host community members, investors/shareholders, suppliers, business partners, and customers/clients	Despite increased competition, growth in the number of players in the gaming industry and tax friendly status are boons to the Philippines' ability to attract more foreign and domestic players to Entertainment City Manila, thereby further enhancing the Philippine gaming industry's growth prospects and making it more robust. The Corporation also monitors its performance and of its competitors. PLC also remains up-to-date on market trends.
Credit Risk Credit risk is the risk that the Corporation will incur a loss because its counterparties failed to discharge their	Employees, host community members, investors/shareholders, suppliers, business partners, and customers/clients	High grade financial assets pertain to receivables from related parties or customers that consistently pay on or before the maturity date, while medium grade includes those financial assets

contractual obligations. Credit risk arises from the Corporation's financial assets, which are composed of cash and cash equivalents, trade receivables and others, financial assets at FVOCI and AFS financial assets.		being collected on due dates with an effort of collection. The Corporation assessed its cash in bank and cash equivalents as high grade since this is deposited with reputable banks.
Liquidity Risk Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities, which are settled by paying cash or other financial assets.	Employees, host community members, investors/shareholders, suppliers/business partners, and customers/clients	PLC seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Corporation closely monitors its cash flows and ensures that credit facilities are available to meet its obligations, if any, as and when they fall due. To cover its financing requirements, the Corporation uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs. PLC maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and payments of cash dividends.
Equity Price Risk Equity price risk is the risk that the fair value of quoted investment held for trading, AFS financial assets, and financial assets at fair value through other comprehensive income decrease as the result of changes in the value of individual stocks. The Corporation's exposure to equity price risk is primarily due to the Corporation's quoted investments held for trading, AFS financial assets and financial assets at FVOCI.	Employees, host community members, investors/shareholders, suppliers, business partners, and customers/clients	The Corporation monitors equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis, and all buy and sell decisions are approved by its BOD.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Increase of PLC's shareholder value for investors and partners	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	The Corporation is committed to looking for new business ventures and various opportunities for growth through profitable and sustainable investments, which can help improve the economic value it generates and distributes to its stakeholders.

Climate-related risks and opportunities[1]

- Due to the nature of PLC's businesses, climate-related risks and opportunities have not been identified.

Governance	Strategy	Risk Management	Metrics and Targets
No relevant governance matters identified	-	-	0
Recommended Disclosures			
No relevant disclosures needed	-	-	0

Procurement Practices

Proportion of spending on local suppliers

- Due to the nature of PLC as primarily an investments holding company, procurement is occasional and is done on a per project and/or requirement basis.

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No relevant impacts nor locations of occurrence identified	-	-
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No relevant risks identified	-	-

[1] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
No relevant opportunities identified	-	-

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Established anti-corruption policies, standards, and practices due to information dissemination campaigns	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	The BOD has been identifying areas for continuing education on corporate governance topics, which covers anti-corruption. To keep the Board and key officers well informed of good governance practices and standards, regular annual education programs are conducted in coordination with SM Investments Corporation (SMIC) and training providers duly accredited by the Securities and Exchange Commission (SEC), while employees and business partners are being informed of the Corporation's governance-related policies and practices upon on-boarding and timely updates. The Corporation also has an existing policy on whistle-blowing. Furthermore, the Ethics Committee (Management level) was formed to receive reports on

		questionable activities, unethical conduct, fraud or malpractice in strictest confidence without the fear of retaliation. Composed of the Heads of Human Resources, Internal Audit and Governance Departments, they will collectively evaluate, and conduct an immediate investigation, as necessary. https://www.premiumleisurecorp.com/governance-plc/corporate-policies
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Corporation will be put in a disadvantageous position due to conflict of interests, which could trigger loss of trust and integrity issues.	Employees, suppliers, business partners	Guided by the principles of good governance, the Corporation constantly reviews its policies on anti-corruption, amends them as necessary, and cascades to all concerned thereafter.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
To maintain and increase stakeholders' trust and confidence to the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of the leading corporations for its good governance practices.	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	PLC upholds its commitment to the enhancement of stakeholder value by continuously seeking enhancements on the Corporation's policies, processes, and procedures, especially on corporate governance (https://www.premiumleisurecorp.com/governance-plc/corporate-policies), particularly on anti-corruption.

Incidents of Corruption

No incidents of corruption recorded throughout the Corporation during the reporting period

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations and supply chain caused by the organization and through its business relationship	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	The BOD has been identifying areas of continuing education on corporate governance topics, which cover anti-corruption. To keep the Board and key officers well informed of good governance practices and standards, regular annual education programs are conducted in coordination with SMIC and training providers duly accredited by the SEC, while employees and business partners are regularly informed of the Corporation's governance-related policies and practices upon onboarding and timely updates. The Corporation also has an existing policy on whistle-blowing. Furthermore, the Ethics Committee (Management level) was formed to receive reports on questionable activities, unethical conduct fraud or malpractice in strictest confidence without the fear of retaliation. Composed of the Heads of Human Resources, Internal Audit and Governance Departments, they will collectively evaluate and conduct an immediate investigation, as necessary.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Corporation will be put in a disadvantageous position due to conflict of interests, which could trigger loss of trust and integrity issues.	Employees, suppliers, business partners	Guided by the principles of good governance, the Corporation constantly reviews, amends as necessary, and communicates to all concerned its policies on anti-corruption.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
To maintain and increase stakeholders' trust and confidence	Employees, host community members,	PLC upholds its commitment to the enhancement of stakeholder value by

in the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of the leading corporations for its good governance practices.	suppliers, business partners, customers/clients, and investors/shareholders	continuously seeking for improvements on the Corporation's policies, processes, and procedures, particularly on corporate governance (https://www.premium leisurecorp .com/governance-plc/ corporate-policies), and anti-corruption.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

- Due to the nature of PLC as primarily an investments holding company, it is not manpower intensive and is therefore able to save on general expenses such as energy consumption. Its business transactions are strategically managed through seasonal secondments of personnel from its affiliates on an as-needed basis. This arrangement has been resorted to in keeping with austerity measures adopted due to the prevailing economic conditions. These personnel seconded to the Company are not subject to Collective Bargaining Agreements.

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	0	GJ
Energy consumption (electricity)	0	kWh

Reduction of energy consumption

- PLC saved on energy consumption because of the aforementioned strategic arrangements.

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0	kWh
Energy reduction (gasoline)	0	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
No relevant impacts nor locations of occurrence identified	-	-
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant risks identified	-	-
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

No relevant opportunities identified	-	-

Water consumption within the organization

- PLC saved on water consumption because of the aforementioned strategic arrangements.

Disclosure	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	0	Cubic meters
Water recycled and reused	0	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
No relevant impacts nor locations of occurrence identified		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant risks identified		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified		

Materials used by the organization

- Due to the nature of PLC as primarily an investments holding company, materials are seldom used for its daily operations.

Disclosure	Quantity	Units
Materials used by weight or volume	0	
• renewable	0	kg/liters
• non-renewable	0	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No relevant impacts nor locations of occurrence identified	-	-
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant risks identified	-	-
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified	-	-

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

- Due to the nature of PLC as primarily an investments holding company, its businesses are mainly in the metropolis and far from uplands, watersheds or the coasts.

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	0	
Habitats protected or restored	0	ha
IUCN[2] Red List species and national conservation list species with habitats in areas affected by operations	0	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No relevant impacts nor locations of occurrence identified	-	-
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

[2] International Union for Conservation of Nature

No relevant risks identified	-	-
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified	-	-

Environmental impact management

Air Emissions

GHG

- PLC did not generate GHG emissions because of the aforementioned strategic arrangements.

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No relevant impacts nor locations of occurrence identified	-	-
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant risks identified	-	-
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified	-	-

Air pollutants

- PLC did not generate air pollutants because of the aforementioned strategic arrangements.

Disclosure	Quantity	Units
NOx	0	kg
S~~o~~x	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
No relevant impacts nor locations of occurrence identified	-	-
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant risks identified	-	-
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified	-	-

Solid and Hazardous Wastes

Solid Waste

- PLC did not generate any solid waste because of the aforementioned strategic arrangements.

Disclosure	Quantity	Units
Total solid waste generated	0	kg
Reusable	0	kg
Recyclable	0	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No relevant impacts nor locations of occurrence identified	-	-
No relevant risks identified	-	-
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified	-	-

Hazardous Waste

- PLC did not generate any hazardous waste because of the aforementioned strategic arrangements.

Disclosure	Quantity	Units
Total weight of hazardous waste generated	0	kg
Total weight of hazardous waste transported	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No relevant impacts nor locations of occurrence identified	-	-
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant risks identified	-	-
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified	-	-

Effluents

- PLC did not generate any effluents because of the aforementioned strategic arrangements.

Disclosure	Quantity	Units
Total volume of water discharges	0	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No relevant impacts nor locations of occurrence identified	-	-
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant risks identified	-	-
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified	-	-

Environmental compliance

Non-compliance with Environmental Laws and Regulations

- The Corporation has been compliant with all applicable environmental laws and regulations.

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

organization's involvement in the impact?		
No relevant impacts nor locations of occurrence identified		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant risks identified		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No relevant opportunities identified		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[3]	6	#
a. Number of female employees	4	#
b. Number of male employees	2	#
Attrition rate[4]	0	rate (%)
Ratio of lowest paid employee against minimum wage	1:3:28	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	0%	0%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	N	-	-
(Others)	N	-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – Having an average of	PLC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Corporation

[3] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[4] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

96.94 % of retention rate among the employees	also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. PLC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community. The Corporation also exerts its best effort to maintain a climate conducive to work and provides a substantial level of job security, benefits and personal rewards for their employees. The performance evaluation system has been designed and established to provide a common and equitable basis for evaluating the performance of individual employees. It also implements policies on promotions and salary adjustments in support of PLC/PLAI's aim to empower and fulfill the career aspirations of employees.
What are the Risk/s Identified?	**Management Approach**
One of the risks identified is the possibility of higher attrition rate, which could hamper the operations and consequently affect the delivery of services. Aside from incurring costs due to onboarding and training provided, time spent for training could have been allotted to business operations.	All our employees are treated fairly by providing opportunities for career development based on merit, regardless of gender, age. All officers and employees are selected, engaged, and compensated based on qualifications and performance. They are treated fairly and accorded respect and dignity. Their individual and collective rights are not violated. Opportunities for career advancement are provided based on clear performance and qualifications criteria. PLC also provides continuous learning and development opportunities to improve and increase their level of competency, efficiency and general well-being, leading to professional growth.
What are the Opportunity/ies Identified?	**Management Approach**
Talent motivation and retention, and assurance of internal pay equity	The Corporation constantly explores human resource developments and enhancements, particularly on employment, benefits and other prerequisites.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees*	10	
a. Female employees	10	Hours
b. Male employees	0	Hours
Average training hours provided to employees**		
a. Female employees	2	hours/employee
b. Male employees	0	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – having a pool of specialized team players	PLC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Corporation also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. PLC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community. Upon being hired by the Corporation, an employee undergoes an onboarding session spearheaded by the concerned Department Head and the Human Resources Department (HRD). Each newly hired employee is introduced to the organization and is oriented on the personnel policies, guidelines and benefits through a Corporate Orientation Program. An annual mandated Corporate Training is also done to refresh employees on the Corporation's Codes and Policies. Specific technical training and compliance to Continuing Professional Development are among Management's approach to ensure learning and development of employees.

What are the Risk/s Identified?	Management Approach
Time spent for training, which consumes resources and result in opportunity cost	All our employees are treated fairly by providing opportunities for career development based on merit, regardless of gender and age. All officers and employees are selected, engaged, and compensated based on qualifications and performance. They are treated fairly and accorded respect and dignity. Their individual and collective rights are not violated. Opportunities for career advancement are provided based on clear performance and qualifications criteria. PLC also provides continuous learning and development opportunities to improve and increase their level of competency, efficiency and general well-being leading to professional growth.
What are the Opportunity/ies Identified?	**Management Approach**
Acquiring and implementing the most appropriate and usefulo career advancement programs and succession plans	The Corporation constantly explores human resource trends and opportunities, particularly on employee training and development.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization and through the business relationship – effective cooperation between the management and labor workforce	PLC maintains open lines of communication among its directors and management, and among its management and its personnel. It is also a goal and part of the mission of the Corporation to enhance the positive atmosphere and goodwill and the maintenance of a productive work environment conducive to high

	performance and harmonious employer-employee relationship, while espousing accountability.
What are the Risk/s Identified?	**Management Approach**
Disagreements between management and employees leading to disruption of operations/suspension of services	The Corporation values the importance of its employees. It espouses leadership by example and establishes and continues to review its Code of Business Conduct and Ethics to serve as a guide for employee discipline and the grounds for disciplinary actions. In order to create an environment where concerns are freely communicated, the Ethics Committee composed of the Heads of HRD, Internal Audit and Governance was formed. The Committee is tasked to hear grievances and accept whistle-blowing reports, evaluate and investigate, determine their authenticity, and recommend the sanctions as applicable for approval by the Board as endorsed by the Corporate Governance Committee.
What are the Opportunity/ies Identified?	**Management Approach**
A clear and systematic cascade of directions to achieve the Corporation's goals	Preserve communication mechanisms and channels, and maintain labor peace

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	60	%
% of male workers in the workforce	40	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Primary business operations caused by the organization – Variety of equally treated individuals with diverse approach and viewpoints to realize a common goal	The Corporation provides equal opportunities for its employees, regardless of age, gender, or creed and adopted policies (https://www.premiumleisurecorp.com/governance-plc/corporate-policies) which

	promote and observe diversity and equality throughout the Corporation. PLC encourages respect among its employees by setting policies and codes that support diversity in the workplace. It adheres to relevant labor standards that support vulnerable sectors of the community such as RA 9710, RA 9262, and etc.
What are the Risk/s Identified?	**Management Approach**
Discrimination in the workplace	Regardless of the location of operations and markets served of PLC – from the hiring and promotion of employees to selection of suppliers and contractors – the Corporation decides on the basis of merit and value to shareholders and does not discriminate on the basis of race, ethnicity, religion, or gender. All board members, officers, and employees are prohibited from practicing any form of discrimination or harassment in the workplace. This obligation to refrain from such behaviors extends to contractors, vendors, suppliers, or visitors, to the extent that their conduct affects the work environment. (https://www.premiumleisurecorp.com/governance-plc/code-ethics)
What are the Opportunity/ies Identified?	**Management Approach**
Capturing different perspectives and ideas, with equal appreciation, with the intention of achieving the Corporation's goals	Interminable improvement of the Corporation's policies on governance, particularly on diversity and equality

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	13,146	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	1	#

** Full year*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – having active and fit employees, and a working environment free from harm	PLC strongly implements the strict compliance of the Corporation's safety, health and welfare policy. PLC provides medical/clinical benefits to all employees. Employees are entitled to a free standard check-up in the Medical Clinic and are provided the available medicine supplies from there. The Corporation also implements and conducts various health-related activities and programs including but not limited to a Drug-Free Workplace, Family Welfare Program, HIV and AIDS Prevention and Control in the Workplace Program, Workplace Policy on Hepatitis B, Program on Tuberculosis Prevention and Control in the Workplace, among others. During the time of Covid 19, antigen test kits were made available, as well as arrangements for vaccines and booster shots were provided to the employees and their dependents. https://www.premiumleisurecorp.com/governance-plc/code-ethics
What are the Risk/s Identified?	**Management Approach**
Due to the nature of our operations, the risk of injury is minimal.	While there is minimal risk, continuous review of requirements to compliance is done.
What are the Opportunity/ies Identified?	**Management Approach**
A more motivational and secure working atmosphere for the employees, including the maintenance of workplace safety	Continuing feedback mechanisms to consider and acknowledge insights from employees

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	The Corporation has its Manual on Corporate Governance (https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance), which contain best corporate governance practices and standards, and applicable laws, rules and regulations. This covers forced and child labor, and human rights.
Child labor	Y	
Human Rights	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Good standing for moral values and observing labor laws and human rights	PLC continues to pursue the observance to pertinent rules, and regularly looks out for relevant issuances as provided for by law. https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance
What are the Risk/s Identified?	**Management Approach**
Risk of violation of labor laws leading to possible filing of lawsuits; loss of confidence from investors; demoralized employees	PLC strongly adheres to labor laws and protection of human rights. Violations done by employees are not tolerated. https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance
What are the Opportunity/ies Identified?	**Management Approach**
To further the employees and other stakeholders' certainty and optimism towards the Management's labor laws and human rights initiatives	Issuance of certification of full compliance, and confirmation of data with zero complaints, through various reports

Supply Chain Management

- Due to the nature of PLC as primarily an investments holding company, its supply chain is very lean and relies on seasonal secondments of manpower through affiliates and business partners in the conduct of operations.

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

-

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	-	-
Forced labor	-	-
Child labor	-	-
Human rights	-	-
Bribery and corruption	-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No relevant impacts nor locations of occurrence identified	-
What are the Risk/s Identified?	**Management Approach**
No relevant risks identified	-
What are the Opportunity/ies Identified?	**Management Approach**
No relevant opportunities identified	-

Relationship with Community

Significant Impacts on Local Communities

- Due to the nature of PLC as primarily an investments holding company, its community involvement is limited and has been partnering instead with related entities for its contributions.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
No relevant impacts nor locations of occurrence identified	-	-	-	-	-

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing	-	#
CP secured	-	#

What are the Risk/s Identified?	Management Approach
No relevant risks identified	-
What are the Opportunity/ies Identified?	**Management Approach**
No relevant opportunities identified	-

Customer Management

Customer Satisfaction

- Due to the nature of PLC as primarily an investments holding company, it does not assess customer satisfaction.

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	-	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No relevant impacts nor locations of occurrence identified	-
What are the Risk/s Identified?	**Management Approach**
No relevant risks identified	-
What are the Opportunity/ies Identified?	**Management Approach**
No relevant opportunities identified	-

Health and Safety

- Due to the nature of PLC as primarily an investments holding company, it does not deal directly with customers.

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	-	#
No. of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No relevant impacts nor locations of occurrence identified	-
What are the Risk/s Identified?	**Management Approach**
No relevant risks identified	-
What are the Opportunity/ies Identified?	**Management Approach**
No relevant opportunities identified	-

Marketing and labelling

- Due to the nature of PLC as primarily an investments holding company, it is not active in marketing nor advertising efforts.

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	-	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No relevant impacts nor locations of occurrence identified	-
What are the Risk/s Identified?	**Management Approach**
No relevant risks identified	-
What are the Opportunity/ies Identified?	**Management Approach**
No relevant opportunities identified	-

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#

No. of complaints addressed	-	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Secured data management through complex and layered safekeeping – no customer privacy complaints received during the reporting period	A policy on record management, aligned with the Data Privacy Act, is in place and has been properly implemented https://www.premiumleisurecorp.com/governance-plc/corporate-policies

What are the Risk/s Identified?	Management Approach
PLC may be at risk for breach of data privacy as detailed information is gathered from customers and prospective buyers.	This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.
What are the Opportunity/ies Identified?	**Management Approach**
Opportunity in tightening measures to secure customer data privacy	The Corporation ensures the continuous review of the processes and systems in place. The Corporation regularly reviews and evaluates the policies related to data privacy, and makes recommendations for their amendment as applicable for the Board to approve, management to implement and employees to adhere to.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Secured data management through complex and layered safekeeping – no data security complaints received during the reporting period	A policy on record management, aligned with the Data Privacy Act, is in place and has been properly implemented
What are the Risk/s Identified?	**Management Approach**
PLC may be at risk for breach of data privacy as detailed information is gathered from its stakeholders.	This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.

What are the Opportunity/ies Identified?	Management Approach
Work actively with the Corporation's Information Technology Department to ensure that the integrity of the Corporation is protected; automate processes to increase overall efficiency	The Corporation ensures that its network system is secure and runs smoothly; hardware and software are updated; employs redundant security levels to guard against theft, hacking.

Compliance

Non-compliance with Laws and Regulations

Premium Leisure Corp. has been compliant with local laws and regulations.

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

organization’s involvement in the impact?		
Full compliance with the Corporation’s Manual on Corporate Governance, which mandates compliance with best corporate governance practices and standards, and applicable laws, rules and regulations.	Employees, host community members, suppliers, business partners, customers/clients, investors/shareholders, and regulators	The Board has been identifying areas of continuing education on corporate governance topics. To keep the Board and key officers well informed of good governance practices and standards, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC, while employees and business partners are being informed of the Corporation’s governance-related policies and practices upon on-boarding.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of PLC, including its subsidiaries and affiliates.	Employees, host community members, suppliers, business partners, customers/clients, investors/shareholders, and regulators	In order to mitigate this risk, the Corporation continues to exercise fiscal prudence and adopts what it considers conservative financial and operational controls.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
To maintain and increase stakeholders’ trust and confidence to the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of leading corporations for its compliance and good governance practices	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	PLC upholds its commitment to the enhancement of stakeholder value by continuously seeking for improvements on the Corporation’s policies, processes, and procedures, especially on corporate governance and sustainability.

Local Community Development

Disclosure	Quantity	Units
Number of direct beneficiaries of corporate social responsibility initiative/s	2,926	#
Number of communities benefitted from corporate social responsibility initiative/s*	1	#

** In coordination with Belle Kaagapay, the Corporate Social Responsibility Arm of PLC's parent company, Belle Corporation.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
A vigorous collaboration between PLC, the Belle Group, and concerned localities in developing sustainable communities.	Constant cooperation with stakeholders by what method to espouse in maintaining and/or refining the Corporation's local community development initiatives such as provision of medical aid and assistance, and full scholarship programs for college students. In addition, Melco Resorts (Philippines) Foundation Corp., a partnership between PLC and Melco Resorts Philippines funded the PSG Station Hospital for the Presidential Security Group (PSG), as well as other activities and donations in support of the Philippine Gaming Corporation (PAGCOR) under which City of Dreams Manila is a licensee of.
What are the Risk/s Identified?	**Management Approach**
Risk of malnutrition and illiteracy in host communities	PLC's focus on its CSR activities are geared towards providing access to basic social services in the areas of education and health.
What are the Opportunity/ies Identified?	**Management Approach**
Create a more active partnership with the host communities by providing opportunities such as livelihood programs, educational scholarships that will contribute to the improvement of their overall well-being.	PLC remains committed to look for various opportunities for growth through profitable investments that will increase the Corporation's shareholder value for partners and investors alike. It shall likewise continue to partner with its parent corporation's corporate social responsibility arm, Belle Kaagapay, to continue enhancing lives at its host communities, and with Melco Resorts (Philippines) Foundation Corp.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Please refer to the Business Model, including Primary Activities, Brands, Products, and Services, under Contextual Information of this Report	SDG 1: No Poverty PhP30 million taxes paid in 2022; and In partnership with Belle Kaagapay, the activities participated in by the Corporation promoted the spirit of volunteerism among the employees. In 2022, the efforts were directed toward tree planting activities and coastal clean-up participation and also environmental protection such as water and power conservation. In the same year, assistance came in the form of full college scholarships to deserving students.	The Company's contribution has only resulted in positive impacts.	PLC regularly pays taxes that help provide sustainable growth. The Corporation maintains a partnership with Melco Resorts and Entertainment (Philippines), Inc., manager-operator of City of Dreams Manila, from where it derives its share in the gaming revenues.
	SDG 8: Decent Work and Economic Growth	Insufficient opportunities for the vulnerable sector	The Corporation targets growth in accordance with national conditions, and full and productive employment for all women and men, including young and disabled people, with equal pay for work and value.

			The Corporation prioritizes the welfare of its employees, recognizes its top performers and provides a safe and healthy working environment. It also aspires to be an employer of choice by providing benefits, career growth, training and work-life balance, engagement programs, among others. Through its parent company's corporate social responsibility arm, Belle Kaagapay, the Corporation participates in various activities such as recycling initiatives, livelihood programs, Brigada Eskwela, coastal clean-up and tree planting activities that help improve the lives of its host communities. In addition, the Company plays an active role as Melco Resorts (Philippines) Foundation Corp.'s supports PAGCOR's initiatives and endeavors which make a difference in their beneficiaries' lives The Corporation also developed various policies (please refer to the following links) to implement and ensure that overall employee and other stakeholders' welfare and interests are being valued.

			www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance; www.premiumleisurecorp.com/governance-plc/code-ethics; and www.premiumleisurecorp.com/governance-plc/corporate-policies

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

PREMIUM
LEISURE CORP.

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The Management of **Premium Leisure Corp** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

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

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

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

WILLY N. OCIER
Chairman of the Board

ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer

MARIA NERIZA C. BANARIA
Chief Finance Officer / Treasurer

Signed this 28th day of February 2023

SUBSCRIBED AND SWORN to before me this ____ day of FEB 2 8 2023 ________2023 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	[redacted]	[redacted]	Manila
ARMIN ANTONIO B. RAQUEL SANTOS	[redacted]	[redacted]	NCR
MARIA NERIZA C. BANARIA	[redacted]	[redacted]	NCR

DOC NO. : 17
PAGE NO. : 32
BOOK NO. : 5
SERIES OF : 2023.

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376 / MCLE (EXEMPT)
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY
1107 D. BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph (eafs@bir.gov.ph)
To: plai_1@yahoo.com
Cc: plai_1@yahoo.com
Date: Tuesday, April 11, 2023 at 10:33 AM GMT+8

Hi PREMIUM LEISURE CORP,

Valid files

- EAFS003457827AFSTY122022.pdf
- EAFS003457827TCRTY122022-01.pdf
- EAFS003457827ITRTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-878KEHKC0MZT3VYR3QSTVT42N0MMYN1VXS**
Submission Date/Time: **Apr 11, 2023 10:13 AM**
Company TIN: **003-457-827**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

PREMIUM
LEISURE CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Premium Leisure Corp** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended **December 31, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, for the periods December 31, 2022 and 2021 have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

WILLY N. OCIER
Chairman of the Board

ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer

MARIA NERIZA C. BANARIA
Chief Finance Officer / Treasurer

Signed this 28th day of February 2023

FEB 28 2023

SUBSCRIBED AND SWORN to before me this ____ day of ________2023 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	[redacted]	[redacted]	Manila
ARMIN ANTONIO B. RAQUEL SANTOS	[redacted]	[redacted]	NCR
MARIA NERIZA C. BANARIA	[redacted]	[redacted]	NCR

DOC NO. : 149
PAGE NO. : 31
BOOK NO. : 5
SERIES OF : 2023.

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376 / MCLE (EXEMPT)
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY
IBP NO. 261994 / JAN. 03, 2023 / PASIC CITY
1107 D. BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	3	0	0	9	2	8	9

C O M P A N Y   N A M E

PREMIUM LEISURE CORP.

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

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila

Form Type	Department Requiring the Report	Secondary License Type, If Applicable
AASFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
plc_governance@bellecorp.com	(02) 8662-8888	+63 917 569 1734

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
359	Any day in May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Michelle Angeli T. Hernandez	plc@premiumleisure.com	(02) 8662-8888	+63 917 557 8203

CONTACT PERSON'S ADDRESS

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Premium Leisure Corp.
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, Pasay City
Metro Manila

Opinion

We have audited the accompanying separate financial statements of Premium Leisure Corp. (the Company), which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. [redacted]
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

PREMIUM LEISURE CORP.

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱1,289,335,748**	₱1,353,339,342
Receivables	5	**452,525**	834,450
Notes receivable	6	**3,705,925,000**	3,705,925,000
Creditable withholding taxes (CWTs)		**66,922,718**	59,145,929
Total Current Assets		**5,062,635,991**	5,119,244,721
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	7	**128,066,117**	140,964,275
Investments in and advances to subsidiaries	8	**12,888,013,295**	12,888,357,985
Investment properties	9	**285,510,452**	285,510,452
Advances to a contractor	5	**139,738,757**	139,738,757
Property and equipment		**–**	3,408
Total Noncurrent Assets		**13,441,328,621**	13,454,574,877
		₱18,503,964,612	₱18,573,819,598
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other current liabilities	10	**₱55,327,274**	₱54,240,252
Due to related parties	14	**1,411,671,846**	1,412,862,723
Total Current Liabilities		**1,466,999,120**	1,467,102,975
Noncurrent Liabilities			
Subscriptions payable	8	**94,500,000**	94,500,000
Total Liabilities		**1,561,499,120**	1,561,602,975
EQUITY			
Capital stock	11	**7,906,827,500**	7,906,827,500
Additional paid-in capital	11	**6,941,634,391**	6,941,634,391
Treasury stock	11	**(220,430,080)**	(220,430,080)
Cumulative unrealized valuation losses on financial assets at FVOCI	7	**(538,962,405)**	(526,064,247)
Retained earnings	11	**2,853,396,086**	2,910,249,059
Total Equity		**16,942,465,492**	17,012,216,623
		₱18,503,964,612	₱18,573,819,598

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2022**	2021
INCOME			
Dividend income	8	**₱1,470,000,000**	₱1,310,000,000
Interest income	4	**133,667,400**	123,651,297
		1,603,667,400	1,433,651,297
GENERAL AND ADMINISTRATIVE EXPENSES	12	**(81,131,224)**	(67,884,506)
INCOME BEFORE INCOME TAX		**1,522,536,176**	1,365,766,791
PROVISION FOR CURRENT INCOME TAX	13	**11,050,536**	8,805,272
NET INCOME		**1,511,485,640**	1,356,961,519
OTHER COMPREHENSIVE LOSS			
Not to be reclassified to profit or loss in the subsequent periods -			
Unrealized valuation loss on financial assets at FVOCI	7	**(12,898,158)**	(32,495,825)
TOTAL COMPREHENSIVE INCOME		**₱1,498,587,482**	₱1,324,465,694
Basic/Diluted Earnings Per Common Share	18	**₱0.048419**	₱0.043469

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.
SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 2022	2021
CAPITAL STOCK			
Balance at beginning and end of year	11	**₱7,906,827,500**	₱7,906,827,500
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of year	11	**6,941,634,391**	6,941,634,391
TREASURY STOCK			
Balance at beginning and end of year	11	**(220,430,080)**	(220,430,080)
CUMULATIVE UNREALIZED VALUATION LOSSES ON FINANCIAL ASSETS AT FVOCI	7		
Balance at beginning of year		**(526,064,247)**	(493,568,422)
Other comprehensive loss		**(12,898,158)**	(32,495,825)
Balance at end of year		**(538,962,405)**	(526,064,247)
RETAINED EARNINGS			
Balance at beginning of year		**2,910,249,059**	2,825,377,478
Dividend declared	11	**(1,568,338,613)**	(1,272,089,938)
Net income		**1,511,485,640**	1,356,961,519
Balance at end of year		**2,853,396,086**	2,910,249,059
		₱16,942,465,492	₱17,012,216,623

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.

SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 **2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱1,522,536,176**	₱1,365,766,791
Adjustments for:			
Dividend income	8	**(1,470,000,000)**	(1,310,000,000)
Interest income	4	**(133,667,400)**	(123,651,297)
Depreciation of property and equipment	12	**3,408**	3,408
Operating loss before working capital changes		**(81,127,816)**	(67,881,098)
Decrease (increase) in:			
Receivables		**381,925**	(42,082)
Advances to subsidiaries		**344,690**	(696,266)
Increase (decrease) in:			
Accrued expenses and other current liabilities		**1,087,022**	(1,130,037)
Due to related parties		**(1,190,877)**	(26,708,284)
Net cash used for operations		**(80,505,056)**	(96,457,767)
Interest received		**133,667,400**	123,651,297
Income taxes paid		**(18,827,325)**	(16,820,119)
Net cash provided by operating activities		**34,335,019**	10,373,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received	8	**1,470,000,000**	1,310,000,000
Advances for future stock subscription	8	**–**	(470,636,793)
Net cash provided by investing activities		**1,470,000,000**	839,363,207
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	11	**(1,568,338,613)**	(1,272,089,938)
Payments of due to related parties	17	**–**	(200,000,000)
Cash used in financing activities		**(1,568,338,613)**	(1,472,089,938)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(64,003,594)**	(622,353,320)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,353,339,342**	1,975,692,662
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**₱1,289,335,748**	₱1,353,339,342

See accompanying Notes to Separate Financial Statements.

NOTES TO SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. **General Information**

Corporate Information

Premium Leisure Corp. (PLC or the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993. The Company was originally organized with oil and gas exploration and development as its primary purpose, and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved the change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. On September 5, 2014, the SEC approved the change in PLC's primary purpose to that of engagement and/or investment in gaming-related businesses. On July 19, 2019 the SEC approved the change in PLC's primary purpose to include that the Company shall not engage in real estate business activities.

PLC is a publicly-listed company in the Philippine Stock Exchange (PSE). It is 79.78% (directly and indirectly) owned by Belle Corporation (Belle or the Parent Company) and the rest by the public as at December 31, 2022 and 2021.

The registered office address of the Company is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila.

Approval of the Separate Financial Statements

The separate financial statements as at and for the years ended December 31, 2022 and 2021 were approved and authorized for issue by the Board of Directors (BOD) on February 28, 2023.

2. **Summary of Significant Accounting Policies**

Basis of Preparation and Statement of Compliance

The separate financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including the SEC provisions.

Measurement Bases

The separate financial statements are presented in Philippine Peso (Peso), the Company's functional currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI).

Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 - *Financial Assets at FVOCI*
- Note 9 - *Investment Properties*
- Note 16 - *Fair Value Measurement*

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

    - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS did not have any material effect on the separate financial statements of the Company. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amendments to PFRS Issued But Not Yet Effective
Relevant amendments to PFRS, which are not yet effective as at December 31, 2022, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's separate financial statements would need it to understand other material information in the separate financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in separate financial statements that are subject to measurement uncertainty." An entity develops an accounting estimate if an accounting policy requires an item in the separate financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the separate financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS, is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the separate statements of financial position based on current or noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classifications.

All other liabilities are classified as noncurrent.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost, and (c) financial assets at FVOCI. The classification of a financial asset largely depends on its contractual cash flow characteristics and the Company's business model for managing them.

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

There were no reclassifications of financial assets in 2022 and 2021.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2022 and 2021, the Company does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired or through the amortization process.

As at December 31, 2022 and 2021, the Company's cash and cash equivalents, receivables, notes receivables and advances to subsidiaries are classified as financial assets at amortized cost.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value. Cash in bank and short-term investments earn interest at the prevailing bank deposit rates.

Financial Assets at FVOCI. Equity securities which are not held for trading may be irrevocably designated at initial recognition under the FVOCI category.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized valuation gains or losses recognized in other comprehensive income or loss and are accumulated in the equity section of the separate statements of financial position. These fair value changes are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative unrealized valuation gains or losses will be reclassified to retained earnings.

Under limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

As at December 31, 2022 and 2021, the Company's investments in equity securities are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2022 and 2021, the Company's accrued expenses and other current liabilities (excluding statutory payables), due to related parties and subscriptions payable are classified as financial liabilities as amortized cost.

Impairment of Financial Assets at Amortized Cost
The Company records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Derecognition of Financial Assets and Liabilities

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

- The right to receive cash flows from the asset has expired;

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

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

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

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

Offsetting Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

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

- Deliver cash or another financial asset to another entity;

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

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

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

Creditable Withholding Taxes (CWTs)
CWTs represent the amount withheld by the Company's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs are stated at its net realizable amount.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax payable to the taxation authority is included as part of "Accrued expenses and other current liabilities" account in the separate statements of financial position.

Investments in Subsidiaries
Investments in subsidiaries are accounted for using the cost method. A subsidiary is an entity controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

An assessment of the carrying amount of the investment is performed when there is an indication that the investment has been impaired.

Advances for stock subscription represent funds paid to existing subsidiaries to be applied as payment for future issuance of capital stock. These are carried at amount paid in the separate statements of financial position and are recognized as investments in subsidiaries when the shares of stock for which the advances were made are received by the Company.

Investment Properties
Investment properties comprise of parcels of land held by the Company for capital appreciation. Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, the land is stated at cost less accumulated impairment loss, if any.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

Investment property is derecognized when either these have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Advances to a Contractor

Advances to a contractor represent advance payments on services to be incurred in connection with the Company's future projects.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued and outstanding. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

Treasury Stock. Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury stocks are nullified for the Company and no dividends are allocated to them.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's results of operations, net of dividends declared to date.

Cash dividends to the Company's stockholders is recognized as a liability and deducted from equity in the year in which the dividends are approved by the BOD for declaration. Dividends that are approved after the reporting year are dealt with as an event after the reporting date.

Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI. Cumulative unrealized valuation losses on financial assets at FVOCI pertains to accumulated fair value changes on investment in equity securities which are not recognized in profit or loss. These fair value changes are classified as other comprehensive income or loss and presented after net income in the separate statements of comprehensive income. The accumulated fair value changes are separately presented in the equity section of the separate statements of financial position.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before income is recognized:

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

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business. These expenses are recognized in profit or loss when incurred.

Short-term Employee Benefits
The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes except for:

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences only if it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Related Parties and Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties. Transactions between related parties are accounted for at arm’s length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Earnings per Share (EPS)
Basic EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the Company, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on EPS.

As the Company has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

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

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

Comparatives
When necessary, comparative figures have been reclassified to conform to the changes in the presentation of the current year.

3. **Significant Judgment, Accounting Estimates and Assumptions**

The preparation of the separate financial statements in accordance with PFRS requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the separate financial statements. The judgment, estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgment
In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the separate financial statements.

Determining the Fair Value of Financial Instruments. PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit or loss and equity.

The fair value of the Company's financial instruments are disclosed in Note 16.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when these occur.

Assessing the Impairment Losses on Financial Assets at Amortized Cost. The Company has applied the general approach and calculated the ECL by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime ECL. To measure the ECL, financial assets have been grouped based on shared credit risk characteristics and days past due. The Company uses judgment in making the assumptions about risk of default and ECL rates and selected inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

No provision for impairment loss was recognized in 2022 and 2021. Allowance for impairment loss on financial assets aggregated to ₱687.8 million as at December 31, 2022 and 2021 (see Notes 5 and 8). The carrying amount of financial assets at amortized cost as at December 31, 2022 and 2021 are as follows:

	Note	**2022**	2021
Cash and cash equivalents	4	**₱1,289,335,748**	₱1,353,339,342
Receivables	5	**452,525**	834,450
Notes receivable	6	**3,705,925,000**	3,705,925,000
Advances to subsidiaries	8	**7,176,513**	7,521,203
		₱5,002,889,786	₱5,067,619,995

Assessing the Impairment of Significant Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for significant nonfinancial assets at each reporting date. Significant nonfinancial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. Determining the recoverable value of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the separate financial statements. Future events could cause the Company to conclude that such significant nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company’s financial position and performance.

No provision for impairment loss was recognized in 2022 and 2021. Allowance for impairment of investments in subsidiaries is disclosed in Note 8.

The carrying amount of significant nonfinancial assets as at December 31, 2022 and 2021 are as follows:

	Note	**2022**	2021
Investments in subsidiaries and advances for stock subscription	8	**₱12,880,836,782**	₱12,880,836,782
Investment properties	9	**285,510,452**	285,510,452
CWTs		**66,922,718**	59,145,929
		₱13,233,269,952	₱13,225,493,163

Assessing the Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Details of unrecognized deferred tax assets as at December 31, 2022 and 2021 are disclosed in Note 13.

4. **Cash and Cash Equivalents**

This account consists of:

	2022	2021
Cash on hand and in banks	**₱99,705,199**	₱51,995,999
Cash equivalents	**1,189,630,549**	1,301,343,343
	₱1,289,335,748	₱1,353,339,342

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

Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest at the respective deposit rates.

Details of interest income recognized in the separate statements of comprehensive income follow:

	Note	**2022**	2021
Notes receivable	6	**₱125,333,368**	₱112,356,539
Cash in banks and cash equivalents		**8,334,032**	11,294,758
		₱133,667,400	₱123,651,297

5. **Receivables and Advances to a Contractor**

<u>Receivables</u>
This account consists of:

	2022	2021
Loan assets	**₱422,341,815**	₱422,341,815
Other receivables	**5,801,648**	6,183,573
	428,143,463	428,525,388
Less allowance for impairment losses	**(427,690,938)**	(427,690,938)
	₱452,525	₱834,450

Loan assets pertain to the Company's receivable from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") and Legend International Resort H.K. Limited ("LIR-HK") amounting to ₱422.3 million as a result of the compensation to parties who were in possession of the shares in connection with the cancellation of the 2,000,000,000 undelivered PLC shares (see Note 11). The loan assets were fully provided with allowance as at December 31, 2022 and 2021.

<u>Advances to a Contractor</u>
Advances to a contractor, amounting to ₱139.7 million as at December 31, 2022 and 2021, are noninterest-bearing and are subject to liquidation but shall be refunded to the Company in the absence of the required output. Advances to a contractor are considered noncurrent, since these are not expected to be refunded or liquidated within the immediately succeeding years.

6. **Notes Receivable**

Notes receivable amounting to ₱3,705.9 million as at December 31, 2022 and 2021 are unsecured, payable on demand and bear interest at rates ranging from 2.42% to 4.73% and 2.91% to 3.16% in 2022 and 2021, respectively (see Note 14).

Interest income from notes receivable recognized in profit or loss amounted to ₱125.3 million and ₱112.4 million in 2022 and 2021, respectively (see Note 4).

7. **Financial Assets at FVOCI**

This account pertains to investments in equity securities as at December 31, 2022 and 2021 consisting of the following:

	Note	**2022**	2021
Quoted shares:			
Belle-common shares	14	**₱121,985,017**	₱136,983,175
Golf club shares		**6,000,000**	3,900,000
		127,985,017	140,883,175
Unquoted shares		**81,100**	81,100
		₱128,066,117	₱140,964,275

The movements of financial assets at FVOCI in 2022 and 2021 are as follows:

	2022	2021
Cost		
Balance at beginning and end of year	**₱667,028,522**	₱667,028,522
Cumulative unrealized valuation losses on financial assets at FVOCI		
Balance at beginning of year	**(526,064,247)**	(493,568,422)
Unrealized valuation loss	**(12,898,158)**	(32,495,825)
Balance at end of year	**(538,962,405)**	(526,064,247)
	₱128,066,117	₱140,964,275

The fair value of the investment in common shares of Belle is based on the quoted price as at reporting date while the fair value of the investment in golf club shares is based on secondary market prices as at reporting date (see Note 16).

8. **Investments in and Advances to Subsidiaries**

As at December 31, 2022 and 2021, the Company has investments in the following subsidiaries:

Subsidiaries	Principal Activity	Principal Place of Business	Percentage of Ownership
PremiumLeisure Amusement, Inc. (PLAI)	Gaming Business	Pasay City	100%
Sinophil Leisure and Resorts Corporation (SLRC)	Public amusement and recreation	Pasay City	100%
Foundation Capital Resources Inc. (FCRI)	Real estate	Pasay City	100%
Pacific Online Systems Corporation (POSC) and Subsidiaries	Lottery equipment leasing, distribution and others	Pasay City	50.1%

Investments in and advances to subsidiaries consist of:

Subsidiaries	Note	2022	2021
Acquisition cost:			
PLAI		**₱10,847,820,000**	₱10,847,820,000
POSC		**2,525,126,794**	2,525,126,794
SLRC		**125,000,000**	125,000,000
FCRI		**1,021,458**	1,021,458
		13,498,968,252	13,498,968,252
Less allowance for impairment loss in POSC and FCRI		**(1,088,768,263)**	(1,088,768,263)
		12,410,199,989	12,410,199,989
Advances for stock subscription - SLRC		**470,636,793**	470,636,793
Advances to subsidiaries:	14		
FCRI		**266,970,765**	266,970,765
PLAI		**351,576**	696,266
		267,322,341	267,667,031
Less allowance for impairment loss		**(260,145,828)**	(260,145,828)
		7,176,513	7,521,203
		₱12,888,013,295	₱12,888,357,985

Investment in PLAI. PLAI is a grantee by the Philippine Amusement and Gaming Corporation (PAGCOR) of a license to operate integrated resorts, including casinos. The license runs concurrent with PAGCOR's Congressional Franchise which is set to expire in 2033 and renewable for another 25 years.

Dividend income received from PLAI amounted to ₱1,470.0 million and ₱1,310.0 million in 2022 and 2021, respectively (see Note 14).

There were no impairment indicators on the Company's investment in PLAI in 2022 and 2021. Accordingly, no impairment loss was recognized.

Investment in POSC. POSC is engaged in the development, design and management of online computer systems, terminals and software for the gaming industry. POSC's stocks are listed in the PSE. POSC holds 50.00% ownership interest in Pinoylotto Technologies Corp. (PinoyLotto), a joint venture entity that was awarded with the five-year lease of the customized Philippine Charity Sweepstakes Office (PCSO) lottery system with a contract price ₱5,800.0 million. The five-year lease will begin from the commencement of commercial operations of PinoyLotto which is expected to be in October 2023.

In 2022 and 2021, the Company performed impairment testing of its investment in POSC.

The recoverable amount of investment in POSC as at December 31, 2022 and 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period.

Key assumptions considered are as follows:

Discount Rate. Discount rate reflects management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 9.79% and 5.08% was used in 2022 and 2021, respectively based on the weighted average cost of capital of POSC.

Revenue Growth Rate and Long-Term Growth Rate. No growth rate was applied in the five-year cash flow projections in 2022 and 2021 considering that the main source of cash flow will be coming from the fixed-price contract of PinoyLotto. Management assessed that contract extension/renewal is highly probable considering technical expertise and historical experience of POSC. Management assessed that an increase in pre-tax discount rate by 1% would result to additional impairment.

In 2022 and 2021, no provision for impairment loss was recognized on the Company's investment in POSC. As at December 31, 2022 and 2021, allowance for impairment losses on investment in POSC amounted to ₱1,087.7 million.

Investment in SLRC. SLRC is a non-operating amusement, entertainment and recreation company. Subscription payable amounting to ₱93.8 million remains outstanding as at December 31, 2022 and 2021.

SLRC's primary asset is its investment in Black Spade Acquisition, Inc. (BSA), a special purpose acquisition company focused on identifying a business combination target that is related to the entertainment industry.

BSA completed its initial public offering in July 2021, and SLRC subscribed to 1,000,000 units of BSA which is composed of 1,000,000 common shares and 500,000 share warrants for a total cost of ₱496.6 million.

Pursuant to the terms of the prospectus, if BSA failed to complete the initial business combination within 24 months from the closing of its offering, BSA will redeem 100% of the public shares at an agreed per-share price.

Advances for stock subscription pertain to funds provided by the Company to SLRC in 2021 to partially-finance the acquisition of BSA units. The advances are intended for future stock subscription, however, the Company reserved the right to withdraw in the event that BSA fails to complete its initial business combination.

There were no impairment indicators on the Company's investment in SLRC in 2022 and 2021. Accordingly, no impairment loss was recognized.

Investment in FCRI. FCRI is an investment holding company. Subscription payable amounting to ₱750,000 remains outstanding as at December 31, 2022 and 2021.

FCRI has not yet started its commercial operations and has incurred significant losses over the years. Accordingly, in 2022 and 2021, the Company performed impairment testing of its investment in FCRI.

As at December 31, 2022 and 2021, the carrying amount of the Company's investment exceeded net assets of FCRI and the timing of commencement of operations of FCRI is still uncertain due to certain considerations including capitalization requirements and profitability of the potential business opportunities, among others. Therefore, the investment was fully provided with allowance for impairment losses as at December 31, 2022 and 2021.

9. Investment Properties

Investment properties pertain to parcels of land amounting to ₱285.5 million as at December 31, 2022 and 2021.

No rental income was earned from investment properties in 2022 and 2021.

Expenses related to investment properties amounted to ₱73,744 and ₱73,754 in 2022 and 2021, respectively, which mainly pertain to real property taxes.

The fair value of the investment properties as at December 31, 2022 and 2021 amounting to ₱295.2 million is higher than its carrying value, as determined by an independent appraiser and estimated using market approach. The value of the land was based on the sales and listings of the comparable properties registered within the vicinity and within Level 3 fair value hierarchy. The Company assessed that the highest and best use of properties does not differ from their current use.

10. Accrued Expenses and Other Current Liabilities

This account consists of:

	2022	2021
Accrued expenses	**₱45,575,148**	₱44,673,504
Nontrade payables	**8,682,798**	8,890,620
Statutory payables	**1,069,328**	676,128
	₱55,327,274	₱54,240,252

Accrued expenses represent mainly accrual for use of corporate suites, service and management fees, professional fees, and other general and administrative expenses. These are payable on demand.

Nontrade payables are noninterest-bearing and are normally settled within the next financial year.

Statutory payables which mainly includes output vat and withholding taxes payable are normally settled within the next month.

11. Equity

Common Stock

Common stock as at December 31, 2022 and 2021 consists of the following:

	Number of Shares	Amount
Authorized - ₱0.25 par value per share	37,630,000,000	₱9,407,500,000
Issued and subscribed -		
Balance at beginning and end of year	31,627,310,000	₱7,906,827,500

Preferred Stock
As at December 31, 2022 and 2021, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. Under the provision of the Company's Articles of Incorporation (AOI), the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

The following summarizes the information on the Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
Common stock			
August 28, 1995	100,000,000,000	1,000,000,000	₱0.01
September 30, 1996	100,000,000,000	1,000,000,000	0.01
March 10, 1997	(186,000,000,000)	–	–
March 10, 1997	–	8,797,310,000	1.00
March 28, 2006	(1,870,000,000)	(1,870,000,000)	1.00
June 24, 2008	(1,000,000,000)	(1,000,000,000)	1.00
July 9, 2009	(1,000,000,000)	(1,000,000,000)	1.00
September 5, 2014	27,500,000,000	24,700,000,000	0.25
	37,630,000,000	31,627,310,000	
Preferred stock			
March 10, 1997	6,000,000,000	–	₱0.25*

**On May 29, 2014, SEC approved the reduction of par value of preferred shares to ₱0.25 from ₱1.00 per share.*

In 1995, 1,000,000,000 primary shares of the Company's capital stock were offered and sold to the public at ₱0.01 par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares with the same par value.

On March 10, 1997, the stockholders approved the increase in the Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both at ₱1 par value.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares issued to Metroplex pursuant to a Share Swap Agreement (the Agreement) entered by the Company with Metroplex and LIR-HK in 1997. The cancellation of the shares was due to the rescission of the Agreement in 2001. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings .

On March 28, 2006, the SEC approved the reduction of the Company's authorized capital stock by 1,870,000,000 shares (representing the shares surrendered by Metroplex) to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares.

In 2007, the Company acquired LIR-HIK's loan from a local bank which was secured by 1,000,000 PLC shares issued to Metroplex. After obtaining stockholders approval, the Company applied for capital reduction and cancellation of the acquired PLC shares. On June 24, 2008, the SEC formally approved the Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares.

On July 9, 2009, the SEC approved the Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares. However, since the shares are being held by a creditor of Metroplex, the Company only proceeded to effect the cancellation of the remaining 1,000,000,000 shares in 2014 after compensating the party holding the shares. Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the rescission of the Agreement and the cancellation of the covered shares (see Note 5).

On May 29, 2014, the SEC approved the PLC's application for equity restructuring which included the following:

- Reduction in par value per share from ₱16,130.0 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with the par value of ₱1.00 per share, to ₱4,032.5 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with a par value of ₱0.25 per share.

- Application of the resulting additional paid-in capital amounting to ₱2,614.5 million to partially wipe out the Company's deficit of ₱3,543.4 million as at December 31, 2013.

On July 18, 2014, PLC's BOD and stockholders unanimously approved the amendment to the articles of incorporation for the increase in authorized capital stock from ₱4,032.5 million divided into 10,130,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share, to ₱10,907.5 million divided into 37,630,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share. The application for the increase in authorized capital stock was approved by the SEC on September 5, 2014.

As at December 31, 2022 and 2021, the Company has 31,627,309,995 listed shares and 359 stockholders of record.

Additional Paid-in Capital
Additional paid-in capital amounted to ₱6,941.6 million as at December 31, 2022 and 2021.

Treasury Stock
On March 1, 2018, the BOD has authorized the buy-back of the Company's common shares to enhance the shareholder value. The Company is authorized to repurchase up to ₱500.0 million worth of common shares.

As at December 31, 2022 and 2021, 410,379,000 shares have been bought back by the Company with a cost of ₱220.4 million.

Retained Earnings

On February 28, 2023, the Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at March 15, 2023.

On April 28, 2022, the Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at May 16, 2022 (see Note 14).

On April 14, 2021, the Company's BOD approved the declaration of cash dividends of ₱0.04075 per share amounting to approximately ₱1,272.1 million to shareholders of record as at April 28, 2021 (see Note 14).

12. General and Administrative Expenses

This account consists of:

	Note	**2022**	2021
Outside services		**₱54,608,648**	₱56,616,635
Marketing, advertising and promotion		**13,656,387**	96,000
Director's fee		**6,671,871**	5,803,942
Taxes and licenses		**2,316,332**	2,766,181
Professional and management fee		**1,135,000**	880,000
Salaries	14	**586,339**	586,339
Insurance		**409,302**	275,322
Transportation and travel		**310,145**	372,050
Entertainment and recreation		**271,893**	253,963
Depreciation of property and equipment		**3,408**	3,408
Miscellaneous		**1,161,899**	230,666
		₱81,131,224	₱67,884,506

13. Income Taxes

Provision for current income tax in 2022 and 2021 pertains to regular corporate income tax (RCIT).

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or Republic Act No. 11534 was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the RCIT from 30% to 25% or 20% depending on the amount of total assets and taxable income and minimum corporate income tax (MCIT) rate from 2% to 1% starting July 1, 2020. The changes in income tax rates took effect retrospectively beginning July 1, 2020.

In 2020, the enactment of the CREATE Act was treated as a non-adjusting event and the current income tax rate used in preparing the 2020 separate financial statements is 30% RCIT and 2% MCIT, respectively. Hence, the impact of the change in income tax rate in 2020 amounting to ₱2.3 million was reflected in 2021.

The reconciliation between the provision for income tax computed at statutory tax rate and the provision for income tax shown in the separate statements of comprehensive income is as follows:

	2022	2021
Provision for income tax at statutory tax rate	**₱380,634,044**	₱341,441,698
Tax effects of:		
Dividend income exempted from tax	**(367,500,000)**	(327,500,000)
Interest income already subjected to final tax	**(2,083,508)**	(2,823,690)
Impact of change in tax rate	**–**	(2,312,736)
	₱11,050,536	₱8,805,272

Deferred tax assets on impairment loss on receivable amounting to ₱106.9 million as at December 31, 2022 and 2021, respectively, were not recognized, since management believes that the deductible temporary differences may not be fully realized in the foreseeable future.

14. Related Party Transactions

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and subsidiaries. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions with Related Parties

In the ordinary course of business, the Company has the following transactions with related parties:

Related Party	Note	Nature of Transactions	Related Party	Year	Transactions for the Year	Outstanding Balance of Assets (Liabilities)	Terms and Conditions
Notes receivable	6	Interest-bearing notes receivable	Parent Company	**2022**	**₱–**	**₱3,705,925,000**	Unsecured and bearing interest rates ranging from 2.42% to 4.73% and 2.91% to 3.16% in 2022 and 2021, respectively; due on demand
				2021	–	3,705,925,000	
Receivables	6	Interest income	Parent Company	**2022**	**₱125,333,368**	**₱–**	Unsecured and noninterest-bearing, 30 days
				2021	112,356,539	–	
	8	Dividend income	Subsidiary	**2022**	**1,470,000,000**	**–**	Unsecured and noninterest-bearing
				2021	1,310,000,000	–	
				2022		**₱–**	
				2021		–	
Financial assets at FVOCI		Investment in equity securities	Parent Company	**2022**	**₱–**	**₱659,918,944**	
				2021	–	659,918,944	
		Cumulative unrealized valuation loss		**2022**	**(14,998,158)**	**(537,933,927)**	
				2021	(33,995,825)	(522,935,769)	
	7			**2022**		**₱121,985,017**	
				2021		136,983,175	

(Forward)

Related Party	Note	Nature of Transactions	Related Party	Year	Transactions for the Year	Outstanding Balance of Assets (Liabilities)	Terms and Conditions
Investments in and advances to subsidiaries	8	Advances for stock subscription	Subsidiary	**2022**	**₱–**	**₱470,636,793**	
				2021	470,636,793	470,636,793	
Investments in and advance subsidiaries	8	Advances	Subsidiaries	**2022**	**₱–**	**₱266,970,765**	Unsecured and noninterest-bearing, on demand
				2021	–	266,970,765	
	8	Reimbursable charges	Subsidiary	**2022**	**–**	**351,576**	Unsecured and noninterest-bearing, on demand
				2021	696,266	696,266	
				2022		**267,322,341**	
				2021		267,667,031	
	8	Less allowance for impairment losses	Subsidiaries	**2022**	**–**	**(260,145,828)**	
				2021	–	(260,145,828)	
				2022		**₱7,176,513**	
				2021		7,521,203	
Accrued expenses and other current liabilities		Management and service fee	Parent Company	**2022**	**₱54,000,000**	**₱4,950,000**	Unsecured and noninterest-bearing, 30 days
				2021	54,000,000	–	
		Marketing expense	Affiliate	**2022**	**13,500,000**	**–**	Unsecured and noninterest-bearing, 30 days
				2021	–	–	
	12	Salaries	Key management personnel	**2022**	**586,339**	**–**	Unsecured and noninterest-bearing, 30 days
				2021	586,339	–	
				2022		**₱4,950,000**	
				2021		–	
Due to related parties		Advances	Subsidiary	**2022**	**₱–**	**(₱1,400,000,000)**	Unsecured and noninterest-bearing, on demand
				2021	–	(1,400,000,000)	
		Reimbursable charges	Subsidiaries	**2022**	**–**	**(8,355,872)**	Unsecured and noninterest-bearing, on demand
				2021	–	(9,568,206)	
		Reimbursable charges	Parent Company	**2022**	**21,457**	**(3,315,974)**	Unsecured and noninterest-bearing, on demand
				2021	–	(3,294,517)	
				2022		**(₱1,411,671,846)**	
				2021		(1,412,862,723)	

As at December 31, 2022 and 2021, PLC has a Service Agreement with Belle wherein the latter shall provide services to support the operations of the Company. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Management and service fees amounting to ₱54.4 million and ₱54.0 million in 2022 and 2021, respectively, were presented as part of "Outside services" line item under "General and administrative expenses" account in the separate statements of comprehensive income.

In 2022, the Company entered into an agreement with an affiliate for access to the latter's various corporate suites. Privileges from the agreement include branding rights, ticket allocation for all events at the venue and usage of the corporate suites' amenities, among others. Tickets and access to the corporate suites are provided to the VIP customers of the Company's subsidiary to promote patronage to the subsidiary's business. Marketing expense amounting to ₱13.5 million in 2022 was presented as part of "Marketing, advertising and promotion" line item under "General and administrative expenses" account in the separate statements of comprehensive income.

There have been no guarantees provided or received for any related party receivables or payables and settlements occur in cash, except for advances for stock subscription.

No additional impairment loss was recognized in 2022 and 2021. Management assesses impairment at each financial year by reviewing the financial position of each related party and the market in which the related party operates.

Compensation of Key Management Personnel
Compensation to key management personnel pertains to short-term employee benefits on salaries paid during the year (see Note 12).

15. **Financial Instruments**

Financial Risk Management Objectives and Policies
The Company's financial instruments comprise of cash and cash equivalents, receivables, notes receivables, advances to subsidiaries, financial assets at FVOCI, accrued expenses and other current liabilities (excluding statutory payables) and due to related parties. The main purpose of these financial instruments is to finance the Company's projects and operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The main risks arising from the financial instruments are credit risk, equity price risk and liquidity risk. The BOD reviews and approves policies for managing these risks.

Credit Risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. All counterparty's are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

The table below shows the aging analysis of the Company's financial assets.

	2022						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	₱1,289,325,749	₱–	₱–	₱–	₱–	₱–	₱1,289,325,749
Receivables	452,525	–	–	–	–	427,690,938	428,143,463
Notes receivable	3,705,925,000	–	–	–	–	–	3,705,925,000
Advances to subsidiaries**	7,176,513	–	–	–	–	260,145,828	267,322,341
	₱5,002,879,787	₱–	₱–	₱–	₱–	₱687,836,766	₱5,690,716,553

**Excluding cash on hand amounting to ₱9,999.*
***Presented under "Investments in and advances to subsidiaries" account.*

	2021						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	₱1,353,329,343	₱–	₱–	₱–	₱–	₱–	₱1,353,329,343
Receivables	834,450	–	–	–	–	427,690,938	428,525,388
Notes receivable	3,705,925,000	–	–	–	–	–	3,705,925,000
Advances to subsidiaries**	7,521,203	–	–	–	–	260,145,828	267,667,031
	₱5,067,609,996	₱–	₱–	₱–	₱–	₱687,836,766	₱5,755,446,762

**Excluding cash on hand amounting to ₱9,999.*
***Presented under "Investments in and advances to subsidiaries" account.*

Financial assets are considered past due when collections are not received on due date.

Credit Quality of Financial Assets
The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Cash and cash equivalents*	**₱1,289,325,749**	**₱–**	**₱–**	**₱1,289,325,749**
Receivables	**452,525**	**–**	**427,690,938**	**428,143,463**
Notes receivable	**3,705,925,000**	**–**	**–**	**3,705,925,000**
Advances to subsidiaries**	**–**	**7,176,513**	**260,145,828**	**267,322,341**
Gross Carrying Amount	**₱4,995,703,274**	**₱7,176,513**	**₱687,836,766**	**₱5,690,716,553**

**Excluding cash on hand amounting to ₱9,999.*
***Presented under "Investments in and advances to subsidiaries" account.*

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Cash and cash equivalents*	₱1,353,329,343	₱–	₱–	₱1,353,329,343
Receivables	834,450	–	427,690,938	428,525,388
Notes receivable	3,705,925,000	–	–	3,705,925,000
Advances to subsidiaries**	–	7,521,203	260,145,828	267,667,031
Gross Carrying Amount	₱5,060,088,793	₱7,521,203	₱687,836,766	₱5,755,446,762

**Excluding cash on hand amounting to ₱9,999.*
***Presented under "Investments in and advances to subsidiaries" account.*

Cash and cash equivalents are deposited and invested with the top ten banks in the Philippines and are considered to have low risk credit. Notes receivable have low credit risk since the related party with whom the Company has transacted with is not expected to default in settling its obligation.

Receivables and advances to subsidiaries with high probability of delinquency and default were provided with allowance for impairment losses.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted financial assets decreases as a result of changes in the value of individual stocks. The exposure to equity price risk relates primarily to the Company's financial assets at FVOCI. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's equity.

	2022		2021	
	Increase in Equity Price	**Decrease in Equity Price**	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	**1%**	**(1%)**	1%	(1%)
Effect on equity	**₱1,280,661**	**(₱1,280,661)**	₱1,408,832	(₱1,408,832)

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

The Company seeks to manage its liquidity profile to be able to finance its investments and service its maturing debts. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Company considers obtaining borrowings as the need arises.

The Company maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends. Liquidity risk is minimal as at December 31, 2022 and 2021 as the total current assets can cover the total current liabilities as they fall due.

The table also analyzes the maturity profile of the Company's financial assets and liabilities:

	2022				
	On demand	**One to 60 days**	**Over 60 days but less than one year**	**Over one year**	**Total**
Financial Assets					
Cash and cash equivalents	**₱1,289,335,748**	**₱–**	**₱–**	**₱–**	**₱1,289,335,748**
Receivables	**452,525**	**–**	**–**	**–**	**452,525**
Notes receivable	**3,705,925,000**	**–**	**–**	**–**	**3,705,925,000**
Advances to subsidiaries*	**–**	**–**	**–**	**7,176,513**	**7,176,513**
Financial assets at FVOCI	**–**	**–**	**–**	**128,066,117**	**128,066,117**
	₱4,995,713,273	**₱–**	**₱–**	**₱135,242,630**	**₱5,130,955,903**
Financial Liabilities					
Accrued expenses and other current liabilities**	**₱45,575,148**	**₱8,682,798**	**₱–**	**₱–**	**₱54,257,946**
Due to related parties	**1,411,671,846**	**–**	**–**	**–**	**1,411,671,846**
	₱1,457,246,994	**₱8,682,798**	**₱–**	**₱–**	**₱1,465,929,792**

**Presented under "Investments in and advances to subsidiaries" account.*
***Excluding statutory payables.*

	2022				
	On demand	One to 60 days	Over 60 days but less than one year	Over one year	Total
Financial Assets					
Cash and cash equivalents	₱1,353,339,342	₱–	₱–	₱–	₱1,353,339,342
Receivables	834,450	–	–	–	834,450
Notes receivable	3,705,925,000	–	–	–	3,705,925,000
Advances to subsidiaries*	–	–	–	7,521,203	7,521,203
Financial assets at FVOCI	–	–	–	140,964,275	140,964,275
	₱5,060,098,792	₱–	₱–	₱148,485,478	₱5,208,584,270
Financial Liabilities					
Accrued expenses and other current liabilities**	₱44,673,504	₱8,890,620	₱–	₱–	₱53,564,124
Due to related parties	1,412,862,723	–	–	–	₱1,412,862,723
	₱1,457,536,227	₱8,890,620	₱–	₱–	₱1,466,426,847

**Presented under "Investments in and advances to subsidiaries" account.*
***Excluding statutory payables.*

Capital Management

The primary objective of the Company's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2022 and 2021.

The Company considers its total equity as its capital amounting to ₱16,942.5 million and ₱17,012.2 million as at December 31, 2022 and 2021, respectively. The Company is not subject to any externally imposed capital requirements.

16. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Company's assets measured at fair value or for which fair values are disclosed, and the corresponding hierarchy as at December 31.

	2022			
		Fair Value		
	Carrying Amount	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets for which Fair Values are Disclosed				
Financial assets at FVOCI - Quoted shares	**₱128,066,117**	**₱121,985,017**	**₱6,000,000**	**₱81,100**
Assets for which Fair Values are Disclosed				
Investment properties	**₱285,510,452**	**₱–**	**₱–**	**₱295,240,000**

	2021			
		Fair Value		
	Carrying Amount	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets for which Fair Values are Disclosed				
Financial assets at FVOCI - Quoted shares	₱140,964,275	₱136,983,175	₱3,900,000	₱81,100
Assets for which Fair Values are Disclosed				
Investment properties	₱285,510,452	₱–	₱–	₱295,240,000

There were no transfers between levels/hierarchies of fair value measurements in 2022 and 2021.

The methods and assumptions used by the Company in estimating the fair value of the assets that are carried at fair value or those whose fair values are disclosed are as follows.

Financial Assets at FVOCI. The fair values of financial assets at FVOCI in quoted common shares are based on quoted prices in the PSE while fair values of golf club shares are based on prices that are readily available from brokers as at reporting period.

There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values.

Investment Properties. Fair value is based on valuation using the market data approach, as determined by an independent appraiser.

The significant unobservable inputs to fair valuation are (a) price per square meter which estimated value prevailing in the real estate market depending on the location, area, shape and time element; and (b) value adjustments which pertain to adjustments made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/prospective utility and development).

In valuing the land using market data approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would also affect the fair value measurement.

The table below presents the financial assets and liabilities of the Company, whose carrying amounts approximate their fair values as at December 31:

	2022	2021
Financial Assets at Amortized Cost:		
Cash and cash equivalents	**₱1,289,335,748**	₱1,353,339,342
Receivables	**452,525**	834,450
Notes receivable	**3,705,925,000**	3,705,925,000
Advances to subsidiaries*	**7,176,513**	7,521,203
	₱5,002,889,786	₱5,067,619,995
Financial Liabilities at Amortized Cost:		
Accrued expenses and other current liabilities**	**₱54,257,946**	₱53,564,124

**Presented under "Investments in and advances to subsidiaries" account.*
***Excluding statutory payables.*

Cash and Cash Equivalents, Receivables, Notes Receivables, Due to Related Parties, Accrued Expenses and Other Liabilities (Excluding Statutory Payables). The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities and demand nature of these financial assets and financial liabilities.

Advances to Subsidiaries. The carrying value of advances to subsidiaries approximates its fair value as at December 31, 2022 and 2021 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

17. Supplemental Schedule of Cash Flow Information

The movement in the Company's liabilities arising from financing activities in presented below:

	2022		
	Dividends Payable	**Due to Related Parties**	**Total**
Balance at beginning of year	**₱–**	**₱1,400,000,000**	**₱1,400,000,000**
Additions	**1,568,338,613**	**–**	**1,568,338,613**
Cash payments	**(1,568,338,613)**	**–**	**(1,568,338,613)**
Balance at end of year	**₱–**	**₱1,400,000,000**	**₱1,400,000,000**

	2021		
	Dividends Payable	Due to Related Parties	Total
Balance at beginning of year	₱–	₱1,600,000,000	₱1,600,000,000
Additions	1,272,089,938	–	1,272,089,938
Cash payments	(1,272,089,938)	(200,000,000)	(1,472,089,938)
Balances at end of year	₱–	₱1,400,000,000	₱1,400,000,000

18. **Basic/Diluted Earnings Per Share**

As at December 31, 2022 and 2021, basic/diluted earnings per share were computed as follows:

	2022	2021
Net income (a)	**₱1,511,485,640**	₱1,356,961,519
Weighted average common shares, beginning	**31,216,931,000**	31,248,764,333
Impact on weighted average common shares of treasury stocks acquired in 2020	**–**	(31,833,333)
Weighted average common shares, end (b)	**31,216,931,000**	31,216,931,000
Earnings per common share (a/b)	**₱0.048419**	₱0.043469

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

The Stockholders and the Board of Directors
Premium Leisure Corp.
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, Pasay City
Metro Manila

We have audited the accompanying separate financial statements of Premium Leisure Corp. (the Company), as at and for the years ended December 31, 2022 and 2021, on which we have rendered our report dated February 28, 2023.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 334 stockholders owning 100 or more shares each.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. [redacted]
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Premium Leisure Corp.
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, Pasay City
Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Premium Leisure Corp. (the Company) as at and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic separate financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audits of the basic separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic separate financial statements or to the basic separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

PREMIUM LEISURE CORP.

SUPPLEMENTARY SCHEDULE OF RECONCILIATON OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022

	Amount
Retained earnings available for dividend distribution as at beginning of year	₱2,910,249,059
Net income during the year closed to retained earnings	1,511,485,640
Less: Dividend declarations during the year	(1,568,338,613)
Treasury stock	(220,430,080)
Total retained earnings available for dividend declaration as at end of year	**₱2,632,966,006**