

# 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, 2017
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  
02-6628888
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	31,627,310,000

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 9.02 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

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## 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, 2017
Currency	PHP

#### Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2017	Dec 31, 2016
Current Assets	5,938,867,855	3,965,117,557
Total Assets	18,634,023,269	16,907,792,772
Current Liabilities	1,512,362,879	635,296,726
Total Liabilities	1,567,979,431	719,490,634
Retained Earnings/(Deficit)	1,604,112,304	727,181,016
Stockholders' Equity	17,066,043,838	16,188,302,138
Stockholders' Equity - Parent	16,315,083,509	15,357,859,750
Book Value Per Share	0.52	0.49

#### Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2017	Dec 31, 2016
Gross Revenue	4,929,346,015	3,531,075,833
Gross Expense	2,796,194,270	2,125,153,879
Non-Operating Income	115,852,216	71,755,749
Non-Operating Expense	10,859,855	36,976,722
Income/(Loss) Before Tax	2,238,144,106	1,440,700,981
Income Tax Expense	235,478,146	282,600,845
Net Income/(Loss) After Tax	2,002,665,960	1,158,100,136

Net Income/(Loss) Attributable to Parent Equity Holder	1,756,459,152	959,849,646
Earnings/(Loss) Per Share (Basic)	0.05	0.03
Earnings/(Loss) Per Share (Diluted)	0.05	0.03

#### Financial Ratios

	Formula	Fiscal Year Ended Dec 31, 2017	Previous Fiscal Year Dec 31, 2016
<b>Liquidity Analysis Ratios:</b>			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	3.93	6.24
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	3.89	6.15
; ; Solvency Ratio	Total Assets / Total Liabilities	11.88	23.5
<b>Financial Leverage Ratios</b>			
; ; 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	239.15	149.19
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.09	1.04
<b>Profitability Ratios</b>			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.69	0.65
; ; Net Profit Margin	Net Profit / Sales	0.41	0.33
; ; Return on Assets	Net Income / Total Assets	0.11	0.07
; ; Return on Equity	Net Income / Total Stockholders' Equity	0.12	0.07
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	24.05	38.16

#### Other Relevant Information

n/a

#### Filed on behalf by:

Name	Elizabeth Tan
Designation	Manager-Governance & Corp. Affairs/Investor Relations



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**SECURITIES AND EXCHANGE COMMISSION**

SECBuilding, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

**Barcode Page**

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Company Type Stock Corporation

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# COVER SHEET

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S.E.C. Registration Number

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D	I	A	R	I	E	S																								

(Company's Full Name)

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C	i	t	y																											

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

**JACKSON T. ONGSIP**

Contact Person

**(632) 662-8888**

Company Telephone Number

**1 2**

Month

**3 1**

Day

**1 7 - A**

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

**368**

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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, 2017**
2. SEC Identification Number: **AS093-009289**
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. 

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 (SEC Use Only)  
Industry Classification Code
7. Address of Principal Office:  
**5<sup>th</sup> Floor, 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: **(632) 662-8888**
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
<b>Common stock, ₱0.25<sup>1</sup> par value</b>	<b>31,627,310,000</b>

On September 5, 2014, the Securities and Exchange Commission (SEC) approved the amendments to the Company's Articles of Incorporation which includes, among others, the increase in the authorized capital stock from ₱4,032,500,000, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both at ₱0.25 par value per share to ₱10,907,500,000, divided into 37,630,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱0.25.

Subscriptions receivable on the 31,627,310,000 outstanding shares amounting to ₱185,480,975 has been collected in full in 2015.
11. Are any or all of these securities listed on the Philippine Stock Exchange (PSE).  
Yes [x]      No [ ]  
  
Out of a total of 31,627,310,000 outstanding shares, 31,627,309,995 shares are listed on the PSE.

<sup>1</sup> New par value of ₱0.25 was implemented in the Philippine Stock Exchange on May 29, 2014.

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: **P8,420,575,797.90**  
Aggregate market value was computed by multiplying voting stock held by non-affiliates with the stock's closing price of **P1.26** per share on **February 28, 2018**.



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## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

Premium Leisure Corp., formerly Sinophil Corporation (“PLC” or the “Company”) was incorporated as Sinophil Exploration Co., Inc. on November 26, 1993. PLC was organized with oil and gas exploration and development as its primary purpose. The Company and other companies (Contractors), were participants in several Geophysical Survey and Exploration Contracts and Non-Exclusive Geophysical Permits entered into with the Philippine Government, through the Department of Energy, covering certain petroleum contract areas in various locations. It also had passive equity investments in Dragon Oil Plc (Dragon Oil) and Sinoil Asia Limited (Sinoil). In 1996, with investor interest in oil exploration and mining companies remaining generally soft, the Company's management recommended conversion of PLC from an oil exploration company to an investment holding company. In line with the Company's decision to change its primary purpose, the Company assigned its interests in Dragon Oil and Sinoil to Belle Corporation (“Belle”) and/or its subsidiaries. To finance the Company's projects, acquisitions and investments in 1997, private placements of PLC's shares were made to several investors, both in the country and overseas.

On June 3, 1997, the Securities and Exchange Commission (SEC) approved the Company's application for a change in primary purposes from oil and gas exploration and development to being an investment holding company. As an investment holding firm, it shall engage in the acquisition (by purchase, exchange, assignment or otherwise), ownership and use for investment any and all properties and other assets of every kind and description.

On June 2, 2014, the Board of Directors of the Company approved a plan to take on the gaming business and interests of Belle Corporation (the “Investment Plan”). In line with this, the Company was authorized:

- a. To sell to Belle its non-gaming related assets consisting of the following:
  - Membership shares in Tagaytay Midlands Golf Club, Inc.
  - A lot with gross area of 4,348 square meters located within the Aseana Business Park at the Manila Bay Reclamation Area.
  - Several parcels of land in The Parks at Saratoga Hills within the Tagaytay Highlands Complex.
  - Undeveloped land located in the City of Tanauan, Province of Batangas.
- b. To acquire from Belle the following:
  - 100% ownership interest in PremiumLeisure and Amusement, Inc. (“PLAI”) for a consideration of ₱10,847.8 million; and
  - 34.5% ownership interest in Pacific Online Systems Corporation (“POSC”) for a consideration of ₱1,525.0 million.
- c. To execute a Memorandum of Agreement (Second Amendment Agreement to the Settlement Agreement dated August 28, 2009) for the redemption of 1,000,000,000 preferred shares by Belle for a cash consideration of ₱1,000.0 million.

On July 24, 2014, the transfer of the above assets were completed.

On June 20, 2014, Belle and PLC entered into a Subscription Agreement for 24,700,000,000 common shares of PLC at a subscription price of ₱0.369 per share or a total subscription of ₱9,114,300,000 thereby increasing Belle's ownership interest in PLC to 90%. Subscription payments were received in July 2014.

On July 18, 2014, PLC's Board of Directors 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.

### **Material acquisitions of investments**

The Company has invested in various companies as follows:

1. 100% Equity Investment in Premium Leisure and Amusement, Inc. (“PLAI”)

PLAI is a co-grantee together with Belle Corporation 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 of 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 Corp., 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 Corporation, 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:

#### **Fees payable to PLAI**

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, 1,700 slot machines and 1,700 electronic gaming tables. As of December 31, 2017, City of Dreams Manila boasts of 274 gaming tables, 1,754 slot machines and 158 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 950 hotel rooms from 6 towers within its vicinity. Nuwa has approximately 260 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 three entertainment areas, including DreamPlay by DreamWorks, a one-of-a-kind entertainment for the whole family, Centerplay, the central lounge in the casino that features live performances and its night club, Chaos.

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

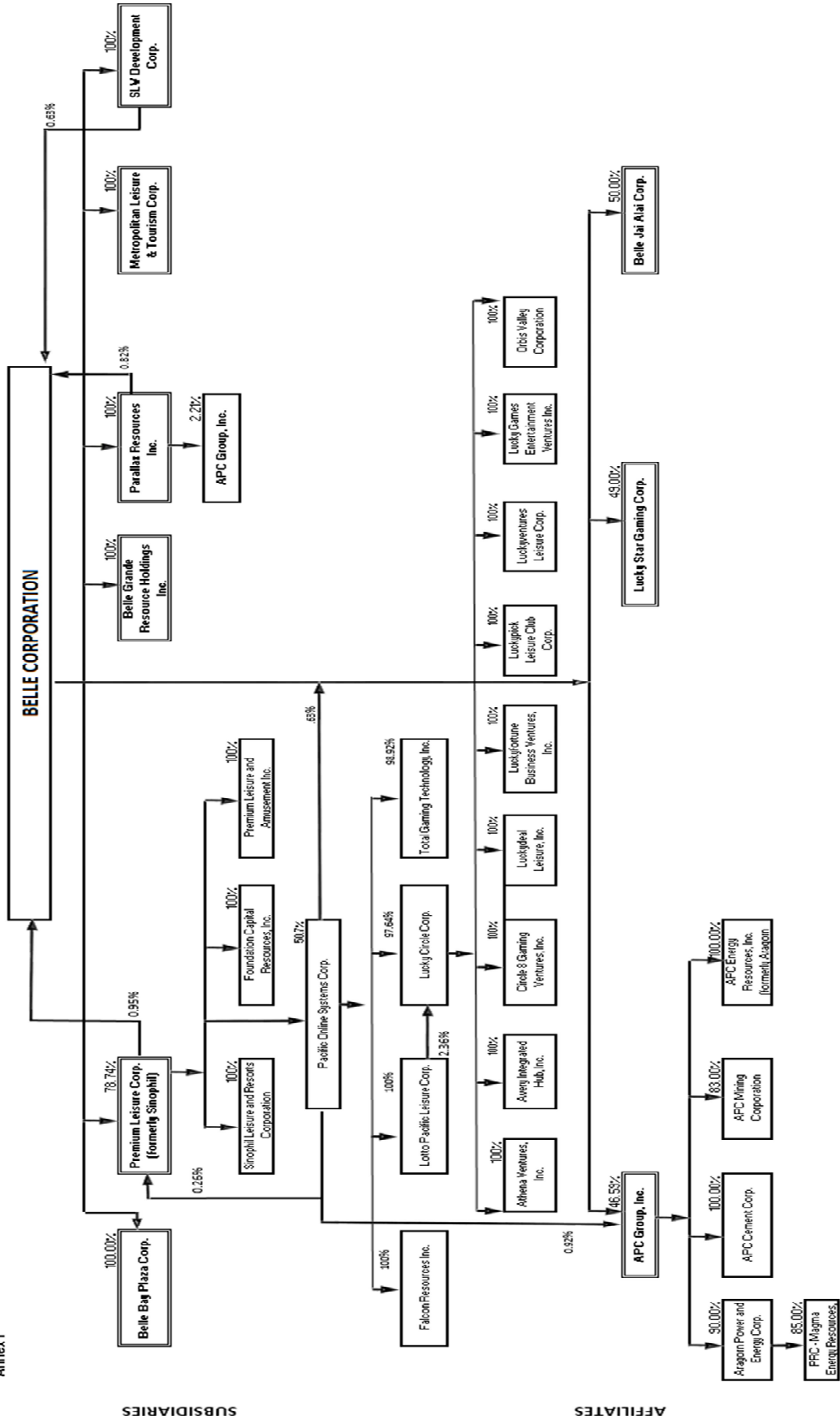
*In Macau, it operates its superbly designed and managed facilities through its subsidiary Melco Resorts (Macau) Limited, one of the only six companies granted concessions or subconcessions to operate casinos in Macau. In Manila, the City of Dreams Manila opened its doors to the public in December 2014 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 ("LOTO")

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. It has been consistently profitable since its fiscal year 2002.

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. ("POSC"), 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, 2017, PLC has 50.1% ownership in POSC issued shares, with a total of 224,280,403 shares.



## Revenues

The following are the major revenue and income items in 2017 and 2016:

Year ended December 31 (Php)	2017		2016	
	Amount	% to total	Amount	% to total
Gaming revenue share	2,609,352,639	53%	1,642,976,365	47%
Equipment lease rentals	1,840,520,991	37%	1,579,660,972	45%
Commission, distribution and instant scratch tickets	479,472,385	10%	308,438,496	9%
<b>Total</b>	<b>4,929,346,015</b>	<b>100%</b>	<b>3,531,075,833</b>	<b>100%</b>

## 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. PremiumLeisure & Amusement Inc. ("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. Pacific Online Systems Corporation ("POSC"), leases on-line betting equipment to the PCSO for their lottery operations in the Visayas and Mindanao regions for lotto and nationwide for KENO. PLC owns a controlling interest of 50.1% of issued shares of Pacific Online, which is a publicly-listed company.

## 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, which commenced casino operations on December 30, 2016. Travelers has also broken ground on its planned Resorts World Bayshore project in PAGCOR City, with the opening thereof reportedly estimated 2019.

*Lottery equipment leasing, distribution and retail business:* POSC, PLC's subsidiary, expects that the aggressive push for small town lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas will provide competition to its online lotto revenues. However, management believes that POSC has no competition with its online KENO games that appeals to a different market segment and its wide distribution network of selling varied lottery tickets nationwide.

## 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.

POSC experienced some opposition from the Local Government Unit (LGU) officials in certain VISMIN areas during its introductory phase. Future opposition from government officials in certain areas is difficult to predict. Any opposition may hinder or slowdown the opening of other untapped areas in VISMIN for lotto and keno outlets. Any incidence of, or a perception of political resistance may adversely affect POSC's business and financial growth.

### **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.

In order to mitigate the risks mentioned above, the Company 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.

### **Risks relating to the Equipment Lease Agreement (ELA) of POSC with PCSO**

Any subsequent amendments to the Company's ELA with PCSO may affect POSC's future results of operations. More importantly, the term of POSC's ELA with PCSO shall terminate by the year 2018. In the event that the ELA's term is not extended, POSC will stop generating revenues from PCSO's online lotto operations.

While POSC relied on lotto revenues in the past, it is expected that presence of other gaming-related business will support the Company's earnings stream.

### **Sources and availability of raw materials and the names of principal suppliers.**

Not Applicable.

### **Customers**

POSC, a subsidiary in which PLC has a 50.7% stake, 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 in the Vis-Min regions.

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.

### **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.

#### ***ELA between POSC and PCSO***

POSC has an ELA with PCSO for the lease of not less than 800 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 for its Visayas-Mindanao (VISMIND) operations for a period of eight years from April 1, 2005 to March 31, 2013.

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.

*2012 Amended ELA.* On May 22, 2012, the POSC and PCSO amended some provisions of the ELA which reduced the rental fee for the VISMIND operations and included the lease of lotto terminals and supply of betting slips and ticket paper rolls in some of PCSO's Luzon operations for additional lease fee effective June 1, 2012 until March 31, 2013, which is concurrent with the ELA expiry. The amendment also incorporated the fee for maintenance and repair services as part of the rental fee and provided PCSO an option to purchase the equipment related to its VISMIND operations at the end of the lease period for ₱15.0 million.

*2013 Amended ELA.* On March 26, 2013, the POSC and PCSO further amended some provisions of the ELA which extended it from March 31, 2013 to July 31, 2015. In lieu of the PCSO option to purchase the equipment related to its VISMIND operations, POSC agreed to reduce the rental fee on the lotto terminals for the VISMIND operations and shoulder the cost of betting slips and ticket paper rolls for the PCSO's Luzon and VISMIND operations. The amendment also incorporated the fee for the supply of betting slips and ticket paper rolls for the PCSO's Luzon operations as part of the rental fee.

*2015 Amended ELA.* In 2015, the POSC and PCSO further amended some provisions of the ELA which extended it from August 1, 2015 to July 31, 2018. The amendment also required POSC to deposit an additional ₱5.0 million cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals.

#### ***Instant Scratch Tickets***

On March 25, 2009, POSC entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO for the printing, distribution and sale of scratch tickets effective December 1, 2009. The share of PCSO is guaranteed for every 500 million tickets sold for a period of seven years from the date of the MOA's effectivity. The MOA requires a cash bond to be deposited in an



interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA.

On March 31, 2015, POSC entered into an OMOA with PGEC for the authorization of PGEC as the exclusive marketing, distribution, selling and collecting agent of POSC throughout the Philippines. The agreement took effect on April 1, 2015 and shall remain effective as long as the MOA with PCSO or any extension thereof shall be effective.

PGEC agreed to assume POSC's commitment to PCSO to solely shoulder the project cost for the Instant Scratch Ticket program, which consists of the costs of production, distribution, warehousing, printing, handling, software and hardware maintenance, advertising, marketing, selling and other related expenses necessary to totally dispose of all instant tickets. PGEC is entitled to all the revenues, sums and proceeds from the Instant Scratch Tickets beginning April 1, 2015, and shall be obligated to shoulder the pay-outs for all winnings from said tickets sold beginning April 1, 2015. In consideration for the OMOA, PGEC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting April 2015.

POSC shall continue to pay the share of PCSO and the cash bond pursuant to the MOA, however, PGEC agreed to guarantee payment of the share of PCSO to POSC beginning April 2015. An existing consultancy agreement between POSC and PGEC for the scratch ticket operations was immediately terminated upon execution of the OMOA. The MOA with POSC expired on November 30, 2016 and the OMOA with PGEC also expired accordingly. All tickets distributed to the retailers and agents, shall be allowed to be marketed continuously until fully sold and the corresponding winnings thereof shall be honored and paid even after the period of the MOA with PCSO.

#### ***ELA between TGTI and PCSO***

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's "Online KENO" games. The lease is for a period of ten (10) years commencing on October 1, 2010, the date of actual operation of at least 150 "Online KENO" outlets. The rental fee, presented as "Equipment rental" in the consolidated statements of income, is based on a percentage of the gross sales of the "Online KENO" terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. The ELA may be extended and/or renewed upon the mutual consent of the parties.

On July 15, 2008, TGTI and PCSO agreed on some amendments to the ELA. Under the terms of the Amended ELA, TGTI shall provide the services of telecommunications integrator and procure supplies for the "Online KENO" operations of PCSO in Luzon and VISMIN areas. In consideration for such services, PCSO shall pay additional fee based on a certain percentage of the gross sales from all "Online KENO" terminals in operation in Luzon and VISMIN areas computed by PCSO and payable bi-weekly. As at December 31, 2017 and 2016, there are 2,400 and 2,020 "Online KENO" terminals in operation, respectively.

#### **Effect of existing or probable governmental regulations on the business.**

The Company is in compliance with all government requirements necessary for its operations.

PLC's gaming business are subject to certain laws and regulations. As discussed above, PLAI holds a License granted to it by PAGCOR for the operation of integrated resorts while POSC holds an ELA with the PCSO for the operation of on-line lottery system in the Visayas-Mindanao regions.

Future government regulations are perceived to have no material impact to the normal operations of the Company.

## **Item 2. Properties**

The Company has real estate property recorded as noncurrent asset held for sale. This pertains to an undeveloped land in the City of Tanauan, Province of Batangas, amounting to ₱285.5 million. These properties are not subject to mortgage, lien and encumbrances.

## **Item 3. Legal Proceedings**

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 Philippine Stock Exchange ("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**

<b>2017</b>	<b>High</b>	<b>Low</b>
First Quarter	1.60	1.16
Second Quarter	1.66	1.47
Third Quarter	1.70	1.53
Fourth Quarter	1.64	1.26
 <b>2016</b>	 <b>High</b>	 <b>Low</b>
First Quarter	1.00	0.44
Second Quarter	1.24	0.81
Third Quarter	1.22	0.84
Fourth Quarter	1.20	0.99

As of **December 31, 2017**, PLC's market capitalization on 31,627,310,000 shares listed in the PSE amounted to **₱42,696,868,500.00** based on the closing price of **₱1.35** per share.

## Security Holders

The number of shareholders of record as of December 31, 2017 was 368. Common shares outstanding as of December 31, 2017 were 31,627,310,000.

### Top 20 shareholders as of December 31, 2017:

Rank	Name	Citizenship	Shares	Percentage of Ownership
1	BELLE CORPORATION	FILIPINO	24,904,904,324	78.745
2	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	5,610,589,600	17.740
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHERS	799,042,635	2.526
4	SYSMART CORPORATION	FILIPINO	128,270,000	0.406
5	SYNTRIX HOLDINGS, INC.	FILIPINO	74,040,000	0.234
6	WILLY NG OCIER AND/OR GERALDINE ESCOLAR YU OCIER	FILIPINO	22,000,000	0.070
7	WILLY NG OCIER	FILIPINO	16,888,000	0.053
8	PARKORAM DEVELOPMENT LIMITED	OTHERS	14,264,119	0.045
9	OSCAR S. CU ITF ANTHONY CU	FILIPINO	10,430,000	0.033
10	OSCAR S. CU	FILIPINO	9,070,000	0.029
11	PARALLAX RESOURCES, INC.	FILIPINO	4,570,300	0.014
12	GILBERT DEE	FILIPINO	2,600,000	0.008
13	WASHINGTON Z. SYCIP	AMERICAN	1,597,000	0.005
14	ALEXANDER AUSTRIA &/OR DOMINICA AUSTRIA	FILIPINO	1,520,000	0.005
15	AUGUSTO LITONJUA &/OR LUIS SALVADOR	FILIPINO	1,520,000	0.005
16	CAI CHANG CHU	CHINESE	1,400,000	0.004
17	LEONCIO TAN TIU	FILIPINO	1,300,000	0.004
18	ELIZABETH CHENG	FILIPINO	1,100,000	0.003
19	WILLIAM T. GABALDON	FILIPINO	1,000,000	0.003
20	MARY ANGELI F. BASILIO	FILIPINO	850,000	0.003

## Dividends

The Company's Board of Directors approved on February 23, 2018 the declaration of cash dividends of ₱0.04391 per share for a total cash dividend payment to its common shareholders of approximately ₱1,388.8 million payable on March 23, 2018 to shareholders of record as of March 9, 2018.

In 2017, the Company declared and paid cash dividends of ₱0.0281 per share for a total cash dividend payment to its common shareholders of approximately ₱888 million. This was paid on March 23, 2017 to shareholders of record as of March 10, 2017.

In 2016, the Company declared and paid cash dividends of ₱0.0215 per share for a total cash dividend payment to its common shareholders of approximately ₱680 million. This was paid on March 23, 2016 to shareholders of record as of March 10, 2016.

In 2015, the Company declared and paid cash dividends of ₱0.022 per share for a total cash dividend payment to its common shareholders of approximately ₱700 million. This was paid on April 17, 2015 to shareholders of record as of March 20, 2015.

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.

## Dividend Policy

The Board of Directors adopted, as a matter of policy, that the Corporation 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.

**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

### Analysis of Results of Operations and Financial Condition – 2017 compared to 2016

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease)		2017	2016
			Amount	%		
<b>REVENUE</b>						
Gaming revenue share	2,609,352,639	1,642,976,365	966,376,274	59%	53%	47%
Equipment lease rentals	1,840,520,991	1,579,660,972	260,860,019	17%	37%	45%
Commission and distribution income	479,472,385	308,438,496	171,033,889	55%	10%	9%
	<b>4,929,346,015</b>	<b>3,531,075,833</b>	<b>1,398,270,182</b>	<b>40%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Cost of services	1,539,038,409	1,238,853,192	300,185,217	24%	31%	35%
General and administrative expenses	1,018,683,377	561,531,251	457,152,126	81%	21%	16%
Amortization of intangible asset	238,472,484	324,769,436	(86,296,952)	-27%	5%	9%
	<b>2,796,194,270</b>	<b>2,125,153,879</b>	<b>671,040,391</b>	<b>32%</b>	<b>57%</b>	<b>60%</b>
<b>OTHER INCOME (EXPENSES)</b>						
Interest income	75,918,013	47,139,103	28,778,910	61%	2%	1%
Dividend income	20,927,342	24,616,646	(3,689,304)	-15%	0%	1%
Finance charges	(10,859,855)	(12,748,505)	1,888,650	-15%	0%	0%
Other expense - net	19,006,861	(24,228,217)	43,235,078	-178%	0%	-1%
	<b>104,992,361</b>	<b>34,779,027</b>	<b>70,213,334</b>	<b>202%</b>	<b>2%</b>	<b>1%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>2,238,144,106</b>	<b>1,440,700,981</b>	<b>797,443,125</b>	<b>55%</b>	<b>45%</b>	<b>41%</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>						
Current	235,892,039	254,329,643	(18,437,604)	-7%	5%	7%
Deferred	(413,893)	28,271,202	(28,685,095)	-101%	0%	1%
	<b>235,478,146</b>	<b>282,600,845</b>	<b>(47,122,699)</b>	<b>-17%</b>	<b>5%</b>	<b>8%</b>
<b>NET INCOME</b>	<b>2,002,665,960</b>	<b>1,158,100,136</b>	<b>844,565,824</b>	<b>73%</b>	<b>41%</b>	<b>33%</b>
<b>Net Income Attributable to:</b>						
Equity holders of the parent	1,756,459,152	959,849,646	796,609,506	83%	36%	27%
Non-controlling interests	246,206,808	198,250,490	47,956,318	24%	5%	6%
	<b>2,002,665,960</b>	<b>1,158,100,136</b>	<b>844,565,824</b>	<b>73%</b>	<b>41%</b>	<b>33%</b>

PLC recognized full-year 2017 audited consolidated net income of Php2.0 billion, higher by 73% (or Php844.6 million) than the 2016 reported net income of Php1,158.1 million. Operating EBITDA (proxy for cash flow) for the year is at Php2.6 billion, 37% more than its reported EBITDA of Php1.9 billion in 2016.

The Company's consistent profitability enabled PLC to declare a regular dividend of Php0.04391 per share on February 23, 2018, for a total dividend payment of approximately Php1,388.8 million, payable on March 23, 2018 to shareholders of record as of March 9, 2018. This cash dividend is 56% higher than the dividends declared and paid in 2017.

2017 revenues increased considerably by 40% to Php4.9 billion from the 2016 revenues of Php3.5 billion due mostly to the following factors: 1) the growth in the gaming segments of City of Dreams Manila contributed Php2.6 billion in gaming revenue share, up by 59% versus Php1.6 billion recognized in 2016; 2) the improvement in the sales of lotto and keno tickets for 2017 provided Php1,840.5 million in equipment lease rental revenues, increasing by 17% versus the prior year's revenues of Php1,579.7 million; and 3) higher commission and distribution income by 55% or Php171.0 million.

Costs and expenses increased by Php671.0 million in 2017 due to the increase in costs of services directly attributable to the Company's gaming share revenue, equipment lease rentals, commission, distribution and instant scratch tickets income and the increase in general and administrative expenses.

## Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease)		2017	2016
			Amount	%		
<b>NET INCOME</b>	<b>2,002,665,960</b>	<b>1,158,100,136</b>	<b>844,565,824</b>	<b>73%</b>	<b>41%</b>	<b>33%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>						
Mark-to-market gains (losses) on available-for-sale financial assets	<b>132,500,049</b>	62,197,638	70,302,411	113%	3%	2%
Realized loss transferred to profit or loss	<b>31,647,929</b>	-	31,647,929	100%	1%	0%
Remeasurement gain (loss) on net retirement benefits - net of tax	<b>1,248,964</b>	(496,546)	1,745,510	-352%	0%	0%
	<b>165,396,942</b>	61,701,092	103,695,850	168%	3%	2%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>2,168,062,902</b>	<b>1,219,801,228</b>	<b>948,261,674</b>	<b>78%</b>	<b>44%</b>	<b>35%</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the parent	<b>1,873,300,753</b>	1,005,380,815	867,919,938	86%	38%	28%
Non-controlling interests	<b>294,762,149</b>	214,420,413	80,341,736	37%	6%	6%
	<b>2,168,062,902</b>	<b>1,219,801,228</b>	<b>948,261,674</b>	<b>78%</b>	<b>44%</b>	<b>35%</b>

PLC recognized comprehensive income of Php2.2 billion for 2017 versus Php1.2 billion in 2016. This is mainly due to a significantly higher net income realized for 2017 as well as the recovery of the share prices of its available-for-sale investments.

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 2017.

## Consolidated Statements of Financial Position

	December 31		Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease) Amount	%	2017	2016
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	2,962,635,687	1,811,503,962	1,151,131,725	64%	16%	11%
Investments held for trading	178,482,842	165,990,214	12,492,628	8%	1%	1%
Receivables	700,656,306	731,760,497	(31,104,191)	-4%	4%	4%
Notes receivable	1,605,925,000	805,925,000	800,000,000	99%	9%	5%
Other current assets	205,657,568	164,427,432	41,230,136	25%	1%	1%
	5,653,357,403	3,679,607,105	1,973,750,298	54%	30%	22%
Noncurrent asset held for sale	285,510,452	285,510,452	-	0%	2%	2%
Total Current Assets	5,938,867,855	3,965,117,557	1,973,750,298	50%	32%	23%
<b>Noncurrent Assets</b>						
Intangible asset	9,668,071,971	9,906,544,455	(238,472,484)	-2%	52%	59%
Available-for-sale financial assets	648,597,890	657,377,802	(8,779,912)	-1%	3%	4%
Property and equipment	438,063,955	479,088,812	(41,024,857)	-9%	2%	3%
Goodwill	1,832,260,734	1,828,577,952	3,682,782	0%	10%	11%
Deferred tax assets	15,439,685	14,576,327	863,358	6%	0%	0%
Retirement asset	13,413,273	8,630,802	4,782,471	55%	0%	0%
Other noncurrent assets	79,307,906	47,879,065	31,428,841	66%	0%	0%
Total Noncurrent Assets	12,695,155,414	12,942,675,215	(247,519,801)	-2%	68%	77%
<b>TOTAL ASSETS</b>	<b>18,634,023,269</b>	<b>16,907,792,772</b>	<b>1,726,230,497</b>	<b>10%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	1,440,759,097	544,597,585	896,161,512	165%	8%	3%
Current portion of obligations under finance lease	39,488,510	47,698,388	(8,209,878)	-17%	0%	0%
Income tax payable	29,434,444	43,000,753	(13,566,309)	-32%	0%	0%
Current portion of installment payable	2,680,828	-	2,680,828	100%	0%	0%
Total Current Liabilities	1,512,362,879	635,296,726	877,066,153	138%	8%	4%
<b>Noncurrent Liabilities</b>						
Obligation under finance lease	35,374,474	71,644,208	(36,269,734)	-51%	0%	0%
Retirement liability	17,479,083	12,549,700	4,929,383	39%	0%	0%
Installment payable	2,762,995	-	2,762,995	100%	0%	0%
Total Noncurrent Liabilities	55,616,552	84,193,908	(28,577,356)	-34%	0%	0%
Total Liabilities	1,567,979,431	719,490,634	848,488,797	118%	8%	4%
<b>Equity Attr to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	42%	47%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	39%	43%
Cost of parent company shares held by a subsidiary	(475,427,035)	(438,877,905)	(36,549,130)	8%	-3%	-3%
Other reserves	40,848,816	(75,992,785)	116,841,601	-154%	0%	0%
Retained earnings	1,604,112,304	727,181,016	876,931,288	121%	9%	4%
Total Equity Attr to Equity Holders of the Parent	16,315,083,509	15,357,859,750	957,223,759	6%	88%	91%
<b>Non-controlling Interests</b>						
Total Equity	17,066,043,838	16,188,302,138	877,741,700	5%	92%	96%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>18,634,023,269</b>	<b>16,907,792,772</b>	<b>1,726,230,497</b>	<b>10%</b>	<b>100%</b>	<b>100%</b>

As of December 31, 2017, PLC's total assets amounted to Php18,634.0 million, higher by Php1,726.2 million, or 10% versus total assets as at December 31, 2016. 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 64% (Php1,151.1 million) to Php2,962.6 million in 2017. This increase pertains to the collections of higher gaming revenue share, cash dividends from the Company's available for sale investments, interest income from banks and short-term investments, offset by the payment of dividends to shareholders in March 2017 and operating expenses.

#### Investments held for trading

Investments held for trading increased by 8% mainly due to additional investments for the year as well as 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 City of Dreams Manila's gaming share revenue as well as operational advances to customers, suppliers and employees. The Company recorded net decrease of 4% or Php31.1 million in receivables.

#### Intangible Asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). On April 1, 2016, the Company implemented a change in accounting estimate extending of the life of the intangible asset to concur with the term of PAGCOR's Congressional Franchise which is renewable for another twenty-five (25) years upon its expiration in 2033.

The decrease in the intangible asset account is brought about by the amortization of the intangible asset.

#### 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 Php41.0 million in the account compared to balances at December 31, 2016 due to the recognized depreciation 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. The increase in the account pertains to additional goodwill recognized by the Company upon LCC's acquisition of 100% ownership interest in the following nine entities engaged in lotto/keno outlets and retail of scratchit tickets.

#### Total Liabilities

Total liabilities increased by P848.5 million or 118% as at December 31, 2017 from total liabilities of Php719.5 million as at December 31, 2016. The increase is due mostly to the increase in trade and other payables related to POSC's operations as well as increased service fees related to the increase in gaming share revenue from City of Dreams Manila.

#### Equity

Stockholders' equity increased by P877.7 million as of December 31, 2017 from Php16,907.8 million as of December 31, 2016. The increase was due mainly to the increase in retained earnings from the net income earned for the year, offset in part by the declaration and payment of dividends during the period worth approximately Php888 million. Minority interest is at Php751.0 million as at December 31, 2017.



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

Ratio	Manner in which the financial ratios are computed	December 31, 2017	December 31, 2016
Current ratio	Current assets divided by current liabilities	3.93 : 1.00	6.24 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	11.27%	6.95%
Return on equity	Net income (loss) divided by average total equity during the period	12.04%	7.22%
Asset to equity	Total assets divided by total equity	1.09 : 1.00	1.04 : 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, tax, depreciation and amortization divided by interest expense	239.15	149.19

The current ratio of the Company decreased in 2017 from 6.24 to 3.93. This is mainly brought about by the increase in current liabilities for 2017. Despite the increase in current assets of 50%, the increase in current liabilities of 138% contributed to a lower current ratio.

Return on assets (from 6.95% to 11.27%) and return on equity (from 7.22% to 12.04%) significantly improved in 2017. This is mainly because of the 73% increase in net income for 2017 compared with previous year. Net income in 2017 amounted to Php2.0 billion in 2017 versus Php1.2 billion in 2016.

Interest-bearing debt refers to obligations under finance lease of lottery equipment of POSC. These are minimal compared with the Company's total equity.

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, 2017, 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

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

## **Analysis of Results of Operations and Financial Condition – 2016 compared to 2015**

### **Consolidated Statements of Income**

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2016	2015	Increase (Decrease)		2016	2015
			Amount	%		
<b>REVENUE</b>						
Gaming revenue share	1,642,976,365	756,237,939	886,738,426	117%	47%	51%
Equipment lease rentals	1,579,660,972	630,926,248	948,734,724	150%	45%	43%
Commission and instant scratch tickets	308,438,496	88,400,678	220,037,818	249%	9%	6%
	<b>3,531,075,833</b>	<b>1,475,564,865</b>	<b>2,055,510,968</b>	<b>139%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Cost of services	1,238,853,192	388,947,906	849,905,286	219%	35%	26%
General and administrative expenses	561,531,251	257,399,862	304,131,389	118%	16%	17%
Amortization of intangible asset	324,769,436	563,277,634	(238,508,198)	-42%	9%	38%
	<b>2,125,153,879</b>	<b>1,209,625,402</b>	<b>915,528,477</b>	<b>76%</b>	<b>60%</b>	<b>82%</b>
<b>OTHER INCOME (EXPENSES)</b>						
Interest income	47,139,103	42,034,540	5,104,563	12%	1%	3%
Dividend income	24,616,646	31,770,513	(7,153,867)	-23%	1%	2%
Finance charges	(12,748,505)	(4,996,708)	(7,751,797)	155%	0%	0%
Equity in net earnings of an associate	-	75,525,743	(75,525,743)	-100%	0%	5%
Other expense - net	(24,228,217)	(2,355,705)	(21,872,512)	928%	-1%	0%
	<b>34,779,027</b>	<b>141,978,383</b>	<b>(107,199,356)</b>	<b>-76%</b>	<b>1%</b>	<b>10%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,440,700,981</b>	<b>407,917,846</b>	<b>1,032,783,135</b>	<b>253%</b>	<b>41%</b>	<b>28%</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>						
Current	254,329,643	186,833,985	67,495,658	36%	7%	13%
Deferred	28,271,202	(2,070,488)	30,341,690	-1465%	1%	0%
	<b>282,600,845</b>	<b>184,763,497</b>	<b>97,837,348</b>	<b>53%</b>	<b>8%</b>	<b>13%</b>
<b>NET INCOME</b>	<b>1,158,100,136</b>	<b>223,154,349</b>	<b>934,945,787</b>	<b>419%</b>	<b>33%</b>	<b>15%</b>
<b>Net Income Attributable to:</b>						
Equity holders of the parent	959,849,646	155,232,754	804,616,892	518%	27%	11%
Non-controlling interests	198,250,490	67,921,595	130,328,895	192%	6%	5%
	<b>1,158,100,136</b>	<b>223,154,349</b>	<b>934,945,787</b>	<b>419%</b>	<b>33%</b>	<b>15%</b>

PLC recognized full-year 2016 audited consolidated net income of Php1.2 billion, higher by 419% (or Php934.9 million) than 2015 net income of Php223.2 million. Operating EBITDA (proxy for cash flow) for the year is at Php1.9 billion, more than double than its reported EBITDA in 2015.

2016 revenues increased substantially by 139% to Php3.5 billion from 2015's revenues of Php1.5 billion due to mostly to the following factors: 1) the overall improvement in all the gaming segments of City of Dreams Manila contributed Php1.6 billion in gaming revenue share, up by 117% versus Php756.2 million recognized in 2015 and 2) the full-year consolidation of POSC in PLC contributed Php1.8 billion in revenues in 2016 from its equipment lease rentals as well as commission, distribution and instant scratch tickets income, showing a growth of 162% from prior year's Php719.3 million revenues for five months from August 2015.

Costs and expenses increased by Php915.5 million in 2016 mostly due to the increase in costs of services directly attributable to the Company's gaming share revenue, equipment lease rentals, commission, distribution and instant scratch tickets income, which increased substantially for the year. General and administrative expenses increased by Php304.1 million in 2016 mostly due to the full-year consolidation of POSC. Costs and expenses as a percentage to revenues has decreased to 60% from 82% in 2015, an indication of growth in the Company as well as continuous operational efficiency.

Equity in net earnings of an associate was not recognized in 2016 due to POSC's consolidation beginning in August 2015, wherein POSC became a subsidiary instead of an associate. This is the main reason for the decrease in the Company's other income.

## Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2016	2015	Increase (Decrease)		2016	2015
			Amount	%		
<b>NET INCOME</b>	<b>1,158,100,136</b>	<b>223,154,349</b>	<b>934,945,787</b>	<b>419%</b>	<b>33%</b>	<b>15%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>						
Mark-to-market gains (losses) on available-for-sale financial assets	<b>62,197,638</b>	(252,460,264)	314,657,902	-125%	2%	-17%
Share in mark-to-market loss on available-for-sale financial assets of an associate	-	(38,258,713)	38,258,713	-100%	0%	-3%
Remeasurement gain (loss) on net retirement benefits - net of tax	<b>(496,546)</b>	4,582,575	(5,079,121)	-111%	0%	0%
	<b>61,701,092</b>	(286,136,402)	347,837,494	-122%	2%	-19%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>1,219,801,228</b>	<b>(62,982,053)</b>	<b>1,282,783,281</b>	<b>-2037%</b>	<b>35%</b>	<b>-4%</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the parent	<b>1,005,380,815</b>	(105,673,078)	1,111,053,893	-1051%	28%	-7%
Non-controlling interests	<b>214,420,413</b>	42,691,025	171,729,388	402%	6%	3%
	<b>1,219,801,228</b>	<b>(62,982,053)</b>	<b>1,282,783,281</b>	<b>-2037%</b>	<b>35%</b>	<b>-4%</b>

PLC recognized comprehensive income of Php1.2 billion for 2016 versus comprehensive loss of Php63.0 million in 2015. This is mainly due to a significantly higher net income realized for 2016 as well as the recovery of the share prices of its available-for-sale investments.

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 2016.

## Consolidated Statements of Financial Position

	December 31		Horizontal Analysis		Vertical Analysis	
	2016	2015	Increase (Decrease) Amount	%	2016	2015
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1,811,503,962	1,187,556,503	623,947,459	53%	11%	7%
Investments held for trading	165,990,214	226,746,690	(60,756,476)	-27%	1%	1%
Receivables	731,760,497	509,585,194	222,175,303	44%	4%	3%
Notes receivable	805,925,000	805,925,000	-	0%	5%	5%
Other current assets	164,427,432	131,884,988	32,542,444	25%	1%	1%
	3,679,607,105	2,861,698,375	817,908,730	29%	22%	17%
Noncurrent asset held for sale	285,510,452	285,510,452	-	0%	2%	2%
Total Current Assets	3,965,117,557	3,147,208,827	817,908,730	26%	23%	19%
<b>Noncurrent Assets</b>						
Intangible asset	9,906,544,455	10,231,313,891	(324,769,436)	-3%	59%	62%
Available-for-sale financial assets	657,377,802	586,543,893	70,833,909	12%	4%	4%
Property and equipment	479,088,812	544,628,438	(65,539,626)	-12%	3%	3%
Goodwill	1,828,577,952	1,828,577,952	-	0%	11%	11%
Deferred tax assets	14,576,327	42,261,133	(27,684,806)	-66%	0%	0%
Retirement asset	8,630,802	10,731,917	(2,101,115)	-20%	0%	0%
Other noncurrent assets	47,879,065	50,731,752	(2,852,687)	-6%	0%	0%
Total Noncurrent Assets	12,942,675,215	13,294,788,976	(352,113,761)	-3%	77%	81%
<b>TOTAL ASSETS</b>	<b>16,907,792,772</b>	<b>16,441,997,803</b>	<b>465,794,969</b>	<b>3%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	544,597,585	365,772,706	178,824,879	49%	3%	2%
Current portion of obligations under finance lease	47,698,388	25,201,309	22,497,079	89%	0%	0%
Income tax payable	43,000,753	49,600,322	(6,599,569)	-13%	0%	0%
Total Current Liabilities	635,296,726	440,574,337	194,722,389	44%	4%	3%
<b>Noncurrent Liabilities</b>						
Obligation under finance lease	71,644,208	93,527,275	(21,883,067)	-23%	0%	1%
Retirement liability	12,549,700	18,638,266	(6,088,566)	-33%	0%	0%
Total Noncurrent Liabilities	84,193,908	112,165,541	(27,971,633)	-25%	0%	1%
Total Liabilities	719,490,634	552,739,878	166,750,756	30%	4%	3%
<b>Equity Attr to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	47%	48%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	43%	44%
Cost of parent company shares held by a subsidiary	(438,877,905)	(422,210,490)	(16,667,415)	4%	-3%	-3%
Other reserves	(75,992,785)	(121,523,954)	45,531,169	-37%	0%	-1%
Retained earnings	727,181,016	440,361,436	286,819,580	65%	4%	3%
Total Equity Attr to Equity Holders of the Parent	15,357,859,750	15,042,176,416	315,683,334	2%	91%	91%
<b>Non-controlling Interests</b>	<b>830,442,388</b>	<b>847,081,509</b>	<b>(16,639,121)</b>	<b>-2%</b>	<b>5%</b>	<b>5%</b>
Total Equity	16,188,302,138	15,889,257,925	299,044,213	2%	96%	97%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,907,792,772</b>	<b>16,441,997,803</b>	<b>465,794,969</b>	<b>3%</b>	<b>100%</b>	<b>100%</b>

As of December 31, 2016, PLC's total assets amounted to Php16,907.8 million, higher by Php465.8 million, or 3% versus total assets as at December 31, 2015. 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.

The 53% increase (Php623.9 million) in cash and cash equivalents pertains to the collections of higher gaming share for 2016, the receipt of cash dividends from the Company's available for sale investments, interest received from banks, short-term investments and loans receivable, offset by the payment of dividends to shareholders in March 2016 and the payments of expenses and fees.

### Investments held for trading

Investments held for trading decreased by 27% mainly due to sale of investments for the year as well as 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 City of Dreams Manila's gaming share revenue as well as operational advances to customers, suppliers and employees. The Company recorded net increase of 44% or Php222.2 million in receivables due to: 1) City of Dreams Manila recorded high gross gaming revenues for December 2016, thereby translating to higher gaming revenue share for PLC for the month, due to be collected on the following month and 2) Higher POSC receivables in line with the higher revenues.

### Intangible Asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). On April 1, 2016, the Company implemented a change in accounting estimate extending of the life of the intangible asset to concur with the term of PAGCOR's Congressional Franchise which is renewable for another twenty-five (25) years upon its expiration in 2033.

The decrease in the intangible asset account is brought about by the amortization of the license.

### 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 Php65.5 million in the account compared to balances at December 31, 2015 due to the recognized depreciation 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.

### Total Liabilities

PLCs total liabilities increased by P166.8 million or 30% as at December 31, 2016 from total liabilities of Php552.7 million as at December 31, 2015. The increase is due mostly to the increase in trade and other payables related to POSC's operations as well as increased service fees related to the increase in gaming share revenue from City of Dreams Manila.

### Equity

Stockholders' equity increased by P299.0 million as of December 31, 2016 from Php15,889.3 million as of December 31, 2015. The increase was due mainly to the increase in retained earnings from the net income earned for the year, offset in part by the declaration and payment of dividends during the period worth Php680 million. Minority interest is at Php830.4 million as at December 31, 2016.

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

Ratio	Manner in which the financial ratios are computed	December 31, 2016	December 31, 2015
Current ratio	Current assets divided by current liabilities	6.24 : 1.00	7.14 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	6.95%	1.38%
Return on equity	Net income (loss) divided by average total equity during the period	7.22%	1.41%
Asset to equity	Total assets divided by total equity	1.04 : 1.00	1.03 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.01 : 1.00	0.01 : 1.00
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	149.22	200.02

The current ratio of the Company decreased in 2016 from 7.14 to 6.24. This is mainly brought about by the increase in current liabilities for 2016 due to the consolidation of POSC. Despite the increase in current assets of 26%, the increase in current liabilities of 44% contributed to a lower current ratio. In spite of this, however, the current assets of the Company can more than adequately cover its current liabilities. In addition, the Company does not foresee any cash flow or liquidity problems over the next 12 months.

Return on assets (from 1.38% to 6.95%) and return on equity (from 1.41% to 7.22%) significantly improved in 2016. This is mainly because of the 419% increase in net income for 2016 compared to previous year. Net income in 2016 amounted to Php1.2 billion in 2016 versus Php223 million in 2015.

Interest-bearing debt refers to obligations under finance lease of lottery equipment of POSC. These are minimal compared with the Company's total equity. Earnings can cover interest charges 149.22 times for 2016.

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, 2016, 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

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

## Analysis of Results of Operation and Financial Condition – 2015 compared to 2014

### Consolidated Statements of Income

(Amounts in Peso, except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2015	2014	Increase (Decrease)		2015	2014
			Amount	%		
<b>REVENUE</b>						
Gaming revenue share	756,237,939	38,809,095	717,428,844	1849%	51%	100%
Equipment lease rentals	630,926,248	-	630,926,248	100%	43%	0%
Commission and instant scratch tickets	88,400,678	-	88,400,678	100%	6%	0%
	<b>1,475,564,865</b>	<b>38,809,095</b>	<b>1,436,755,770</b>	<b>3702%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Cost of services	356,598,224	12,075,317	344,522,907	2853%	24%	31%
General and administrative expenses	289,749,544	408,292,190	(118,542,646)	-29%	20%	1052%
Amortization of intangible asset	563,277,634	48,624,286	514,653,348	1058%	38%	125%
	<b>1,209,625,402</b>	<b>468,991,793</b>	<b>740,633,609</b>	<b>158%</b>	<b>82%</b>	<b>1208%</b>
<b>OTHER INCOME (EXPENSE)</b>						
Equity in net earnings of an associate	75,525,743	31,521,474	44,004,269	140%	5%	81%
Interest income	42,034,540	6,465,350	35,569,190	550%	3%	17%
Dividend income	31,770,513	1,999,754	29,770,759	1489%	2%	5%
Finance charges	(4,996,708)	-	(4,996,708)	-100%	0%	0%
Gain on sale of land	-	149,170,154	(149,170,154)	-100%	0%	384%
Fair value change due to cancellation of swap agreement and sale of golf club shares	-	1,643,407,304	(1,643,407,304)	-100%	0%	4235%
Share in cumulative translation adjustments of available-for-sale financial assets	(2,355,705)	(58,318,988)	55,963,283	-96%	0%	-150%
	<b>141,978,383</b>	<b>1,774,245,048</b>	<b>(1,632,266,665)</b>	<b>-92%</b>	<b>10%</b>	<b>4572%</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>407,917,846</b>	<b>1,344,062,350</b>	<b>(936,144,504)</b>	<b>-70%</b>	<b>28%</b>	<b>3463%</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 27)						
Current	186,833,985	5,117,366	181,716,619	3551%	13%	13%
Deferred	(2,070,488)	-	(2,070,488)	-100%	0%	0%
	<b>184,763,497</b>	<b>5,117,366</b>	<b>179,646,131</b>	<b>3511%</b>	<b>13%</b>	<b>13%</b>
<b>NET INCOME (LOSS)</b>	<b>223,154,349</b>	<b>1,338,944,984</b>	<b>(1,115,790,635)</b>	<b>-83%</b>	<b>15%</b>	<b>3450%</b>
<b>Attributable to:</b>						
Equity holders of the parent	155,232,754	1,338,944,984	(1,183,712,230)	-88%	11%	3450%
Non-controlling interests	67,921,595	-	67,921,595	100%	5%	0%
	<b>223,154,349</b>	<b>1,338,944,984</b>	<b>(1,115,790,635)</b>	<b>-83%</b>	<b>15%</b>	<b>3450%</b>

PLC recognized full-year audited consolidated Earnings before interest, income taxes, depreciation and amortization (EBITDA) of P1.0 billion for 2015. Full year consolidated net income is at P223.2 million for 2015.

2015 revenues increased substantially due to the full-year operations of City of Dreams - Manila from which the Company receives gaming revenue share. Since its opening in December 2014, City of Dreams is now a significant player in the gaming industry. Gaming revenue share for 2015 amounted to P756.2 million, versus the reported share in 2014 of P38.8 million. The consolidation of POSC in PLC also contributed to the significant increase in revenue by about P719.3 million. On August 5, 2015, PLC acquired additional shares of POSC, resulting in an overall ownership of 50.1%. This resulted in the consolidation of the financials of POSC, contributing higher revenues in terms of equipment lease rentals, commission, distribution and instant scratch tickets revenues.

Costs and expenses increased by P740.6 million compared with 2014 figures due to: (a) higher cost of services in 2015 amounting to P356.6 million (these are costs directly associated with the Company's gaming revenue share and equipment lease rentals) (b) full-year effect of amortization of intangible asset amounting to P563.3 million in 2015 from P48.6 million in 2014, and (c) the above increases are partially offset by lower general and administrative expenses which decreased by P118.5 million in 2015 due mainly to higher recognized expenses in 2014, specifically related to provision for doubtful accounts.

Full year net income of P223.2 million for 2015 decreased from 2014 reported net income of P1,338.9 million. 2014 performance includes one-off transactions resulting to other income amounting to P1,792.6 million due to corporate re-organization that the Company had

undertaken which resulted to the acquisition of gaming businesses and sale of non-gaming-related assets.

### Consolidated Statements of Comprehensive Income

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2015	2014	Increase (Decrease) Amount	%	2015	2014
<b>NET INCOME (LOSS)</b>	<b>223,154,349</b>	<b>1,338,944,984</b>	<b>(1,115,790,635)</b>	<b>-83%</b>	<b>15%</b>	<b>3450%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>						
Mark-to-market gains (losses) on available-for-sale financial assets	(252,460,264)	23,420,369	(275,880,633)	-1178%	-17%	60%
Share in mark-to-market loss on available-for-sale financial assets of an associate	(38,258,713)	-	(38,258,713)	-100%	-3%	0%
Fair value change due to recovery of previous impairment of available-for-sale financial assets	-	1,643,407,304	(1,643,407,304)	-100%	0%	4235%
Recycling of fair value change due to cancellation of swap agreement and sale of golf club shares	-	(1,643,407,304)	1,643,407,304	-100%	0%	-4235%
Recycling of share in cumulative translation adjustments of investment in an associate	-	58,318,988	(58,318,988)	100%	0%	150%
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Remeasurement gain on net retirement benefits - net of tax	4,582,575	-	4,582,575	100%	0%	0%
Share in remeasurement loss on net retirement benefits of an associate - net of tax	-	(3,989,546)	3,989,546	-100%	0%	-10%
	(286,136,402)	77,749,811	(363,886,213)	-468%	-19%	200%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(62,982,053)</b>	<b>1,416,694,795</b>	<b>(1,479,676,848)</b>	<b>-104%</b>	<b>-4%</b>	<b>3650%</b>
<b>Total comprehensive income (loss) attributable to:</b>						
Equity holders of the parent	(105,673,078)	1,416,694,795	(1,522,367,873)	-107%	-7%	3650%
Non-controlling interests	42,691,025	-	42,691,025	100%	3%	0%
	(62,982,053)	1,416,694,795	(1,479,676,848)	-104%	-4%	3650%

Comprehensive loss in 2015 is at ₱63.0 million, compared with comprehensive income in 2014 of ₱1,416.7 million mainly due to the lower net income for 2015 as well as the higher mark-to-market loss on AFS investments that were recorded as part of other comprehensive loss.



## Consolidated Statements of Financial Position

	December 31		Horizontal Analysis		Vertical Analysis	
	2015	2014	Increase (Decrease) Amount	%	December 31 2015	2014
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1,187,556,503	2,692,121,573	(1,504,565,070)	-56%	7%	17%
Investments held for trading	226,746,690	-	226,746,690	100%	1%	0%
Receivables	509,585,194	57,771,668	451,813,526	782%	3%	0%
Notes receivable	805,925,000	-	805,925,000	100%	5%	0%
Other current assets	131,884,988	28,849	131,856,139	457056%	1%	0%
Noncurrent asset held for sale	285,510,452	285,510,452	-	0%	2%	2%
<b>Total Current Assets</b>	<b>3,147,208,827</b>	<b>3,035,432,542</b>	<b>111,776,285</b>	<b>4%</b>	<b>19%</b>	<b>19%</b>
<b>Noncurrent Assets</b>						
Intangible asset	10,231,313,891	10,794,591,525	(563,277,634)	-5%	62%	68%
Available-for-sale financial assets	586,543,893	489,801,169	96,742,724	20%	4%	3%
Investment in an associate	-	1,552,566,238	(1,552,566,238)	-100%	0%	10%
Property and equipment	544,628,438	383,800	544,244,638	141804%	3%	0%
Goodwill	1,828,577,952	-	1,828,577,952	100%	11%	0%
Deferred tax asset	42,261,133	-	42,261,133	100%	0%	0%
Other noncurrent assets	61,463,669	85,498	61,378,171	71789%	0%	0%
<b>Total Noncurrent Assets</b>	<b>13,294,788,976</b>	<b>12,837,428,230</b>	<b>457,360,746</b>	<b>4%</b>	<b>81%</b>	<b>81%</b>
<b>TOTAL ASSETS</b>	<b>16,441,997,803</b>	<b>15,872,860,772</b>	<b>569,137,031</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	365,772,706	79,141,507	286,631,199	362%	2%	0%
Current portion of obligations under finance lease	25,201,309	-	25,201,309	100%	0%	0%
Income tax payable	49,600,322	4,812,080	44,788,242	931%	0%	0%
<b>Total Current Liabilities</b>	<b>440,574,337</b>	<b>83,953,587</b>	<b>356,620,750</b>	<b>425%</b>	<b>3%</b>	<b>1%</b>
<b>Noncurrent Liabilities</b>						
Obligation under finance lease	93,527,275	-	93,527,275	-	-	-
Retirement liability	18,638,266	1,047,500	17,590,766	1679%	0%	0%
<b>Total Noncurrent Liabilities</b>	<b>112,165,541</b>	<b>1,047,500</b>	<b>111,118,041</b>	<b>10608%</b>	<b>1%</b>	<b>0%</b>
<b>Total Liabilities</b>	<b>552,739,878</b>	<b>85,001,087</b>	<b>467,738,791</b>	<b>550%</b>	<b>3%</b>	<b>1%</b>
<b>Equity Attributable to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	48%	50%
Additional paid-in capital	7,238,721,924	6,946,201,779	292,520,145	4%	44%	44%
Subscription receivable	-	(185,480,975)	185,480,975	-100%	0%	-1%
Cost of parent company shares held by a subsidiary	(422,210,490)	-	(422,210,490)	-100%	-3%	0%
Other reserves	(121,523,954)	139,381,879	(260,905,833)	-187%	-1%	1%
Retained earnings	440,361,436	980,929,502	(540,568,066)	-55%	3%	6%
<b>Total Equity</b>	<b>15,042,176,416</b>	<b>15,787,859,685</b>	<b>(745,683,269)</b>	<b>-5%</b>	<b>91%</b>	<b>99%</b>
<b>Non-controlling Interests</b>	<b>847,081,509</b>	<b>-</b>	<b>847,081,509</b>	<b>100%</b>	<b>5%</b>	<b>0%</b>
<b>Total Equity</b>	<b>15,889,257,925</b>	<b>15,787,859,685</b>	<b>101,398,240</b>	<b>1%</b>	<b>97%</b>	<b>99%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,441,997,803</b>	<b>15,872,860,772</b>	<b>569,137,031</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>

Total assets increased by ₱569.1 million (4%) to ₱16,442.0 million as of December 31, 2015 from ₱15,827.9 million as of December 31, 2014. This increase was mainly brought about by the consolidation of POSC in 2015, which contributed to significant increases in the Company's receivables, investments (both marketable securities and AFS) and property and equipment. Goodwill of ₱1,828.6 million was recognized as a result of the acquisition of controlling interest in POSC, accounted for using the pooling of interest method. Meanwhile, intangible asset decreased by ₱563.3 million in 2015 due to amortization for the year.

Total liabilities amounted to ₱552.7 million in 2015, up by 550% from 2014's ₱85.0 million amount. This increase was also mainly brought about by the consolidation of POSC's financials with PLC. The increase in income tax payable for 2015 is mainly due to the higher revenues recorded for the year versus the previous year, resulting to relatively higher taxes.

Stockholders' equity amounted to ₱15,889.3 million as of December 31, 2015. This increased by ₱101.4 million from 2014. Changes in stockholders' equity include an increase in additional paid-in capital by ₱292.5 million mostly due to the effect of the pooling method in consolidating POSC, ₱422.2 million in treasury shares held by a subsidiary, full payment in 2015 of subscription receivable amounting to ₱185.5 million, a decrease in other reserves by ₱260.9 million brought about mainly by the mark-to-market losses in AFS. Retained earnings for 2015 is also lower by ₱540.6 million versus 2014 due to the ₱695.8 million dividends declared and

paid during the year offset by the ₱223.2 million net income (of which ₱155.2 million is attributable to the parent company) recognized for the year.

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

Ratio	Manner in which the financial ratios are computed	December 31, 2015	December 31, 2014
Current ratio	Current assets divided by current liabilities	7.14 : 1.00	7.14 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	1.38%	14.93%
Return on equity	Net income (loss) divided by average total equity during the period	1.41%	15.20%
Asset to equity	Total assets divided by total equity	1.03 : 1.00	1.01 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.01 : 1.00	Not applicable
Interest rate coverage	Earnings before interest and taxes divided by interest expense	200.02	Not applicable

The current ratio of the Company decreased for 2015 from 32.76 to 7.14. This is mainly brought about by the increase in current liabilities for 2015 due to the consolidation of POSC. Despite the increase in current assets of 14%, the increase in current liabilities of 425% affects the current ratio heavily. In spite of this, however, the current assets of the Company can more than adequately cover its current liabilities. In addition, the Company does not foresee any cash flow or liquidity problems over the next 12 months.

Return on assets (from 14.93% to 1.38%) and return on equity (from 15.20% to 1.41%) also significantly declined in 2015. This is mainly because of the relatively lower net income recognized in 2015 versus 2014. 2014 recorded several one-off transactions due to the re-organization that contributed to the higher return on assets and return on equity in 2014.

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, 2015, 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

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

## Key Variables and other Qualitative and Quantitative Factors

The Company expects no material commitments for capital expenditures and expected funds in 2017. 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 Company'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 Company for professional services (excluding Value Added Tax) rendered by the external auditor for the audit of financial statements for the years ended 31 December 2017 and 2016 follow:

	(P000's omitted)
2017	P432.0
2016	400.0

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 Company'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 annual stockholder's meeting.

It reviews the audit coverage of the External Auditors and deliberates on their audit report prior to endorsement to the Board of Directors 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

No principal accountant or independent accountants of the registrant has resigned, was dismissed or has ceased to perform services during the two (2) most recent fiscal years or any subsequent interim period.

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

### Independent Public Accountants, External Audit Fees and Services

SyCip Gorres Velayo & Co. (“SGV”), the Company’s external auditors for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholder’s meeting. Representatives of SGV 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 SGV 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.

In Compliance with the SEC Memorandum Circular No. 8 Series of 2003, Mr. Juanito A. Fullecido was assigned in 2007 as SGV’s engagement partner for the Company, his assignment has ended after 2008-2009 audit engagement. SGV appointed Mr. Roel E. Lucas as the engagement partner for the Company from 2010-2011. In 2013 and 2012, SGV appointed Ms. Clairma T. Mangangey as the engagement partner for the Company. In 2014, SGV appointed Ms. Marydith C. Miguel as the engagement partner for the Company. In 2015 to 2017, SGV appointed Ms. Belinda T. Beng Hui as the partner-in-charge of the Company.

The Audit Committee recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approves the Audit Committee’s recommendation. The Executive Committee approves the audit fees as recommended by the Management Committee.

## 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 24, 2017 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	61	Chairman of the Board	Jun 25, 1999 - present
Armin Antonio B. Raquel-Santos	Filipino	50	President and Chief Executive Officer	Jul 18, 2014 – July 03, 2017 as EVP & COO July 01, 2017 – present, as President & CEO

Name	Citizenship	Age	Position	Period Served
Roman Felipe S. Reyes	Filipino	66	Independent Director	Jul 18, 2014 – present
A. Bayani K. Tan	Filipino	62	Director	Jun 23, 1998 – present
Joseph C. Tan	Filipino	60	Independent Director	Jul 18, 2014 – present
Juan Victor S. Tanjuatco	Filipino	71	Independent Director	Jul 18, 2014 – present
Exequiel P. Villacorta, Jr.	Filipino	72	Director	Jul 18, 2014 – present
Jackson T. Ongsip	Filipino	44	Chief Financial Officer	Apr 23, 2012 - present
Maria Neriza E. Cuevas	Filipino	35	Controller	Apr 25, 2016 - present
Elmer B. Serrano	Filipino	50	Corporate Secretary	Apr 27, 2015 - present
Arthur A. Sy	Filipino	48	Assistant Corporate Secretary	Jul 19, 2011 – present
Phil Ivan A. Chan	Filipino	35	Assistant Corporate Secretary	May 11, 2015 - present
Frederic C. DyBuncio*	Filipino	58	President & CEO	Jul 18, 2014 – Jun 30, 2017

\*Mr. DyBuncio resigned as President and CEO and was appointed as Adviser to the Board on July 01, 2017.

All of the incumbent members of the Board have been nominated for re-election by the Corporate Governance Committee.

#### **Willy N. Ocier**

Mr. Ocier, 61, is the Chairman of the Board and Director of Premium Leisure Corp., APC Group, Inc., PremiumLeisure and Amusement, Inc. and AbaCore Holdings Corp. and is concurrently one of the Co-Vice Chairpersons of Belle Corporation, and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. He is the Chairman and President of Pacific Online Systems Corporation, and Chairman, President & Chief Executive Officer of Philippine Global Communications, Inc. He is also the Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge, Inc. He sits as Director of Leisure and Resorts World Corporation, Vantage Equities, Philequity Management, Inc. Philequity Funds and Toyota Corporation Batangas.

He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.

#### **Armin Antonio B. Raquel-Santos**

Mr. Raquel-Santos, 50, is concurrently a Director, the President and Chief Executive Officer of PLC and PremiumLeisure and Amusement Inc. and the Executive Vice President – Integrated Resorts of Belle Corporation. He is also a Director of Pacific Online Systems Corporation, Tagaytay Highlands International Golf Club, Inc. and member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation. Formerly, he was Chief Financial Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II. His experience include stints with multinational companies such as Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York.

He 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.

#### **Roman Felipe S. Reyes**

Mr. Reyes, 66, a Certified Public Accountant, is the Chairman of Reyes Tacandong & Co. He serves as an Independent Director of Pakistan International Container Terminal Limited, Premium Leisure Corp., RPN 9, Philippine Geothermal Production Company, Pasudeco, All Asian Countertrade, Macawiwili Gold Mining And Development Co., Inc., FF Cruz & Co., and Rockwell Leisure Club. He is also a current Trustee of San Beda College Manila, San Beda College Alabang, San Beda Alumni Association Foundation, and the Chairman of the Board of Governors of Nicanor Reyes Memorial Foundation. He was formerly a member of the GSIS Board of Trustees and formerly Director of Bank of Commerce, National Reinsurance Corporation of the Philippines and PNCC. He was a Senior Partner and the Vice Chairman for Client Services and

Accounts of SGV & Co. from 1984-2009, and the President of Knowledge Institute in 2009.

Mr. Reyes earned his Bachelor of Science degree in Commerce, major in Accounting, from San Beda College in 1972, and obtained his MBA degree in Finance from the University of Detroit in 1975.

**A. Bayani K. Tan**

Mr. A. Bayani K. Tan, 62, Filipino, is a Non-Executive Director of the Corporation. He is also a Director, Corporate Secretary or both of the following listed companies: Belle Corporation, Coal Asia Holdings, Inc., Discovery World Corporation, I-Remit, Inc., Pacific Online Systems Corporation, Philequity Dividend Yield Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity PSE Index Fund, Inc., TKC Metals Corporation, Tagaytay Highlands International Golf Club, Inc., Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., The Spa and Lodge at Tagaytay Highlands, Inc. and Vantage Equities, Inc.

Mr. Tan is also a Director and the Corporate Secretary of Sterling Bank of Asia Inc. He is the Managing Partner of the law offices of Tan Venturanza Valdez, Managing Director/President of Shamrock Development Corporation, Director of Destiny LendFund, Inc., Pascual Laboratories, Inc. and Pure Energy Holdings Corporation, President of Catarman Chamber Elementary School Foundation, Inc., Managing Trustee of SCTan Foundation, Inc., Trustee and Treasurer of Rebisco Foundation, Inc. and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc.

Mr. Tan holds a Master of Laws degree from New York University and earned his Bachelor of Laws degree from the University of the Philippines where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Mr. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

**Joseph C. Tan**

Atty. Joseph C. Tan, 60, is the Founding Partner of MOST Law Firm from September 2006 to present. He was a Special Counsel for the Agus Cruz & Manzano Law Office from 2004 to August 2006. He was an Associate of Puno & Puno Law Offices from 1991 to 1995. He is currently an Independent Director of 2GO Group, Inc. and Pacific Online Systems Corporation and LMG Chemicals Corporation. He was a director of San Carlos Bioenergy Corporation. He was also a director of Philippine Bank of Communications from September 2010 to August 2011.

Atty. Tan holds a Bachelor of Arts with a Major in Business Administration degree from University of San Francisco, USA (Class of 1978). He also holds a Bachelor of Laws degree from the Ateneo de Manila College of Law, Makati City, graduating with honors (Class of 1985).

**Juan Victor S. Tanjuatco**

Mr. Tanjuatco, 71, is an Independent Director of IP Ventures, Inc., and a Director of Ketmar Fast Food Corporation. Previously, he served in the same capacity on the board of Insular Savings Bank and Asiastream 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 in 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 Ateneo 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**

Mr. Villacorta, 72, is an elected Director of BDO Leasing and Finance, Inc. Prior to this position, he was a Director of 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.

**Independent Directors**

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws.

The Corporate Governance Committee constituted by the Company's Board of Directors, indorsed the nominations for re-election as independent directors given in favor of Messrs. Joseph C. Tan, Juan Victor S. Tanjuatco and Roman Felipe S. Reyes. The Corporate Governance Committee, composed of Juan Victor S. Tanjuatco (Chairman), Joseph C. Tan and Roman Felipe S. Reyes, has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The nominees, whose required information are discussed above, are in no way related to the stockholders who nominated them and have signified their acceptance of the nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting.

**Other Executive Officers****Jackson T. Ongsip**

Mr. Ongsip, 44, is the Vice President for Finance and Chief Financial Officer of the Company. He is concurrently the Vice President for Portfolio Investments of SM Investments Corporation, the Executive Vice President and Chief Financial Officer of Belle Corporation and a Director, the President and Chief Executive Officer of APC Group, Inc. He is a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co. (SGV) and 11 years with Globe Telecom. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

**Maria Neriza C. Banaria**

Ms. Banaria, 35, is the Financial Controller and Assistant Vice President of Premium Leisure Corp. 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. Serrano, 50, is the Corporate Secretary of the Company. He is a Senior Partner of the law firm Martinez Vergara Gonzalez & Serrano and has been practicing law for over two decades specializing in Corporate Law, Mergers & Acquisitions, and Banking & Finance. Atty. Serrano was a senior officer of BDO Unibank, Inc. handling investment banking, corporate finance, and mergers & acquisitions until 2005. He is currently a Director and Corporate Secretary of 2GO Group, Inc. Negros Navigation Co., Inc., and DFNN Inc. He is also the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Crown Equities, Inc., Bankers Association of the Philippine and PDS Group of Companies, and is also the Corporate Information Officer of BDO Unibank, Inc. and BDO Leasing and Finance, Inc. He is a graduate of the Ateneo Law School and Trust Institute of the Philippines, a Certified Associate Treasury Professional, and holds a degree of B.S. Legal Management from the Ateneo de Manila University.

**Arthur A. Sy**

Mr. Sy, 48, is the Assistant Corporate Secretary of Premium Leisure Corp. He is the Vice President of Corporate Legal Affairs and Assistant Corporate Secretary at SM Investments Corporation, and is the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. A member of the New York Bar, Mr. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo Law School.

**Phil Ivan A. Chan**

Mr. Chan, 35, is the Assistant Corporate Secretary of Premium Leisure Corp. He is a Senior Associate Lawyer at Martinez Vergara Gonzalez & Serrano. He also acts as the Assistant Corporate Secretary of listed company Crown Equities, 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.

**(2) Significant Employees**

There are no other significant employees.

**(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 Company is not aware of any of the following events wherein any of its directors, executive officers, nominees for election as director, executive officers, 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 Company and its major subsidiaries and associates are not 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 Compensation	Total Annual Compensation
Willy N. Ocier, Chairman of the Board Frederic C. DyBuncio, President & CEO** Armin Antonio Raquel-Santos, President & CEO** Jackson T. Ongsip, CFO Maria Neriza C. Banaria, Controller					
President and 4 most highly compensated executive officers	2018*	11,709,011	–	757,040	12,466,050
	2017	11,709,011	–	757,040	12,466,050
	2016	12,137,248	–	592,454	12,729,702
All other officers and directors as a Group (Unnamed)	2018*	10,760,000			10,760,000
	2017	10,760,000	–	–	10,760,000
	2016	7,410,000	–	–	7,410,000

\* Compensation based on estimates only

\*\* As of July 1, 2017, Mr. DyBuncio, who resigned from presidency and the board of directors, was replaced by Mr. Raquel-Santos

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

### Compensation of Directors

For Board of Directors meetings, all independent directors are given a per diem of Php50,000.00 each per meeting, while other directors are given a per diem of Php10,000 each. For committee meetings, each director is given a per diem of Php10,000.00 per day regardless of the number of meetings during the same day.

### 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

None

## 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, 2017**:

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 Held	Percent
Common	Belle Corporation (Belle) * 5/F Tower A, Two E-Com Center Palm Coast Ave., Mall of Asia Complex, CPB-1A Pasay City (a)	Belle Corporation	Filipino	24,904,904,324	78.745
Common	PCD Nominee Corp. (Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City (b)	(please see footnote)	Filipino	6,409,632,235	20.266

\*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) 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, 2017, Banco de Oro – Trust Banking Group holds 2,003,480,000 shares of PLC, constituting 6.33% of the Company's outstanding capital.

As of **December 31 2017**, **817,258,755** Common Shares of the Company are owned by non-Filipinos, constituting **2.584%** 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, 2017:

Title of Class	Name of Beneficial Owner	Amount* and Nature of Beneficial Ownership	Citizenship	Percent
Common	Willy N. Ocier	38,888,001 Direct	Filipino	0.123%
Common	A. Bayani K. Tan	2,000,002 Direct	Filipino	0%
Common	Exequiel P. Villacorta, Jr.	500,001 Direct/ Indirect	Filipino	0%

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount* and Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Percent</b>
Common	Joseph C. Tan	1 Direct	Filipino	0%
Common	Juan Victor S. Tanjuatco	1 Direct	Filipino	0%
Common	Roman Felipe S. Reyes	1 Direct	Filipino	0%
Common	Armin Antonio B. Raquel-Santos	1,000 Direct	Filipino	0%
Common	Jackson T. Ongsip	0	Filipino	0%
Common	Maria Neriza C. Banaria	0	Filipino	0%
Common	Arthur A. Sy	20,000 Direct	Filipino	0%
Common	Elmer B. Serrano	0	Filipino	0%
Common	Phil Ivan A. Chan	0	Filipino	0%

\*Number of shares

### **(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**

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 Pacific Online 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, 2016, PLC owns 50.1% of POSC's issued shares.

## **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 a direct or indirect, material interest in a transaction of proposed transaction to which the Company was a party.

As summarized and disclosed in the corporation's consolidated financial statements, in the ordinary course of business, the Company has transactions with related parties which consist mainly of 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. Aside from these transactions, the Company has no other significant transactions that need to be disclosed.

The related party transactions are described in Note 19 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

## **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**

<b>Document</b>	<b>Date Filed</b>	<b>Item Number</b>	<b>Matter</b>
SEC Form 17-C dated April 24, 2017	May 2, 2017	Item 9	Results of the Annual Stockholders' and Organizational Board Meetings held on April 24, 2017.
SEC Form 17-C dated May 30, 2017	May 31, 2017	Item 9	Certificate of Attendance of Directors in Corporate Governance Seminar.
SEC Form 17-C dated June 23, 2017	June 28, 2017	Item 4	1. Resignation of Mr. Frederic C. DyBuncio as Director/ President/ CEO of PLC and as member of the Executive Committee.  2. Election of Mr. Armin Antonio B. Raquel-Santos as director and appointment of Mr. Raquel-Santos as the new President/CEO and Member of Executive Committee  3. Appointment of Mr. DyBuncio as Adviser to the Board.
SEC Form 17-C dated November 9, 2017	November 16, 2017	Item 9	Certificate of Attendance of Directors/Officers in Corporate Governance Seminars.
SEC Form 17-C dated November 20, 2017	November 21, 2017	Item 9	Certificates of Attendance of Directors/Officers in Corporate Governance Seminars.
SEC Form 17-C dated December 4, 2017	December 5, 2017	Item 9	Certificate of Attendance of Directors in Corporate Governance Seminar.
SEC Form 17-C dated January 5, 2018	January 5, 2018	Item 9	Attendance of the Board of Directors for 2017.

SEC Form 17-C dated February 23, 2018	February 26, 2018	Item 9	<p>1. Declaration of cash dividends in the amount of Php0.04391 per share to be paid to all stockholders of record as of March 9, 2018 and payable on March 23, 2018;</p> <p>2. Amendment of the Second Article of the Articles of Incorporation to reflect the change in the Company's primary purpose.</p> <p>3. Amendment of Section 2 of Article V-A of the Company's By-Laws to reflect the change in the period of nomination of directors.</p> <p>4. Setting of Annual Stockholders' Meeting on April 23, 2018 (9:00am), to be held at SMX Convention Center, Seashell Lane, Mall of Asia Complex, Pasay City, with March 23, 2018 as the Record Date for shareholders entitled to notice of, and to vote at, the meeting.</p>
SEC Form 17-C dated March 1, 2018	March 1, 2018	Item 9	Buy-back of the Company's common shares up to Php500 Million worth of common shares.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned; thereunto duly authorized, in the City of Pasay on March 14, 2018.

By:

  
**WILLY N. OCIER**

Chairman of the Board

  
**ARMIN B. RAQUEL-SANTOS**


President & CEO

  
**JACKSON T. ONGSIP**  
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this MAR 19 2018 day of 2018, affiants exhibiting to me their passports / drivers licenses and tax identification numbers (TIN) as follows:

Name	Passport and TIN	Place of Issue	Expiration Date
WILLY N. OCIER	PO955319A TIN 101-934-954	Manila	Nov 18, 2021
ARMIN B. RAQUEL-SANTOS	P1580072A TIN 103-192-854	Manila	Jan 09, 2022
JACKSON T. ONGSIP	EC4804332 TIN 178-486-617	Manila	Jul 20, 2029

DOC. NO. : 88  
PAGE NO. : 18  
BOOK NO. : 22  
SERIES OF : 273

  
**ATTY. REINER S. QUIAMBAO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2018  
PTR NO. 6657416 / 01.25.18 / MAKATI CITY  
IBP NO. 025016 / 01.10.18 / TAILAC CITY  
TIN 238-251-689 ROLL NO. 62283  
MCLE NO. V - 0011532 / 10.06.15

**PREMIUM LEISURE CORP.**  
**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**FORM 17-A, Item 7**

<b>Consolidated Financial Statements</b>	<b>Page No.</b>
--	-----------------

Statement of Management's Responsibility for Financial Statements	)
Report of Independent Public Accountants	) see attached FS
Consolidated Statement of Financial Position as at December 31, 2017 and 2016	)
Consolidated Statements of Comprehensive Income for the years ended	)
December 31, 2017, 2016 and 2015	)
Consolidated Statements of Changes in Equity	)
for the years ended December 31, 2017, 2016 and 2015	)
Consolidated Statements of Cash Flows for the years ended	)
December 31, 2017, 2016 and 2015	)
Notes to Consolidated Financial Statements	)

**Supplementary Schedules**

Report of Independent Public Accountants on Supplementary  
Schedules

- A. Financial Assets
  - B. Amounts of Receivable from Directors, Officers, Employees and Principal Stockholders  
(Other than Related Parties)
  - C. Amounts Receivables from Related Parties which are Eliminated during consolidation of  
Financial Statements
  - D. Intangible Asset Assets – Other Assets
  - E. Long-Term Debt
  - F. Indebtedness to Related Parties
  - G. Guarantees of Securities of other Issuers
  - H. Capital Stocks
  - I. Reconciliation of Retained Earnings for Dividend Declaration
  - J. Key Financial Ratios
- 1) Schedule of all the effective standards and interpretations
  - 2) Map of the relationships of the companies within the group
- List of Top 20 Stockholders of Record (See Page 13)

## INDEX TO EXHIBITS

### Form 11-A

<u>No.</u>	<u>Page No.</u>
(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	*

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





**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA Greenhills  
Mandaluyong City, Metro Manila

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

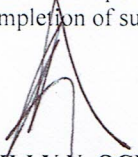
The management of **Premium Leisure Corp. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

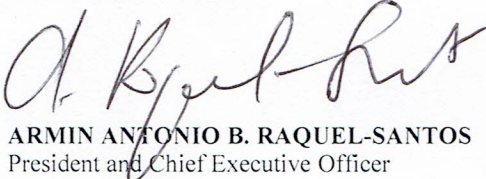
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

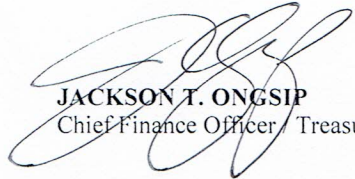
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon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



**WILLY N. OCIER**  
Chairman of the Board



**ARMIN ANTONIO B. RAQUEL-SANTOS**  
President and Chief Executive Officer



**JACKSON T. ONGSIP**  
Chief Finance Officer / Treasurer

Signed this 23<sup>rd</sup> day of February 2018

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_ 2018 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	P0955319A TIN 101-934-954	November 18, 2021	Manila
ARMIN ANTONIO B. RAQUEL-SANTOS	P1580072A TIN 167-106-732	January 9, 2022	Manila
JACKSON T. ONGSIP	EC4804332 TIN 178-486-617	July 29, 2020	Manila

DOC NO. : 192  
PAGE NO. : 39  
BOOK NO. : 20  
SERIES OF : 2018.

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	3	-	0	0	9	2	8	9
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### COMPANY NAME

P	R	E	M	I	U	M		L	E	I	S	U	R	E		C	O	R	P	.		A	N	D		S	U	B	S
I	D	I	A	R	I	E	S																						

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

5	t	h		F	l	o	o	r	,		T	o	w	e	r		A	,		T	w	o		E	-	C	o	m	
C	e	n	t	e	r	,		P	a	l	m		C	o	a	s	t		A	v	e	n	u	e	,		M	a	l
l		o	f		A	s	i	a		C	o	m	p	l	e	x	,		P	a	s	a	y		C	i	t	y	

Form Type

A	A	C	F	S
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Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

N	/	A	
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### COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

662-8888

Mobile Number

N/A

No. of Stockholders

359

Annual Meeting (Month / Day)

Any day in May

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Jackson T. Ongsip

Email Address

plc@premiumleisurecorp.com

Telephone Number/s

662-8888

Mobile Number

0917-5578203

### 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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Premium Leisure Corp. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



### ***Recoverability of Goodwill in Pacific Online Systems Corporation***

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As of December 31, 2017, goodwill arising from the acquisition of Pacific Online Systems Corporation (POSC) amounted to ₱1,717.6 million out of a total goodwill balance of ₱1,832.3 million. The Company's assessment of the recoverable amount of the POSC cash generating unit (CGU) was based on value-in-use calculation. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, discount rate and the long-term growth rate. Given the significant level of management judgement and estimation involved in the value-in-use calculation, we considered this area to be a key audit matter.

The Company's disclosures about goodwill are included in Note 17 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's 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 audits, 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 the consolidated financial statements in accordance with PFRSs, 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.

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

### **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 our auditor's 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 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 audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

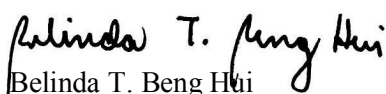
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 auditor's 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 auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui  
Partner

CPA Certificate No. 88823

SEC Accreditation No. 0923-AR-2 (Group A),  
May 1, 2016, valid until May 1, 2019

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2015,

June 26, 2015, valid until June 25, 2018

PTR No. 6621231, January 9, 2018, Makati City

February 23, 2018



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7 and 29)	<b>₱2,962,635,687</b>	₱1,811,503,962
Investments held for trading (Notes 8 and 29)	<b>178,482,842</b>	165,990,214
Receivables (Notes 9, 26 and 29)	<b>700,656,306</b>	731,760,497
Notes receivable (Notes 10, 26 and 29)	<b>1,605,925,000</b>	805,925,000
Other current assets (Notes 11 and 29)	<b>205,657,568</b>	164,427,432
	<b>5,653,357,403</b>	3,679,607,105
Noncurrent asset held for sale (Note 15)	<b>285,510,452</b>	285,510,452
Total Current Assets	<b>5,938,867,855</b>	3,965,117,557
<b>Noncurrent Assets</b>		
Intangible asset (Note 12)	<b>9,668,071,971</b>	9,906,544,455
Available-for-sale financial assets (Notes 13, 26 and 29)	<b>648,597,890</b>	657,377,802
Property and equipment (Note 14)	<b>438,063,955</b>	479,088,812
Goodwill (Notes 16 and 17)	<b>1,832,260,734</b>	1,828,577,952
Deferred tax assets (Note 25)	<b>15,439,685</b>	14,576,327
Retirement asset (Note 19)	<b>13,413,273</b>	8,630,802
Other noncurrent assets (Notes 29 and 31)	<b>79,307,906</b>	47,879,065
Total Noncurrent Assets	<b>12,695,155,414</b>	12,942,675,215
<b>TOTAL ASSETS</b>	<b>₱18,634,023,269</b>	₱16,907,792,772

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>		
Trade payables and other current liabilities (Notes 18 and 29)	<b>₱1,443,439,925</b>	₱544,597,585
Current portion of obligations under finance lease (Notes 27 and 29)	<b>39,488,510</b>	47,698,388
Income tax payable	<b>29,434,444</b>	43,000,753
Total Current Liabilities	<b>1,512,362,879</b>	635,296,726
<b>Noncurrent Liabilities</b>		
Obligations under finance lease (Notes 27 and 29)	<b>35,374,474</b>	71,644,208
Retirement liability (Note 19)	<b>17,479,083</b>	12,549,700
Installment payable (Note 29)	<b>2,762,995</b>	–
Total Noncurrent Liabilities	<b>55,616,552</b>	84,193,908
Total Liabilities	<b>1,567,979,431</b>	719,490,634

(Forward)





	December 31	
	2017	2016
<b>Equity Attributable to the Equity Holders of the Parent</b>		
(Notes 20 and 29)		
Capital stock	<b>₱7,906,827,500</b>	₱7,906,827,500
Additional paid-in capital	<b>7,238,721,924</b>	7,238,721,924
Cost of Parent Company shares held by a subsidiary	<b>(475,427,035)</b>	(438,877,905)
Other reserves	<b>40,848,816</b>	(75,992,785)
Retained earnings	<b>1,604,112,304</b>	727,181,016
Total Equity Attributable to Equity Holders of the Parent	<b>16,315,083,509</b>	15,357,859,750
<b>Non-controlling Interests</b> (Note 16)	<b>750,960,329</b>	830,442,388
Total Equity	<b>17,066,043,838</b>	16,188,302,138
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱18,634,023,269</b>	₱16,907,792,772

*See accompanying Notes to Consolidated Financial Statements.*



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2017	2016	2015
<b>REVENUE</b>			
Gaming revenue share - net (Notes 21 and 31)	<b>₱2,609,352,639</b>	₱1,642,976,365	₱756,237,939
Equipment rental (Notes 27 and 31)	<b>1,840,520,991</b>	1,579,660,972	630,926,248
Commission and distribution income (Note 31)	<b>479,472,385</b>	308,438,496	88,400,678
	<b>4,929,346,015</b>	3,531,075,833	1,475,564,865
<b>COST AND EXPENSES</b>			
Cost of services (Note 22)	<b>1,539,038,409</b>	1,238,853,192	388,947,906
General and administrative expenses (Note 23)	<b>1,018,683,377</b>	561,531,251	257,399,862
Amortization of intangible asset (Note 12)	<b>238,472,484</b>	324,769,436	563,277,634
	<b>2,796,194,270</b>	2,125,153,879	1,209,625,402
<b>OTHER INCOME (EXPENSES)</b>			
Interest income (Notes 7, 10 and 20)	<b>75,918,013</b>	47,139,103	42,034,540
Dividend income (Notes 8 and 13)	<b>20,927,342</b>	24,616,646	31,770,513
Finance charges	<b>(10,859,855)</b>	(12,748,505)	(4,996,708)
Equity in net earnings of an associate	—	—	75,525,743
Other income (expense) - net (Note 24)	<b>19,006,861</b>	(24,228,217)	(2,355,705)
	<b>104,992,361</b>	34,779,027	141,978,383
<b>INCOME BEFORE INCOME TAX</b>	<b>2,238,144,106</b>	1,440,700,981	407,917,846
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 25)			
Current	<b>235,892,039</b>	254,329,643	186,833,985
Deferred	<b>(413,893)</b>	28,271,202	(2,070,488)
	<b>235,478,146</b>	282,600,845	184,763,497
<b>NET INCOME</b>	<b>₱2,002,665,960</b>	₱1,158,100,136	₱223,154,349
<b>Net Income Attributable to:</b>			
Equity holders of the parent	1,756,459,152	959,849,646	155,232,754
Non-controlling interests	246,206,808	198,250,490	67,921,595
	<b>₱2,002,665,960</b>	₱1,158,100,136	₱223,154,349
<b>Basic/Diluted Earnings Per Common Share Attributable to</b> <b>Equity Holders of the Parent (Note 28)</b>	<b>₱0.056140</b>	₱0.030662	₱0.004948

*See accompanying Notes to Consolidated Financial Statements.*



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2017	2016	2015
<b>NET INCOME</b>	<b>₱2,002,665,960</b>	<b>₱1,158,100,136</b>	<b>₱223,154,349</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Marked-to-market gains (losses) on available-for-sale financial assets (Note 13)	132,500,049	62,197,638	(252,460,264)
Share in marked-to-market loss on available-for-sale financial assets of an associate	—	—	(38,258,713)
Realized loss transferred to profit or loss (Note 13)	31,647,929	—	—
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on net retirement benefits - net of tax	1,248,964	(496,546)	4,582,575
	<b>165,396,942</b>	<b>61,701,092</b>	<b>(286,136,402)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱2,168,062,902</b>	<b>₱1,219,801,228</b>	<b>(₱62,982,053)</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>			
Equity holders of the parent	₱1,873,300,753	₱1,005,380,815	(₱105,673,078)
Non-controlling interests	294,762,149	214,420,413	42,691,025
	<b>₱2,168,062,902</b>	<b>₱1,219,801,228</b>	<b>(₱62,982,053)</b>

*See accompanying Notes to Consolidated Financial Statements.*



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**

				Other Reserves						
	Capital Stock	Additional	Cost of Parent	Cumulative		Share in		Total Equity	Non-controlling	
	(Note 20)	Paid-in	Company	Unrealized	Mark-to-Market	Comprehensive	Retained	Attributable	Interest	Total
	(Note 20)	Capital	Shares	Gain on	Available-for-	Income	Earnings	to the Equity	(Note 2)	
	(Note 20)	(Note 20)	Held by a	Sale Financial	Assets	of an Associate	(Note 20)	Holder of the		
	(Note 20)	(Note 20)	Subsidiary	(Note 13)	(Note 19)	and Other	(Note 20)	Parent		
	(Note 20)	(Note 20)	(Note 20)	(Note 13)	(Note 19)	Reserves	(Note 20)	(Note 2)		
Balance at January 1, 2017	₱7,906,827,500	₱7,238,721,924	(₱438,877,905)	₱180,498,708	(₱2,171,796)	(₱254,319,697)	₱727,181,016	₱15,357,859,750	₱830,442,388	₱16,188,302,138
Net income	—	—	—	—	—	—	1,756,459,152	1,756,459,152	246,206,808	2,002,665,960
Other comprehensive (income) loss:										
Remeasurement gain on net retirement										
benefits - net of tax	—	—	—	—	625,731	—	—	625,731	623,233	1,248,964
Marked-to-market gain on available-for-sale										
financial assets	—	—	—	100,360,258	—	—	—	100,360,258	32,139,791	132,500,049
Realized loss transferred to profit or loss	—	—	—	15,855,612	—	—	—	15,855,612	15,792,317	31,647,929
Total comprehensive income	—	—	—	116,215,870	625,731	—	1,756,459,152	1,873,300,753	294,762,149	2,168,062,902
Parent Company shares held by a subsidiary										
(Note 20)	—	—	(36,549,130)	—	—	—	—	(36,549,130)	—	(36,549,130)
Cash dividends (Note 20)	—	—	—	—	—	—	(879,527,864)	(879,527,864)	—	(879,527,864)
Cash dividends received by non-controlling										
interest (Note 2)	—	—	—	—	—	—	—	—	(162,402,617)	(162,402,617)
Purchase of treasury shares	—	—	—	—	—	—	—	—	(211,841,591)	(211,841,591)
Balance at December 31, 2017	₱7,906,827,500	₱7,238,721,924	(₱475,427,035)	₱296,714,578	(₱1,546,065)	(₱254,319,697)	₱1,604,112,304	₱16,315,083,509	₱750,960,329	₱17,066,043,838

See accompanying Notes to Consolidated Financial Statements.



				Other Reserves							
	Capital Stock	Additional	Cost of Parent	Cumulative	Share in						
	(Note 20)	Paid-in	Company	Unrealized	Other						
		Capital	Shares	Gain on	Income						
		(Note 20)	Held by a	Available-for-	Losses on	of an Associate					
			Subsidiary	Sale Financial	Defined Benefit	and Other					
			(Note 20)	Assets	Obligation	Reserves					
	(Note 20)	(Note 20)	(Note 20)	(Note 13)	(Note 19)	(Notes 13 and 20)	Retained	Total Equity	Non-controlling		Total
							Earnings	Attributable	Interest		
							(Note 20)	to the Equity	(Note 2)		
								Holders of the			
								Parent			
Balance at January 1, 2016	₱7,906,827,500	₱7,238,721,924	(₱422,210,490)	₱134,718,769	(₱1,923,026)	(₱254,319,697)	₱440,361,436	₱15,042,176,416	₱847,081,509	₱15,889,257,925	
Net income	—	—	—	—	—	—	959,849,646	959,849,646	198,250,490	1,158,100,136	
Other comprehensive (income) loss:											
Remeasurement loss on net retirement											
benefits - net of tax	—	—	—	—	(248,770)	—	—	(248,770)	(247,776)	(496,546)	
Mark-to-market gain on available-for-sale											
financial assets	—	—	—	45,779,939	—	—	—	45,779,939	16,417,699	62,197,638	
Total comprehensive income (loss)	—	—	—	45,779,939	(248,770)	—	959,849,646	1,005,380,815	214,420,413	1,219,801,228	
Parent Company shares held by a subsidiary											
(Note 20)	—	—	(16,667,415)	—	—	—	—	(16,667,415)	—	(16,667,415)	
Cash dividends (Note 20)	—	—	—	—	—	—	(673,030,066)	(673,030,066)	—	(673,030,066)	
Cash dividends received by non-controlling											
interest (Note 2)	—	—	—	—	—	—	—	—	(174,240,356)	(174,240,356)	
Purchase of treasury shares	—	—	—	—	—	—	—	—	(56,819,178)	(56,819,178)	
Balance at December 31, 2016	₱7,906,827,500	₱7,238,721,924	(₱438,877,905)	₱180,498,708	(₱2,171,796)	(₱254,319,697)	₱727,181,016	₱15,357,859,750	₱830,442,388	₱16,188,302,138	

See accompanying Notes to Consolidated Financial Statements.



	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Subscriptions Receivable (Note 20)	Cost of Parent Company Shares Held by a Subsidiary (Note 20)	Other Reserves			Retained Earnings (Note 20)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interest (Note 2)	Total
					Mark-to-Market Gain on Available-for- Sale Financial Assets (Note 13)	Remeasurement Gains and (Losses) on Defined Benefit Obligation (Note 19)	Share in Other Comprehensive Income of an Associate and Other Reserves (Notes 13 and 20)				
Balance at January 1, 2015	₱7,906,827,500	₱6,946,201,779	(₱185,480,975)	₱—	₱397,691,122	₱—	(₱258,309,243)	₱980,929,502	₱15,787,859,685	₱—	₱15,787,859,685
Net income	—	—	—	—	—	—	—	155,232,754	155,232,754	67,921,595	223,154,349
Other comprehensive (income) loss:											
Remeasurement gain on net retirement benefits - net of tax	—	—	—	—	—	2,066,520	—	—	2,066,520	2,516,055	4,582,575
Mark-to-market loss on available-for-sale financial assets	—	—	—	—	(224,713,640)	—	—	—	(224,713,640)	(27,746,624)	(252,460,264)
Share in mark-to-market loss on available-for- sale financial assets of an associate	—	—	—	—	—	—	(38,258,713)	—	(38,258,713)	—	(38,258,713)
Total comprehensive income (loss)	—	—	—	—	(224,713,640)	2,066,520	(38,258,713)	155,232,754	(105,673,079)	42,691,026	(62,982,053)
Subscriptions collected, net of listing fees (Note 20)	—	(4,567,388)	185,480,975	—	—	—	—	—	180,913,587	—	180,913,587
Step acquisition (Note 16)	—	297,087,533	—	(286,398,070)	(38,258,713)	(3,989,546)	42,248,259	—	10,689,463	849,067,497	859,756,960
Parent Company shares held by a subsidiary (Note 22)	—	—	—	(135,812,420)	—	—	—	—	(135,812,420)	—	(135,812,420)
Cash dividends (Note 20)	—	—	—	—	—	—	—	(695,800,820)	(695,800,820)	—	(695,800,820)
Cash dividends received by non-controlling interest (Note 2)	—	—	—	—	—	—	—	—	—	(44,677,014)	(44,677,014)
Balance at December 31, 2015	₱7,906,827,500	₱7,238,721,924	₱—	(₱422,210,490)	₱134,718,769	(₱1,923,026)	(₱254,319,697)	₱440,361,436	₱15,042,176,416	₱847,081,509	₱15,889,257,925

See accompanying Notes to Consolidated Financial Statements.



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱2,238,144,106</b>	₱1,440,700,981	₱407,917,846
Adjustments for:			
Amortization of intangible asset (Note 12)	<b>238,472,484</b>	324,769,436	563,277,634
Depreciation and amortization of property and equipment (Note 14)	<b>225,559,130</b>	171,262,447	65,301,971
Interest income (Notes 7, 10 and 20)	<b>(75,918,013)</b>	(47,139,103)	(42,034,540)
Write-off of input VAT (Notes 11 and 23)	<b>25,000,000</b>	—	—
Dividend income (Note 13)	<b>(20,927,342)</b>	(24,616,646)	(31,770,513)
Marked-to-market loss (gain) of investments held for trading (Note 24)	<b>(2,204,528)</b>	37,137,005	29,331,526
Foreign exchange loss (Note 24)	<b>1,671,684</b>	1,620,149	698,585
Finance charges	<b>10,859,855</b>	12,748,505	4,996,708
Loss (gain) on sale of:			
Available-for-sale financial asset (Note 13)	<b>31,647,929</b>	—	—
Property and equipment (Note 24)	<b>(155,142)</b>	(29,997)	446,948
Investments held for trading (Note 24)	—	—	(11,363,516)
Equity in net earnings of an associate	—	—	(75,525,743)
Reversal of allowance for input value-added tax (Note 24)	—	—	(10,992,915)
Operating income before working capital changes	<b>2,672,150,163</b>	1,916,452,777	900,283,991
Decrease (increase) in:			
Receivables	<b>(107,930,214)</b>	(222,175,303)	146,814,649
Other current assets	<b>(47,823,031)</b>	(49,725,724)	(41,242,223)
Increase (decrease) in:			
Trade payables and other current liabilities	<b>876,816,020</b>	177,197,756	65,153,439
Installment payable	<b>5,443,823</b>	—	—
Retirement liability	<b>1,797,113</b>	(15,802,310)	(5,736,204)
Cash used generated from operations	<b>3,400,453,874</b>	1,805,947,196	1,065,273,652
Income taxes paid	<b>(242,991,545)</b>	(243,738,958)	(128,269,589)
Interest received	<b>77,453,124</b>	47,139,103	38,173,395
Net cash provided by operating activities	<b>3,234,915,453</b>	1,609,347,341	975,177,458
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of:			
Property and equipment (Note 14)	<b>(150,351,408)</b>	(112,119,120)	(223,409,934)
Available-for-sale financial asset (Note 13)	<b>(31,653,940)</b>	(8,636,271)	(14,546,522)
Investments held for trading (Note 8)	<b>(17,034,130)</b>	(5,683,853)	(37,541,840)
Dividends received	<b>20,927,342</b>	24,616,646	62,271,200
Decrease (increase) in:			
Other noncurrent assets	<b>(772,618)</b>	13,584,604	(9,460,547)
Notes receivable (Note 10)	<b>(800,000,000)</b>	—	(1,805,925,000)
Proceeds from sale of:			
Property and equipment	<b>1,074,612</b>	6,426,296	1,013,249
Available-for-sale financial assets (Note 13)	<b>172,933,901</b>	—	—
Disposal of investments held for trading (Note 8)	<b>6,746,030</b>	29,303,324	42,368,432
Net cash acquired from acquisition of a subsidiary (Note 16)	<b>66,444,703</b>	—	179,986,807
Net cash used in investing activities	<b>(731,685,508)</b>	(52,508,374)	(1,805,244,155)

(Forward)



	Years Ended December 31		
	2017	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	(P1,041,930,481)	(P847,270,422)	(P740,477,834)
Purchase of treasury shares by a subsidiary	(211,841,591)	(56,819,178)	—
Additional cost of parent company shares held by a subsidiary (Note 20)	(36,549,130)	(16,667,415)	(135,812,420)
Increase (decrease) in obligations under finance lease	(61,777,018)	(12,134,493)	20,878,294
Collections of subscription receivable (Note 20)	—	—	180,913,587
Net cash used in financing activities	(1,352,098,220)	(932,891,508)	(674,498,373)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,151,131,725</b>	<b>623,947,459</b>	<b>(1,504,565,070)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,811,503,962</b>	<b>1,187,556,503</b>	<b>2,692,121,573</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
(Note 7)	P2,962,635,687	P1,811,503,962	P1,187,556,503

*See accompanying Notes to Consolidated Financial Statements.*





# PREMIUM LEISURE CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

#### 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.

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.00% (direct and indirect) owned by Belle Corporation (“Belle”) and the rest by the public as at December 31, 2017 and 2016.

PLC and its subsidiaries (collectively referred to as “the Company”) have investment portfolio consisting of investment holding, gaming business and lottery equipment leasing, distribution 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			
	2017		2016	
	Direct	Indirect	Direct	Indirect
<b>Gaming Business</b>				
PremiumLeisure and Amusement, Inc. (PLAI)	100.00	–	100.00	–
<b>Real Estate</b>				
Foundation Capital Resources, Inc. (FCRI) <sup>(a)</sup>	100.00	–	100.00	–
<b>Public Amusement and Recreation</b>				
Sinophil Leisure and Resorts Corporation (SLRC) <sup>(a)</sup>	100.00	–	100.00	–
<b>Lottery Equipment Leasing, Distribution and Others</b>				
Pacific Online Systems Corporation (POSC)	52.91	–	50.66	–
Loto Pacific Leisure Corporation (LotoPac)	–	100.00	–	100.00
Lucky Circle Corporation (LCC)	–	100.00	–	100.00
Athena Ventures, Inc. <sup>(b)</sup>	–	100.00	–	–
Avery Integrated Hub, Inc. <sup>(b)</sup>	–	100.00	–	–
Circle 8 Gaming Ventures, Inc. <sup>(b)</sup>	–	100.00	–	–
Luckydeal Leisure, Inc. <sup>(b)</sup>	–	100.00	–	–
Luckyfortune Business Ventures, Inc. <sup>(b)</sup>	–	100.00	–	–
Luckypick Leisure Club Corp. <sup>(b)</sup>	–	100.00	–	–
Luckyventures Leisure Corp. <sup>(b)</sup>	–	100.00	–	–

(Forward)



	Percentage of Ownership			
	2017		2016	
	Direct	Indirect	Direct	Indirect
Lucky Games Entertainment Ventures Inc. <sup>(b)</sup>	—	<b>100.00</b>	—	—
Orbis Valley Corporation <sup>(b)</sup>	—	<b>100.00</b>	—	—
Total Gaming Technologies, Inc. (TGTI)	—	<b>98.92</b>	—	98.92
Falcon Resources, Inc. (FRI)	—	<b>100.00</b>	—	100.00

*The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.*

<sup>(a)</sup> Non-operating

<sup>(b)</sup> Accounted as subsidiaries starting July 1, 2017 (see Note 16).

### Authorization for the Issuance of the Consolidated Financial Statements

The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on February 23, 2018.

## **2. Basis of Preparation and Consolidation and Statement of Compliance**

### Basis of Preparation

The Company's consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading and available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements.

### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2017 and 2016 (see Note 1). Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the 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
- The Company's voting rights and potential voting rights



The 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 Company obtains control over the subsidiary and ceases when the 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 of the Company gains control until the date the 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, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### Material Partly-owned Subsidiary

The non-controlling interests of POSC are material to the Company. Non-controlling interest is 47.1% and 49.3% as at December 31, 2017 and 2016, respectively.

The summarized financial information of POSC is provided below. This information is based on amounts before intercompany eliminations.

#### Summarized Consolidated Statements of Financial Position

	2017	2016
	<i>(In thousands)</i>	
Total current assets	<b>₱1,243,786</b>	₱1,047,497
Total noncurrent assets	<b>1,390,061</b>	1,388,011
Total current liabilities	<b>(575,635)</b>	(394,925)
Total noncurrent liabilities	<b>(38,137)</b>	(79,952)
Total equity	<b>₱2,020,075</b>	₱1,960,631
Attributable to:		
Equity holders of the Parent	<b>₱2,011,987</b>	₱1,955,307
Non-controlling interests	<b>8,088</b>	5,324
Total	<b>₱2,020,075</b>	₱1,960,631



### Summarized Consolidated Statements of Comprehensive Income

	2017	2016
	<i>(In thousands)</i>	
Revenues	<b>₱2,319,993</b>	₱1,888,100
Costs and expenses	<b>(1,653,254)</b>	(1,291,555)
Other income (expense) - net	<b>55,007</b>	(14,087)
Income before income tax	<b>721,746</b>	582,458
Provision for income tax	<b>(228,880)</b>	(183,093)
Net income	<b>492,866</b>	399,365
Other comprehensive income	<b>120,346</b>	208,310
Total comprehensive income	<b>₱613,212</b>	₱607,675
Attributable to:		
Equity holders of the Parent	<b>₱610,448</b>	₱605,298
Non-controlling interests	<b>2,764</b>	2,377
Total	<b>₱613,212</b>	₱607,675

### Summarized Cash Flow Information

	2017	2016
	<i>(In thousands)</i>	
Operating	<b>₱888,920</b>	₱496,173
Investing	<b>(97,467)</b>	(87,272)
Financing	<b>(603,564)</b>	(413,018)
Net decrease in cash and cash equivalents	<b>₱187,889</b>	(₱4,117)

Dividends paid to non-controlling interests amounted to ₱162.4 million and ₱174.2 million in 2017 and 2016, respectively.

### **3. Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*). The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Company's consolidated financial statements.



- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Company has provided the required information in Note 34 to the consolidated financial statements. As allowed under the transition provisions of this standard, the Company did not present comparative information for the year ended December 31, 2016.

- Amendments PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Company applied the amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

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#### 4. Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

*Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*. The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 9, *Financial Instruments*. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company is currently assessing the impact of adopting this standard.



- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments*, with *PFRS 4*. The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of adopting this standard.
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*). The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The amendment is not applicable to the Company since the Company does not have investment in associate or joint venture.
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition



of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

*Effective beginning on or after January 1, 2019*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*. The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
- PFRS 16, *Leases*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*. The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.



- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the impact of adopting this interpretation.

#### *Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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## **5. Summary of Significant Accounting Policies**

### Current versus Noncurrent Classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is 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 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 Company classifies all other liabilities as noncurrent.

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

#### Cash and Cash Equivalents

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 deposits earn interest at the prevailing bank deposit rates.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level of input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3: valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



The Company's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

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

#### "Day 1" Difference

When the transaction price 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 unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized 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 amount.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

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.

#### Financial Assets

*Date of Recognition of Financial Assets.* The Company recognizes financial assets in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on trade date, i.e., the date the Company commits to purchase or sell the asset.

*Initial Recognition of Financial Assets.* Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss (FVPL), transaction costs that are attributable to the acquisition of the financial asset.

*Categories of Financial Assets and Subsequent Measurement.* Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2017 and 2016, the Company has no HTM investments.

- *Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading, derivative financial instruments and those designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVPL unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as "Unrealized marked-to-market gain" (positive net changes in fair value) or "Unrealized marked-to-market loss" (negative net changes in fair



value) in the profit or loss. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in the fair value recognized in profit or loss. Remeasurement only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

The Company evaluates its financial assets at FVPL (held for trading) whether the intent to sell them in the near term is appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly change, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, AFS financial assets or HTM investments depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation.

The Company's investments held for trading are classified as financial assets at FVPL. The Company has no derivatives designated as hedging instruments as at December 31, 2017 and 2016.

- *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are not integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when the Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash and cash equivalents, receivables (excluding advances to contractors and suppliers), notes receivable, deposits and guarantee bonds (presented as part of "Other current assets").

- *AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are designated as AFS or do not qualify to be classified as loans and receivables, financial assets at FVPL or HTM investments. AFS financial assets include equity investments. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized under other comprehensive income until the financial asset is derecognized or determined to be impaired at which time the accumulated gains or losses previously reported under other comprehensive income are reclassified to profit or loss. Interest earned whilst holding AFS financial assets is reported as interest income using effective interest



rate method. AFS financial assets that are not quoted in an active market and whose fair value cannot be measured reliably are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment. If a reliable measure ceases to be available, AFS financial assets are thereafter measured at cost, which is deemed to be the fair value carrying amount at that date. Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

This category includes the Company's investments in shares of stock.

### Financial Liabilities

*Date of Recognition of Financial Liabilities.* The Company recognizes financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

*Initial Recognition of Financial Liabilities.* Financial liabilities are recognized initially at fair value of the consideration received which is determined by reference to the transaction price or other market prices, and in the case of other financial liabilities, inclusive of any directly attributable transaction costs. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

*Categories of Financial Liabilities and Subsequent Measurement.* Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities which are measured at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

The Company has no financial liabilities at FVPL and derivatives designated as hedging instruments as at December 31, 2017 and 2016.

- *Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavorable to the Company. These include liabilities arising from operations or borrowings.

After initial recognition, other 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 acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within 12 months from the reporting date or the Company does not have an unconditional right to defer payment for at least 12 months from the reporting date. Otherwise, these are classified as noncurrent liabilities.



The Company's liabilities arising from operations such as trade payables and other current liabilities (excluding statutory payables), unearned income, obligations under finance lease and installment payable are classified under this category.

#### Classification of Financial Instruments 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; or
- 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.

#### Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

*Financial Assets Carried at Amortized Cost.* For assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues, to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss. Loans and receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset.

The Company provides an allowance for loans and receivables which they deemed to be uncollectible despite the Company's continuous effort to collect such balances from the respective clients. The Company considers those past due receivables as still collectible if they become past due only



because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in the profit or loss. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* For equity investments classified as financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is “significant” or “prolonged” required judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

*Financial Assets Carried at Cost.* If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial 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 right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.



### Derecognition of Financial Assets and Financial 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 rights to receive cash flows from the assets have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it 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. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. 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 has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss in the consolidated statement of income.

### Intangible Asset

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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 intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are 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 income when the asset is derecognized.

The Company made upfront payments to purchase a license. The license has been granted for a period of 18.6 years, 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 the period of the license; i.e., 43.6 years.

#### Investment in an Associate

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The consideration made in determining significant influence are similar to those necessary to determine control over subsidiaries. Investment in an associate is accounted for under the equity method.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate less any dividends declared and impairment loss. Goodwill, if any, relating to an associate is included in the carrying amount of the investment and is neither amortized nor separately tested for impairment. The consolidated statement of income reflects the Company's share of the results of operation of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of comprehensive income and changes in equity. Unrealized gains arising from transactions with associates are eliminated to the extent of the Company's interests in the associates.

The share in net earnings of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognizing its share of further losses.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Company determines at each end of reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "Equity in net earnings of an associate" in the consolidated statement of income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of income.





### Property and Equipment

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and accumulated impairment losses, if any. Such cost consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of replacing part of the property and equipment is included in the carrying amount when the cost incurred meets the recognition criteria. When major repairs and maintenance is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged against consolidated statement of income.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives of the assets:

Lottery equipment	4-10 years or term of lease, whichever is shorter
Leasehold improvements	4 years or term of lease, whichever is shorter
Transportation equipment	4-5 years
Office equipment, furniture and fixtures	3-4 years

The assets' residual values, useful lives, and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 the consolidated statement income in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

### Noncurrent Asset Held for Sale

Noncurrent asset is classified as held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable.

For the sale to be highly probable:

- The BOD must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.



### Asset Acquisition

When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

### Business Combinations

Business combinations are accounted for using the acquisition method except for business combinations under common control in which 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. 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 non-controlling interest in the acquiree either at fair value or the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Company at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Company. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized as part of "Additional paid-in capital" account in the equity section of the consolidated statement of financial position.

When the Company 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 an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured at fair value at each reporting date with the changes in fair value recognized in the profit or loss. If the contingent consideration is classified as equity, it should not be remeasured, and subsequent settlement is accounted for within equity.

### Goodwill

Goodwill acquired in business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests 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 Company 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 the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company measures in its consolidated financial statements provisional accounts for the items for which the accounting is incomplete. During the measurement period, the Company retrospectively adjusts the provisional accounts 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 Company 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 Company's cash generating units, 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 groups of units. Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Company 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*.

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

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU to which the goodwill is allocated. These budgets and forecast 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 forms part of a cash generating unit or group of cash generating units 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 cash-generating unit retained.



When business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Company, using the cost of transaction and fair value information at the date of each exchange transaction, 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.

#### Instant Scratch Tickets, Spare Parts and Supplies

Instant scratch tickets, spare parts and supplies are included as part of “Other current assets” account in the consolidated statement of financial position. Instant scratch tickets are valued at cost less any impairment loss. Spare parts and supplies are valued at the lower of cost and net realizable value. Cost, which includes all costs attributable to acquisition, is determined using the first-in, first-out method. Net realizable value of spare parts and supplies is its current replacement cost.

#### Impairment of Nonfinancial Assets (excluding Goodwill)

The Company assesses at each reporting date whether there is an indication that the noncurrent asset held for sale, intangible asset and property and equipment may be impaired. If any such indication exists, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s cash-generating unit’s fair value less cost to sell and its value in use. The recoverable amount 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. When 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 pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. Any impairment loss is recognized in profit or loss in the consolidated statement of income in the expense category consistent with the function of the impaired 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 Company makes an estimate of the asset’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions 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 the consolidated statement of income.

#### Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital. The additional paid-in capital also includes the excess of the cost of the



business combination under common control over the net carrying amounts of the assets and liabilities of the acquired companies.

The consolidated retained earnings includes the earnings of the subsidiaries which are not available for dividend declaration.

Subscription receivable represents the unpaid portion of subscription of capital shares by the investors.

Cost of Parent Company Shares Held by a Subsidiary

Cost of Parent Company shares held by subsidiary are accounted for as equity instruments which are reacquired (treasury shares) and are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income 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 in other reserves.

Non-controlling Interest (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 statement of 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 represents the equity interest in POSC not held by the Parent Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Except for the "Commission income," the Company has concluded that it is acting as principal in all of its revenue arrangements since it is the principal obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

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 the Operating Agreement and is measured at the fair value of the consideration received, net of PAGCOR license fee.

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

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



*Equipment Rental.* Revenue is recognized 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, or a fixed annual rental per terminal in commercial operations, whichever is higher.

*Commission and Distribution Income.* Revenues from the distribution of lottery, sweepstakes and scratch tickets to customers, including retailers and sub-distributors, representing the Company's share from the sales, are recognized upon delivery of the tickets to the customers. Revenue from the monthly fixed payment from Powerball Gaming and Entertainment Corporation (PGEC) is recognized monthly in accordance with the Outsourcing Memorandum of Agreement (OMOA).

*Equity in Net Earnings of an Associate.* The Company recognizes its share in the net income of an associate proportionate to the equity in the economic shares of such associates, in accordance with the equity method of accounting.

*Other Income.* These are recognized when there are incidental economic benefits, other than the usual business operations, that will flow to the Company and can be measured reliably.

#### Costs and Expenses Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets and incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in consolidated statement of income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits, or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statement of financial position as an asset.

#### Leases

The determination of whether an arrangement is, or contain, a lease is based on the substance of the arrangement at inception date. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that asset is (or those assets are) not explicitly specified in the arrangement.

*Company as Lessee.* A lease is classified at the inception date as a finance lease or an operating lease.

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

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.



*Company as Lessor.* Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. 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 basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Retirement Costs

The net defined benefit 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 reduction 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.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on the 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 different 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 Company's right to be reimbursed if some or all of the expenditure 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 in the reporting period.

#### Foreign Currency-denominated Transactions and Translation

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are translated using the Philippine peso closing exchange rate at the reporting date. All differences arising from the settlement or translation are taken to consolidated statement of income with the exception of differences on foreign currency exchange borrowings that provide a hedge against a net investment in a foreign entity. These are recorded as part of other comprehensive income and taken to equity until the disposal of the net investment, at which time they are recognized in net loss in the consolidated statement of income. Tax charges and credits attributable to exchange rate differences on those borrowings are also dealt with in equity. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

#### Income Taxes

*Current Income Tax.* Current income 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 authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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 Income Tax.* Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, it is probable that the temporary differences will not reverse in the foreseeable future.

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





- where the deferred tax asset relating to the deductible temporary difference 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 nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets are measured at the tax rates that are expected to apply to the year 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.

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

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

*Value-Added Tax (VAT).* Revenues, expenses and assets are recognized net of the amount of VAT except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- when receivables and payables that are stated with the amount of VAT included.

The carrying value of input VAT is included under “Other current assets” account in the consolidated statement of financial position.

#### Earnings per Share

Basic earnings per share is computed by dividing net profit 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, after giving retroactive effect to any stock dividends declared during the year.

Diluted earnings per share 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 earnings per share does not assume conversion, exercise or other issue of potential common shares that would have anti-dilutive effects on earnings per share.

As the Company has no dilutive potential common shares outstanding, basic and diluted earnings per share are stated at the same amount.



### Business Segments

The Company's 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 services.

*Segment Assets and Liabilities.* Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale, club shares, other equity shares and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include investments and advances.

*Inter-segment Transactions.* Segment revenue, segment expenses, and segment performance include transfers among business segments. Such transfers are eliminated upon consolidation.

### 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. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented as part of profit or loss in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They 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 in the notes to consolidated financial statements when an inflow of economic benefits is probable.

### Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, 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.

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## **6. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

Judgments and estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are to believe to be reasonable under the circumstances.



### 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.

*Business Combinations.* At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Company accounts for an acquisition as a business combination where an integrated set of business processes is acquired in addition to the asset acquired. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values and no goodwill or deferred tax is recognized.

Please refer to Note 16 for the Company's most recent business combinations.

*Determining Subsidiaries with Material Non-controlling Interests.* The Company 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 Company 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 Company has determined POSC in 2017 and 2016 as a subsidiary with material non-controlling interests.

*Evaluation of 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.

*Operating Lease - as a Lessor.* POSC and TGTI leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. POSC and TGTI has 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 amounted to ₱1,840.5 million, ₱1,579.7 million and ₱630.9 million in 2017, 2016 and 2015, respectively (see Note 27).

*Operating Lease - as a Lessee.* The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

Rent expense amounted to ₱87.1 million, ₱46.2 million and ₱19.2 million in 2017, 2016 and 2015, respectively (see Note 27).



*Finance Lease - as a Lessee.* POSC entered into various finance lease agreements covering certain lottery equipment. POSC determined that it bears substantially all the risks and rewards incidental to the ownership of the said properties under finance lease agreements.

The carrying values of lottery equipment under finance lease arrangements amounted to ₱103.7 million and ₱139.4 million as at December 31, 2017 and 2016, respectively (see Notes 14 and 27).

*Classification of Noncurrent Asset Held for Sale.* An asset is classified as held for sale if the asset will be recovered principally through a sale transaction rather than through continuing use. Management assessed that it met the criteria of a noncurrent asset held for sale following the requirements of PFRS 5, which include, among others:

- On June 2, 2014, the Company's BOD approved to sell to Belle its non-gaming related assets, which includes the undeveloped land located in the City of Tanauan, Province of Batangas. PLC is committed to sell its land. As at December 31, 2017, PLC and Belle are finalizing the contract to sell.
- The land is available for immediate sale and can be sold in its current condition.

The carrying values of noncurrent asset held for sale amounted to ₱285.5 million as at December 31, 2017 and 2016 (see Note 15).

#### 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:

*Determination of Fair Value of Financial Assets and Financial Liabilities.* PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and liabilities.

The fair value of financial assets and financial liabilities as at December 31, 2017 and 2016 are disclosed in Note 29.

*Determination of Impairment of Receivables and Notes Receivables.* The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the length of relationship with the customers and counterparties, the payment behavior and known market factors.

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. Factors considered in individual assessment are payment history, past due status and term. A provision is also established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, changes in counterparty payment terms and other factors that may affect the Company's ability to collect payments.



The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease its current assets.

Provision for doubtful accounts recognized in 2017, 2016 and 2015 amounted to ₱7.7 million, nil, and ₱8.6 million, respectively (see Notes 9 and 23). Allowance for doubtful accounts amounted to ₱434.4 million and ₱438.5 million as at December 31, 2017 and 2016, respectively. The aggregate carrying values of receivables and notes receivables amounted to ₱2,306.6 million and ₱1,537.7 million as at December 31, 2017 and 2016, respectively (see Notes 9 and 10).

*Estimation of Useful Life of Gaming License.* The useful life of the Company's gaming license recognized as "Intangible asset" account in the consolidated statement 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. The gaming license runs concurrent with Philippine Amusement and Gaming Corporation's (PAGCOR) congressional franchise which is set to expire in 2033, renewable for another 25 years by the Philippine Congress. The Company started the amortization of the intangible asset on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

There was no change in the estimated useful life of gaming license in 2017. In 2016, as part of the Company's annual review process, the Company, starting on April 1, 2016, changed the estimated useful life of the gaming license to consider the renewal period of another twenty-five (25) years of the PAGCOR's congressional franchise upon expiration in 2033 and to consider other industry developments. The extension of the life of the gaming license decreased the amortization expense in 2016 by ₱258.7 million and decreased the annual amortization expense by ₱345.9 million in 2017 and onwards. The carrying value of the Company's gaming license amounted to ₱9,668.1 million and ₱9,906.5 million as at December 31, 2017 and 2016, respectively (see Note 12).

*Determination of Impairment of AFS Financial Assets.* The Company determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities. In addition, AFS financial assets are considered impaired when management believes that future cash flows generated from the investment is expected to decline significantly. The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

No provision for impairment loss was recognized in 2017, 2016 and 2015. The carrying values of AFS financial assets amounted to ₱648.6 million and ₱657.4 million as at December 31, 2017 and 2016, respectively (see Note 13).

*Determination of Impairment of Nonfinancial Assets (Except Goodwill).* The Company 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 Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such 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 on noncurrent asset held for sale, intangible asset and property and equipment was recognized in 2017, 2016 and 2015.

The carrying values of nonfinancial assets (excluding goodwill) as at December 31, 2017 and 2016 are as follows:

	2017	2016
Noncurrent asset held for sale (see Note 15)	<b>₱285,510,452</b>	₱285,510,452
Intangible asset (see Note 12)	<b>9,668,071,971</b>	9,906,544,455
Property and equipment (see Note 14)	<b>438,063,955</b>	479,088,812

*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 ₱16.5 million and ₱14.6 million as at December 31, 2017 and 2016, respectively. Unrecognized deferred tax assets amounted to ₱135.3 million and ₱137.9 million as at December 31, 2017 and 2016, respectively (see Note 25).

*Determination and Computation of Retirement Expense.* The cost of retirement expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Retirement expense charged to profit and loss amounted to ₱12.9 million, ₱9.4 million and ₱5.3 million in 2017, 2016 and 2015, respectively. Remeasurement gain (loss) on retirement benefits amounted to ₱2.3 million, (₱2.1 million) and ₱6.7 million in 2017, 2016 and 2015, respectively. The carrying values of retirement asset amounted to ₱13.4 million and ₱8.6 million as at December 31, 2017 and 2016, respectively. The carrying values of retirement liability amounted to ₱17.5 million and ₱12.5 million as at December 31, 2017 and 2016, respectively (see Note 19).

*Estimating Impairment of Goodwill.* The Company determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate to calculate the present value of those cash flows.

There was no impairment loss of goodwill in 2017 and 2016. The carrying values of goodwill amounted to ₱1,832.3 million and ₱1,828.6 million as at December 31, 2017 and 2016, respectively (see Note 17).

*Evaluation of Legal Contingencies.* The Company 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 32).

## 7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	<b>₱1,727,313,361</b>	₱1,360,067,806
Cash equivalents	<b>1,235,322,326</b>	451,436,156
	<b>₱2,962,635,687</b>	₱1,811,503,962

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 short-term deposit rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱21.1 million, ₱14.3 million and ₱12.0 million in 2017, 2016 and 2015, respectively.

## 8. Investments Held for Trading

This account consists of the Company's investments in shares of stock of Leisure and Resorts World Corporation (LRWC), Vantage Equities, Inc., APC Group, Inc. and Philippine Long Distance Telephone Company.

The movements in this account are as follows:

	2017	2016
Balance at beginning of year	<b>₱165,990,214</b>	₱226,746,690
Acquisitions	<b>17,034,130</b>	5,683,853
Disposals	<b>(6,746,030)</b>	(29,303,324)
Marked-to-market gain (loss) (see Note 24)	<b>2,204,528</b>	(37,137,005)
Balance at end of year	<b>₱178,482,842</b>	₱165,990,214

The fair values of these securities are based on the quoted prices on the last market day of the year. The Company determines the cost of investments sold using specific identification method.

Mark-to-market gain (loss) in 2017, 2016 and 2015 amounting to ₱2.2 million, (₱37.1 million) and (₱29.3 million), respectively, were recognized in "Other income (expense) - net" account in the consolidated statements of income (see Note 24).

Realized gain from sale of investments held for trading in 2015 amounting to ₱11.4 million was recognized in "Other income (expenses) - net" account in the consolidated statement of income. The Company had no realized gain from sale of investments held for trading in 2017 and 2016 (see Note 24).

Dividend income realized from investments held for trading amounted to ₱5.7 million, ₱5.2 million and ₱4.5 million in 2017, 2016 and 2015, respectively.



## 9. Receivables

This account consists of:

	2017	2016
Trade receivables	<b>₱676,537,438</b>	₱682,390,655
Loan assets	<b>422,341,815</b>	422,341,815
Advances to:		
Officers and employees	<b>10,019,065</b>	6,374,244
Contractors and suppliers	<b>4,299,449</b>	2,570,555
Customers	—	46,849,859
Accrued interest on notes receivable (see Note 26)	<b>654,439</b>	2,189,550
Other receivables (Note 26)	<b>21,245,038</b>	7,541,207
	<b>1,135,097,244</b>	1,170,257,885
Less allowance for doubtful accounts	<b>434,440,938</b>	438,497,388
	<b>₱700,656,306</b>	₱731,760,497

Trade receivables are generally on a 20 to 60 days credit term. These are mostly receivables arising from equipment lease agreement with PCSO, receivables from sale of instant scratch ticket and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila.

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 currently in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares (see Note 31). The loan assets were fully provided with allowance as at December 31, 2017 and 2016.

Advances to officers, employees, customers and other receivables are noninterest-bearing and generally collected within the next financial year.

Advances to contractors and suppliers will be applied in future billings.

Refer to Note 26 for the terms and conditions of accrued interest on notes receivable.

Movement in allowance for doubtful accounts is as follows:

	2017	2016
Balance at beginning of year	<b>₱438,497,388</b>	₱440,403,474
Additions from acquisition of subsidiaries (see Note 16)	<b>6,750,000</b>	—
Provision for doubtful accounts (see Note 23)	<b>7,703,713</b>	—
Write-off during the year	<b>(18,510,163)</b>	(1,906,086)
Balance at end of year	<b>₱434,440,938</b>	₱438,497,388

## 10. Notes Receivable

Notes receivable, bearing interest rates ranging from 3.25% to 4.05% in 2017 and 3.5% to 4.1% in 2016, amounted to ₱1,605.9 million and ₱805.9 million as at December 31, 2017 and 2016 (see Note 26).





Interest income from notes receivable recognized in the consolidated statement of income amounted to ₱54.8 million, ₱32.8 million and ₱28.8 million in 2017, 2016 and 2015, respectively (see Note 26).

## 11. Other Current Assets

This account consists of:

	2017	2016
Creditable withholding taxes	<b>₱90,452,593</b>	₱27,173,604
Spare parts and supplies - at cost	<b>59,296,701</b>	58,542,848
Prepaid expenses	<b>48,331,195</b>	55,592,985
Input VAT	<b>7,639,695</b>	15,889,512
Deposits (see Note 29)	—	7,224,028
Instant scratch tickets - at cost	—	66,816
	<b>205,720,184</b>	164,489,793
Less allowance for probable loss on input VAT	<b>62,616</b>	62,361
	<b>₱205,657,568</b>	₱164,427,432

Creditable withholding taxes can be applied as tax credits against future income tax payable.

Spare parts and supplies are carried at lower of cost or net realizable value. Prepaid expenses pertain to various prepayments which will be applied in the next financial year.

Movement of allowance for probable loss on input VAT is as follows:

	2017	2016
Balance at beginning of year	<b>₱62,361</b>	₱55,387
Provision for probable losses (see Note 23)	<b>255</b>	6,974
Balance at end of year	<b>₱62,616</b>	₱62,361

In 2017, the Company wrote off input VAT amounting to ₱25.0 million (see Note 23).

## 12. 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 by the Philippine Congress.

The amortization of the intangible asset started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

As part of the Company’s annual review process, the Company, starting on April 1, 2016 changed the estimated useful life of the intangible asset to consider the renewal period of another twenty-five (25) years of the PAGCOR’s congressional franchise upon its expiration in 2033 and to consider other industry developments.



Movements in intangible asset are as follows:

	2017	2016
<b>Cost</b>		
Balance at beginning and end of year	<b>₱10,843,215,811</b>	₱10,843,215,811
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>936,671,356</b>	611,901,920
Amortization	<b>238,472,484</b>	324,769,436
Balance at end of year	<b>1,175,143,840</b>	936,671,356
	<b>₱9,668,071,971</b>	₱9,906,544,455

The unamortized life of the license as at December 31, 2017 is 40.5 years.

### 13. Available-for-sale Financial Assets

This account consists of the following:

	2017	2016
Quoted shares:		
Belle - common shares (see Note 26)	<b>₱646,216,790</b>	₱655,096,702
Golf club shares	<b>2,300,000</b>	2,200,000
	<b>648,516,790</b>	657,296,702
Unquoted shares -		
Others	<b>81,100</b>	81,100
	<b>₱648,597,890</b>	₱657,377,802

Movements of this account are as follows:

	2017	2016
Cost:		
Balance at beginning of year	<b>₱1,063,126,494</b>	₱1,054,490,223
Additions for the year	<b>31,653,940</b>	8,636,271
Disposals for the year	<b>(204,581,830)</b>	—
Balance at end of year	<b>890,198,604</b>	1,063,126,494
Cumulative unrealized mark-to-market gain on AFS financial assets:		
Balance at beginning of year	<b>169,169,783</b>	106,972,145
Marked-to-market gains during the year	<b>132,500,049</b>	62,197,638
Realized loss transferred to profit or loss (see Note 24)	<b>31,647,929</b>	—
Balance at end of year	<b>333,317,761</b>	169,169,783
Accumulated impairment loss –		
Balance at beginning and end of year	<b>(574,918,475)</b>	(574,918,475)
	<b>₱648,597,890</b>	₱657,377,802

There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Dividend income earned from AFS financial assets amounted to ₱15.2 million, ₱19.4 million and ₱27.3 million in 2017, 2016 and 2015, respectively.



Belle

The investment in common shares of Belle is based on the quoted price as at reporting date.

Golf Club Shares

The investment in golf club shares is based on secondary market prices as at reporting date.

#### 14. Property and Equipment

The movements in this account follow:

2017					
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Cost</b>					
Balance at beginning of year	₱1,138,331,261	₱78,896,849	₱184,843,030	₱81,254,117	₱1,483,325,257
Additions from acquisition of subsidiaries (see Note 16)	–	10,776,204	66,842,243	–	77,618,447
Additions	116,251,464	3,009,913	22,975,864	14,551,718	156,788,959
Disposals	(49,649,164)	(238,439)	(32,662,153)	(13,747,473)	(96,297,229)
Balance at end of year	1,204,933,561	92,444,527	241,998,984	82,058,362	1,621,435,434
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	755,875,479	61,862,142	138,704,464	47,794,360	1,004,236,445
Additions from acquisition of subsidiaries (see Note 16)	–	6,418,308	42,535,355	–	48,953,663
Depreciation and amortization (see Notes 22 and 23)	174,495,675	11,264,336	26,864,903	12,934,216	225,559,130
Disposals	(49,649,164)	(238,439)	(32,638,563)	(12,851,593)	(95,377,759)
Balance at end of year	880,721,990	79,306,347	175,466,159	47,876,983	1,183,371,479
<b>Net Book Value</b>	<b>₱324,211,571</b>	<b>₱13,138,180</b>	<b>₱66,532,825</b>	<b>₱34,181,379</b>	<b>₱438,063,955</b>

2016					
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Cost</b>					
Balance at beginning of year	₱1,334,509,282	₱73,187,593	₱179,059,723	₱72,341,207	₱1,659,097,805
Additions	58,428,195	5,709,256	26,900,098	21,081,571	112,119,120
Disposals	(254,606,216)	–	(21,116,791)	(12,168,661)	(287,891,668)
Balance at end of year	1,138,331,261	78,896,849	184,843,030	81,254,117	1,483,325,257
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	873,396,826	54,192,474	139,805,878	47,074,189	1,114,469,367
Depreciation and amortization (see Notes 22 and 23)	132,143,015	7,669,668	20,014,307	11,435,457	171,262,447
Disposals	(249,664,362)	–	(21,115,721)	(10,715,286)	(281,495,369)
Balance at end of year	755,875,479	61,862,142	138,704,464	47,794,360	1,004,236,445
<b>Net Book Value</b>	<b>₱382,455,782</b>	<b>₱17,034,707</b>	<b>₱46,138,566</b>	<b>₱33,459,757</b>	<b>₱479,088,812</b>

Certain lottery equipment was acquired under finance lease agreements. The carrying amount of the equipment under finance lease agreements amounted to ₱103.7 million and ₱139.4 million as at December 31, 2017 and 2016, respectively (see Note 27).



The cost of fully depreciated property and equipment still in use as at December 31, 2017 and 2016 amounted to ₱615.7 million and ₱511.6 million, respectively. There are no temporary idle property and equipment as at December 31, 2017 and 2016.

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#### 15. Noncurrent Asset Held for Sale

As at December 31, 2017 and 2016, this account pertains to parcels of land amounting to ₱285.5 million.

These parcels of land will be sold to Belle in relation to the Investment Plan, as approved by PLC's BOD on June 2, 2014. As at December 31, 2017, PLC and Belle are finalizing the contract to sell. As at December 31, 2017 and 2016, the sale of parcels of land were not completed due to events and circumstances beyond the Company's control, pending the transfer of the parcels of land as a condition of sale.

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#### 16. Business Combination

##### Acquisition of POSC

The Company's ownership interest in POSC increased from 34.5% in 2014 to 50.1% in 2015 as a result of 2015 step acquisition.

Based on management's judgment, PLC's investment in POSC gives PLC control over POSC as evidenced by holding more than 50% voting rights. Thus, starting August 5, 2015, POSC was accounted for as a subsidiary.

The step acquisition was accounted for as a business combination under common control using pooling of interest method. As at August 5, 2015, the assets and liabilities of POSC were reflected in PLC at their carrying amounts. No adjustments were made to reflect the fair values, or to recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments made were to align accounting policies of POSC with that of the Company.

There was no new goodwill recognized as a result of the business combination. The goodwill recognized is the existing goodwill that was previously recorded in Belle arising from POSC and FRI with total amount of ₱1,828.6 million (see Note 17).

The difference between the consideration paid/transferred and the net assets acquired amounting to ₱297.1 million was reflected as part of additional paid-in capital in the equity portion of the consolidated statement of financial position (see Note 20).

Further, there was no restatement of financial information in the consolidated financial statements for the periods prior to the business combination under common control.



The carrying values of the assets and liabilities of POSC, total consideration and equity reserve recognized in the consolidated financial statements as at August 5, 2015 are as follows:

Total assets:			
Cash	₱179,986,807		
Investments held for trading	249,541,292		
Receivables (net of allowance for doubtful accounts amounting to ₱6.8 million)	583,875,018		
Prepaid expenses and other current assets	104,381,651		
Property and equipment	387,596,872		
AFS financial assets	334,656,466		
Goodwill (see Note 17)	110,933,996		
Deferred tax asset	42,351,586		
Other noncurrent assets	41,185,707	₱2,034,509,395	
Less liabilities assumed:			
Trade and other current liabilities	220,779,177		
Obligations under finance lease	92,853,582		
Retirement liability	19,338,567	332,971,326	
Carrying value of net assets of POSC as at August 5, 2015			1,701,538,069
Goodwill in POSC from Belle (see Note 17)			1,717,643,956
Total carrying values of net assets acquired			3,419,182,025
Less total consideration:			
Carrying value of investment in associate	₱1,559,332,581		
Cost of additional interest acquired	1,000,092,484		
Cost of PLC shares held by POSC	(286,398,070)		
Non-controlling interest	849,067,497	3,122,094,492	
Additional Paid-in Capital (see Note 20)			₱297,087,533

#### Acquisition of LCC Subsidiaries

On July 1, 2017, LCC acquired 100% ownership interest in nine entities (see Note 1). Based on management's judgment, the acquisition is assessed to be an acquisition of a business. The total consideration, provisional fair values of the assets acquired and liabilities assumed from the nine entities and provisional goodwill as at July 1, 2017 are as follows:

Total consideration:			
Purchase price of shares	₱10,250,000		
Receivables in the acquired entities	144,613,142		
Payables to the acquired entities	(60,000,000)	₱94,863,142	
Total assets acquired:			
Cash and cash equivalents	76,694,703		
Receivables (net of allowance for doubtful accounts amounting to ₱6.8 million)	7,113,848		
Other current assets	24,873,908		
Property and equipment (see Note 14)	28,664,784		
Deferred tax assets	1,466,822		
Other noncurrent assets	22,025,420	160,839,485	

(Forward)



Less liabilities assumed:		
Trade payables and other current liabilities	₱62,815,883	
Retirement liability (see Note 19)	616,120	
Income tax payable	6,227,122	69,659,125
Provisional Goodwill		₱3,682,782

Net cash flows on acquisition is as follows:

Cash acquired from subsidiaries	₱76,694,703
Cash paid on acquisition	(10,250,000)
	₱66,444,703

The provisional goodwill of ₱3.7 million represents the value of expected synergies arising from the business combination (see Note 17).

The initial accounting for the acquisition of these entities has only been provisionally determined pending the finalization of necessary market valuations and determined based on management's best estimate of the likely values. As allowed under the relevant standard, the Company will recognize any adjustment to those provisional values as an adjustment to goodwill upon determining the final fair values of identifiable assets and liabilities within 12 months from the acquisition date.

The goodwill represents the fair value of expected synergies arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The gross amount and fair value of the trade receivables amounted to ₱13.9 million and ₱7.1 million, respectively. The Company expects to collect an amount equal to the fair value of the LCC subsidiaries' receivables as of acquisition date.

From the date of acquisition, LCC subsidiaries contributed ₱142.2 million of revenue and ₱10.1 million net income from continuing operations of the Company. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been ₱276.2 million and net income from continuing operations for the Company would have been ₱27.4 million.

## 17. Goodwill

Goodwill acquired from the business combination as at December 31, 2017 and 2016 consists of:

	2017	2016
POSC (see Note 16)	₱1,717,643,956	₱1,717,643,956
FRI (see Note 16)	110,933,996	110,933,996
LCC subsidiaries (see Note 16)	3,682,782	—
	₱1,832,260,734	₱1,828,577,952



Movements in this account are as follow:

	2017	2016
Balance at beginning of year	<b>₱1,828,577,952</b>	₱1,828,577,952
Additions (see Note 16)	<b>3,682,782</b>	–
Balance at end of year	<b>₱1,832,260,734</b>	₱1,828,577,952

The goodwill from the acquisition of POSC and FRI have been subjected to the annual impairment review in 2017 and 2016. The Company did not identify any impairment indicators relating to POSC's and FRI's goodwill as at December 31, 2017 and 2016 as it expects to realize the synergies from the business combinations.

The recoverable amounts of the operations of POSC and FRI 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 covers five years.

Management assessed that no reasonably possible change in pre-tax discount rates and future cash inflows would cause the carrying value of goodwill in 2017 and 2016 to materially exceed its recoverable amount.

#### Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating units are most sensitive to the following assumptions explained as follows:

#### POSC

*Discount Rate.* Discount rate reflects management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 10.61% and 7.78% was used in 2017 and 2016, respectively, based on the Weighted Average Cost of Capital (WACC) of POSC.

*Revenue Growth Rate, Long-Term Growth Rate and Terminal Values.* An annual increase in revenue ranging from 2% to 6% and 7% to 10% per annum were applied in the 5-year cash flow projections in 2017 and 2016, respectively, based on historical performance of POSC. The long-term growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 4% and 5% in 2017 and 2016, respectively. The long-term growth rate used in the normalization of free cash flows represents the expected growth rate of the economy at the end of the 5th year and onwards, with reference to growth rates compiled by industry specialist.

#### 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.

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates, operating margins achievable in the relevant industry. The expected cash flows are discounted by applying a suitable weighted average cost of capital (WACC). The pre-tax discount rate applied to cash flow projections is 8.7% and 11.5% in 2017 and 2016, respectively. The terminal growth rate is 6.6% and 5.2% in 2017 and 2016, respectively.



## 18. Trade Payables and Other Current Liabilities

This account consists of:

	2017	2016
Trade payables	<b>₱279,006,308</b>	₱173,150,323
Accrued expenses and other payables	<b>727,968,788</b>	223,889,107
Unearned income	<b>268,863,737</b>	—
Professional, service and management fees (see Note 26)	<b>65,855,180</b>	67,825,050
Consultancy, software and license fees payable	<b>55,742,294</b>	51,712,222
Communication, rental and utilities	<b>27,265,480</b>	4,274,311
Withholding taxes payable	<b>12,343,677</b>	21,018,280
Current portion of installment payable	<b>2,680,828</b>	—
Others(see Note 26)	<b>3,713,633</b>	2,728,292
	<b>₱1,443,439,925</b>	₱544,597,585

Trade payables are generally on a 30-days credit term.

Accrued expenses and other payables mainly represent accrual for service and professional fees, general and administrative expenses and provisions. These are payable within 30 days term. The Company regularly provides for its usual potential liabilities. Provisions represents estimated probable losses. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Company's position.

Unearned income pertains to the advance payment from Melco, which will be applied as payment of PLAI's future gaming revenue share.

Professional, service and management fees, withholding taxes payable and communication, rental and utilities are normally settled within the next financial year.

Consultancy, 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 31). These are normally settled within the next financial year.

## 19. Retirement Benefits

Under the existing regulatory framework, Republic Act 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.

The following tables summarize the components of net retirement costs recognized in the consolidated statements of income and consolidated statements of comprehensive income and the retirement benefits recognized in the consolidated statements of financial position:





Changes in the retirement benefits of the Company in 2017 are as follows:

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
At January 1, 2017	₱74,299,987	(₱78,218,885)	(₱3,918,898)
Acquisition of subsidiaries (see Note 16)	—	(616,120)	(616,120)
	74,299,987	(78,835,005)	(4,535,018)
Net retirement income (costs) in profit or loss:			
Current service cost	—	(13,001,637)	(13,001,637)
Net interest	4,309,150	(4,221,095)	88,055
	4,309,150	(17,222,732)	(12,913,582)
Benefits paid out of the Company's fund	—	111,486	111,486
Contributions	11,004,983	—	11,004,983
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	—	3,258,765	3,258,765
Actuarial changes arising from changes in financial assumptions	—	3,345,742	3,345,742
Actual return excluding amount included in net interest cost	(3,170,012)	—	(3,170,012)
Actuarial changes due to changes in demographic assumptions	—	(293,990)	(293,990)
Effect of asset ceiling	(874,184)	—	(874,184)
	(4,044,196)	6,310,517	2,266,321
At December 31, 2017	₱85,569,924	(₱89,635,734)	(₱4,065,810)

Changes in the retirement benefits of the Company in 2016 are as follows:

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
At January 1, 2016	₱55,459,736	(₱63,366,085)	(₱7,906,349)
Net retirement income (costs) in profit or loss:			
Current service cost	—	(9,268,592)	(9,268,592)
Net interest	2,966,858	(3,123,667)	(156,809)
	2,966,858	(12,392,259)	(9,425,401)
Benefits paid	(132,873)	132,873	—
Contributions	15,557,284	—	15,557,284
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	—	(6,218,556)	(6,218,556)
Actuarial changes arising from changes in financial assumptions	—	5,296,547	5,296,547
Actual return excluding amount included in net interest cost	(1,013,343)	—	(1,013,343)

(Forward)



	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
Actuarial changes due to changes in demographic assumptions	–	(1,671,405)	(1,671,405)
Effect of asset ceiling	1,462,325	–	1,462,325
	448,982	(2,593,414)	(2,144,432)
At December 31, 2016	₱74,299,987	(₱78,218,885)	(₱3,918,898)

The retirement benefits are presented in the consolidated statement of financial position as at December 31, 2017 and 2016 are as follows:

	2017	2016
Retirement asset	₱13,413,273	₱8,630,802
Retirement liability	(17,479,083)	(12,549,700)
Net retirement liability	(₱4,065,810)	(₱3,918,898)

The latest actuarial valuation of the Company is as at December 31, 2017.

The following table presents the fair values of the plan assets of the Company as at December 31:

	2017	2016
Cash and cash equivalents	₱8,184,135	₱14,981,586
Debt instruments - government bonds	36,250,629	35,867,915
Debt instruments - other bonds	2,792,338	1,770,524
Unit investment trust funds	33,124,533	18,945,018
Others	5,218,289	2,734,944
	₱85,569,924	₱74,299,987

The Company's plan assets is administered by a Trustee. The Company 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 principal assumptions used to determine retirement plan assets as at December 31 are as follows:

	2017	2016
Discount rate	5.60%-5.70%	4.83%-5.58%
Rate of compensation increase	5.00%-10.00%	5.00%-10.00%

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, 2017 and 2016 assuming if all other assumptions were held constant:

	2017		2016	
	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	1.00% (1.00%)	(₱11,248,835) 13,962,224	1.00% (1.00%)	(₱10,183,764) 12,727,906
Salary increase rate	1.00% (1.00%)	12,594,578 (10,433,740)	1.00% (1.00%)	11,561,131 (9,531,092)



The average duration of the defined benefit obligation is 14 years to 15.9 years in 2017.

The maturity analysis of the undiscounted benefit payments follows:

	2017	2016
Less than 1 year	<b>₱13,514,581</b>	₱9,349,032
More than 1 year to 5 years	<b>13,471,690</b>	18,391,952
More than 5 years to 10 years	<b>28,627,278</b>	9,839,892

## 20. Equity

### Preferred Stock

As at December 31, 2017 and 2016, 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 Parent Company'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

	Number of Shares	
	2017	2016
Authorized - ₱0.25 par value per share	<b>37,630,000,000</b>	37,630,000,000
Issued and Subscribed -		
Balance at beginning and end of year	<b>31,627,310,000</b>	31,627,310,000

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
<b>Common stock</b>			
1995	100,000,000,000	1,000,000,000	0.01
September 30, 1996	100,000,000,000	1,000,000,000	0.01
1997	(198,000,000,000)	—	—
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
<b>Total – Common stock</b>	<b>37,630,000,000</b>	<b>31,627,310,000</b>	
<b>Preferred stock</b>			
1997	6,000,000,000	—	1.00*
<b>Total – Preferred stock</b>	<b>6,000,000,000</b>	—	

\*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 Company's capital stock were offered and sold to the public at 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 with par value of ₱1.

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 (see Note 31).

On March 28, 2006, the SEC approved the reduction of the 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 (see Note 31).

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 (see Note 31).

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 (see Note 31).

As discussed in Note 31, 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 MOA rescinding the Swap Agreement with Metroplex and LIR-HK.

On May 29, 2014, the SEC approved the 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 10,130,000,000,000 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, 2017 and 2016 consists of the following:

	2017	2016
Subscription and/or issuance of shares	<b>₱6,941,634,391</b>	₱6,941,634,391
Business combination (see Note 16)	<b>297,087,533</b>	297,087,533
	<b>₱7,238,721,924</b>	₱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 business combination under common control using pooling of interest method (see Note 16).

### Subscription Receivable

On October 27, 2014, the BOD of the Company approved the call for the payment in full of the unpaid subscription of its capital stock on or before December 11, 2014. The Company was able to collect ₱4,777.1 million for 4,643,573,915 common shares. The BOD also approved that unpaid subscription after December 11, 2014 shall be subject to interest of 12% per annum.

Interest income in 2015 arising from delinquent shares amounted to ₱1.2 million.

On January 13, 2015, the BOD approved that under Section 67 of the Corporation Code, all common shares subscribed which shall remain unpaid after 30 days (January 10, 2015) shall become automatically delinquent and shall be made subject of a delinquency sale. Delinquency sale was scheduled in accordance with Section 68 of the Corporation Code on March 2, 2015 unless the delinquent shareholders shall pay the full amount due from their subscriptions, plus interest and their proportionate share in the cost of the sale. On March 2, 2015, all delinquent shares have been sold. In 2015, the additional proceeds received from the sale of delinquent shares was recognized as part of “additional paid-in capital” account amounting to ₱6.2 million.

Further, listing fees pertaining to the 2015 issuance of shares were charged to “Additional paid-in capital” account amounting to ₱10.7 million.

### Parent Company Shares Held by a Subsidiary

POSC holds common shares of the Parent Company totaling 347,951,000 shares and 323,586,000 shares as at December 31, 2017 and 2016, respectively, with a cost of ₱475.4 million and ₱438.9 million as at December 31, 2017 and 2016, respectively. These are presented as “Cost of Parent Company shares held by a subsidiary” and are treated as a reduction in equity.

### Retained Earnings

On February 23, 2017, the Parent Company’s BOD approved the declaration of cash dividends of ₱0.0281 per share amounting to ₱879.5 million to shareholders of record as at March 10, 2017. Total dividends above are inclusive of dividends paid to related party shareholders amounting to ₱9.2 million.

On February 23, 2016, the Parent Company’s BOD approved the declaration of cash dividends of ₱0.0215 per share amounting to ₱680.0 million to shareholders of record as at March 10, 2016. Dividend attributed to Parent Company shares held by a subsidiary, which was eliminated in the consolidated financial statements, amounted to ₱7.0 million.

On March 5, 2015, the BOD approved declaration of cash dividends amounting to ₱695.8 million or ₱0.022 per share in favor of stockholders as at March 20, 2015.



The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱1,708.2 million and ₱1,099.9 million as at December 31, 2017 and 2016, respectively.

## 21. Gaming Revenue Share

PLAI's gaming revenue share is determined in accordance with PLAI's operating agreement with Melco as follows:

	2017	2016	2015
Gaming revenue share - gross	<b>₱6,119,060,974</b>	₱2,171,573,454	₱1,008,317,252
Less PAGCOR license fee paid by Melco	<b>3,509,708,335</b>	528,597,089	252,079,313
Gaming revenue share - net	<b>₱2,609,352,639</b>	₱1,642,976,365	₱756,237,939

## 22. Cost of Services

This account consists of:

	2017	2016	2015
Service fees (see Notes 26 and 31)	<b>₱260,564,461</b>	₱269,814,397	₱89,442,902
Operating supplies	<b>205,296,501</b>	183,151,089	7,956,521
Depreciation and amortization (see Note 14)	<b>194,986,126</b>	138,892,148	52,022,388
Software and license fees (see Note 31)	<b>191,656,399</b>	186,644,134	90,412,003
Online lottery system expenses	<b>193,378,115</b>	122,887,521	33,920,408
Payroll and related expenses	<b>145,220,203</b>	65,583,792	28,278,288
Consultancy fees (see Note 31)	<b>136,634,323</b>	122,801,401	24,623,420
Communication	<b>113,335,408</b>	95,691,927	34,506,867
Rental and utilities (see Note 27)	<b>62,975,691</b>	23,799,546	9,108,326
Others	<b>34,991,182</b>	29,587,237	18,676,783
	<b>₱1,539,038,409</b>	₱1,238,853,192	₱388,947,906

## 23. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Salaries, wages and benefits	<b>₱121,420,783</b>	₱104,449,785	₱76,085,380
Transportation and travel	<b>91,941,841</b>	62,194,960	32,604,814
Representation and entertainment	<b>49,978,597</b>	26,763,840	12,536,329
Professional, service and management fees (see Notes 26 and 31)	<b>48,215,605</b>	45,687,390	34,440,914
Rental and utilities (see Note 27)	<b>37,718,135</b>	36,657,677	23,511,417
Taxes and licenses	<b>30,632,398</b>	34,247,590	19,944,895
Depreciation and amortization (see Note 14)	<b>30,573,004</b>	32,370,299	13,279,583
Write-off of input VAT (see Note 11)	<b>25,000,000</b>	—	—

(Forward)



	2017	2016	2015
Outside services	<b>₱12,999,222</b>	₱12,124,621	₱2,041,066
Repairs and maintenance	<b>12,428,642</b>	11,166,018	5,835,795
Communication	<b>7,826,803</b>	17,076,146	11,233,857
Provision for doubtful accounts and probable loss on input VAT (see Notes 9 and 11)	<b>7,703,968</b>	6,974	8,645,486
Placement and listing fee	<b>2,404,625</b>	2,005,662	1,750,056
Marketing, advertising and promotion	<b>1,981,220</b>	3,120,168	6,041,838
Insurance	<b>1,384,637</b>	1,025,956	755,601
Miscellaneous (see Note 18)	<b>536,473,897</b>	172,634,165	8,692,831
	<b>₱1,018,683,377</b>	₱561,531,251	₱257,399,862

Miscellaneous expense includes regular provisions of the Company.

#### 24. Other Income (Expense) - net

This account consists of:

	2017	2016	2015
Loss on sale of AFS financial assets (see Note 13)	<b>(₱31,647,929)</b>	₱—	₱—
Marked-to-market gain (loss) on investments held for trading (see Note 8)	<b>2,204,528</b>	(37,137,005)	(29,331,526)
Foreign exchange loss	<b>(1,671,684)</b>	(1,620,149)	(698,585)
Gain (loss) on sale of property and equipment	<b>155,142</b>	29,997	(446,948)
Gain on sale of investments held for trading (see Note 8)	—	—	11,363,516
Reversal of allowance for probable loss on input VAT	—	—	10,992,915
Other income	<b>49,966,804</b>	14,498,940	5,764,923
	<b>₱19,006,861</b>	(₱24,228,217)	(₱2,355,705)

#### 25. Income Taxes

The components of income tax expense for the years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Current income tax	<b>₱235,892,039</b>	₱254,329,643	₱186,833,985
Deferred income tax relating to origination and reversal of temporary difference	<b>(413,893)</b>	28,271,202	(2,070,488)
	<b>₱235,478,146</b>	₱282,600,845	₱184,763,497

PLC and its subsidiaries are using itemized deduction in computing their taxable income, except for PLAI, who elected to use Optional Standard Deduction (OSD) until third quarter of 2016.



The components of the Company's deferred tax assets as at December 31 are as follows:

	2017	2016
Deferred tax assets:		
Accrued expenses	<b>₱2,788,503</b>	₱2,914,550
Unamortized past service costs	<b>7,726,070</b>	6,379,982
Allowance for doubtful accounts on receivables	<b>4,045,557</b>	3,241,935
Unrealized foreign exchange gain	<b>476,920</b>	1,139,376
NOLCO	<b>1,466,822</b>	—
Retirement liability	—	900,484
	<b>16,503,872</b>	14,576,327
Deferred tax liabilities:		
Retirement asset	<b>753,636</b>	—
Others	<b>310,551</b>	—
	<b>1,064,187</b>	—
Deferred tax assets - net	<b>₱15,439,685</b>	₱14,576,327

The components of the Company's temporary differences and carryforward benefits of NOLCO and MCIT for which no deferred tax assets were recognized are as follows:

	2017	2016
Allowance for doubtful accounts on receivables and others	<b>₱427,690,938</b>	₱427,690,938
Allowance for deferred oil exploration and development costs	<b>18,377,841</b>	18,377,841
Allowance for impairment of AFS investments	<b>2,000,000</b>	2,000,000
Excess MCIT over regular corporate income tax	<b>1,257,329</b>	1,257,329
NOLCO	<b>160,955</b>	8,661,197
	<b>₱449,487,063</b>	₱457,987,305

Deferred tax assets amounting to ₱135.3 million and ₱137.9 million as at December 31, 2017 and 2016, respectively, 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.

As at December 31, 2017, the carryforward benefits of NOLCO and MCIT that can be claimed as deductions from regular taxable income and regular corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Expiry Date	NOLCO	MCIT
2015	December 31, 2018	₱100,304	₱600,723
2016	December 31, 2019	46,665	656,606
2017	December 31, 2020	4,903,393	—
		<b>₱5,050,362</b>	<b>₱1,257,329</b>





The movements in NOLCO follow:

	2017	2016
NOLCO:		
Balance at beginning of year	<b>₱8,661,197</b>	₱24,860,713
Additions	<b>4,903,393</b>	46,665
Applications	<b>(8,437,299)</b>	(16,110,881)
Expirations	<b>(76,929)</b>	(135,300)
Balance at end of year	<b>₱5,050,362</b>	₱8,661,197

The movements in MCIT follow:

	2017	2016
MCIT:		
Balance at beginning of year	<b>₱1,257,329</b>	₱600,723
Additions	—	656,606
Balance at end of year	<b>₱1,257,329</b>	₱1,257,329

The reconciliation of the provision for income tax computed at statutory income tax rate on income before income tax to the provision for income tax as shown in the consolidated statements of income is as follows:

	2017	2016	2015
Income tax computed at statutory tax rate	<b>₱671,443,231</b>	₱432,210,294	₱122,375,354
Income tax effect of:			
Income not subject to income tax	<b>(785,764,413)</b>	(289,972,725)	(16,238,084)
Nondeductible expenses	<b>357,133,868</b>	212,640,574	182,338,123
Change in unrecognized deferred tax assets	<b>(8,505,413)</b>	(4,203,247)	(4,911,407)
Interest income subject to final tax	<b>(2,059,579)</b>	(4,275,333)	(3,599,515)
Expired NOLCO	<b>76,929</b>	40,590	23,962
Excess of itemized deduction over OSD	—	(65,900,842)	(72,567,213)
Equity share in net earnings of an associate	—	—	(22,657,723)
Others	<b>3,153,523</b>	2,061,534	—
	<b>₱235,478,146</b>	₱282,600,845	₱184,763,497

## 26. Related Party Disclosures

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 transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances. 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.

The amounts included in these transactions are as follows:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance Assets (Liabilities)	Terms	Condition
Belle	Parent	Advances (see Note 18)	2017	<b>₱985,341</b>	<b>(₱3,713,633)</b>	Noninterest- bearing, due and demandable	Unsecured, no impairment
			2016	754,616	(2,728,292)		
			2015	6,261,135	6,981,116		
		Notes receivable (see Note 10)	2017	<b>800,000,000</b>	<b>1,605,925,000</b>	3.25% to 4.10% interest-bearing, due on demand	Unsecured, no impairment
			2016	—	805,925,000		
			2015	1,805,925,000	805,925,000		
		Available-for-sale financial assets (see Note 13)	2017	<b>31,653,940</b>	<b>646,216,790</b>	Noninterest-bearing	Unsecured, with allowance for impairment amounting to ₱569.9 million as at December 31, 2017 and 2016
			2016	8,636,271	655,096,702		
			2015	387,461,701	584,562,793		
		Interest income (see Notes 9 and 10)	2017	<b>54,759,963</b>	<b>654,439</b>	Noninterest-bearing, 30 days	Unsecured, no impairment
			2016	32,830,279	2,189,550		
			2015	28,776,131	2,406,953		
		Service and management fee (see Notes 22 and 23)	2017	<b>60,480,000</b>	—	Noninterest-bearing, 30 days	Unsecured
			2016	60,480,000	—		
			2015	20,160,000	(1,585,000)		
		Others	2017	<b>12,543,618</b>	<b>12,543,618</b>	Noninterest-bearing, due on demand	Unsecured
			2016	—	—		
			2015	—	—		
Belle Grande	Affiliate	Service fees (see Notes 18 and 22)	2017	<b>133,800,340</b>	<b>(35,157,662)</b>	Noninterest- bearing, 30 days	Unsecured
			2016	—	—		
			2015	—	—		
SM Arena Complex Corporation	Affiliate	Others (see Notes 18 and 22)	2017	<b>20,701,935</b>	—	Noninterest-bearing, 30 days	Unsecured
			2016	20,160,000	(1,680,000)		
			2015	11,760,000	(525,000)		
SM Prime Holdings, Inc.	Affiliate	Rental expense (see Note 22)	2017	<b>12,610,120</b>	—	Noninterest-bearing, 30 days	Unsecured
			2016	12,384,984	—		
			2015	12,280,279	—		
Officers	Key management personnel	Salaries and wages	2017	<b>₱29,708,516</b>			
			2016	35,086,786			
			2015	13,207,004			

On September 15, 2014, PLAI and Belle entered into a Service Agreement 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 ₱60.5 million, ₱60.5 million and ₱20.2 million in 2017, 2016 and 2015, respectively, were presented as part of “Services fees” included under costs of services and “Professional, service and management fees” under general and administrative expenses in the consolidated statements of income (see Notes 22 and 23).



## 27. Leases

### a. Finance Lease

*Lottery Equipment.* The contracts for the supply of online lottery system entered into by POSC with Scientific Games and Intralot and by TGTI with Intralot contain a lease which is classified as finance lease. These related equipment are included as part of Lottery equipment under “Property and Equipment” in the consolidated statements of financial position.

Future minimum lease payments under these finance leases together with present value of the minimum lease payments are as follows:

	2017	2016
Within one year	<b>₱45,340,826</b>	₱58,312,747
After one year but not more than five years	<b>38,944,375</b>	80,957,984
Total future minimum lease payments	<b>84,285,201</b>	139,270,731
Less amount representing interest	<b>9,422,217</b>	19,928,135
Present value of lease payments	<b>74,862,984</b>	119,342,596
Less current portion of obligations under finance lease	<b>39,488,510</b>	47,698,388
Noncurrent portion of obligations under finance lease	<b>₱35,374,474</b>	₱71,644,208

The contracts of POSC remain effective until July 31, 2018, the expiration of Equipment Lease Agreement (ELA). Payment to Scientific Games is based on a pre-agreed percentage of POSC’s revenue from PCSO’s conduct of online lottery games running under the system provided by Scientific Games. Payment to Intralot is based on pre-agreed percentage of the revenue generated by the terminals from PCSO’s conduct of online lottery operations or a fixed amount of US\$110 per terminal per month, whichever is higher. Payments to Scientific Games and Intralot include the non-lease elements which are presented as “Software and license fees” under “Cost and expenses” in the consolidated statements of income (see Note 22).

The contract of TGTI with Intralot commenced upon the commercial operation of 200 outlets and remains effective for 10 years until September 30, 2020. Payment to Intralot is based on a percentage of the gross receipts of PCSO from its “Online KENO” game or a fixed amount of US\$60 per terminal per month, whichever is higher.

The Company initially recognized the finance lease liability based on the fair value of the equipment or the sales price since the minimum lease payments cannot be established, as the monthly payment varies depending on the revenue generated by the leased equipment.

### b. Operating Lease

#### As Lessor

POSC leases online lotto equipment and accessories to PCSO for a period of 3 years until July 31, 2018 as provided in the 2015 Amended ELA (see Note 31). Rental payments is based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO’s lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱1,036.9 million,



₱931.8 million and ₱395.5 million in 2017, 2016 and 2015, respectively. Future minimum rental income as at December 31 for the remaining lease term is as follows:

	2017	2016
Within one year	<b>₱85,852,083</b>	₱145,495,000
After one year but not more than five years	—	84,872,083
	<b>₱85,852,083</b>	<b>₱230,367,083</b>

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. Rental payment by PCSO is based on certain percentage of gross amount of “Online KENO” games from the operation of all PCSO’s terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱803.6 million, ₱647.9 million and ₱235.4 million in 2017, 2016 and 2015, respectively. Future minimum rental income for the remaining lease terms is as follows:

	2017	2016
Within one year	<b>₱96,400,000</b>	₱80,800,000
After one year but not more than five years	<b>141,400,000</b>	222,200,000
	<b>₱237,800,000</b>	<b>₱303,000,000</b>

#### As Lessee

- POSC leases certain office spaces for periods of one to three years up to 2019. The lease agreements provide for minimum rental commitments with annual rental escalation rate of 5% to 10%. Rent expense recognized in the consolidated statement of income amounted to ₱16.2 million, ₱11.0 million and ₱6.2 million in 2017, 2016 and 2015, respectively.
- LotoPac, LCC and FRI lease certain properties that are renewed annually at the option of both companies. Rent expense recognized in the consolidated statement of income amounted to ₱62.9 million, ₱29.2 million and ₱11.4 million in 2017, 2016 and 2015, respectively.
- TGTI entered into lease contracts with the following: (1) Keewswen Development Corp. for the lease of its office space for a period of five years which commenced on February 1, 2011 expired on January 31, 2016 which was renewed for a period of two years which commenced on February 1, 2016 to January 31, 2018, (2) MBH Trading & Manufacturing Corporation for the lease of its warehouse for a period of seven years commencing on August 1, 2010 and expired on July 31, 2017 which was also renewed up to July 2020, and (3) George W.G Angel for a parking space for a period of one year, renewable upon mutual consent of the parties. Rent expense recognized in the consolidated statement of income amounted to ₱8.0 million, ₱6.0 million and ₱1.6 million in 2017, 2016 and 2015, respectively.

The above operating leases have no restrictions and contingent rental provisions.

Future minimum rental expense for the remaining lease terms are as follows:

	2017	2016
Within one year	<b>₱87,722,459</b>	₱14,263,568
After one year but not more than five years	<b>42,104,342</b>	10,751,584
	<b>₱129,826,801</b>	<b>₱25,015,152</b>



## 28. Basic/Diluted Earnings Per Common Share

As at December 31, 2017, 2016 and 2015, basic/diluted earnings per share were computed as follows:

	2017	2016	2015
Net income attributable to the equity holders of the Parent (a)	<b>₱1,756,459,152</b>	₱959,849,646	₱155,232,754
Weighted average common shares, beginning	<b>31,627,310,000</b>	31,627,310,000	31,440,564,700
Number of parent company common shares held by subsidiaries - basic, at beginning of year	<b>(323,586,000)</b>	(290,660,000)	—
Issuance of common shares	—	—	155,621,083
Acquisition of entities holding parent common shares	<b>(16,323,279)</b>	(32,130,230)	(222,279,833)
Weighted average common shares, end (b)	<b>31,287,400,721</b>	31,304,519,770	31,373,905,950
Earnings per common share (a/b)	<b>₱0.056140</b>	₱0.030662	₱0.004948

## 29. Financial Assets and Financial Liabilities

### Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments comprise cash and cash equivalents, trade receivables, and obligations under finance lease. The main purpose of these financial instruments is to raise financing for the Company's operations and capital expenditures. The Company has other financial assets and liabilities such as investments held for trading, AFS financial assets, trade and other receivables and trade and other current liabilities which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk. The BOD and management review and approve the policies for managing credit, liquidity, equity price and foreign currency risks and they are summarized below:

*Credit Risk.* Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash and cash equivalents, trade receivables and others and AFS financial assets.

The Company's credit risk is concentrated on a few companies with which it transacts business. One of which is the PCSO, through its subsidiary, POSC. POSC's trade receivable arises from equipment lease agreement with PCSO, POSC's sole customer. It is part of the Company policy that all the terms specified in the ELA with PCSO are complied with and ensure that payment terms are met. Another major customer is Melco, from whom gaming revenue share is collected. Belle, a major stockholder, also has outstanding loans payable to the Company. The Company keeps close coordination with Melco and Belle and ensures that contract and agreement terms and conditions are met.

With respect to credit risk arising from the other financial assets which are composed of cash and cash equivalents, other receivables, investments held for trading and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



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

2017							
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Cash and cash equivalents*	₱2,956,671,884	₱—	₱—	₱—	₱—	₱—	₱2,956,671,884
Investment held for trading	178,482,842	—	—	—	—	—	178,482,842
Receivables**	696,108,833	—	—	—	248,024	434,440,938	1,130,797,795
Notes receivable	1,605,925,000	—	—	—	—	—	1,605,925,000
AFS financial assets	648,597,890	—	—	—	—	574,918,475	1,223,516,365
Guarantee bonds***	35,000,000	—	—	—	—	—	35,000,000
	₱6,120,786,449	₱—	₱—	₱—	₱248,024	₱1,009,359,413	₱7,130,393,886

\*Excluding cash on hand amounting to ₱6.0 million.

\*\*Excluding advances to contractors and suppliers amounting to ₱4.3 million.

\*\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

2016							
	Neither Past Due nor Impaired	Past Due but not Impaired					Total
		Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Impaired	
Cash and cash equivalents*	₱1,804,213,982	₱—	₱—	₱—	₱—	₱—	₱1,804,213,982
Investment held for trading	165,990,214	—	—	—	—	—	165,990,214
Receivables**	729,102,862	3,191	—	83,889	—	438,497,388	1,167,687,330
Notes receivable	805,925,000	—	—	—	—	—	805,925,000
Deposits***	7,224,028	—	—	—	—	—	7,224,028
AFS financial assets	657,377,802	—	—	—	—	574,918,475	1,232,296,277
Guarantee bonds****	35,000,000	—	—	—	—	—	35,000,000
	₱4,204,833,888	₱3,191	₱—	₱83,889	₱—	₱1,013,415,863	₱5,218,336,831

\*Excluding cash on hand amounting to ₱7.3 million.

\*\*Excluding advances to contractors and suppliers amounting to ₱2.6 million.

\*\*\*Included as part of "Other current assets" account in the consolidated statements of financial position

\*\*\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

	2017		
	High Grade	Medium Grade	Total
Cash and cash equivalents*	₱2,956,671,884	₱—	₱2,956,671,884
Investment held for trading	178,482,842	—	178,482,842
Receivables**	696,108,833	—	696,108,833
Notes receivable	1,605,925,000	—	1,605,925,000
AFS financial assets	646,216,790	2,381,100	648,597,890
Guarantee bonds***	35,000,000	—	35,000,000
	₱6,118,405,349	₱2,381,100	₱6,120,786,449

\*Excluding cash on hand amounting to ₱6.0 million.

\*\*Excluding advances to contractors and suppliers amounting to ₱4.3 million.

\*\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

	2016		
	High Grade	Medium Grade	Total
Cash and cash equivalents*	₱1,804,213,982	₱—	₱1,804,213,982
Investment held for trading	165,990,214	—	165,990,214
Receivables**	729,102,862	—	729,102,862
Notes receivable	805,925,000	—	805,925,000
Deposits***	7,224,028	—	7,224,028
AFS financial assets	655,096,702	2,281,100	657,377,802
Guarantee bonds****	35,000,000	—	35,000,000
	₱4,202,552,788	₱2,281,100	₱4,204,833,888

\*Excluding cash on hand amounting to ₱7.3 million.

\*\*Excluding advances to contractors and suppliers amounting to ₱2.6 million.

\*\*\*Included as part of "Other current assets" account in the consolidated statements of financial position

\*\*\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position



High grade financial assets pertain to those receivables from related parties or customers that consistently pay on or before the maturity date while medium grade includes those financial assets being collected on due dates with an effort of collection.

The Company 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 Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Company closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. To cover its financing requirements, the Company uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs.

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, 2017 and 2016 as the total current assets can cover the total current liabilities as they fall due.

The maturity profile of the Company's financial assets and liabilities follow:

	2017				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents <sup>(a)</sup>	P2,956,671,884	P—	P—	P—	P2,956,671,884
Investments held for trading	178,482,842	—	—	—	178,482,842
Receivables <sup>(b)</sup>	434,688,962	696,108,833	—	—	1,130,797,795
Notes receivable	1,605,925,000	—	—	—	1,605,925,000
AFS financial assets	—	—	—	1,223,516,365	1,223,516,365
Guarantee bonds <sup>(c)</sup>	—	—	—	35,000,000	35,000,000
	<b>P5,175,768,688</b>	<b>P696,108,833</b>	<b>P—</b>	<b>P1,258,516,365</b>	<b>P7,130,393,886</b>

	2017				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Liabilities</b>					
Trade payables and other current liabilities <sup>(d)</sup>	P51,679,679	P487,620,086	P—	P—	P539,299,765
Obligations under finance lease <sup>(e)</sup>	—	9,476,305	35,864,521	38,944,375	84,285,201
Installment payable <sup>(f)</sup>	—	670,207	2,010,621	2,762,995	5,443,823
	<b>P51,679,679</b>	<b>P497,766,598</b>	<b>P37,875,142</b>	<b>P41,707,370</b>	<b>P629,028,789</b>

(a) Excluding cash on hand amounting to P6.0 million.

(b) Excluding advances to contractors and suppliers amounting to P4.3 million.

(c) Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

(d) Excluding statutory liabilities, provisions, unearned income and current portion of installment payable amounting to P904.4 million

(e) Based on undiscounted future payments

(f) Including current portion



	2016				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents <sup>(a)</sup>	₱1,804,213,982	₱—	₱—	₱—	₱1,804,213,982
Investments held for trading	165,990,214	—	—	—	165,990,214
Receivables <sup>(b)</sup>	438,584,468	729,102,862	—	—	1,167,687,330
Notes receivable	—	250,000,000	555,925,000	—	805,925,000
Deposits <sup>(c)</sup>	—	—	7,224,028	—	7,224,028
AFS financial assets	—	—	—	1,232,296,277	1,232,296,277
Guarantee bonds <sup>(d)</sup>	—	—	—	35,000,000	35,000,000
	<b>₱2,408,788,664</b>	<b>₱979,102,862</b>	<b>₱563,149,028</b>	<b>₱1,267,296,277</b>	<b>₱5,218,336,831</b>
<b>Financial Liabilities</b>					
Trade payables and other current liabilities <sup>(e)</sup>	₱58,794,627	₱323,130,628	₱—	₱—	₱381,925,255
Obligations under finance lease <sup>(f)</sup>	—	9,593,882	48,718,865	80,957,984	139,270,731
	<b>₱58,794,627</b>	<b>₱332,724,510</b>	<b>₱48,718,865</b>	<b>₱80,957,984</b>	<b>₱521,195,986</b>

(a)Excluding cash on hand amounting to ₱7.3 million.

(b)Excluding advances to contractors and suppliers amounting to ₱2.6 million.

(c)Included as part of "Other current assets" account in the consolidated statements of financial position

(d)Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

(e)Excluding statutory liabilities and provisions amounting to ₱162.7 million

(f)Based on undiscounted future payments.

**Equity Price Risk.** Equity price risk is the risk that the fair value of quoted investment held for trading and AFS financial assets decrease as the result of changes in the value of individual stocks. The Company's exposure to equity price risk primarily to the Company's quoted investments held for trading and AFS financial assets. 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.

#### AFS financial assets

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. The impact on the Company's equity already excludes the impact on transactions affecting the consolidated profit or loss before income tax.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's consolidated income before income tax.

#### Available-for-sale financial assets

	2017		2016	
	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	₱1,641,680	(₱1,641,680)	₱5,196,681	(₱5,196,681)





Investments held for trading

	2017		2016	
	Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	5%	5%	5%	(5%)
Effect on profit or loss	<b>₱8,924,142</b>	<b>(₱8,924,142)</b>	₱8,291,536	(₱8,291,536)

*Foreign Currency Risk.* The Company, through POSC, has foreign currency exposures. Such exposure arises from cash and cash equivalents and payables to certain suppliers which are denominated in U.S. dollar (US\$). The Company's financial instruments which are denominated in foreign currency include cash and cash equivalents and consultancy and software license fees payable. The Company maintains a US\$ account to match its foreign currency requirements.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used was ₱49.92 and ₱49.77 to US\$1, the Php to US\$ exchange rates as at December 31, 2017 and 2016, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Php-US\$ exchange rates, with all other variables held constant, of the Company's consolidated income before income tax in 2017. There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase (Decrease) in US\$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity
<b>2017</b>	<b>5%</b> <b>(5%)</b>	<b>(₱754,779)</b> <b>754,779</b>	<b>(₱528,345)</b> <b>528,345</b>
2016	5% (5%)	(₱920,229) 920,229	(₱644,160) 644,160

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 to shareholders and benefits to 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 2017 and 2016.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱16,315.1 million and ₱15,357.9 million as at December 31, 2017 and 2016, respectively.



### Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying values of cash and cash equivalents, receivables, deposits and trade payables and other current liabilities (excluding statutory liabilities) approximate their fair values due to the short-term nature of the transactions.

The fair values of AFS financial assets 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 of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

The estimated fair value of obligations under finance lease was calculated using the discounted cash flow methodology, using PDST-R2 rates ranging from 2.4% to 4.3% and 1.8% to 3.9% in 2017 and 2016, respectively.

The carrying value of guarantee bonds approximates fair value as at December 31, 2017 and 2016 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's assets and liabilities, other than those with carrying amounts that are reasonable approximation of fair value, as at December 31, 2017 and 2016:

2017					
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>					
Assets measured at fair value:					
Investments held for trading	December 31, 2017	₱178,482,842	₱—	₱—	₱178,482,842
AFS financial assets - quoted shares	December 31, 2017	646,216,790	2,300,000	—	648,516,790
<b>Liabilities</b>					
Liabilities for which fair value is disclosed -					
Obligations under finance lease	December 31, 2017	—	—	84,285,201	84,285,201
Installment payable	December 31, 2017	—	—	5,210,804	5,210,804
2016					
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>					
Assets measured at fair value:					
Investments held for trading	December 31, 2016	₱165,990,214	₱—	₱—	₱165,990,214
AFS financial assets - quoted shares	December 31, 2016	655,096,702	2,200,000	—	657,296,702
<b>Liabilities</b>					
Liabilities for which fair value is disclosed -					
Obligations under finance lease	December 31, 2016	—	—	132,578,191	132,578,191



There were no transfers between fair value measurements in 2017 and 2016.

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**30. Segment Information**

The primary segment reporting format is presented based on business segments in which the Company'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, 2017 and 2016, the Company is organized into five business segments, namely: investment holding, real estate, public amusement recreation, gaming business and lottery equipment leasing, distribution and others.



Financial information about the Company's business segments are shown below:

	2017						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>							
Revenue:							
External	P-	P-	P-	P2,609,352,639	P2,319,993,376	P-	P4,929,346,015
Internal	1,467,423,869	-	-	-	-	(1,467,423,869)	-
Cost and expenses	(25,707,204)	(15,162)	(14,472)	(878,730,409)	(1,653,254,539)	(238,472,484)	(2,796,194,270)
Interest income	61,625,227	1,603	-	13,471,123	820,060	-	75,918,013
Finance charges	-	-	-	-	(10,859,855)	-	(10,859,855)
Dividend income	299,287	-	-	-	20,628,055	-	20,927,342
Depreciation and amortization	(6,852)	-	-	(238,580,484)	(225,444,278)	-	(464,031,614)
Provision for income tax	(6,597,772)	-	-	-	(228,880,374)	-	(235,478,146)
Net income (loss) for the year	1,497,043,406	(13,559)	(14,472)	1,750,328,829	492,865,988	(1,737,544,233)	2,002,665,960
<b>Other Information</b>							
Investments held for trading and							
AFS financial assets	390,333,450	-	-	-	727,998,290	(469,733,850)	648,597,890
Segment assets	16,649,433,414	800,900	29,719,519	1,594,561,087	1,917,904,792	(2,206,994,332)	17,985,425,379
Segment liabilities	184,834,510	260,406,147	5,000	932,951,374	613,772,207	(436,045,809)	1,555,923,429
Consolidated total assets	17,039,766,864	800,900	29,719,518	1,594,561,087	2,645,903,082	(2,676,728,182)	18,634,023,269
Consolidated total liabilities	184,834,510	260,406,147	5,000	932,951,374	613,772,207	(436,045,809)	1,555,923,429
Capital expenditure	-	-	-	8,932	156,780,026	-	156,788,958
Goodwill	-	-	-	-	1,832,260,734	-	1,832,260,734
Earnings before interest taxes, depreciation and amortization (EBITDA)	-	-	-	-	-	-	2,597,183,359



	2016						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>							
Revenue:							
External	P—	P—	P—	P1,642,976,365	P1,888,099,468	P—	P3,531,075,833
Internal	1,069,895,814	—	—	—	—	(1,069,895,814)	—
Cost and expenses	(16,719,400)	(23,852)	(22,812)	(492,062,964)	(1,291,555,415)	(324,769,436)	(2,125,153,879)
Interest income	40,021,895	1,800	—	6,300,329	815,079	—	47,139,103
Finance charges	—	—	—	—	(12,748,505)	—	(12,748,505)
Dividend income	2,541,734	—	—	—	22,074,912	—	24,616,646
Depreciation and amortization	(3,760)	—	—	(90,060)	(171,168,627)	(324,769,436)	(496,031,883)
Provision for income tax	656,606	—	—	98,851,263	183,092,976	—	282,600,845
Net income for the year	1,095,083,437	(22,052)	(22,812)	1,058,362,466	399,364,344	(1,394,665,247)	1,158,100,136
<b>Other Information</b>							
Investments held for trading and AFS financial assets	322,241,801	—	—	—	879,721,834	(378,595,619)	823,368,016
Segment assets	16,042,019,466	813,959	29,733,991	379,751,120	1,555,785,960	(1,923,679,740)	16,084,424,756
Segment liabilities	185,736,557	260,405,647	5,000	189,670,237	474,876,890	(391,203,697)	719,490,634
Consolidated total assets	16,364,261,267	813,959	29,733,991	379,751,120	2,435,507,794	(2,302,275,359)	16,907,792,772
Consolidated total liabilities	185,736,557	260,405,647	5,000	189,670,237	474,876,890	(391,203,697)	719,490,634
Capital expenditure	20,556	—	—	158,391	111,940,173	—	112,119,120
Goodwill	—	—	—	—	1,828,577,952	—	1,828,577,952
EBITDA	—	—	—	—	—	—	1,901,953,837



	2015						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>							
Revenue:							
External	P—	P—	P—	P756,237,939	P719,326,926	P—	P1,475,564,865
Internal	575,356,767	—	—	—	—	(575,356,767)	—
Cost and expenses	(13,009,757)	(62,926)	(37,378)	(130,355,416)	(502,882,291)	(563,277,634)	(1,209,625,402)
Interest income	40,704,963	38,788	—	760,585	530,204	—	42,034,540
Finance charges	—	—	—	—	(4,996,708)	—	(4,996,708)
Dividend income	27,496,623	—	—	—	4,273,890	—	31,770,513
Equity in net earnings of an associate	—	—	—	—	—	75,525,743	75,525,743
Depreciation and amortization	—	—	—	(341,660)	(64,960,311)	(563,277,634)	(628,579,605)
Provision for income tax	600,723	—	—	115,197,543	68,965,231	—	184,763,497
Net income for the year	640,940,787	(24,138)	(37,378)	511,445,565	133,938,171	(1,063,108,658)	223,154,349
<b>Other Information</b>							
Investments held for trading and AFS financial assets	292,945,362	—	—	—	706,367,720	(186,022,499)	813,290,583
Segment assets	15,608,466,624	856,011	30,820,792	317,468,350	1,515,226,053	(1,844,130,610)	15,628,707,220
Segment liabilities	167,279,987	260,425,647	1,068,988	297,749,933	462,639,425	(636,424,102)	552,739,878
Consolidated total assets	15,901,411,986	856,011	30,820,792	317,468,350	2,221,593,773	(2,030,153,109)	16,441,997,803
Consolidated total liabilities	167,279,987	260,425,647	1,068,988	297,749,933	462,639,425	(636,424,102)	552,739,878
Capital expenditure	—	—	—	65,480	223,344,454	—	223,409,934
Goodwill	—	—	—	—	1,828,577,952	—	1,828,577,952
EBITDA	—	—	—	—	—	—	894,519,067



EBITDA pertains to the Company's income before tax, excluding other income (expense) and before interest, taxes, depreciation and amortization.

Revenue from gaming business segment amounting to ₱2,609.4 million, ₱1,643.0 million and ₱756.2 million in 2017, 2016 and 2015, respectively, are solely collectible from Melco and revenue from lottery equipment leasing, distribution and others business segment amounting to ₱2,320.0 million and ₱1,888.1 million and ₱719.3 million in 2017, 2016 and 2015, respectively, are solely collectible from PCSO.

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2017	2016	2015
<b>Net Profit for the Year</b>			
Total profit for reportable segments	<b>₱3,740,210,193</b>	₱2,552,765,383	₱1,286,263,007
Elimination for intercompany profits	<b>(1,737,544,233)</b>	(1,394,665,247)	(1,063,108,658)
Consolidated net profit	<b>₱2,002,665,960</b>	₱1,158,100,136	₱223,154,349
<b>Assets</b>			
Total assets for reportable segments	<b>₱17,985,425,379</b>	₱16,084,424,756	₱15,628,707,220
Investments and advances	<b>648,597,890</b>	823,368,016	813,290,583
Consolidated assets	<b>₱18,634,023,269</b>	₱16,907,792,772	₱16,441,997,803

Disclosure of the geographical information regarding the Company's revenues from external customers and total assets have not been provided since all of the Company's consolidated revenues are derived from operations within the Philippines.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with net income or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments.

### 31. Significant Contracts and Commitments

#### Investment Commitment with PAGCOR

The Company and its casino operator is required to have an "Investment Commitment" based on PAGCOR guidelines of US\$1.0 billion, of which US\$650.0 million shall be invested upon the opening of the casino and the other US\$350.0 million shall be invested within a period of three (3) years from the commencement of the casino operations. The Investment Commitment should comprise of the value of land used for the projects and the construction costs of various facilities and infrastructure within the site of the project.

The other salient provisions of the License are: (i) creation of an escrow account of at least US\$100.0 million to be used exclusively for the project, with a maintaining balance of US\$50.0 million; (ii) issuance of performance bond of US\$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US\$100.0 million to guarantee the payment to PAGCOR of all fees payable under the license granted.

In May 2013, the Escrow was terminated as Melco deposited its own Escrow Fund to replace that of the Company.



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 sole and exclusive 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, PLAI shares from the performance of the casino gaming operations. Gaming revenue share in 2017, 2016 and 2015 amounted to ₱2,609.4 million, ₱1,643.0 million, and ₱756.2 million respectively (see Note 21).

Advisory Services by AB Leisure Global, Inc. (ABLGI) and Belle Grande

ABLGI agreed to act in an advisory capacity to Belle and PLAI subject to certain limitations for a consideration equivalent to percentage of PLAI's income from gaming revenue share.

Effective 2017, ABLGI, Belle and PLAI entered into an agreement to assign the ABLGI's advisory and consulting services to Belle Grande.

Professional fee amounted to ₱206.8 million, ₱216.1 million and ₱76.0 million in 2017, 2016 and 2015, respectively, presented as part of "Service fees" account under cost of services expenses in the consolidated statements of income (see Note 22).

Share Swap Agreement

In 1997, PLC (then Sinophil Corporation), together with Belle (then a 32% shareholder) entered into a Swap Agreement with Metroplex whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of LIR-HK, a Hong Kong-based company, which is a subsidiary of Metroplex.

On August 23, 2001, a Memorandum of Agreement (MOA) was entered into by and among Belle, PLC, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

- a. Metroplex shall surrender the certificates of PLC shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of PLC to the extent constituting the PLC shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the PSE.
- b. PLC shall surrender the LIR-HK shares back to Metroplex.

In view of such definite plan to rescind the Swap Agreement through the MOA or other means, PLC discontinued using the equity method in accounting for its investment in LIR-HK starting from LIR-HK's fiscal year beginning February 1, 1999.

On February 18, 2002, PLC's stockholders approved the cancellation of 3,870,000,000 shares held by Metroplex. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings. PLC again presented to its stockholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were already delivered by Metroplex. On June 3, 2005, the stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved PLC's application for the





capital reduction and cancellation of the 1,870,000,000 PLC shares. The application to delist the said shares was also approved by the PSE.

As a result of the cancellation of the shares, investment in LIR-HK was reduced by ₱2,807.8 million in 2006. The corresponding decrease in capital stock, additional paid-in capital, and share in cumulative translation adjustments of an associate amounted to ₱1,870.0 million, ₱1,046.9 million and ₱109.1 million, respectively.

In 2007, PLC acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of PLC held by Metroplex for a total consideration of ₱81.6 million (see Note 9). Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 PLC shares was filed with the SEC after obtaining stockholders' approval.

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation (see Note 20).

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling (see Note 32). The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA.

However, during 2012, PLC was informed by Evanston that they had undertaken foreclosure proceedings on the Shares. While Evanston has stated willingness to negotiate with PLC towards the transfer of the Shares, there is no assurance that PLC will be able to acquire the Shares from Evanston. Thus, PLC recognized full impairment loss on its investment in LIR-HK in view of the then uncertainty of implementing the MOA rescinding the Swap Agreement.

Notwithstanding the foregoing, cognizant of the fact that whoever had possession of the Shares would be dispossessed of its property by reason of the approval of the decrease in capital which implies the cancellation of said shares, PLC exerted earnest efforts to have the SEC revoke its approval of the third decrease in capital. However, SEC continued to deny any petition on the following grounds:

- (i) the documents submitted by appellant in support of its application for the decrease of capital stock, were all complete and regular on its face;
- (ii) there was no allegation of fraud, actual or constructive, nor misrepresentation in its application for decrease of authorized capital stock.

On June 20, 2013, PLC filed a Memorandum of Appeal with the SEC to appeal the denial of the petition.

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 shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares. As a result, investment



in LIR-HK was reduced by ₱1,501.5 million in 2014. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively.

Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the said Shares (see Notes 9 and 20).

Equipment Lease Agreement (ELA) between POSC and PCSO

*ELA.* POSC has an ELA with PCSO for the lease of not less than 800 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 for its Visayas-Mindanao (VISMIND) operations for a period of eight years from April 1, 2005 to March 31, 2013.

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.

*2012 Amended ELA.* On May 22, 2012, the POSC and PCSO amended some provisions of the ELA which reduced the rental fee for the VISMIND operations and included the lease of lotto terminals and supply of betting slips and ticket paper rolls in some of PCSO's Luzon operations for additional lease fee effective June 1, 2012 until March 31, 2013, which is concurrent with the ELA expiry. The amendment also incorporated the fee for maintenance and repair services as part of the rental fee and provided PCSO an option to purchase the equipment related to its VISMIND operations at the end of the lease period for ₱15.0 million.

*2013 Amended ELA.* On March 26, 2013, the POSC and PCSO further amended some provisions of the ELA which extended it from March 31, 2013 to July 31, 2015. In lieu of the PCSO option to purchase the equipment related to its VISMIND operations, POSC agreed to reduce the rental fee on the lotto terminals for the VISMIND operations and shoulder the cost of betting slips and ticket paper rolls for the PCSO's Luzon and VISMIND operations. The amendment also incorporated the fee for the supply of betting slips and ticket paper rolls for the PCSO's Luzon operations as part of the rental fee.

*2015 Amended ELA.* In 2015, the POSC and PCSO further amended some provisions of the ELA which extended it from August 1, 2015 to July 31, 2018 (see Note 27). The amendment also required POSC to deposit an additional ₱5.0 million cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The additional cash bond is included under "Other noncurrent assets" in the consolidated statements of financial position.

The rental fee, presented as "Equipment rental" in the consolidated statements of income, is based on a percentage of gross sales of lotto tickets from PCSO's VISMIND and Luzon operations or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. This covers the equipment rental of lotto terminals, central computer and communications equipment including the accessories and right to use the application software and manuals for the central computer system and terminals and draw equipment, as well as the supply of betting slips and ticket paper rolls, and maintenance and repair services. The number of installed lotto terminals totaled 4,205 and 4,157 as at December 31, 2017 and 2016, respectively.



*Instant Scratch Tickets.* On March 25, 2009, POSC entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO for the printing, distribution and sale of scratch tickets effective December 1, 2009. The share of PCSO is guaranteed for every 500 million tickets sold for a period of seven years from the date of the MOA's effectivity. The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. The ₱10.0 million cash bond is recognized under "Other noncurrent assets" account in the consolidated statements of financial position.

On March 31, 2015, POSC entered into an OMOA with PGEC for the authorization of PGEC as the exclusive marketing, distribution, selling and collecting agent of POSC throughout the Philippines. The agreement took effect on April 1, 2015 and shall remain effective as long as the MOA with PCSO or any extension thereof shall be effective.

PGEC agreed to assume POSC's commitment to PCSO to solely shoulder the project cost for the Instant Scratch Ticket program, which consists of the costs of production, distribution, warehousing, printing, handling, software and hardware maintenance, advertising, marketing, selling and other related expenses necessary to totally dispose of all instant tickets. PGEC is entitled to all the revenues, sums and proceeds from the Instant Scratch Tickets beginning April 1, 2015, and shall be obligated to shoulder the pay-outs for all winnings from said tickets sold beginning April 1, 2015. In consideration for the OMOA, PGEC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting April 2015. This fee is included as part of "Commission and distribution income" under "Revenues" in the consolidated statements of income.

POSC shall continue to pay the share of PCSO and the cash bond pursuant to the MOA, however, PGEC agreed to guarantee payment of the share of PCSO to POSC beginning April 2015. An existing consultancy agreement between POSC and PGEC for the scratch ticket operations was immediately terminated upon execution of the OMOA.

The MOA with POSC expired on November 30, 2016 and the OMOA with PGEC also expired accordingly. All tickets distributed to the retailers and agents, shall be allowed to be marketed continuously until fully sold and the corresponding winnings thereof shall be honored and paid even after the period of the MOA with PCSO.

#### TGTI Equipment Rental

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's "Online KENO" games. The lease is for a period of ten (10) years commencing on October 1, 2010, the date of actual operation of at least 150 "Online KENO" outlets. The rental fee, presented as "Equipment rental" in the consolidated statements of income, is based on a percentage of the gross sales of the "Online KENO" terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. The ELA may be extended and/or renewed upon the mutual consent of the parties.

On July 15, 2008, TGTI and PCSO agreed on some amendments to the ELA. Under the terms of the Amended ELA, TGTI shall provide the services of telecommunications integrator and procure supplies for the "Online KENO" operations of PCSO in Luzon and VISMIN areas. In consideration for such services, PCSO shall pay additional fee based on a certain percentage of the gross sales from all "Online KENO" terminals in operation in Luzon and VISMIN areas computed by PCSO and payable bi-weekly. As at December 31, 2017 and 2016, there are 2,400 and 2,020 "Online KENO" terminals in operation, respectively.



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

a. Consultancy Agreements

POSC and its subsidiaries hired the services of several consultants for its gaming operations. Consultancy fees are based on a certain percentage of the gross amount of ticket sales of certain variants of lottery operations of PCSO.

b. Scientific Games

On February 15, 2005, POSC entered into a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of computer hardware and operating system software. Under the terms of the "Contract for the Supply of the Visayas-Mindanao Online Lottery System (CVMOLS)," Scientific Games provided 900 online lottery terminals and terminal software necessary for POSC's leasing operations. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of its revenue from PCSO's conduct of online lottery games using the computer hardware and operating system provided by Scientific Games. The Contract shall continue as long as POSC's ELA with PCSO is in effect.

On October 2, 2012, POSC and Scientific Games amended the contract to extend the period from April 1, 2013 until August 31, 2015, and for the supply of additional terminals for the 2012 Amended ELA.

On November 20, 2015, POSC and Scientific Games further amended the contract to extend the period from September 1, 2015 until July 31, 2018 and for Scientific Games to supply 1,500 brand new terminals to POSC. The amended contract also removed the provision for the Inactive Terminal Fee of US\$25.00 per terminal per month for any additional terminals not connected to the software provided by Scientific Games.

c. Intralot

- i) On March 13, 2006, POSC entered into a contract with Intralot, a company incorporated under the laws of Greece, for the supply of online lottery system necessary for the operation of a new online lottery system effective December 8, 2006. Under the terms of the CVMOLS, Intralot provided POSC the hardware, operating system software and terminals and the required training. In consideration, POSC shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation or a fixed amount of US\$110 per terminal per month, whichever is higher. The contract shall continue as long as POSC's ELA with PCSO is in effect.

On July 10, 2006, Intralot entered into an agreement with Intralot Inc., a subsidiary domiciled in Atlanta, Georgia, wherein Intralot assigned to Intralot, Inc. the whole of its contract with POSC, including all its rights and obligations arising from it.

On August 16, 2012, POSC and Intralot further agreed to amend the supply agreement for the latter to supply reconditioned or refurbished lotto terminals to the former. These additional terminals are ordered to enable POSC to serve the requirements of PCSO in the 2012 Amended ELA. However, POSC has the option to order from Intralot brand new lotto terminals at a higher price per unit. POSC paid Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's online lottery operations in Luzon or US\$110.00 per terminal, whichever is higher.



On September 6, 2013, POSC and Intralot further agreed to amend the supply agreement for the latter to provide for additional terminals to enable POSC to expand its online lottery operations. Furthermore, effective April 1, 2013, POSC and Intralot agreed to lower the percentage of revenues paid by the former to the latter.

In April 2016, POSC and Intralot again amended the contract for Intralot to supply additional reconditioned or refurbished lotto terminals to POSC and extend the term of the contract until August 31, 2018.

- ii) TGTI has a contract with Intralot effective until September 30, 2020 for the supply of online lottery system (lottery equipment) accounted for as a finance lease. TGTI is being charged a certain percentage of equipment rental from the revenue from PCSO. On July 15, 2008, the Lease Contract between TGTI and Intralot was modified such that instead of receiving monthly remuneration calculated on a percentage basis of the gross receipts of TGTI from its ELA, Intralot now receive monthly remuneration calculated on a percentage basis of the gross receipts of PCSO from its "Online KENO" games. On March 22, 2011, the Lease Contract between or US\$60 per terminal per month, whichever is higher and Intralot was further modified to reduce the percentage charged by Intralot to TGTI and that TGTI undertakes a letter of guarantee amounting to ₱20.0 million not later than March 28, 2011 in order for TGTI to secure the payment of Intralot's remuneration. The said guarantee bond is recognized under "Other noncurrent assets" account in the consolidated statements of financial position.

d. Management Agreement

POSC and TGTI entered into a Management Agreement with AB Gaming and Leisure Exponent Specialist, Inc. 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 of ₱0.1 million and an amount equivalent to ten percent (10%) of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA) while TGTI will pay a certain percentage of its EBITDA.

Software and license fee recognized as part of "Cost of services" arising from Scientific Games contract and Intralot contracts above amounted to ₱191.7 million, ₱186.6 million and ₱90.4 million in 2017, 2016 and 2015, respectively (see Note 22).

Consultancy and management fees recognized under "Consultancy fees" as part of "Cost of services" amounted to ₱136.6 million, ₱122.8 million and ₱24.6 million in 2017, 2016 and 2015, respectively (see Note 22). Consultancy fees recognized under "Professional, service and management fees" as part of "General and Administrative Expenses" amounted to nil, ₱20.5 million, and nil in 2017, 2016 and 2015, respectively (see Note 23).

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## 32. Contingencies

- a) The Parent Company is a party to a civil case filed by Metroplex before the Court of Appeals (CA) to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Note 31). On July 17, 2013, CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the Supreme Court on September 4, 2014. As at February 23, 2018, the Supreme Court has yet to resolve this petition. However, as discussed in Note 31, the cancellation of the Swap Agreement



was implemented following the Parent Company's filing with the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

- b) The management is still assessing the possible impact of the on-going litigation between Philippine Gaming Management Corporation (PGMC) and PCSO that, if resolved in favor of PGMC, would have the effect of cancelling the existing terminals currently operating in Luzon, as leased by POSC to PCSO.

On September 5, 2012, a Writ of Preliminary Injunction (Injunction) was issued by Branch 143 of the Regional Trial Court (RTC) of Makati. The Injunction orders PCSO to refrain from: 1) implementing, enforcing or exercising any right arising from the 2012 ELA between the POSC and PCSO; 2) ordering or allowing POSC, or any third party, to install or operate any equipment, computer or terminal relating to on-line lottery operations in Luzon; and 3) committing any act that in any way violates or otherwise interferes with the ELA between PGMC and PCSO. POSC has filed a case with the Supreme Court to nullify the Injunction.

On July 17, 2013, the Supreme Court decided on the case brought forth by POSC that it be consolidated with the case between PGMC and PCSO, thus making POSC a party to the case which is now pending before the CA. Meanwhile, PGMC and PCSO have entered into an Interim Settlement whereby they agreed, among others, to maintain the status quo insofar as the POSC terminals already installed in Luzon are concerned. POSC's Request for Arbitration dated May 12, 2014 was denied by the International Court of Arbitration on July 17, 2014, due to PCSO's opposition. An Urgent Motion to Resolve was filed by POSC with the CA to compel the court to issue an order to PGMC and PCSO to include the POSC in the negotiations.

On January 29, 2016, PCSO filed a Manifestation with Motion to Dismiss dated January 12, 2016, stating that the presiding Judge approved PGMC and PCSO's "Interim Settlement" dated December 11, 2013 wherein it was agreed that the case will be archived pending arbitration. PCSO also averred that, on December 13, 2015, PGMC and PCSO executed a "Supplemental and Status Quo Agreement" wherein the parties agreed to dismiss all pending judicial and civil actions between them but shall continue with the arbitration proceedings. Thus, pursuant to the agreement, PCSO prayed for the dismissal of this case which was eventually dismissed by virtue of the Resolution dated March 1, 2016.

On September 13, 2016, POSC filed a Memorandum with the CA. The case is now submitted for the resolution. As at February 23, 2018, the case is still pending with the Court of Appeals.

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### 33. Events after the Reporting Period

On February 23, 2018, the Parent Company's BOD approved the declaration of cash dividends of ₱0.04391 per share amounting to approximately ₱1,388.8 million to shareholders of record as at March 10, 2018. Payments will be made on March 23, 2018.



### 34. Supplemental Disclosure of Cash Flow Information

#### Changes in Liabilities Arising from Financing Activities

	January 1, 2017	Additions	Cash flows	Finance charges	December 31, 2017
Dividends payable	₱—	₱1,041,930,481	(₱1,041,930,481)	₱—	₱—
Obligations under finance lease	119,342,596	6,437,551	(61,777,018)	10,859,855	74,862,984
Total liabilities from financing activities	₱119,342,596	₱1,048,368,032	(₱1,103,707,499)	₱10,859,855	₱74,862,984

Finance charges pertains to accretion of obligations under finance lease.

#### Noncash Activities

The following are the noncash activities in 2017:

- a. Additions to property and equipment amounting to ₱6.4 million from lease of lottery equipment accounted for as finance lease.
- b. Net assets from the acquisition of LCC subsidiaries (see Note 16).

The following are the noncash activities in 2015:

- a. Application of notes receivable principal amount of ₱1,000.0 million as partial payment of PLC on its purchase of POSC shares from Belle.
- b. Net assets acquired from step acquisition of POSC (see Note 16).

The Company has no significant noncash activity in 2016.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Premium Leisure Corp. and its subsidiaries (the Company) as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 and have issued our report thereon dated February 23, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui  
Partner

CPA Certificate No. 88823

SEC Accreditation No. 0923-AR-2 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2015,

June 26, 2015, valid until June 25, 2018

PTR No. 6621231, January 9, 2018, Makati City

February 23, 2018





**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Index to the Consolidated Financial Statements and**  
**Supplementary Schedules**  
**December 31, 2017**

Schedule I:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule II:	List of Philippine Financial Reporting Standards (PFRSs) and Interpretations Effective December 31, 2017
Schedule III:	Map of the Relationships of the Companies Within the Group
Schedule IV:	Financial Soundness Indicators
Schedule V:	Supplementary Schedules Required by Paragraph 6D, Part II Under SRC Rule 68, As Amended (2011)



**SCHEDULE I**

**PREMIUM LEISURE CORP.**  
**Reconciliation of Retained Earnings**  
**Available for Dividend Declaration**  
**As at December 31, 2017**

Unappropriated retained earnings, as adjusted to available for dividend distribution, at December 31, 2016	₱1,099,931,067
Net income during the year closed to retained earnings	1,497,043,406
Less: Dividend declarations during the year	(888,727,411)
Total retained earnings as at December 31, 2017 available for dividend declaration	<u>₱1,708,247,062</u>

**SCHEDULE II**

**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**List of Philippine Financial Reporting Standards (PFRSs) and**  
**Interpretations Effective as at December 31, 2017**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions*	Not Early Adopted		
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓

**SCHEDULE II**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*	Not Early Adopted		
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposals	✓		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
<b>PFRS 8</b>	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
<b>PFRS 9</b>	Financial Instruments*	Not Early Adopted		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*	Not Early Adopted		

**SCHEDULE II**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers*	Not Early Adopted		
<b>PFRS 16</b>	Leases*	Not Early Adopted		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiatives	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		

**SCHEDULE II**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of servicing equipment	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓

**SCHEDULE II**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Applying the Consolidation Exception			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value*	Not Early Adopted		
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*	Not Early Adopted		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

**SCHEDULE II**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*	Not Early Adopted		
<b>PAS 41</b>	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓



**SCHEDULE II**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 8</b>	Scope of PFRS 2			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 11</b>	PFRS 2 - Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement	✓		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration*	Not Early Adopted		
<b>IFRIC 23</b>	Uncertainty over Income Tax Treatment*	Not Early Adopted		
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

**SCHEDULE II**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

*\* Standards and interpretations which will become effective subsequent to December 31, 2017.*

Note: Standards and interpretations tagged as “Not Applicable” are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2017.

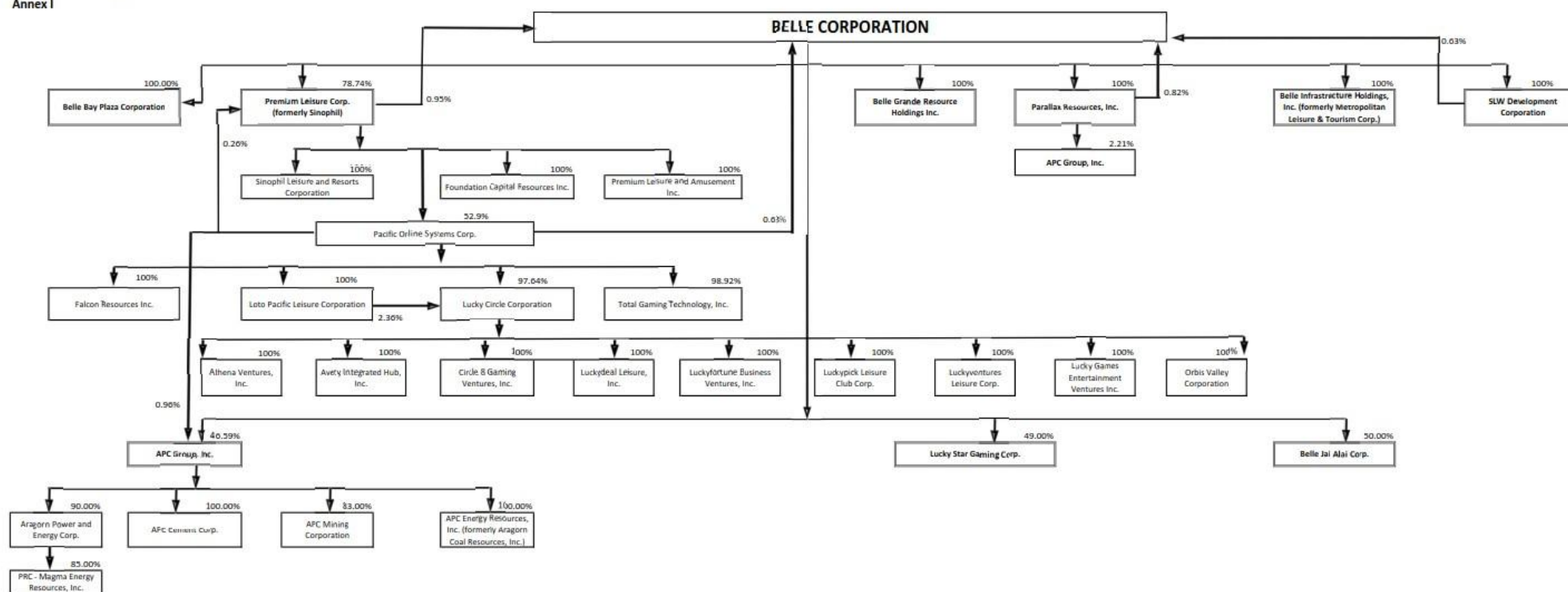
# SCHEDULE III

## PREMIUM LEISURE CORP. AND SUBSIDIARIES Map of the Relationship of the Companies within the Group December 31, 2017

**Belle Corporation**  
Conglomerate Map  
As of December 31, 2017  
Annex I

SUBSIDIARIES

AFFILIATES



**SCHEDULE IV**

**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Financial Soundness Indicators**  
**December 31, 2017**

Ratios	Formula	2017	2016
<b>Current Ratio</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>3.93</b>	6.24
<b>Asset-to-Equity Ratio</b>	$\frac{\text{Total assets}}{\text{Total stockholders' equity}}$	<b>1.09</b>	1.04
<b>Return on Asset</b>	$\frac{\text{Net income}}{\text{Average total assets}}$	<b>11.27%</b>	6.95%
<b>Return on Equity</b>	$\frac{\text{Net income}}{\text{Average total stockholders' equity}}$	<b>12.04%</b>	7.22%
<b>Debt-to-Equity Ratio</b>	$\frac{\text{Total interest-bearing debt}}{\text{Total stockholders' equity}}$	<b>0.004</b>	0.01
<b>Interest Rate Coverage Ratio</b>	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Interest expense}}$	<b>239.15</b>	149.19

**SCHEDULE V**

**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Supplementary Schedules Required by Paragraph 6D, Part II**  
**Under SRC Rule 68, As Amended (2011)**  
**December 31, 2017**

**Schedule A. Financial Assets**

Name of issuing entity and description 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
<b>Loans and receivables</b>				
Cash and cash equivalents	₱2,962,635,687	₱2,962,635,687	N/A	₱21,158,050
Notes receivable	1,605,925,000	1,605,925,000	N/A	54,759,963
Receivables	700,656,306	700,656,306	N/A	
Guarantee bonds	35,000,000	35,000,000	N/A	
	₱5,339,216,993	₱5,304,216,993		₱75,918,013
<b>Investments held for trading</b>				
APC Group, Inc.	48,000,000	23,040,000	23,040,000	—
Leisure & Resorts World Corp.	10,924,792	43,480,672	43,480,672	—
Vantage Equities, Inc.	43,376,750	53,787,170	53,787,170	—
LRWC Preferred Shares	50,000,000	52,000,000	52,000,000	—
LRWC Warrants	2,500,000	6,175,000	6,175,000	—
		178,482,842		—
<b>AFS Investments</b>				
Belle Corporation	166,550,719	646,216,790	646,216,790	—
Tagaytay Highlands				
International Golf Club	2	1,200,000	1,200,000	—
Tagaytay Midlands Golf Club	2	1,100,000	1,100,000	—
Asian Petroleum		11,100		—
PLDT		70,000		—
		648,597,890		—
		<b>₱6,131,297,725</b>		<b>₱75,918,013</b>

## SCHEDULE V

### 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	₱6,374,244	₱5,443,823	(₱1,799,002)	₱—	₱10,019,065	₱—	₱10,019,065

### 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	Non Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	₱266,969,710	₱—	₱—	(₱260,145,827)	₱—	₱6,823,883	₱6,823,883
Pacific Online Systems Corporation (Subsidiary)	—	179,424,322	(134,568,241)	—	44,856,081	—	44,856,081
PremiumLeisure and Amusement, Inc. (Subsidiary)	—	1,548,800,000	(1,548,800,000)	—	—	—	—
Premium Leisure Corp. (Parent)	29,733,991	—	(14,472)	—	—	29,719,519	29,719,519

### Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other Charges additions (deductions)	Ending balance
License	₱9,906,544,455	₱—	(₱238,472,484)	₱—	₱—	₱9,668,071,971
Goodwill	1,828,577,952	3,682,782	—	—	—	1,832,260,734

### Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet
Obligations under finance lease	₱—	₱39,488,510	₱35,374,474

### Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

	Balance at beginning of period	Balance at end of period
None	₱—	₱—

# SCHEDULE V

## Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
None	—	—	—	—

## Schedule H. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,627,310,000	—	24,904,904,328	39,409,007	6,682,996,665
Preferred stock	6,000,000,000	—	—	—	—	—