

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, 2019**
2. SEC Identification Number: **AS93-009289**
3. BIR Tax Identification No.: **003-457-827**
4. Exact name of registrant as specified in its charter: **PREMIUM LEISURE CORP.**
5. Province, Country or other jurisdiction of incorporation or organization:  
**Metro Manila, Philippines**
6.  (SEC Use Only)  
Industry Classification Code
7. Address of Principal Office:  
**5<sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila Postal Code: 1300**
8. Issuer's telephone number, including area code: **(632) 8662-8888**
9. Former name, former address, and former fiscal year, if changed since last report  
Former name: **N/A**
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
<b>Common stock<sup>1</sup></b>	<b>31,598,931,000</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, Inc. (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.

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 [ ]

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

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: **₱3,791,422,071.33**  
Aggregate market value was computed by multiplying voting stock held by non-affiliates with the stock's closing price of **₱0.57** per share on **December 31, 2019**.

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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 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 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 July 19, 2019 the SEC approved the change in PLC's primary purpose to include that the Company shall not engage in real estate business activities.

On June 2, 2014, the Board of Directors (Board) the Company approved a plan to take on the gaming business and interests of Belle (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 was 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 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. On July 19, 2019, the SEC approved the change in PLC's primary purpose to include that the Company shall not engage in real estate business activities.

## Material acquisitions of investments

The Company has invested in various companies as follows:

### 1. 100% Equity Investment in PLAI

PLAI is a co-grantee, together with Belle and other SM consortium members (under CA/License Reg. No. 08-003), by the Philippine Amusement and Gaming Corporation (“PAGCOR”) of a Certificate of Affiliation and Provisional License (the “Provisional License”) to operate an integrated casino resort complex in the approved site located in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City (“PAGCOR Entertainment City”), which site was originally referred to as “Belle Grande”. On April 29, 2015, PAGCOR granted the Regular Gaming License (“License”) to the consortium. This regular casino license has the same terms and conditions 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, together with PLAI, and SM Investments Corporation (Philippine Parties), formally entered into a Cooperation Agreement with Melco Resorts and Entertainment (Philippines) Corporation (“MRP Parties”), which took effect on March 13, 2013, the date on which the conditions to closing under the Closing Agreement were fulfilled, or waived. Under the Cooperation Agreement, the Philippine Parties agreed to include the MRP Parties as co-licensees for which PAGCOR issued an Amended Certificate of Affiliation and Provisional License dated January 2013. The Cooperation Agreement further specified the respective roles of the Philippine Parties and the MRP Parties in the casino resort project.

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

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

#### **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, 2,260 slot machines and 1,130 electronic gaming tables. As of December 31, 2019, City of Dreams Manila boasts of 302 gaming tables, 1,891 slot machines and 234 electronic gaming tables in operation. With approximately 22,507 square meters of gaming gross floor area and around 20,000 square meters of retail and restaurant facilities and various entertainment options, City of Dreams Manila is one of

the main players in the Philippine gaming industry. Total gross floor area of the entire complex is at 310,565 square meters.

The City of Dreams Manila features top hotel brands with approximately 940 hotel rooms. Nuwa has 245 luxurious rooms, while Hyatt, managed by Hyatt International Corporation, holds 365 rooms. Asia's first Nobu Hotel, meanwhile, owns 321 rooms.

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

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

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

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

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

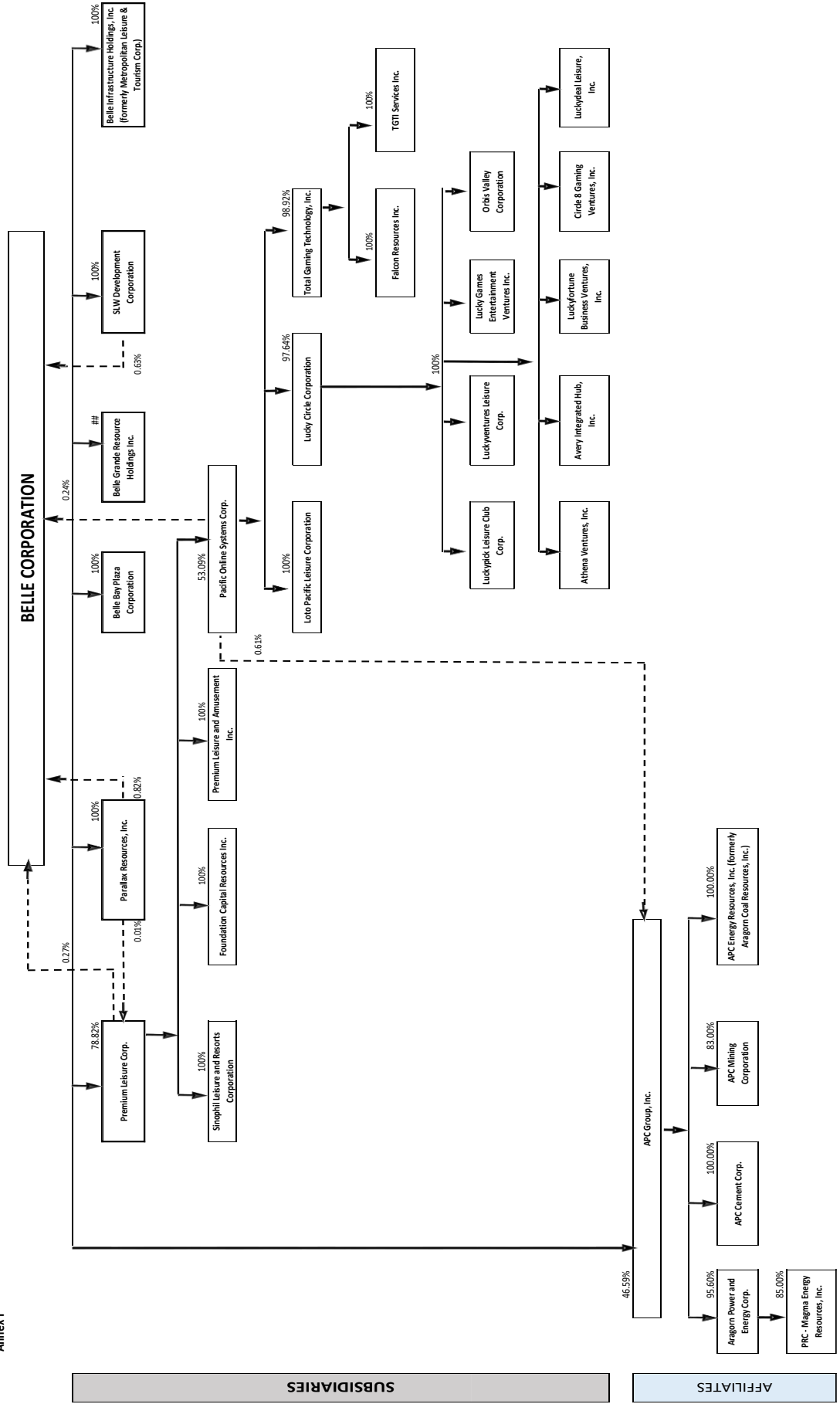
As of December 31, 2019, PLC has 50.1% ownership in POSC issued shares, with a total of 448,560,806 shares.

## 3. Acquisition of Falcon Resources, Inc.

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

## 4. Acquisition of Lucky Circle Corporation (LCC) Subsidiaries.

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



## Revenues

The following are the major revenue and income items in 2019 and 2018:

Year ended December 31 (Php)	2019		2018	
	Amount	% to total	Amount	% to total
Gaming revenue share	2,976,366,472	75%	3,211,856,964	62%
Equipment lease rentals	681,483,757	17%	1,448,317,610	28%
Commission, distribution and instant scratch tickets	308,381,639	9%	487,626,385	10%
<b>Total</b>	<b>3,966,231,868</b>	<b>100%</b>	<b>5,147,800,959</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. PLAI is a grantee by PAGCOR of Certificate of Affiliations and Provisional License to operate integrated resorts, including casinos, in the vicinity of PAGCOR Entertainment City. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, renewable for another 25 years, by the Philippine Congress.
2. POSC, leases 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 POSC, which is a publicly-listed company.

## Customers and Market Profile

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

Approximately 72% of PCSO lotto sales nationwide was generated by Luzon operations, and about 28% of sales is contributed by the VISMIN regions for the year ended 2019. This may be due to Luzon's higher population density, and higher average disposable income of residents. On the other hand, the VISMIN area faces some challenges due to its geography, more frequent power failures and intermittent telco connectivity.

As of the end of 2019, the Company's total terminal deployment in VISMIN territory covered 67 cities out of 72 total cities and 562 municipalities out of total 791. In Luzon, the Company's lotto terminal deployment, covered 52 cities and 74 municipalities. The Company covers 100% of the VISMIN sales and only 7% in Luzon due to its restricted entry since 2012.

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

## Competition

*Gaming business:* City of Dreams Manila is competing against casinos operated by PAGCOR and the other licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. ("Travelers"), Solaire Resort and Casino of Bloomberry Resorts Corporation, and Okada Manila, 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 to be in 2021.



*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 limited competition with its online KENO games that appeal to a different market segment.

## **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 Corporation'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 Corporation'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.

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

### **Changes to the Philippine Laws and Regulations**

Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of PLC, including its subsidiaries and affiliates.

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

### **Competition Risk**

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

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

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

The Company's ELA with PCSO is currently on an annual basis because of the failed bidding in 2019 of its national online lottery system (NOLS). This means that the Company will have to continue to operate under the current ELA terms beyond July 2020; i.e., when PCSO is able to hold its bidding,

award the new ELA contract and undertake a transition from the current lottery system to the new system. Should the PCSO bidding for NOLS be held in 2020, the Company is well positioned to be a front runner in said bidding due to its credentials and track record. Should POSC not win the bid, it is most likely that the Company's contract with PCSO will be extended for another 2 years due to the transition period required for a new service provider to take over the NOLS.

#### Risk relating to the Corporation and its subsidiaries

a. **Dependence on Suppliers**

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

b. **Business Interruption Risk**

The operations of POSC and its subsidiaries are dependent on the reliability of its central computer system and the communications infrastructure needed to run it. Any breakdown or failure in the system provided by its suppliers, failure in the communication infrastructure may negatively affect the Corporation's financial performance. However, this risk of business interruption is unlikely to happen due to the redundancy offered by the two suppliers. The communications infrastructure is being provided mainly by the two biggest telco providers in the country, namely: PLDT/Smart and Globe. The Corporation also contracted VSAT to provide connectivity to sites where Smart and Globe are not available.

#### Data Privacy

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

#### Information Technology

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

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

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

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

Not Applicable.

#### **Transactions with and/or Dependence on Related Parties**

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

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

*PAGCOR license*

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

*Equipment Lease Agreement.*

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, 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 28). 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.

*2018 Amended ELA.* On September 12, 2018, the ELA was amended to extend the term from August 1, 2018 to July 31, 2019. The amendment required POSC to post an additional deposit of ₱7.0 million cash bond. The total cash bond of ₱12.0 million is included under "Other noncurrent assets" in the consolidated statements of financial position.

*2019 Amended ELA.* On July 31, 2019, the ELA was amended to extend the term from August 1, 2019 to July 31, 2020.

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 3,785 and 4,029 as at December 31, 2019 and 2018, 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 PMLC for the authorization of PMLC 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.

PMLC 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. PMLC 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, PMLC 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, PMLC agreed to guarantee payment of the share of PCSO to POSC beginning April 2015. An existing consultancy agreement between POSC and PMLC 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 PMLC 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.

In 2018, POSC received a certification from the PCSO stating the fulfillment of POSC's obligation under the MOA and thereby clearing POSC of any accountability thereunder. PCSO certified that POSC is entitled to the release of the ₱10.0 million cash bond. The cash bond is expected to be collected in the next financial period. Thus, in 2018, the Company reclassified the cash bond amounting to ₱10.0 million from noncurrent asset to "Other current assets" account (see Note 11).

#### *Brand and Trademark Agreement with PMLC*

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting January 2018. The agreement with PMLC was accounted for as right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC. Thus, in 2018, POSC recognized revenue on the use of the brand and trademark amounting to ₱203.5 million (see Note 25). Interest income earned in 2019 and 2018 amounted to ₱8.6 million and ₱12.5 million, respectively.

Contract asset was recognized for the earned consideration but not yet collected. Current portion of contract asset amounted to ₱40.5 million and ₱37.9 million as at December 31, 2019 and 2018, respectively, while noncurrent portion amounted to ₱89.6 million and ₱130.1 million, at December 31, 2019 and 2018, respectively.

### *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 to September 30, 2020. This covers PCSO's online KENO lottery operations. The lease includes online KENO equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of 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, 2019 and 2018, there are 1,833 and 2,454 "Online KENO" terminals in operation, respectively.

On October 1, 2019, the ELA was amended to a lower lease rate, inclusive of VAT. The minimum price per KENO bet was reduced from ₱12 to ₱10, inclusive of documentary stamp tax.

### *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.

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.

On August 2018, the contract with Scientific Games was further amended to extend the period until July 31, 2019.

On September 4, 2019, the contract with Scientific Games was further amended to extend the period until July 31, 2020.

#### *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.

On September 25, 2018, the contract with Intralot was further amended to extend the period until July 31, 2019.

On July 1, 2019, the contract with Intralot was further amended to extend the period until July 31, 2020.

- 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 contract was further amended for Intralot to supply additional online keno terminals to TGTI and reduced the percentage charged by Intralot to TGTI or US\$60.00 per terminal per month on an average basis, whichever is higher. TGTI also 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 ₱136.3 million, ₱195.7 million and ₱191.7 million in 2019, 2018 and 2017, respectively (see Note 23).

Consultancy and management fees recognized under "Consultancy fees" as part of "Cost of services" amounted to nil, ₱76.0 million and ₱136.6 million in 2019, 2018 and 2017, respectively (see Note 23). Consultancy fees recognized under "Professional, service and management fees" as part of "General and Administrative Expenses" amounted to nil, ₱25.9 million and nil in 2019, 2018 and 2017, respectively (see Note 24).

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

The Company is compliant 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 Corporation 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.

POSC's online lottery operations are conducted mainly in Cebu, where its central system data center and logistics center are located. It also has set up 7 logistics hubs in 7 major VisMin cities to ensure efficient service delivery to the PCSO lottery agents. The Corporation Head Office is located in Pasig City.

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

The leased properties for business offices, data center, logistics facilities, and retail outlets reached about 8,008 sqm by year end 2018. About 67% of these properties are located in Luzon, and 33% in VisMin. Majority of the properties in Luzon are found in Metro Manila while those in VisMin are in Cebu. The logistics centers' area are about 3,391 sqm in total, with 1,433 sqm in Cebu and 1,958 sqm in Metro Manila. Lease terms for most office and warehouse spaces range from two (2) to five (5) years. Majority of leased spaces pertaining to retail outlets have one (1) year term only as dictated by mall leasing policies. All lease agreements have provisions for renewal subject to terms and conditions mutually agreed upon by all parties concerned. The lease agreements provide for minimum rental commitment with annual rental escalation rates ranging from 3% to 10%.

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

### **Item 3. Legal Proceedings**

1. "TMA Group of Companies, et al. vs. Philippine Charity Sweepstakes Office (PCSO), et al."  
RTC 66, Makati City- Civil Case No. 11-310/569 [321-106]

This is a complaint for specific performance and damages filed by TMA Australia Pty. Ltd. and its local subsidiary, TMA Group Philippines, Inc. (TMAP), against PCSO as regards their contract for the supply of lotto paper. The complainants subsequently amended their complaint to include Pacific Online Systems Corporation (Pacific Online) and Philippine Gaming Management Corporation (PGMC) as defendants. They prayed for a temporary restraining order and/or writ of preliminary injunction to enjoin all defendants from doing anything in violation or derogation of the contractual terms of the Joint Venture Agreement (JVA) dated December 4, 2009 for the supply of lotto paper. No damages were prayed for against Pacific Online.

On June 22, 2017, a Notice of Dismissal dated June 15, 2017 was received from TMAP praying for the dismissal of the Supplemental Complaint against POSC pursuant to Section 1 of Rule 17. No objection was interposed to and/or comment on the Notice of Dismissal. Thus, in an Order dated June 28, 2017, the court dismissed the case against POSC.

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

This refers to a case for Tortious Interference and payment of Damages filed by TMA Australia Pty. Ltd. and TMAP against Pacific Online in August 2017. They alleged that Pacific Online wrongfully interfered with the implementation of the Contractual Joint Venture Agreement (CJVA) between the TMA Group and PCSO when it entered into several lease agreements with the latter that included a supply of paper provision. They also applied for a writ of preliminary injunction (WPI) against Pacific Online and prayed for damages in the amount of at least One Million Pesos (₱1,000,000.00). On August 30, 2017, an Opposition against the issuance of an injunction on the ground that TMAP failed to establish its clear and unmistakable right under the CJVA.

On September 6, 2017, the presentation of evidence regarding the injunction was concluded. But to date, no order was yet received from the court denying or granting the TMAP’s application for injunctive writ. On September 13, 2017, a Motion to Dismiss the principal case of Tortious Interference was filed by Pacific Online on grounds of lack of subject matter jurisdiction, failure to state a cause of action, forum shopping and failure to implead an indispensable party. As of December 31, 2018, no order was yet received from the court denying or granting POSC’s Motion to Dismiss.

Insofar as the matter of the injunction is concerned, POSC was able to deliver all paper requirements of PCSO as stipulated under the Equipment Lease Agreement even before the Writ of Preliminary Injunction was issued and served on POSC. Moreover, the paper supply to POSC subject of TMAP’s complaint pertained to that under the ELA that ended on July 31, 2015, which was extended by a Supplemental ELA that ended July 31, 2018. The subsequent and currently existing agreement between PCSO and POSC no longer has any provision for the supply of lotto paper to PCSO. Thus, the residual issue in case now pertains only to TMAP’s claim for damages against POSC, which shall be fully threshed out at the trial of the case. Insofar as POSC is concerned, its defense against the charge of tortious interference is the ELA was entered into even before the CJVA between PCSO and TMAP. There is in fact no specific allegation in the complaint that POSC had prior knowledge of the CJVA when the ELA was executed. Notably, prior knowledge of the existence of a contract is an element of tortious interference. In addition, TMAP itself admitted that the implementation of the CJVA was terminated by PCSO on the basis of a new opinion from the Office of the General Corporate Counsel (OGCC). Furthermore, the existence of an ongoing case between PCSO and TMAP pertaining to the CJVA used by TMAP as basis for its tortious interference case against POSC shows that its alleged contractual rights supposedly impinged upon by POSC are contested and indefinite.

3. “Philippine Charity Sweepstakes Office, et al. v. Hon. Rommel C. Baybay et al.”  
CA GR SP No. 128259 [321-105].

This case arose when Judge Rommel Baybay of RTC-Makati, Br. 143, in Civil Case 12-530, granted PGMC’s application for injunction enjoining POSC from leasing its equipment for PCSO’s online lottery operations in Luzon. 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 Pacific Online and PCSO, 2) ordering or allowing the Pacific Online, or any third party, to install or operate any equipment, computer or terminal relating to online lottery operations in Luzon, and 3) committing any act that in any way violates or otherwise interferes with the ELA between PGMC and PCSO. Pacific Online filed a case with the Supreme Court to nullify the Injunction. PCSO also filed a case with the Court of Appeals likewise questioning the Injunction. On July 17, 2013, the Supreme Court decided that the case brought by Pacific Online be consolidated with the case between PGMC and PCSO in the Court of Appeals, thus making the Pacific Online a party to the case before the Court of Appeals.

Meanwhile, PGMC and PCSO entered into an Interim Settlement whereby they agreed, among others, to maintain the status quo insofar as the terminals already installed in Luzon by Pacific Online are concerned. In the same Interim Settlement, PGMC and PCSO also agreed to submit to arbitration before the International Court of Arbitration (ICA) the issue of the alleged exclusivity conferred by the ELA to PGMC for online lotto operations in Luzon. Pacific Online tried to join the arbitration but its Request for Arbitration dated May 12, 2014 was denied by the ICA on July 17, 2014, due to PCSO’s opposition. An Urgent Motion to resolve was filed by Pacific Online with the Court of Appeals to compel the court to issue an order to PGMC and PCSO to include Pacific Online in the negotiations. This matter was not resolved by the Court of Appeals.



On January 29, 2016, PCSO filed a Manifestation with Motion to Dismiss dated January 12, 2016 with RTC of Makati, 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 said agreement, PCSO withdrew its Petition for Certiorari in the Court of Appeals, which was granted by virtue of the Resolution dated March 1, 2016. PCSO also prayed for the dismissal of the RTC case, but this was denied by the RTC Makati after PGMC opposed PCSO's motion to dismiss.

In the meantime, the Court of Appeals required the parties to file their respective Memoranda in the case. On September 13, 2017, POSC filed its Memorandum. PCSO opted not to file its own Memorandum, but manifested instead that it was adopting the Memorandum of POSC. On January 8, 2019, POSC's counsel received a Decision by the Court of Appeals dated December 17, 2018 dismissing POSC's Petition for Certiorari and Prohibition. POSC decided to no longer pursue a Motion for Reconsideration. To a certain extent, the Petition served its purpose as after the same was filed, the RTC Makati put on hold the hasty implementation of the injunction. Subsequent events have rendered moot the issues in the case. Aside from the ICA arbitration decision, the ELA at issue in the case has also been amended and superseded thrice. Recently, we understand that the ELAs of both POSC and PGMC were extended for one year starting August 1, 2018 pursuant to the Board Resolution 229, Series of 2018, which, in turn, was issued to give PCSO enough time to prepare for the required public bidding for lotto equipment supply. With this development, the adverse effect against POSC – the reason that this case was initiated in the first place – is no longer attendant.

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

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

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

## **PART II - OPERATIONAL AND FINANCIAL INFORMATION**

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

#### **Market Information**

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

#### **Stock Prices**

<b>2019</b>	<b>High</b>	<b>Low</b>
First Quarter	1.01	0.80
Second Quarter	0.85	0.66
Third Quarter	0.79	0.67
Fourth Quarter	0.72	0.56
 <b>2018</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

As of **December 31, 2019**, Premium Leisure Corp. market capitalization on **31,598,931,000** outstanding shares in the PSE amounted to **₱18,011,390,670.00** based on the closing price of **₱0.57** per share.

### Security Holders

The number of shareholders of record as of **December 31, 2019** was **359**. Common shares outstanding as of **December 31, 2019** were **31,598,931,000**.

### Top 20 shareholders as of December 31, 2019:

Name	Citizenship	Total	Percentage
BELLE CORPORATION	Filipino	24,904,904,324	78.745
PCD NOMINEE CORP. (FILIPINO)	Filipino	5,783,159,595	18.285
PCD NOMINEE CORPORATION (NON-FILIPINO)	Various	629,102,890	1.989
SYSMART CORPORATION	Filipino	128,270,000	0.406
SYNTRIX HOLDINGS, INC.	Filipino	74,040,000	0.234
WILLY NG OCIER AND/OR GERALDINE ESCOLAR YU OCIER	Filipino	22,000,000	0.070
WILLY NG OCIER	Filipino	17,888,000	0.057
PARKORAM DEVELOPMENT LIMITED	Others	14,264,119	0.045
OSCAR S. CU ITF ANTHONY CU	Filipino	10,430,000	0.033
OSCAR S. CU	Filipino	9,070,000	0.029
PARALLAX RESOURCES, INC.	Filipino	4,570,300	0.014
ALEXANDER AUSTRIA &/OR DOMINICA AUSTRIA	Filipino	1,520,000	0.005
AUGUSTO LITONJUA &/OR LUIS SALVADOR	Filipino	1,520,000	0.005
CAI CHANG CHU	Chinese	1,400,000	0.004
LEONCIO TAN TIU	Filipino	1,300,000	0.004
MARY ANGELI F. BASILIO	Filipino	1,100,000	0.003
ELIZABETH CHENG	Filipino	1,100,000	0.003
WILLIAM T. GABALDON	Filipino	1,000,000	0.003
OSCAR S. CU	Filipino	850,000	0.003
PAN ASIA SECURITIES CORPORATION	Filipino	800,000	0.003

### Dividend Policy

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

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

### Dividend Payments

In accordance with the policy on Dividends, the Company pays dividends to shareholders within thirty (30) days from date of declaration. Below table shows dividends declared and paid since year 2015:

YEAR	2020	2019	2018	2017	2016	2015
Declaration Date	02/21/2020	02/22/2019	02/23/2018	02/23/2017	02/23/2016	03/05/2015
Amount per share	₱0.05024	₱0.05024	₱0.04391	₱0.0281	₱0.0215	₱0.022
Total Dividends	₱1,588.8 M	₱1,588.8 M	₱1,388.8 M	₱888 M	₱680 M	₱700 M
Record Date	03/06/2020	03/08/2019	03/09/2018	03/10/2017	03/10/2016	03/20/2015
Payment Date by	03/20/2020	03/22/2019	03/23/2018	03/23/2017	03/23/2016	04/17/2015

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.

## 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 – 2019 compared to 2018

<i>(Amounts in Peso except percentages)</i>		<b>Years Ended December 31</b>		<b>Horizontal Analysis</b>		<b>Vertical Analysis</b>	
		<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>		<b>2019</b>	<b>2018</b>
				<b>Amount</b>	<b>%</b>		
<b>REVENUE</b>							
Gaming revenue share		<b>2,976,366,472</b>	3,211,856,964	(235,490,492)	-7%	75%	62%
Commission and distribution income		<b>308,381,639</b>	487,626,385	(179,244,746)	-37%	8%	9%
Equipment rental		<b>681,483,757</b>	1,448,317,610	(766,833,853)	-53%	17%	28%
		<b>3,966,231,868</b>	5,147,800,959	(1,181,569,091)	-23%	100%	100%
<b>COST AND EXPENSES</b>							
Cost of services		<b>986,207,833</b>	1,297,488,594	(311,280,761)	-24%	25%	25%
General and administrative expenses		<b>961,494,609</b>	1,532,830,606	(571,335,997)	-37%	24%	30%
Amortization of intangible asset		<b>238,472,484</b>	238,472,484	-	0%	6%	5%
		<b>2,186,174,926</b>	3,068,791,684	(882,616,758)	-29%	55%	60%
<b>OTHER INCOME (EXPENSES)</b>							
Interest income		<b>279,857,146</b>	157,453,311	122,403,835	78%	7%	3%
Dividend income		<b>24,708,086</b>	24,952,521	(244,435)	-1%	1%	0%
Finance charges		<b>(9,525,989)</b>	(6,187,352)	(3,338,637)	54%	0%	0%
Other expense - net		<b>(32,888,983)</b>	235,430,085	(268,319,068)	-114%	-1%	5%
		<b>262,150,260</b>	411,648,565	(149,498,305)	-36%	7%	8%
<b>INCOME BEFORE INCOME TAX</b>		<b>2,042,207,202</b>	2,490,657,840	(448,450,638)	-18%	51%	48%
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>							
Current		<b>22,422,019</b>	133,572,412	(111,150,393)	-83%	1%	3%
Deferred		<b>(81,838,677)</b>	47,432,314	(129,270,991)	-273%	-2%	1%
		<b>(59,416,658)</b>	181,004,726	(240,421,384)	-133%	-1%	4%
<b>NET INCOME</b>		<b>2,101,623,860</b>	2,309,653,114	(208,029,254)	-9%	53%	45%
<b>Net Income Attributable to:</b>							
Equity holders of the parent		<b>2,261,962,747</b>	2,157,768,639	104,194,108	5%	57%	42%
Non-controlling interests		<b>(160,338,887)</b>	151,884,475	(312,223,362)	-206%	-4%	3%
		<b>2,101,623,860</b>	2,309,653,114	(208,029,254)	-9%	53%	45%

Premium Leisure Corp. recognized net income of Php2,101.6 million for full-year 2019, lower by 9% (or Php208.0 million) compared with the 2018 reported net income of Php2,309.7 million. Operating EBITDA (proxy for cash flow) for the year is at Php2,604.8 million, 2% down versus the EBITDA of Php2,655.0 million in 2018.

PLC's operations was affected by the weaker performance of its subsidiary, POSC. POSC, which leases online lottery equipment for Lotto and KENO to the PCSO, recorded a 49% decrease in revenues for 2019 due mainly to the increased competition from small-town lottery and the temporary suspension of Lotto, KENO and scratch ticket games in the third quarter of the year. POSC is working closely with the PCSO to boost the attractiveness of its games as well as to implement cost efficiency measures across its operations.

PLC's 2019 gaming share revenue decreased by 7%, from Php3,211.9 million to Php2,976.4 million. To mitigate the lower revenues, costs and expenses declined by Php882.6 million or 29% in 2019 mostly due to lower direct costs and consultancy fees.

Despite the lower overall net income, the Company's consistent profitability from its gaming revenue share enabled PLC to declare a regular cash dividend of Php0.05024 per share on February 21, 2020, for a total dividend payment of approximately Php1,588.8 million, payable on March 20, 2020 to shareholders of record as of March 6, 2020.

## Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2019	2018	Increase (Decrease) Amount	%	2019	2018
<b>NET INCOME</b>	<b>2,101,623,860</b>	2,309,653,114	(208,029,254)	-9%	53%	45%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Marked-to-market losses on financial assets at fair value through OCI	(53,228,230)	(261,173,629)	207,945,399	100%	-1%	-5%
Remeasurement gain (loss) on net retirement benefits - net of tax	(18,152,998)	12,297,225	(30,450,223)	-248%	0%	0%
	(71,381,228)	(248,876,404)	177,495,176	-71%	-2%	-5%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>2,030,242,632</b>	2,060,776,710	(30,534,078)	-1%	51%	40%
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the parent	2,210,284,612	1,954,907,883	255,376,729	13%	56%	38%
Non-controlling interests	(180,041,980)	105,868,827	(285,910,807)	-270%	-5%	2%
	<b>2,030,242,632</b>	2,060,776,710	(30,534,078)	-1%	51%	40%

PLC recognized comprehensive income of Php2.03 billion for 2019 versus Php2.06 billion in 2018.

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 2019.

## Consolidated Statements of Financial Position (in Php)

	December 31		Horizontal Analysis		Vertical Analysis	
	2019	2018	Increase (Decrease)		2019	2018
			Amount	%		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	3,537,075,479	2,314,012,081	1,223,063,398	53%	18%	12%
Investments held for trading	140,456,581	155,704,892	(15,248,311)	-10%	1%	1%
Receivables	337,535,176	350,735,545	(13,200,369)	-4%	2%	2%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	19%	19%
Contract assets	40,510,763	37,892,531	2,618,232	7%	0%	0%
Other current assets	268,546,967	319,087,307	(50,540,340)	-16%	1%	2%
<b>Total Current Assets</b>	<b>8,030,049,966</b>	<b>6,883,357,356</b>	<b>1,146,692,610</b>	<b>17%</b>	<b>40%</b>	<b>36%</b>
<b>Noncurrent Assets</b>						
Intangible asset	9,191,127,003	9,429,599,487	(238,472,484)	-3%	46%	49%
Financial assets at fair value through OCI	334,516,031	387,744,261	(53,228,230)	100%	2%	2%
Property and equipment	107,432,510	259,903,572	(152,471,062)	-59%	1%	1%
Investment property	285,510,452	285,510,452	-	100%	2%	1%
Goodwill	1,358,298,121	1,721,326,738	(363,028,617)	-21%	7%	9%
Deferred tax assets	52,824,625	8,864,126	43,960,499	496%	0%	0%
Retirement asset	10,311,588	7,855,553	2,456,035	31%	0%	0%
Right of use assets	73,225,966	-	73,225,966	100%	0%	0%
Contract assets - net of current portion	89,612,359	130,123,123	(40,510,764)	100%	0%	1%
Other noncurrent assets	398,013,734	75,504,420	322,509,314	427%	2%	0%
<b>Total Noncurrent Assets</b>	<b>11,900,872,389</b>	<b>12,306,431,732</b>	<b>(405,559,343)</b>	<b>-3%</b>	<b>60%</b>	<b>64%</b>
<b>TOTAL ASSETS</b>	<b>19,930,922,355</b>	<b>19,189,789,088</b>	<b>741,133,267</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	1,618,365,470	1,535,792,345	82,573,125	5%	8%	8%
Loans payable	150,000,000	-	150,000,000	100%	1%	0%
Lease liabilities - current portion	75,030,683	-	75,030,683	100%	0%	0%
Current portion of obligations under finance lease	-	19,379,463	(19,379,463)	-100%	0%	0%
Income tax payable	4,274,940	9,415,467	(5,140,527)	-55%	0%	0%
<b>Total Current Liabilities</b>	<b>1,847,671,093</b>	<b>1,564,587,275</b>	<b>283,083,818</b>	<b>18%</b>	<b>9%</b>	<b>8%</b>
<b>Noncurrent Liabilities</b>						
Deferred tax liability	-	46,161,265	(46,161,265)	100%	1%	0%
Lease liabilities - net of current portion	16,576,645	-	16,576,645	100%	1%	0%
Obligation under finance lease	-	15,995,011	(15,995,011)	-100%	0%	0%
Retirement liability	48,950,570	6,981,493	41,969,077	601%	0%	0%
<b>Total Noncurrent Liabilities</b>	<b>65,527,215</b>	<b>69,137,769</b>	<b>(3,610,554)</b>	<b>-5%</b>	<b>1%</b>	<b>0%</b>
<b>Total Liabilities</b>	<b>1,913,198,308</b>	<b>1,633,725,044</b>	<b>279,473,264</b>	<b>17%</b>	<b>10%</b>	<b>9%</b>
<b>Equity Attr to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	40%	41%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	36%	38%
Treasury shares	(29,430,080)	(29,430,080)	-	0%	0%	0%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(788,608,550)	(736,930,415)	(51,678,135)	7%	-4%	-4%
Retained earnings	3,660,924,536	2,967,544,418	693,380,118	23%	18%	15%
<b>Total Equity Attr to Equity Holders of the Parent</b>	<b>17,478,838,275</b>	<b>16,837,136,292</b>	<b>641,701,983</b>	<b>4%</b>	<b>87%</b>	<b>88%</b>
<b>Non-controlling Interests</b>	<b>538,885,772</b>	<b>718,927,752</b>	<b>(180,041,980)</b>	<b>-25%</b>	<b>3%</b>	<b>4%</b>
<b>Total Equity</b>	<b>18,017,724,047</b>	<b>17,556,064,044</b>	<b>461,660,003</b>	<b>3%</b>	<b>90%</b>	<b>91%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>19,930,922,355</b>	<b>19,189,789,088</b>	<b>741,133,267</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>

As of December 31, 2019, PLC's total assets amounted to Php19,930.9 million, higher by Php741.1 million, or 4% versus total assets as at December 31, 2018. 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 53% (Php1.22 billion) to Php3.54 billion in 2019. This is because in 2018, the Company increased its notes receivable, thereby contributing to the lower cash at the end of that year.

### Investments held for trading

Investments held for trading decreased by 10% mainly due mark-to-market gains and losses due to changes in share prices.

### Receivables

Receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila as well as operational advances to customers, suppliers and employees. The Company recorded net decrease of 4% or Php13.20 million in receivables.

### Notes Receivable

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

### Intangible Asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). 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 Php152.47 million in the account compared to balances at December 31, 2018 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

### Goodwill

Goodwill pertains mostly to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015. It also includes goodwill from POSC's acquisition of FRI and LCC subsidiaries. The decrease in the account pertains to the impairment of goodwill amounting to Php363.03 million in 2019.

### Total Liabilities

Total liabilities increased by Php279.47 million or 17% as at December 31, 2019 from total liabilities of Php1.63 billion as at December 31, 2018. The increase is due mostly to the increase in trade and other payables, loans payable (short-term, interest-bearing loan) that the Company availed of, and lease liabilities due to the adoption of PFRS 16 on leases during the year.

### Equity

Stockholders' equity increased by Php461.66 million as of December 31, 2019 from Php17.56 billion as of December 31, 2018. 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 and adjustments in other reserves pertaining to unrealized gains and losses through other comprehensive income. Minority interest is at Php538.9 million as at December 31, 2019.

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

<b>Ratio</b>	<b>Manner in which the financial ratios are computed</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current ratio	Current assets divided by current liabilities	4.35 : 1.00	4.40 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	10.74%	12.21%
Return on equity	Net income (loss) divided by average total equity during the period	11.82%	13.34%
Asset to equity	Total assets divided by total equity	1.11 : 1.00	1.09 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.01 : 1.00	0.00 : 1.00
Interest rate coverage	Earnings before interest and taxes divided by interest expense	215.38	428.57

The current ratio of the Company decreased slightly in 2019 from 4.40 to 4.35.

Return on assets (from 12.21% to 10.74%) and return on equity (from 13.34% to 11.82%) declined in 2019. This is mainly because of the decrease in net income for 2019 compared with previous year.

Interest-bearing debt refers to the short-term loan of the Company. This is 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, 2019, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

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

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

### **2020 Plan of Operations**

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

## **Analysis of Results of Operations and Financial Condition – 2018 compared to 2017**

(Amounts in Peso except percentages)

	<b>Years Ended December 31</b>		<b>Horizontal Analysis</b>		<b>Vertical Analysis</b>	
	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>		<b>2018</b>	<b>2017</b>
			<b>Amount</b>	<b>%</b>		
<b>REVENUE</b>						
Gaming revenue share	3,211,856,964	2,609,352,639	602,504,325	23%	62%	53%
Equipment lease rentals	1,448,317,610	1,840,520,991	(392,203,381)	-21%	28%	37%
Commission and distribution income	487,626,385	479,472,385	8,154,000	2%	10%	10%
	<b>5,147,800,959</b>	<b>4,929,346,015</b>	<b>218,454,944</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Cost of services	1,297,488,594	1,539,038,409	(241,549,815)	-16%	25%	31%
General and administrative expenses	1,532,830,606	1,018,683,377	514,147,229	50%	30%	21%
Amortization of intangible asset	238,472,484	238,472,484	-	0%	5%	5%
	<b>3,068,791,684</b>	<b>2,796,194,270</b>	<b>272,597,414</b>	<b>10%</b>	<b>60%</b>	<b>57%</b>
<b>OTHER INCOME (EXPENSES)</b>						
Interest income	157,453,311	75,918,013	81,535,298	107%	3%	2%
Dividend income	24,952,521	20,927,342	4,025,179	19%	0%	0%
Finance charges	(6,187,352)	(10,859,855)	4,672,503	-43%	0%	0%
Other expense - net	235,430,085	19,006,861	216,423,224	1139%	6%	0%
	<b>411,648,565</b>	<b>104,992,361</b>	<b>306,656,204</b>	<b>292%</b>	<b>8%</b>	<b>2%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>2,490,657,840</b>	<b>2,238,144,106</b>	<b>252,513,734</b>	<b>11%</b>	<b>49%</b>	<b>45%</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>						
Current	133,572,412	235,892,039	(102,319,627)	-43%	3%	5%
Deferred	47,432,314	(413,893)	47,846,207	-11560%	1%	0%
	<b>181,004,726</b>	<b>235,478,146</b>	<b>(54,473,420)</b>	<b>-23%</b>	<b>4%</b>	<b>5%</b>
<b>NET INCOME</b>	<b>2,309,653,114</b>	<b>2,002,665,960</b>	<b>306,987,154</b>	<b>15%</b>	<b>45%</b>	<b>41%</b>
<b>Net Income Attributable to:</b>						
Equity holders of the parent	2,157,768,639	1,756,459,152	401,309,487	23%	42%	36%
Non-controlling interests	151,884,475	246,206,808	(94,322,333)	-38%	3%	5%
	<b>2,309,653,114</b>	<b>2,002,665,960</b>	<b>306,987,154</b>	<b>15%</b>	<b>45%</b>	<b>41%</b>

Premium Leisure Corp. recognized consolidated net income of Php2.3 billion for full-year 2018, which is higher by 15% (or Php307.0 million) compared with the 2017 reported net income of Php2.0 billion. Operating EBITDA (proxy for cash flow) for the year is at Php2.7 billion, 2% more than its reported EBITDA of Php2.6 billion in 2017.

The Company's consistent profitability enabled PLC to declare a regular cash dividend of Php0.05024 per share on February 22, 2019, for a total dividend payment of approximately Php1,588.8 million, payable on March 22, 2019 to shareholders of record as of March 8, 2019. This cash dividend is 14% higher than the dividends declared and paid in 2018.

2018 gaming revenue share increased considerably by 23%, from Php2.6 billion to Php3.2 billion. This increase was brought about by the growth in the gaming segments of City of Dreams Manila, especially driven by the strong mass market. This increase was reduced in part by the decrease in revenue from equipment lease rentals by 21% (Php392 million) in 2018 due the decrease in lotto and KENO ticket sales volume immediately after the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law which drove the increase in ticket prices because of the documentary stamp tax and at the same time lowered the prize payout due to the tax on winnings.

Costs and expenses increased by Php272.6 million or 10% in 2018. Other income increased by 292% or Php306.7 million to Php411.6 million in 2018 due to an increase in the Company's passive income.



## Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2018	2017	Increase (Decrease)		2018	2017
			Amount	%		
<b>NET INCOME</b>	<b>2,309,653,114</b>	2,002,665,960	306,987,154	15%	45%	41%
<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	-	132,500,049	(132,500,049)	-100%	0%	3%
Realized loss transferred to profit or loss	-	31,647,929	(31,647,929)	100%	0%	1%
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Marked-to-market losses on financial assets at fair value through OCI	(261,173,629)	-	(261,173,629)	100%	-5%	0%
Remeasurement gain (loss) on net retirement benefits - net of tax	12,297,225	1,248,964	11,048,261	885%	0%	0%
	(248,876,404)	165,396,942	(414,273,346)	-250%	-5%	3%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>2,060,776,710</b>	2,168,062,902	(107,286,192)	-5%	40%	44%
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the parent	1,954,907,883	1,873,300,753	81,607,130	4%	38%	38%
Non-controlling interests	105,868,827	294,762,149	(188,893,322)	-64%	2%	6%
	<b>2,060,776,710</b>	2,168,062,902	(107,286,192)	-5%	40%	44%

PLC recognized comprehensive income of Php2.1 billion for 2018 versus Php2.2 billion in 2017. This is mainly due to unrealized marked-to-market losses on financial assets of the Company versus gains in the previous year.

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 2018.

## Consolidated Statements of Financial Position (in Php)

	December 31		Horizontal Analysis		Vertical Analysis	
	2018	2017	Increase (Decrease)		2018	2017
			Amount	%		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	2,314,012,081	2,962,635,687	(648,623,606)	-22%	12%	16%
Investments held for trading	155,704,892	178,482,842	(22,777,950)	-13%	1%	1%
Receivables	350,735,545	700,656,306	(349,920,761)	-50%	2%	4%
Notes receivable	3,705,925,000	1,605,925,000	2,100,000,000	131%	19%	9%
Contract assets	37,892,531	-	37,892,531	100%	0%	0%
Other current assets	319,087,307	205,657,568	113,429,739	55%	2%	1%
	6,883,357,356	5,653,357,403	1,229,999,953	22%	36%	30%
Noncurrent asset held for sale	-	285,510,452	(285,510,452)	-100%	0%	2%
Total Current Assets	6,883,357,356	5,938,867,855	944,489,501	16%	36%	32%
<b>Noncurrent Assets</b>						
Intangible asset	9,429,599,487	9,668,071,971	(238,472,484)	-2%	49%	52%
Available-for-sale financial assets	-	648,597,890	(648,597,890)	-100%	0%	4%
Financial assets at fair value through OCI	387,744,261	-	387,744,261	100%	2%	0%
Property and equipment	259,903,572	438,063,955	(178,160,383)	-41%	1%	2%
Investment property	285,510,452	-	285,510,452	100%	2%	0%
Goodwill	1,721,326,738	1,832,260,734	(110,933,996)	-6%	9%	10%
Deferred tax assets	8,864,126	15,439,685	(6,575,559)	-43%	0%	0%
Retirement asset	7,855,553	13,413,273	(5,557,720)	-41%	0%	0%
Contract assets - net of current portion	130,123,123	-	130,123,123	100%	1%	0%
Other noncurrent assets	75,504,420	79,307,906	(3,803,486)	-5%	0%	0%
Total Noncurrent Assets	12,306,431,732	12,695,155,414	(388,723,682)	-3%	64%	68%
<b>TOTAL ASSETS</b>	<b>19,189,789,088</b>	<b>18,634,023,269</b>	<b>555,765,819</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	1,535,792,345	1,443,439,925	92,352,420	6%	8%	8%
Current portion of obligations under finance lease	19,379,463	39,488,510	(20,109,047)	-51%	0%	0%
Income tax payable	9,415,467	29,434,444	(20,018,977)	-68%	0%	0%
Total Current Liabilities	1,564,587,275	1,512,362,879	52,224,396	3%	8%	8%
<b>Noncurrent Liabilities</b>						
Deferred tax liability	46,161,265	-	46,161,265	100%	1%	0%
Obligation under finance lease	15,995,011	35,374,474	(19,379,463)	-55%	0%	0%
Retirement liability	6,981,493	17,479,083	(10,497,590)	-60%	0%	0%
Installment payable	-	2,762,995	(2,762,995)	100%	0%	0%
Total Noncurrent Liabilities	69,137,769	55,616,552	13,521,217	24%	1%	0%
Total Liabilities	1,633,725,044	1,567,979,431	65,745,613	4%	9%	8%
<b>Equity Attr to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	41%	42%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	38%	39%
Treasury shares	(29,430,080)	-	(29,430,080)	100%	0%	0%
Cost of parent company shares held by a subsidiary	(509,597,055)	(475,427,035)	(34,170,020)	7%	-3%	-3%
Other reserves	(736,930,415)	40,848,816	(777,779,231)	-1904%	-4%	0%
Retained earnings	2,967,544,418	1,604,112,304	1,363,432,114	85%	15%	9%
Total Equity Attr to Equity Holders of the Parent	16,837,136,292	16,315,083,509	522,052,783	3%	87%	88%
<b>Non-controlling Interests</b>	<b>718,927,752</b>	<b>750,960,329</b>	<b>(32,032,577)</b>	<b>-4%</b>	<b>4%</b>	<b>4%</b>
Total Equity	17,556,064,044	17,066,043,838	490,020,206	3%	91%	92%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>19,189,789,088</b>	<b>18,634,023,269</b>	<b>555,765,819</b>	<b>3%</b>	<b>100%</b>	<b>100%</b>

As of December 31, 2018, PLC's total assets amounted to Php19.2 billion, higher by Php555.8 million, or 3% versus total assets as at December 31, 2017. Key movements in balance sheet items are as follows:

### Cash and cash equivalents

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

Cash and cash equivalents decreased by 22% (Php648.6 million) to Php2,314 million in 2018. This decrease pertains to the increase in notes receivable for the Company and the payment of higher cash dividends for the year, offset in part by the collections of higher gaming share revenue and higher interest income for the year.

#### Investments held for trading

Investments held for trading decreased by 13% mainly due to disposals 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 decrease of 50% or Php350.0 million in receivables.

#### Notes Receivable

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

#### Intangible Asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). 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 Php178.2 million in the account compared to balances at December 31, 2017 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

#### Goodwill

Goodwill pertains mostly to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015. It also includes goodwill from POSC's acquisition of FRI and LCC subsidiaries. The decrease in the account pertains to the provision for impairment of goodwill from FRI worth Php110.9 million in 2018.

#### Total Liabilities

Total liabilities increased by Php65.7 million or 4% as at December 31, 2018 from total liabilities of Php1,568 million as at December 31, 2017. The increase is due mostly to the increase in trade and other payables as well as increase in deferred tax liability for the year.

#### Equity

Stockholders' equity increased by Php490.0 million as of December 31, 2018 from Php17,066.0 million as of December 31, 2017. 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 and adjustments in other reserves pertaining to unrealized gains and losses through other comprehensive income. Minority interest is at Php718.9 million as at December 31, 2018.

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

<b>Ratio</b>	<b>Manner in which the financial ratios are computed</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Current ratio	Current assets divided by current liabilities	4.40 : 1.00	3.93 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	12.21%	11.27%
Return on equity	Net income (loss) divided by average total equity during the period	13.34%	12.04%
Asset to equity	Total assets divided by total equity	1.09 : 1.00	1.09 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.00 : 1.00	0.00 : 1.00
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	428.57	239.15

The current ratio of the Company increased in 2018 from 3.93 to 4.40. This is mainly brought about by the increase in current assets for 2018.

Return on assets (from 11.27% to 12.21%) and return on equity (from 12.04% to 13.34%) improved in 2018. This is mainly because of the increase in net income for 2018 compared with previous year.

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, 2018, 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.

### **2019 Plan of Operations**

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

## **Analysis of Results of Operations and Financial Condition – 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>	<b>750,960,329</b>	<b>830,442,388</b>	<b>(79,482,059)</b>	<b>-10%</b>	<b>4%</b>	<b>5%</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 Php848.5 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 Php16,188.2 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:

<b>Ratio</b>	<b>Manner in which the financial ratios are computed</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
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>	223,154,349	934,945,787	419%	33%	15%
<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>	(62,982,053)	1,282,783,281	-2037%	35%	-4%
<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>	(62,982,053)	1,282,783,281	-2037%	35%	-4%

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 (in Php)

	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

PLC's 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:

<b>Ratio</b>	<b>Manner in which the financial ratios are computed</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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	149.19	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 149.19 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.

### **Key Variables and other Qualitative and Quantitative Factors**

The Company expects no material commitments for capital expenditures and expected funds in 2019. To the best of the Company's knowledge, aside from what has already been mentioned in the preceding, there are no known trends, events or uncertainties that will have a material impact on sales; no significant elements of income or loss that did not arise from continuing operations aside from those disclosed in the Notes to the Audited Financial Statements; and no seasonal aspects with material effect on results of operations.

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

## Information on Independent Accountant and Other Related Matters

### a. External Audit Fees

#### a.1. Audit and Audit-Related Fees

The aggregate fees paid by the Corporation for professional services (excluding Value Added Tax) rendered by the external auditor for the audit of financial statements for the years ended 31 December 2019 and 2018 follow:

	(P000's omitted)
2019	P478.0
2018	443.0

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

### b. Tax Fees

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

### c. All Other Fees

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

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

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

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

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

## Item 7. Financial Statements

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

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

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 of 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 stockholders' 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, SGV's engagement partners for audit of the Company's financials are changed at least every five (5) years, as follows:

	<u>Year/s</u>	<u>SGV Partner-in-Charge</u>
1.	2007-2009	Mr. Juanito A. Fullecido
2.	2010-2011	Mr. Roel E. Lucas
3.	2012-2013	Ms. Clairma T. Mangangey
4.	2014	Ms. Marydith C. Miguel
5.	2015-2019	Ms. Belinda T. Beng Hui

The Audit Committee recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The 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 22, 2019 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	63	Chairman of the Board; Executive Director	Jun 25, 1999 - present
Armin Antonio B. Raquel Santos	Filipino	52	President and Chief Executive Officer; Executive Director	Jul 18, 2014 – July 03, 2017 as EVP & COO July 01, 2017 – present, as President & CEO
Roman Felipe S. Reyes	Filipino	68	Independent Director	Jul 18, 2014 – present
A. Bayani K. Tan	Filipino	64	Non-Executive Director	Jun 23, 1998 – present
Joseph C. Tan	Filipino	62	Independent Director	Jul 18, 2014 – present
Juan Victor S. Tanjuatco	Filipino	72	Independent Director	Jul 18, 2014 – present
Exequiel P. Villacorta, Jr.	Filipino	74	Non-Executive Director	Jul 18, 2014 – present
Jackson T. Ongsip	Filipino	46	Vice President for Finance, Chief Financial Officer, Treasurer, Chief Risk Officer, and Compliance Officer	Apr 23, 2012 - present
Maria Neriza C. Banaria	Filipino	37	Assistant Vice President and Controller	Apr 25, 2016 - present
Elmer B. Serrano	Filipino	52	Corporate Secretary	Apr 27, 2015 - present
Arthur A. Sy	Filipino	50	Assistant Corporate Secretary	Jul 19, 2011 – present
Phil Ivan A. Chan	Filipino	37	Assistant Corporate Secretary	May 11, 2015 - present



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

**Willy N. Ocier**

Chairman, Executive Director

Date of first appointment – June 1999

Chairman, Executive Committee

Member, Compensation and Remuneration Committee

Mr. Ocier, 63, is an Executive Director and Chairman of Premium Leisure Corp. He is also an Executive Director and the Co-Vice Chairman of Belle Corporation, Chairman and Director of APC Group, Inc., Premium Leisure and Amusement, Inc. and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., The Country Club at the Tagaytay Highlands, Inc., The Spa and Lodge, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., Chairman and President of Pacific Online Systems Corporation, and Chairman of Total Gaming and Technologies, Inc. He is a Director of Leisure and Resorts World Corporation. He also sits as a Director to the following unaffiliated corporations, IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.

**Armin Antonio B. Raquel Santos**

Executive Director, President and Chief Executive Officer

Date of first election/appointment as director/President and CEO – July 2017

Date of first appointment as officer – July 2014

Chairman, Compensation and Remuneration Committee

Member, Executive Committee

Mr. Raquel Santos, 52, is concurrently a director, the President and Chief Executive Officer (CEO) of Premium Leisure & Amusement, Inc., and the Executive Vice President (EVP) – Integrated Resorts of Belle Corporation. He is also a director of Pacific Online Systems Corporation and Tagaytay Highlands International Golf Club, Inc., and a trustee of Melco Resorts (Philippines) Foundation Corporation. Formerly, he was Chief Finance 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 also held various positions in the Philippine Government, namely, Assistant Secretary of the Department of Trade and Industry, Governor of the Board of Investments, Vice Chairman and CEO of the Philippine Retirement Authority, EVP of the Philippine International Trading Corporation, and Deputy Administrator of Subic Bay Metropolitan Authority.

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

**Roman Felipe S. Reyes**

Independent Director

Date of first appointment – July 2014

Lead Independent Director

Chairman, Audit Committee

Member, Risk Oversight Committee

Member, Corporate Governance Committee

Member, Related Party Transactions Committee

Mr. Reyes, 68, is an Independent Director of Premium Leisure Corp. He is a Certified Public Accountant and is the Founding Partner and Chairman of Reyes Tacandong & Co. He serves as an Independent Director of Pakistan International Container Terminal Limited, Radio Philippines Network – RPN 9, Philippine Geothermal Production Company, Pampanga Sugar Development Company, 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 University and the San Beda College Alumni Foundation, and is the Chairman of the Board of San Beda College Alabang and the Chairman of the Board of Governors of Nicanor Reyes Memorial Foundation. Mr. Reyes 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**

Non- Executive Director

Date of first appointment – June 1998

Member, Executive Committee

Mr. Tan, 64, Filipino, is a Non-Executive Director of the Company (since December 1993, Publicly-Listed). He is also a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation (since May 1994, Publicly Listed), Coal Asia Holdings, Inc. (since July 2012, Publicly-Listed), Discovery World Corporation (since March 2013, Publicly-Listed), I-Remit, Inc. (since May 2007, Publicly-Listed), Pacific Online Systems Corporation (since May 2007, Publicly-Listed), Philequity Group of Mutual Fund Companies (since 1997), Sterling Bank of Asia Inc (A Savings Bank) (since December 2006), TKC Metals Corporation (since February 2007, Publicly-Listed), Tagaytay Highlands International Golf Club, Inc. (since November 1993), Tagaytay Midlands Golf Club, Inc. (since June 1997), The Country Club at Tagaytay Highlands, Inc. (since August 1995), The Spa and Lodge at Tagaytay Highlands, Inc. (since December 1999), and Vantage Equities, Inc. (since January 1993, Publicly-Listed). He is the Managing Partner of the law offices of Tan Venturanza Valdez (since it was established in 1988), Managing Director/President of Shamrock Development Corporation (since May 1988), Director of Destiny LendFund, Inc. (since December 2005), Pascual Laboratories, Inc. (since March 2014), and Pure Energy Holdings Corporation (since October 2016), President of Catarman Chamber Elementary School Foundation, Inc. (since August 2012), Managing Trustee of SCTan Foundation, Inc. (since 1986), Trustee and Treasurer of Rebisco Foundation, Inc. (since April 2013), Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (since February 2011) and Trustee of St. Scholastica's College Manila (since October 2019).

Mr. Tan holds a Master of Laws degree from New York University (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) 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 placed sixth in the bar examinations in 1981. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

**Joseph C. Tan**

Independent Director

Date of first appointment – July 2014

Chairman, Risk Oversight Committee

Member, Audit Committee

Member, Corporate Governance Committee

Member, Compensation and Remuneration Committee

Mr. Tan, 62, is an independent Director of Premium Leisure Corp. He 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., Pacific Online Systems Corporation and LMG Chemicals 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**

Independent Director

Date of first appointment – July 2014

Chairman, Corporate Governance Committee

Chairman, Related Party Transactions Committee

Member, Audit Committee

Member, Risk Oversight Committee

Mr. Tanjuatco, 72, is an Independent Director of Premium Leisure Corp., 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 Asiatrust Development Bank. A career banker, he was the former President of Export and Industry Bank and was assigned to various managerial and executive positions at Credit Agricole Indosuez 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**

Non-Executive Director

Date of first appointment – July 2014

Member, Audit Committee

Member, Risk Oversight Committee

Mr. Villacorta, 74, is a Non-Executive Director of Premium Leisure Corp. He is also 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 Company'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 Revised Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC Rules).

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, 46, is the Vice President for Finance and Chief Financial Officer (CFO) of the Company, Vice President for Portfolio Investments of SM Investments Corporation, Executive Vice President and CFO of Belle Corporation. He is also a director, and the President and Chief Executive Officer of APC Group, Inc. since August 13, 2015. Mr. Ongsip is also a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co., 11 years with Globe Telecom and 8 years now with the SM Group. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

#### **Maria Neriza C. Banaria**

Ms. Banaria, 37, 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, 52, is a practicing lawyer specializing in Corporate Law, Mergers & Acquisitions, Capital Markets and Banking & Finance. He is co-founder and the Managing Partner of Martinez Vergara Gonzalez & Serrano, a full service law firm recognized as top tier in several practice areas by the foremost international ranking and editorial publications.

After being consistently cited as “Recommended Lawyer” by The Legal500 Asia Pacific, Mr. Serrano is now recognized as an elite “Leading Individual” in Banking & Finance, Legal500’s list of outstanding lawyers in Asia Pacific.

Mr. Serrano is also ranked a leading lawyer (2019) by IFLR1000 in the areas of Mergers & Acquisitions, Banking & Finance, and Capital Markets.

Mr. Serrano is a director of 2GO Group, Inc. and DFNN Inc., both listed with the Philippine Stock Exchange. He is Corporate Secretary of some of the largest and most respected public companies in the Philippines, including SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO Unibank. He is Corporate Secretary of, and counsel to, prominent banking industry associations and companies such as the Bankers Association of the Philippines, PDS Group of Companies and the Philippine Payments Management, Inc.

Mr. Serrano is a Certified Associate Treasury Professional (2017) and was among the top graduates of the Trust Institute of the Philippines in 2001.

Mr. Serrano holds a Juris Doctor degree from the Ateneo Law School and a BS Legal Management degree from Ateneo de Manila University.

#### **Arthur A. Sy**

Atty. Sy, 50, is the Assistant Corporate Secretary of Premium Leisure Corp. He is the Senior Vice President for Legal Department and Assistant Corporate Secretary at SM Investments Corporation. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation and 2GO Group, Inc. Further, he is currently the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo de Manila University, School of Law.

**Phil Ivan A. Chan**

Atty. Chan, 37, is the Assistant Corporate Secretary of Premium Leisure Corp. He is a Partner at Martinez Vergara Gonzalez & Serrano. He also acts as the Assistant Corporate Secretary of listed companies, Crown Equities, Inc. and Steniel Manufacturing Corporation. 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 Corporation is not aware of any of the following events wherein any of its directors, executive officers, nominees for election as director, underwriter or control persons were involved during the past five (5) years up to the latest date:

- (1) Any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (2) Any conviction by final judgment, in a criminal proceeding, domestic or foreign;
- (3) Any order or judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities, or banking activities; and,
- (4) Any findings by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

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

## Item 10. Compensation of Directors and Executive Officers

### Summary of Annual Compensation

Name and Principal Position	Year	Salary/ Per Diem Allowance	Bonus	Other Annual Compensation	Total Annual Compensation
Willy N. Ocier, Chairman of the Board Armin Antonio B. Raquel Santos, President & CEO Jackson T. Ongsip, CFO Carlo R. Climaco, SAVP for Operations Maria Neriza C. Banaria, Controller					
President and 4 most highly compensated executive officers	2019 2018 2017	11,896,201 11,709,011 11,709,011	— — —	852,969 757,040 757,040	12,749,171 12,466,050 12,466,050
All other officers and directors as a Group (Unnamed)	2019 2018 2017	13,670,000 10,760,000 10,760,000	— — —	— — —	13,670,000 10,760,000 10,760,000

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

### Compensation of Directors

For Board meetings, all independent directors are given a per diem of ₱50,000.00 each per meeting, while other directors are given a per diem of ₱20,000 each. For committee meetings, each director is given a per diem of ₱10,000.00 per day regardless of the number of meetings held during the day.

Below is the summary of Board and committee meetings held/attended and remuneration received by each director:

		WNOcier	AABRaquel Santos	RFSReyes	ABKTan	JCTan	JVSTanjuatco	EPVillacorta,Jr
BOD	Attendance	7/7	7/7	7/7	7/7	7/7	7/7	7/7
	Percentage	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)
NED	Attendance	N.A.	N.A.	1/1	1/1	1/1	1/1	1/1
	Percentage			(100%)	(100%)	(100%)	(100%)	(100%)
CGCom	Attendance	N.A.	N.A.	3/3	N.A.	3/3	3/3	N.A.
	Percentage			(100%)		(100%)	(100%)	
ExCom	Attendance	2/2	2/2	N.A.	2/2	N.A.	N.A.	N.A.
	Percentage	(100%)	(100%)		(100%)			
ROCom	Attendance	N.A.	N.A.	3/3	N.A.	3/3	3/3	3/3
	Percentage			(100%)		(100%)	(100%)	(100%)
RPTCom	Attendance	N.A.	N.A.	4/4	4/4	N.A.	4/4	N.A.
	Percentage			(100%)	(100%)		(100%)	
ComRemCom	Attendance	2/2	2/2	N.A.	2/2	2/2	N.A.	N.A.
	Percentage	(100%)	(100%)		(100%)	(100%)		

As additional reference, the following are the meetings held by the Board and committees during 2019:

	BOD	NED	CGCom	AudCom	ExCom	ROCom	RPTCom	ComRemCom
02/20/19		✓	✓	✓		✓	✓	
02/22/19	✓				✓			✓
04/16/19			✓	✓				
04/22/19	✓							
06/21/19				✓				
07/03/19	✓					✓	✓	
07/24/19				✓				
07/26/19	✓							
08/01/19						✓		
09/17/19	✓						✓	
10/23/19			✓	✓			✓	
10/25/19	✓							
12/04/19	✓				✓			✓

### 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, 2019**:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares	Percent of ownership
Common	Belle Corporation (Belle) * 5th Floor Tower A, Two E-Com Center Pa Coast Ave., Mall of Asia Complex, Pasay City, Metro Manila, Philippines (a)	Belle Corporation	Filipino	24,904,904,324	78.745
Common	PCD Nominee Corp. (Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City (b)	(please see footnote)	Filipino	5,783,159,595	18.285

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

\*\*PCD Nominee Corporation (PCDNC) is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares;

instead the participants have the power to decide how the PCD shares in Premium Leisure Corp. are to be voted. As of December 31, 2019, the participant of PCD who owns more than 5% of the Company's outstanding capital is BDO Securities Corporation with 1,764,975,000 shares or 5.581% ownership.

As of **December 31 2019, 646,490,510** Common Shares of the Company are owned by non-Filipinos, constituting **2.05%** 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, 2019:

<b>Title Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount* Nature Beneficial Ownership</b>	<b>Citizenship</b>	<b>Percent of ownership</b>
Common	Willy N. Ocier	39,888,001 Direct	Filipino	0.126%
Common	A. Bayani K. Tan	2,000,002 Direct	Filipino	0%
Common	Exequiel P. Villacorta, Jr.	500,001 Direct/ Indirect	Filipino	0%
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 POSC Systems Corporation (POSC). The transfers of the said assets were completed on July 24, 2014. As part of the consideration for the transfer of assets, PLC undertook to increase its authorized capital stock, and out of such increase, Belle agreed to subscribe to new shares to increase its stake in the Company to 90% of the outstanding capital.

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

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

As of December 31, 2019, there is no arrangement that may result in a change in control of the Company.



## Item 12. Certain Relationships and Related Transactions

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

As summarized and disclosed in its consolidated financial statements, in the ordinary course of business, the Company has transactions with related parties which consist mainly of 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 26 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

## PART IV – CORPORATE GOVERNANCE

### COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

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

#### Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2019, each of the Company's directors have complied with the requirements.

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

Premium Leisure Corp. – Attendance in Board of Directors' Meetings in 2019								
Director		02/22/19	04/22/19	07/03/19	07/26/19	09/17/19	10/25/19	12/04/19
1	Willy N. Ocier	✓	✓	✓	✓	✓	✓	✓
2	Armin Antonio B. Raquel Santos	✓	✓	✓	✓	✓	✓	✓
3	A. Bayani K. Tan	✓	✓	✓	✓	✓	✓	✓
4	Exequiel P. Villacorta, Jr.	✓	✓	✓	✓	✓	✓	✓
5	Roman Felipe S. Reyes	✓	✓	✓	✓	✓	✓	✓
6	Juan Victor S. Tanjuatco	✓	✓	✓	✓	✓	✓	✓
7	Joseph C. Tan	✓	✓	✓	✓	✓	✓	✓

The Board of Directors during its meeting on October 23, 2019 approved the scheduling of the 2020 Board and Committee Meetings in adherence to good governance practices.

#### Board Performance Evaluation

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

### **Continuing Education Programs**

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

### **Manual on Corporate Governance**

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

### **Board Committees**

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

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

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

### **Corporate Objectives**

The Board establishes the corporate objectives, which are:

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

### **Code of Business Conduct and Ethics**

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

### **Governance Policies**

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

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

## Board Diversity

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

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

PLC Board Skill Set Matrix				INDUSTRY EXPERIENCE / EXPERTISE / COMPETENCIES																			
NAME and DESIGNATION	AGE	GEN DER	EDUCATIONAL BACKGROUND	Accounting / Audit	Anti-Money Laundering	Banking	Corp. Gov.	Economics	Finance	Hospitality / Leisure	IT / Comm	Insurance	Investment	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales / Mktg	
Willy N. Ocier	63	M	Bachelor of Arts in Economics																				
Chairman								✓	✓	✓	✓	✓		✓					✓	✓	✓		
Executive Director															✓								
Armin Antonio B. Raquel-Santos	52	M	Bachelor of Science Degree																				
President & CEO								✓	✓	✓	✓		✓						✓		✓		
Executive Director					Master of Arts in Liberal Studies																		
Roman Felipe S. Reyes	68	M	Bachelor of Science - Commerce, Maj. Accounting	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓			✓		
Lead Independent Director																							
					MBA degree																		
A.Bayani K. Tan	64	M	Master of Laws Degree																				
Non-Executive Director					✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	✓			✓		
					Bachelor of Arts - Political Science																		
Joseph C. Tan	62	M	Bachelor of Arts - Business Administration																				
								✓	✓		✓	✓				✓	✓	✓				✓	
Independent Director					Bachelor of Laws Degree																		
Juan Victor S. Tanjuatco	72	M	Bachelor of Arts in Economics																				
					Masters in Business Administration, major in Finance		✓	✓	✓	✓	✓			✓			✓					✓	
Independent Director																							
Exequiel P. Villacorta, Jr.	74	M	Bachelor of Science - Business Administration		✓	✓	✓	✓	✓	✓	✓	✓	✓								✓		
Non-Executive Director					Masters in Business Management													✓				✓	

Premium Leisure Corp. prohibits its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of December 31, 2019 is shown below:

	Shareholdings as of 12/31/18	Acquisition	Disposition	Shareholdings as of 12/31/19		Ownership Percentage
				Direct	Indirect	
Willy N. Ocier	38,888,001	-	-	38,888,001	-	0.123
Armin Antonio B. Raquel Santos	1,000	-	-	1,000	-	0.000
A. Bayani K. Tan	2,000,002	-	-	2,000,002	-	0.006
Exequiel P. Villacorta, Jr.	500,001	-	-	500,001	-	0.002
Roman Felipe S. Reyes	1	-	-	1	-	0.000
Juan Victor S. Tanjuatco	1	-	-	1	-	0.000
Joseph C. Tan	1	-	-	1	-	0.000
Total	41,389,007	-	-	41,389,007	-	

## Non-financial Performance Indicator

While the Company's business is not labor-intensive, its transactions are handled through temporary secondment from its affiliates. In the case of POSC, its employees are considered as one of its major assets hence the resolve to attract, inspire and keep those who are most competent and skillful.

**Total Headcount (including Pacific Online Systems Corporation):**

	Headcount	% Change
YE 2019	786	16.47
YE 2018	941	

**Gender Distribution:**

Year	Headcount			% Distribution	
	Male	Female	Total	Male	Female
YE 2019	301	485	786	38%	62%
YE 2018	338	603	941	36%	64%

**Performance Review****By Gender Distribution**

Year	Headcount			% assessed by gender		% over total headcount
	Male	Female	Total	Male	Female	
YE 2019	282	468	750	94%	96%	95%
YE 2018	328	592	920	97%	98%	98%

**By Distribution by Rank:**

Year	Senior Mgt	Middle Mgt	Rank-and-File	Total	Senior Mgt	Middle Mgt	Rank-and-File	% over total headcount
YE 2019	12	23	643	678	55%	62%	93%	86%
YE 2018	19	35	866	920	100%	97%	98%	98%

**Training Hours****By Gender Distribution:**

	Male	Female	Total
YE 2019	4,172	6,445	10,617
YE 2018	2,154	1,492	3,646

**By Distribution by Rank:**

	Senior Mgt	Middle Mgt	Rank-and-file	Total
YE 2019	358	1,674	8,498	10,530
YE 2018	343	999	2,625	3,967

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

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

**Investor Relations**

Tristan B. Choa  
Vice President - Investor Relations, Belle Corporation  
5th Floor Tower A, Two E-com Center  
Palm Coast Avenue, Mall of Asia Complex  
Pasay City 1300 Philippines  
Tel.No.:(632) 8662-8888  
Email: [tristan.choa@bellec corp.com](mailto:tristan.choa@bellec corp.com)

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

## PART V - EXHIBITS AND SCHEDULES

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

#### a. Exhibits on SEC Form 17-C

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


#### b. Reports on SEC Form 17-C

Document	Date Filed	Item Number	Matter
Notice of Annual Stockholders' Meeting	February 22, 2019	9	Notice of 2019 Annual Stockholders' Meeting
Results of Annual Stockholders' Meeting	April 22, 2019	9	Results of Annual Stockholders' Meeting held on April 22, 2019
Results of Organizational Meeting of The Board of Directors	April 22, 2019	9	Results of Organizational Meeting of The Board of Directors held on April 22, 2019
Clarification of News Article	April 23, 2019	9	News Clarification – Philstar article entitled “City of Dreams studies expansion to new site”
Amendments to Articles of Incorporation	July 23, 2019	9	Amendment to Articles of Incorporation re: Primary Purpose
Amendments to By-Laws	July 23, 2019	9	Amendment to By-Laws re: Nomination Period
Amendments to By-Laws	July 23, 2019	9	Amendments to By-Laws re: Change in Corporate Name from Sinophil Corporation to Premium Leisure Corp.
Change in Corporate Contact Details	October 4, 2019	9	Change in Corporate Contact Details
Notice of Annual Stockholders' Meeting	December 4, 2019	9	Notice of 2020 Annual Stockholders' Meeting


## SIGNATURES

Pursuant to the requirements of Section 17 of the Code, this report is signed on behalf of the issuer by the undersigned; thereunto duly authorized, in the City of Pasay on April 6, 2020.

By:

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

  
**ARMIN ANTONIO B. RAQUEL SANTOS**  
President & CEO


  
**JACKSON T. ONGSIP**  
Vice President for Finance,  
Chief Financial Officer,  
Treasurer, Chief Risk Officer,  
and Compliance Officer

**MAKATI CITY**

SUBSCRIBED AND SWORN to before me this 25 JUN 2020 2020, affiants exhibiting to me their passports as follows:

Name	Passport	Place of Issue	Expiration Date
WILLY N. OCIER			
ARMIN ANTONIO B. RAQUEL SANTOS			
JACKSON T. ONGSIP			

DOC. NO. : 444  
PAGE NO. : 91  
BOOK NO. : 108  
SERIES OF : 2010

  
**ATTY. JOSHUA P. LAPUZ**  
Notary Public for and in Makati City  
Appointment No. M-66 until 12/31/2021  
PTR No. 8116016, Jan. 2, 2020, Makati City  
Roll No. 45790, LRP Lifetime N. 04897  
MCLE No. VI-0016565 / Jan. 14, 2019  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City

**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 Balance Sheets as of December 31, 2019 and 2018	)
Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017	)
Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017	)
Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017	)
Notes to Consolidated Financial Statements	)



## **Securities Regulation Code Rule 68 Schedules**

### **Report of Independent Public Accountants on Supplementary Schedules**

- 1) Map of the relationships of the companies within the group
- 2) Supplementary Schedules
  - A. Financial Assets
  - B. Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (other than related parties)
  - C. Amounts Receivable from related parties which are eliminated during consolidation of financial statements
  - D. Long-Term Debt
  - E. Indebtedness to Related Parties
  - F. Guarantees of Securities of Other Issuers
  - G. Capital Stock
  - H. Reconciliation of Retained Earnings Available for Dividend Declaration
- 3) Components of Financial Soundness Indicators

## INDEX TO EXHIBITS

### Form 11-A

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

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



**P R E M I U M  
LEISURE CORP.**

**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex  
Roxas Boulevard, Metro Manila Philippines

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

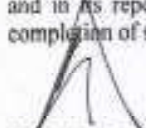
The management of **Premium Leisure Corp. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting 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 28th day of February 2020

MAKATI CITY

28 FEB 2020

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_ 2020 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	[REDACTED]		
ARMIN ANTONIO B. RAQUEL SANTOS	[REDACTED]		
JACKSON T. ONGSIP	[REDACTED]		

DOC NO. : 357  
PAGE NO. : 73  
BOOK NO. : 67  
SERIES OF : 2020

ATTY. JOSHUA P. LAPUZ  
Notary Public for and in Makati City  
Appointment No. M-56 until 12/31/2021  
PTR No. 8116016, Jan. 2, 2020, Makati City  
Roll No. 45790, 1st Lifeline N. 04897  
MCLE No. VI-0010565 / Jan. 14, 2019  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 0 9 3 - 0 0 9 2 8 9

**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

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

**COMPANY INFORMATION**

Company's Email Address

plc@premiumleisurecorp.com

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 Stockholders and the Board of Directors  
Premium Leisure Corp.  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, 1300 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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 (POSC)***

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2019, goodwill arising from the acquisition of Pacific Online Systems Corporation amounted to ₱1,358.3 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 judgment 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 in determining the value-in-use. These assumptions include revenue growth rate, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth and long-term growth rates 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.

### ***Adoption of PFRS 16, Leases***

Effective January 1, 2019, the Company adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Company's accounting policy for leases. The Company's adoption of PFRS 16 is significant to our audit because (a) the Company has high volume of lease agreements; (b) the change in accounting policy requires policy elections; (c) this involves application of significant judgment and estimation in determining whether the contract contains a lease and in determining the incremental borrowing rate. This resulted in an increase in right of use assets by ₱118.6 million and lease liabilities by ₱143.2 million as at January 1, 2019 and the recognition of depreciation expense and interest expense of ₱62.7 million and ₱9.5 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 applied by the Company are included in Notes 3 and 28 to the consolidated financial statements.

#### ***Audit Response***

We obtained an understanding of the Company's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the selection of the transition approach and any election of available practical expedients. We reviewed the Company's lease agreement by agreeing the terms of the contract with the lease calculation. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management, including the transition adjustments.



For the subsidiaries audited by the other auditors, we reviewed the working papers of other auditor on the adoption of PFRS 16, specifically on the procedures performed on the review of the population of the lease contracts covered by PFRS 16, the application of the short-term lease exemption, the selection of the transition approach and any election of available practical expedients. We also reviewed procedures performed on selected sample contracts such as agreeing the terms, conditions and lease data to the lease calculation prepared by management, the testing of incremental borrowing rate and test computation of financial impact of PFRS 16, including the transition adjustments.

We reviewed the disclosures related to leases, including the transition adjustments, based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

### **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), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 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. 0943-AR-3 (Group A),

March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2018,

March 14, 2018, valid until March 13, 2021

PTR No. 8125213, January 7, 2020, Makati City

February 28, 2020



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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7 and 30)	<b>₱3,537,075,479</b>	₱2,314,012,081
Investments held for trading (Notes 8 and 30)	<b>140,456,581</b>	155,704,892
Receivables (Notes 9, 27 and 30)	<b>337,535,176</b>	350,735,545
Notes receivable (Notes 10, 27 and 30)	<b>3,705,925,000</b>	3,705,925,000
Contract assets - current portion (Note 32)	<b>40,510,763</b>	37,892,531
Other current assets (Notes 11 and 30)	<b>268,546,967</b>	319,087,307
Total Current Assets	<b>8,030,049,966</b>	6,883,357,356
<b>Noncurrent Assets</b>		
Intangible asset (Note 12)	<b>9,191,127,003</b>	9,429,599,487
Financial assets at fair value through other comprehensive income (Notes 13, 27 and 30)	<b>334,516,031</b>	387,744,261
Property and equipment (Note 14)	<b>107,432,510</b>	259,903,572
Investment property (Note 15)	<b>285,510,452</b>	285,510,452
Goodwill (Notes 16 and 17)	<b>1,358,298,121</b>	1,721,326,738
Deferred tax assets - net (Note 26)	<b>52,824,625</b>	8,864,126
Retirement asset (Note 20)	<b>10,311,588</b>	7,855,553
Right-of-use assets (Notes 3 and 28)	<b>73,225,966</b>	—
Contract assets - net of current portion (Note 32)	<b>89,612,359</b>	130,123,123
Other noncurrent assets (Notes 30 and 32)	<b>398,013,734</b>	75,504,420
Total Noncurrent Assets	<b>11,900,872,389</b>	12,306,431,732
<b>TOTAL ASSETS</b>	<b>₱19,930,922,355</b>	₱19,189,789,088
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and other current liabilities (Notes 18 and 20)	<b>₱1,618,365,470</b>	₱1,535,792,345
Loans payable (Notes 19 and 30)	<b>150,000,000</b>	—
Lease liabilities - current portion (Notes 3 and 28)	<b>75,030,683</b>	—
Current portion of obligations under finance lease (Notes 28 and 30)	—	19,379,463
Income tax payable	<b>4,274,940</b>	9,415,467
Total Current Liabilities	<b>1,847,671,093</b>	1,564,587,275
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net (Note 26)	—	46,161,265
Lease liabilities - net of current portion (Notes 3 and 28)	<b>16,576,645</b>	—
Obligations under finance lease (Notes 28 and 30)	—	15,995,011
Retirement liability (Note 20)	<b>48,950,570</b>	6,981,493
Total Noncurrent Liabilities	<b>65,527,215</b>	69,137,769
Total Liabilities	<b>1,913,198,308</b>	1,633,725,044

(Forward)



	December 31	
	2019	2018
<b>Equity Attributable to the Equity Holders of the Parent</b>		
(Notes 21 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
Treasury shares	<b>(29,430,080)</b>	(29,430,080)
Cost of Parent Company shares held by a subsidiary	<b>(509,597,055)</b>	(509,597,055)
Other reserves	<b>(788,608,550)</b>	(736,930,415)
Retained earnings	<b>3,660,924,536</b>	2,967,544,418
Total Equity Attributable to Equity Holders of the Parent	<b>17,478,838,275</b>	16,837,136,292
<b>Non-controlling Interests</b> (Note 16)	<b>538,885,772</b>	718,927,752
Total Equity	<b>18,017,724,047</b>	17,556,064,044
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱19,930,922,355</b>	₱19,189,789,088

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2019	2018	2017
<b>REVENUE</b>			
Gaming revenue share - net (Notes 22 and 32)	<b>₱2,976,366,472</b>	₱3,211,856,964	₱2,609,352,639
Commission and distribution income (Note 32)	<b>308,381,639</b>	487,626,385	479,472,385
Equipment rental (Notes 28 and 32)	<b>681,483,757</b>	1,448,317,610	1,840,520,991
	<b>3,966,231,868</b>	5,147,800,959	4,929,346,015
<b>COST AND EXPENSES</b>			
Cost of services (Note 23)	<b>986,207,833</b>	1,297,488,594	1,539,038,409
General and administrative expenses (Note 24)	<b>961,494,609</b>	1,532,830,606	1,018,683,377
Amortization of intangible asset (Note 12)	<b>238,472,484</b>	238,472,484	238,472,484
	<b>2,186,174,926</b>	3,068,791,684	2,796,194,270
<b>OTHER INCOME (EXPENSES)</b>			
Interest income (Notes 7, 10 and 32)	<b>279,857,146</b>	157,453,311	75,918,013
Dividend income (Notes 8 and 13)	<b>24,708,086</b>	24,952,521	20,927,342
Finance costs (Note 28)	<b>(9,525,989)</b>	(6,187,352)	(10,859,855)
Other income (expense) - net (Note 25)	<b>(32,888,983)</b>	235,430,085	19,006,861
	<b>262,150,260</b>	411,648,565	104,992,361
<b>INCOME BEFORE INCOME TAX</b>	<b>2,042,207,202</b>	2,490,657,840	2,238,144,106
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 26)			
Current	<b>22,422,019</b>	133,572,412	235,892,039
Deferred	<b>(81,838,677)</b>	47,432,314	(413,893)
	<b>(59,416,658)</b>	181,004,726	235,478,146
<b>NET INCOME</b>	<b>₱2,101,623,860</b>	₱2,309,653,114	₱2,002,665,960
<b>Net Income Attributable to:</b>			
Equity holders of the parent	<b>₱2,261,962,747</b>	₱2,157,768,639	₱1,756,459,152
Non-controlling interests	<b>(160,338,887)</b>	151,884,475	246,206,808
	<b>₱2,101,623,860</b>	₱2,309,653,114	₱2,002,665,960
<b>Basic/Diluted Earnings Per Common Share</b>			
Attributable to Equity Holders of the Parent			
(Note 29)	<b>₱0.072448</b>	₱0.069080	₱0.056140

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2019	2018	2017
<b>NET INCOME</b>	<b>₱2,101,623,860</b>	<b>₱2,309,653,114</b>	<b>₱2,002,665,960</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Marked-to-market losses on financial assets at fair value through other comprehensive income (Note 13)	(53,228,230)	(261,173,629)	—
Remeasurement gain (loss) on net retirement benefits - net of tax	(18,152,998)	12,297,225	1,248,964
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Marked-to-market gains on available-for-sale financial assets (Note 13)	—	—	132,500,049
Realized loss on available-for-sale financial assets transferred to profit or loss (Note 13)	—	—	31,647,929
	(71,381,228)	(248,876,404)	165,396,942
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱2,030,242,632</b>	<b>₱2,060,776,710</b>	<b>₱2,168,062,902</b>
<b>Total Comprehensive Income Attributable to:</b>			
Equity holders of the parent	₱2,210,284,612	₱1,954,907,883	₱1,873,300,753
Non-controlling interests	(180,041,980)	105,868,827	294,762,149
	<b>₱2,030,242,632</b>	<b>₱2,060,776,710</b>	<b>₱2,168,062,902</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, 2019, 2018 AND 2017**

	Other Reserves										
				Cost of Parent Company Shares	Cumulative Unrealized Mark- to-Market Gain (Loss) on Financial Assets at Fair Value	Remeasurement Losses on Defined Benefit Obligation	Other Reserves	Retained Earnings (Note 21)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interest (Note 2)	Total
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Treasury Shares (Note 21)	Held by a Subsidiary (Note 21)	Through Other Comprehensive Income (Note 13)	(Note 20)					
Balance at January 1, 2019	₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱487,185,664)	₱4,574,946	(₱254,319,697)	₱2,967,544,418	₱16,837,136,292	₱718,927,752	₱17,556,064,044
Net income	—	—	—	—	—	—	—	2,261,962,747	2,261,962,747	(160,338,887)	2,101,623,860
Other comprehensive (income) loss:											
Remeasurement gain on net retirement benefits - net of tax	—	—	—	—	—	(9,094,653)	—	—	(9,094,653)	(9,058,345)	(18,152,998)
Marked-to-market loss on financial assets at fair value through other comprehensive income	—	—	—	—	(42,583,482)	—	—	—	(42,583,482)	(10,644,748)	(53,228,230)
Total comprehensive income	—	—	—	—	(42,583,482)	(9,094,653)	—	2,261,962,747	2,210,284,612	(180,041,980)	2,030,242,632
Cash dividends (Note 21)	—	—	—	—	—	—	—	(1,568,582,629)	(1,568,582,629)	—	(1,568,582,629)
Balance at December 31, 2019	₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱529,769,146)	(₱4,519,707)	(₱254,319,697)	₱3,660,924,536	₱17,478,838,275	₱538,885,772	₱18,017,724,047



	Other Reserves											
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Treasury Shares (Note 21)	Cost of Parent Company Shares Held by a Subsidiary (Note 21)	Cumulative Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 13)	Cumulative Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 13)	Remeasurement Losses on Defined Benefit Obligation (Note 20)	Other Reserves	Retained Earnings (Note 21)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interest (Note 2)	Total
Balance at January 1, 2018	7,906,827,500	7,238,721,924	—	(475,427,035)	—	(278,203,897)	(1,546,065)	(254,319,697)	2,179,030,779	16,315,083,509	750,960,329	17,066,043,838
Net income	—	—	—	—	—	—	—	—	2,157,768,639	2,157,768,639	151,884,475	2,309,653,114
Other comprehensive (income) loss:												
Remeasurement gain on net retirement benefits - net of tax	—	—	—	—	—	—	6,121,011	—	—	6,121,011	6,176,214	12,297,225
Marked-to-market loss on financial assets at fair value through other comprehensive income	—	—	—	—	—	(208,981,767)	—	—	—	(208,981,767)	(52,191,862)	(261,173,629)
Total comprehensive income	—	—	—	—	—	(208,981,767)	6,121,011	—	2,157,768,639	1,954,907,883	105,868,827	2,060,776,710
Parent Company shares held by a subsidiary (Note 21)	—	—	—	(34,170,020)	—	—	—	—	—	(34,170,020)	—	(34,170,020)
Cash dividends (Note 21)	—	—	—	—	—	—	—	—	(1,369,255,000)	(1,369,255,000)	—	(1,369,255,000)
Cash dividends received by non- controlling interest (Note 2)	—	—	—	—	—	—	—	—	—	—	(121,294,616)	(121,294,616)
Purchase of treasury shares	—	—	(29,430,080)	—	—	—	—	—	—	(29,430,080)	(16,606,788)	(46,036,868)
Balance at December 31, 2018	₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	₱—	(₱487,185,664)	₱4,574,946	(₱254,319,697)	₱2,967,544,418	₱16,837,136,292	₱718,927,752	₱17,556,064,044





	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Cost of Parent Company Shares Held by a Subsidiary (Note 21)	Other Reserves			Retained Earnings (Note 21)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interest (Note 2)	Total
				Cumulative Unrealized Mark-to-Market Gain on Available-for- Sale Financial Assets (Note 13)	Remeasurement Losses on Defined Benefit Obligation (Note 20)	Other Reserves				
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 21)	—	—	(36,549,130)	—	—	—	—	(36,549,130)	—	(36,549,130)
Cash dividends (Note 21)	—	—	—	—	—	—	(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.



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

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱2,042,207,202	₱2,490,657,840	₱2,238,144,106
Adjustments for:			
Impairment loss on goodwill (Note 17)	363,028,617	110,933,996	—
Interest income (Notes 7, 10 and 32)	(279,857,146)	(157,453,311)	(75,918,013)
Amortization of intangible asset (Note 12)	238,472,484	238,472,484	238,472,484
Depreciation and amortization of property and equipment and right-of-use assets (Notes 14 and 28)	235,948,840	223,271,046	225,559,130
Dividend income (Notes 8 and 13)	(24,708,086)	(24,952,521)	(20,927,342)
Marked-to-market loss (gain) of investments held for trading (Note 25)	15,248,311	11,903,085	(2,204,528)
Finance costs (Note 28)	9,525,989	6,187,352	10,859,855
Foreign exchange loss (Note 25)	1,180,826	845,519	1,671,684
Write-off of input VAT (Notes 11 and 24)	—	—	25,000,000
Loss (gain) on sale of:			
Investments held for trading (Note 25)	—	(1,548,225)	—
Property and equipment (Note 25)	(839,812)	(1,038,518)	(155,142)
Available-for-sale financial asset (Note 25)	—	—	31,647,929
Operating income before working capital changes	2,600,207,225	2,897,278,747	2,672,150,163
Decrease (increase) in:			
Receivables	2,382,904	351,483,786	(107,930,214)
Contract assets	46,492,534	(168,015,654)	—
Other current assets	34,786,133	(114,758,361)	(47,823,031)
Increase (decrease) in:			
Trade payables and other current liabilities	80,889,069	84,982,687	876,816,020
Installment payable	—	3,761,219	5,443,823
Retirement liability	13,580,187	12,661,865	1,797,113
Cash generated from operations	2,778,338,052	3,067,394,289	3,400,453,874
Income taxes paid	(13,924,734)	(152,262,768)	(242,991,545)
Interest received	282,074,609	155,890,287	77,453,124
Net cash provided by operating activities	3,046,487,927	3,071,021,808	3,234,915,453
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of:			
Property and equipment (Note 14)	(29,546,701)	(45,682,606)	(150,346,076)
Fair value through other comprehensive income (Note 13)	—	(320,000)	—
Available-for-sale financial asset (Note 13)	—	—	(31,653,940)
Investments held for trading (Note 8)	—	—	(17,034,130)
Dividends received	24,708,086	24,952,521	20,927,342
Decrease (increase) in:			
Other noncurrent assets	(322,509,314)	3,803,486	(772,618)
Notes receivable (Note 10)	—	(2,100,000,000)	(800,000,000)
Proceeds from sale of:			
Property and equipment	991,675	1,610,461	1,069,280
Available-for-sale financial assets (Note 13)	—	—	172,933,901
Investments held for trading (Note 8)	—	12,423,090	6,746,030
Net cash acquired from acquisition of subsidiaries (Note 16)	—	—	66,444,703
Net cash used in investing activities	(326,356,254)	(2,103,213,048)	(731,685,508)

(Forward)



	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	(P1,568,582,630)	(P1,490,549,616)	(P1,041,930,481)
Proceeds from loan	150,000,000	—	—
Payment of principal portion of lease liabilities	(78,485,645)	—	—
Purchase of treasury shares by a subsidiary	—	(16,606,788)	(211,841,591)
Additional cost of parent company shares held by a subsidiary (Note 21)	—	(34,170,020)	(36,549,130)
Acquisition of treasury shares	—	(29,430,080)	—
Increase (decrease) in obligations under finance lease	—	(45,675,862)	(61,777,018)
Net cash used in financing activities	(1,497,068,275)	(1,616,432,366)	(1,352,098,220)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,223,063,398</b>	<b>(648,623,606)</b>	<b>1,151,131,725</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,314,012,081</b>	<b>2,962,635,687</b>	<b>1,811,503,962</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>P3,537,075,479</b>	<b>P2,314,012,081</b>	<b>P2,962,635,687</b>

*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. On July 19, 2019 the SEC approved the change in PLC’s primary purpose to include that the Company shall not engage in real estate business activities.

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.00% (direct and indirect) owned by Belle Corporation (“Belle” or “Ultimate Parent Company”) and the rest by the public as at December 31, 2019 and 2018.

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			
	2019		2018	
	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)	53.09	–	53.09	–
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	–	100.00
Avery Integrated Hub, Inc. <sup>(b)</sup>	–	100.00	–	100.00
Circle 8 Gaming Ventures, Inc. <sup>(b)</sup>	–	100.00	–	100.00
Luckydeal Leisure, Inc. <sup>(b)</sup>	–	100.00	–	100.00
Luckyfortune Business Ventures, Inc. <sup>(b)</sup>	–	100.00	–	100.00
Luckypick Leisure Club Corp. <sup>(b)</sup>	–	100.00	–	100.00
Luckyventures Leisure Corp. <sup>(b)</sup>	–	100.00	–	100.00

(Forward)



	Percentage of Ownership			
	2019		2018	
	Direct	Indirect	Direct	Indirect
Lucky Games Entertainment Ventures Inc. <sup>(b)</sup>	—	100.00	—	100.00
Orbis Valley Corporation <sup>(b)</sup>	—	100.00	—	100.00
Total Gaming Technologies, Inc. (TGTI)	—	98.92	—	98.92
Falcon Resources, Inc. (FRI)	—	100.00	—	100.00
TGTI Services, Inc.	—	100.00	—	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 by the Board of Directors (BOD) on February 28, 2020.

## **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 equity financial assets that 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.

### Statement of Compliance

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

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019 and 2018 (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 having a deficit balance. When necessary, NCI adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group'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 Parent 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. NCI is 46.9% as at December 31, 2019 and 2018.

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

#### Summarized Consolidated Statements of Financial Position

	2019	2018
Total current assets	<b>₱864,695,033</b>	₱1,156,967,831
Total noncurrent assets	<b>858,445,984</b>	946,111,550
Total current liabilities	<b>(360,318,424)</b>	(289,167,455)
Total noncurrent liabilities	<b>(49,403,241)</b>	(53,292,150)
Total equity	<b>₱1,313,419,352</b>	₱1,760,619,776
Attributable to:		
Equity holders of the Parent	<b>₱1,308,075,909</b>	₱1,753,714,977
Non-controlling interests	<b>5,343,443</b>	6,904,799
Total	<b>₱1,313,419,352</b>	₱1,760,619,776

#### Summarized Consolidated Statements of Comprehensive Income

	2019	2018
Revenues	<b>₱989,865,396</b>	₱1,935,943,996
Costs and expenses	<b>(1,370,091,622)</b>	(1,614,488,192)
Other income (expense) - net	<b>(15,161,445)</b>	161,422,797
Income before income tax	<b>(395,387,671)</b>	482,878,601
Provision for income tax	<b>74,415,297</b>	(178,830,586)
Net income	<b>(320,972,374)</b>	304,048,015
Other comprehensive income (loss)	<b>(126,228,049)</b>	(294,405,190)
Total comprehensive income	<b>(₱447,200,423)</b>	₱9,642,825
Attributable to:		
Equity holders of the Parent	<b>(₱445,639,067)</b>	₱8,254,176
Non-controlling interests	<b>(1,561,356)</b>	1,388,649
Total	<b>(₱447,200,423)</b>	₱9,642,825



### Summarized Cash Flow Information

	2019	2018
Operating	<b>(P275,108,818)</b>	P553,206,300
Investing	<b>3,112,421</b>	(33,241,696)
Financing	<b>37,911,899</b>	(395,794,561)
Net decrease in cash and cash equivalents	<b>(P234,084,498)</b>	P124,170,043

Dividends paid to non-controlling interests amounted to nil and P121.3 million in 2019 and 2018, 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, 2019. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16 supersedes Philippine Accounting Standard (PAS) 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

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. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 in 2019 using the modified retrospective approach and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The Company has lease contracts for office spaces, warehouses, retail equipment and retail outlets. Before the adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 5 for the accounting policy prior to January 1, 2019.

Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases. Refer to Note 5 for the accounting policy beginning January 1, 2019.



The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

<b>Consolidated Statement of Financial Position:</b>	<b>Increase (decrease)</b>
Right-of-use assets	₱118,562,183
Lease liabilities	143,194,992
Obligations under finance lease	(35,374,474)
Property and equipment	(8,625,269)
Other current assets	(2,116,394)

*Leases previously classified as finance leases*

The Company did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from January 1, 2019.

*Leases previously accounted for as operating leases*

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:

- Right-of-use assets of ₱118.6 million were recognized and presented separately in the statement of financial position. This includes lease assets recognized previously under finance leases of ₱8.6 million that were reclassified from property and equipment.
- Additional lease liabilities of ₱143.2 million were recognized.
- Prepayments of ₱2.1 million related to advance payment of rent were deducted against lease liabilities.

The lease liability at as January 1, 2019 as can be reconciled to the operating lease commitments as at December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱239,035,699
Other adjustments	43,500,000
Operating lease commitments as at December 31, 2018, as adjusted	282,535,699
Weighted average incremental borrowing rate at January 1, 2019	7.14%
Discounted operating lease commitments at January 1, 2019	209,643,165
Less: Commitments relating to short term leases	(101,822,646)
Add: Commitments relating to leases previously classified as finance leases	35,374,474
Lease liabilities recognized at January 1, 2019	₱143,194,992





Due to the adoption of PFRS 16, the Company's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were previously classified as operating leases under PAS 17.

The adoption of PFRS 16 will not have an impact on equity in 2019, since the Company elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

- 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, *Income Taxes*. It 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

The Company is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Company shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Company concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company assessed whether the Interpretation had an impact on its consolidated financial statements. The Company determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the Interpretation did not have an impact on the consolidated financial statements of the Company.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.



- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.



- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

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#### 4. Future Changes in Accounting Policies

The Company intends to 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 PFRSs and Philippine Interpretations to have significant impact on its consolidated financial statements.

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.



*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

The Company classifies all other liabilities as noncurrent.

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

#### 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 to 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 consolidated 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 Starting January 1, 2018 (Upon Adoption of PFRS 9, Financial Instruments)

*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.

*Initial Recognition and Subsequent Measurement of Financial Assets.* Financial assets are classified as financial assets measured at amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.



The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company has no financial assets through OCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2019 and 2018.

- *Financial Assets at FVTPL.* Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes listed equity investments held for trading. Dividends on listed equity investments are recognized as other income in the profit or loss when the right of payment has been established.

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 FVTPL unless they are designated as effective hedging instruments as defined by PFRS 9. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.



As at December 31, 2019 and 2018, the Company's investments held for trading are classified as financial assets at FVTPL. The Company has no derivatives designated as hedging instruments as at December 31, 2019 and 2018.

- *Financial Assets at Amortized Cost.* The Company measures financial assets at amortized cost if both of the following conditions are met:
  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost 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.

As at December 31, 2019 and 2018, this category includes the Company's cash and cash equivalents, receivables (excluding advances to contractors and suppliers), notes receivables, deposits and guarantee bonds (presented as part of "other current assets" and "other noncurrent assets").

- *Financial Assets Designated at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category. As at December 31, 2019 and 2018, this category includes the Company's investments in shares of stock.

#### Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset 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 of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. 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.

#### Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Financial Assets Prior to January 1, 2018 (Prior to Adoption of PFRS 9)

*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 and Subsequent Measurement of Financial Assets.* Financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets are classified as financial assets FVTPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (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.

The Company has no HTM investments as at December 31, 2017.

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

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 FVTPL unless they are designated as effective hedging instruments as defined by PAS 39, *Financial Instruments: Recognition and Measurement*.

Financial assets at FVTPL 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.

The Company evaluates its financial assets at FVTPL (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 changes, 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 FVTPL using the fair value option at designation.

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

- *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.



As at December 31, 2017, this category includes the Company's cash and cash equivalents, receivables (excluding advances to contractors and suppliers), notes receivables, 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 FVTPL 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 FVTPL.

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. 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.

As at December 31, 2017, this category includes the Company's investments in shares of stock.

*Impairment of Financial Assets.* The Company assesses at each reporting period 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 at Amortized Cost.* For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and 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 EIR. 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. Interest income continues to be accrued on the reduced carrying amount based on the EIR 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. However, for those receivables associated with pre-terminated contracts, the Company directly writes them off from the account since there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated 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 profit or loss, to the extent that the carrying value of the asset does not exceed what its amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

- *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.

- *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.



### 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 and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

### Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at amortized cost (loans and borrowings)

As at December 31, 2019 and 2018, the Company has no financial liabilities at FVTPL.

### *Financial Liabilities at Amortized Cost (Loans and Borrowing).*

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. 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. The EIR amortization is included as finance costs in the profit or loss.

This category includes the Company's trade payables and other current liabilities, loans payable, lease liabilities and obligations under finance lease.

### Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

### 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.



#### 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.

#### 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).

#### 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.

#### Investment properties

The Company applied cost model in measuring its investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost, less impairment, which reflects market conditions at the reporting date.

Investment properties are derecognized when either they have been disposed of or when permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

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

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

### Goodwill

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*.

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

Impairment is determined by assessing the recoverable amount of the 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 has been allocated to 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.



#### 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 right-of-use assets, intangible asset and property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s CGU’s fair value less cost to dispose 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 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.



Treasury shares and Cost of Parent Company Shares Held by a Subsidiary

The Company's own reacquired equity instruments are 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.

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 Starting January 1, 2018 (upon Adoption of PFRS 15)

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. 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 because it typically controls the services before transferring them to the customer.

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) 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 Philippine Amusement and Gaming Corporation (PAGCOR) license fee.

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

*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 Marketing & Logistics Corp. (PMLC), formerly Powerball Gaming and Entertainment Corporation, is recognized monthly in accordance with the Outsourcing Memorandum of Agreement (OMOA).

*Brand and trademark income.* Income is recognized at point in time upon transfer of a non-assignable, non-transferable and exclusive right to use of instant scratch tickets' brand and trademarks.

*Other Income.* These are recognized when, other than the usual business operations, control of goods and services are transferred to the customer.

Revenue Recognition Prior to January 1, 2018 (Prior to Adoption of PFRS 15)

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) 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 PGEC is recognized monthly in accordance with the OMOA.

*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 Starting January 1, 2019 (Upon Adoption of PFRS 16)

*Leases.* The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as Lessee.* The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use Assets.* The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

Lottery equipment	1 year
Warehouse and office spaces	1 year to 2 years
Corporate Suite	2 years and 5 months

Right-of-use assets are subject to impairment.

- *Lease Liabilities.* At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term Leases.* The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

*Company as Lessor.* Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging 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.

#### Leases Prior to January 1, 2019 (Prior to Adoption of PFRS 16)

*Leases.* The determination of whether an arrangement is, or contains, 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.

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

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

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.

### 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 arrangements, 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:

- when 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 arrangements, 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 and liabilities 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.

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

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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 but 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. 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 assets or liabilities affected in future periods.



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 2019 and 2018 as a subsidiary with material non-controlling interests.

#### Starting January 1, 2019, Upon adoption of PFRS 16)

*Determination of lease term of contracts with renewal options – Company as a lessee.* The Company has several lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The Company did not include the renewal period as part of the lease term of its various lease arrangements since the Company assessed that its renewal option is not enforceable.

*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 ₱681.5 million, ₱1,448.3 million and ₱1,840.5 million in 2019, 2018 and 2017, respectively (see Note 28).

*Operating Lease - as a Lessee (Prior to January 1, 2019 - Prior to Adoption of PFRS 16).* 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 ₱126.6 million and ₱87.1 million in 2018 and 2017, respectively (see Note 28).

*Finance Lease - as a Lessee (Prior to January 1, 2019 - Prior to Adoption of PFRS 16).* 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 ₱30.9 million as at December 31, 2018 (see Notes 14 and 28).

#### Estimates and Assumptions

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

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

*Provision for Expected Credit Losses of Financial Assets at Amortized Cost and Contract Assets (Starting January 1, 2018 – Upon Adoption of PFRS 9).* The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

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

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



In 2019, the Company recognized provision for ECL amounting to ₱2.1 million (see Note 24). No provision was recognized in 2018. Allowance for doubtful accounts amounted to ₱429.8 million and ₱427.7 million as at December 31, 2019 and 2018, respectively. The aggregate carrying values of receivables, notes receivables and contract assets amounted to ₱4,173.6 million and ₱4,224.7 million as at December 31, 2019 and 2018, respectively (see Notes 9, 10 and 32).

*Determination of Impairment of Receivables and Notes Receivables (Prior to January 1, 2018 - Prior to Adoption of PFRS 9).* 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 amounted to ₱7.7 million (see Note 24).

*Determination of Impairment of AFS Financial Assets (Prior to January 1, 2018 - Prior to Adoption of PFRS 9).* 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.

*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 investment property, intangible asset, property and equipment and right-of-use assets was recognized in 2019, 2018 and 2017.

The carrying values of nonfinancial assets (excluding goodwill) as at December 31, 2019 and 2018 are as follows:

	2019	2018
Intangible asset (see Note 12)	<b>₱9,191,127,003</b>	₱9,429,599,487
Investment property (see Note 15)	<b>285,510,452</b>	285,510,452
Property and equipment (see Note 14)	<b>107,432,510</b>	259,903,572
Right-of-use assets (see Note 28)	<b>73,225,966</b>	—

*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 ₱104.1 million and ₱19.8 million as at December 31, 2019 and 2018, respectively. Unrecognized deferred tax assets amounted to ₱140.4 million and ₱137.3 million as at December 31, 2019 and 2018, respectively (see Note 26).

*Revenue from Contracts with Customers.* The Company has identified the following estimations that significantly affect the determination of the amount and timing of revenue from contracts with customers.

- *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* In estimating variable consideration for the gaming revenue share, PLAI is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

PLAI determined that the most likely amount method is more appropriate for PLAI's contract with single volume threshold.

Before including any amount of variable consideration in the transaction price, PLAI considers whether the amount of variable consideration is constrained. PLAI determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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



*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.

In 2019 and 2018, there were no changes in the estimated useful life of gaming license. The carrying value of the gaming license as at December 31, 2019 and 2018 amounted to ₱9,191.1 million and ₱9,429.6 million, respectively (see Note 12).

*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 CGUs to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the CGUs and to choose a suitable discount rate to calculate the present value of those cash flows.

The key assumptions used in the value in use calculations include discount rate, revenue growth rate and long-term growth rate. Impairment loss amounted to ₱363.0 million in 2019. There was no impairment loss of goodwill in 2018. The carrying values of goodwill amounted to ₱1,358.3 million and ₱1,721.3 million as at December 31, 2019 and 2018, respectively (see Note 17).

*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 ₱20.0 million, ₱13.7 million and ₱12.9 million in 2019, 2018 and 2017, respectively. Remeasurement gain (loss) on retirement benefits amounted to ₱25.9 million, ₱17.6 million and ₱2.3 million in 2019, 2018 and 2017, respectively. The carrying values of retirement asset amounted to ₱10.3 million and ₱7.9 million as at December 31, 2019 and 2018, respectively. The carrying values of retirement liability amounted to ₱49.0 million and ₱7.0 million as at December 31, 2019 and 2018, respectively (see Note 20).

*Leases - Estimating the incremental borrowing rate (Starting January 1, 2019 – Upon Adoption of PFRS 16).* The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (such as for entities within the group that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the entity's stand-alone credit rating).

The Company's lease liabilities amounted to ₱91.6 million as at December 31, 2019 (see Note 28).



*Evaluation of 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 Notes 17 and 33).

## 7. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	<b>₱704,732,546</b>	₱2,220,564,179
Cash equivalents	<b>2,832,342,933</b>	93,447,902
	<b>₱3,537,075,479</b>	₱2,314,012,081

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 ₱57.1 million, ₱36.2 million and ₱21.1 million in 2019, 2018 and 2017, 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.

Movements in this account are as follows:

	2019	2018
Balance at beginning of year	<b>₱155,704,892</b>	₱178,482,842
Disposals	—	(10,874,865)
Marked-to-market-loss (see Note 25)	<b>(15,248,311)</b>	(11,903,085)
Balance at end of year	<b>₱140,456,581</b>	₱155,704,892

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 2019, 2018 and 2017 amounting to (₱15.2 million), (₱11.9 million) and ₱2.2 million, respectively, were recognized in "Other income (expense) - net" account in the consolidated statements of income (see Note 25).

Realized gain from sale of investments held for trading amounted to nil, ₱1.5 million and nil in 2019, 2018 and 2017, respectively (see Note 25).

Dividend income realized from investments held for trading amounted ₱4.70 million, ₱5.0 million and ₱5.7 million in 2019, 2018 and 2017, respectively.





## 9. Receivables

This account consists of:

	2019	2018
Trade receivables	<b>₱332,479,558</b>	₱331,628,182
Loan assets (see Note 32)	<b>422,341,815</b>	422,341,815
Advances to officers and employees	<b>4,575,259</b>	4,939,898
Accrued interest on notes receivable (see Note 27)	–	2,217,463
Other receivables (Note 27)	<b>7,976,873</b>	17,299,125
	<b>767,373,505</b>	778,426,483
Less allowance for doubtful accounts	<b>429,838,329</b>	427,690,938
	<b>₱337,535,176</b>	₱350,735,545

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 in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares (see Note 32). The loan assets were fully provided with allowance as at December 31, 2019 and 2018.

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

Movement in allowance for doubtful accounts is as follows:

	2019	2018
Balance at beginning of year	<b>₱427,690,938</b>	₱434,440,938
Provision for impairment loss (see Note 24)	<b>2,147,391</b>	–
Write-off during the year	–	(6,750,000)
Balance at end of year	<b>₱429,838,329</b>	₱427,690,938

## 10. Notes Receivable

Notes receivable, unsecured and bearing interest rates ranging from 4.80% to 6.38% in 2019 and 3.25% to 5.46% in 2018, amounted to ₱3,705.9 million as at December 31, 2019 and 2018 (see Note 27).

Interest income from notes receivable recognized in the consolidated statement of income amounted to ₱214.1 million, ₱108.7 million and ₱54.8 million in 2019, 2018 and 2017, respectively (see Note 27).



## 11. Other Current Assets

This account consists of:

	2019	2018
Creditable withholding taxes	<b>₱151,493,307</b>	₱170,275,739
Prepaid expenses	<b>72,178,205</b>	70,341,728
Spare parts and supplies - at cost	<b>37,430,911</b>	60,978,544
Input VAT	<b>5,232,880</b>	3,681,383
Advances to contractors and suppliers	<b>2,249,254</b>	3,847,376
Bonds and deposits (see Note 32)	—	10,000,000
Others	<b>25,280</b>	25,280
	<b>268,609,837</b>	319,150,050
Less allowance for probable loss on input VAT	<b>62,870</b>	62,743
	<b>₱268,546,967</b>	₱319,087,307

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

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

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

Bonds and deposits pertain to cash of POSC deposited in a bank in 2009 as a cash bond in relation to POSC's Memorandum of Agreement (MOA) with PCSO. In 2018, the MOA with PCSO expired and the cash bond is expected to be received within one year from reporting period. In 2018, the cash bond of POSC amounting to ₱10.0 million was reclassified from "Other noncurrent assets" to "Other current assets". In 2019, the ₱10.0 million cash bond was collected (see Note 32).

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

	2019	2018
Balance at beginning of year	<b>₱62,743</b>	₱62,616
Provision for probable losses (see Note 24)	<b>127</b>	127
Balance at end of year	<b>₱62,870</b>	₱62,743

## 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.



Movements in intangible asset are as follows:

	2019	2018
<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>1,413,616,324</b>	1,175,143,840
Amortization (see Notes 3 and 24)	<b>238,472,484</b>	238,472,484
Balance at end of year	<b>1,652,088,808</b>	1,413,616,324
	<b>₱9,191,127,003</b>	₱9,429,599,487

The unamortized life of the license as at December 31, 2019 and 2018 is 38.5 years and 39.5 years, respectively.

### 13. Financial Assets at Fair Value Through Other Comprehensive Income

This account pertains to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2019 and 2018, consisting of the following:

	2019	2018
Quoted shares:		
Belle - common shares (see Note 27)	<b>₱331,634,931</b>	₱384,963,161
Golf club shares	<b>2,800,000</b>	2,700,000
	<b>334,434,931</b>	387,663,161
Unquoted shares:		
Others	<b>81,100</b>	81,100
	<b>₱334,516,031</b>	₱387,744,261

The movements of financial assets at FVOCI in 2019 and 2018 are as follows:

	2019	2018
<b>Cost</b>		
Balance at beginning of year	<b>₱890,518,604</b>	₱890,198,604
Additions	–	320,000
Balance at end of year	<b>890,518,604</b>	890,518,604
<b>Cumulative unrealized mark-to-market loss on financial assets at FVOCI</b>		
Balance at beginning of year	<b>(502,774,343)</b>	(241,600,714)
Unrealized mark-to-market loss during the year	<b>(53,228,230)</b>	(261,173,629)
Balance at end of year	<b>(556,002,573)</b>	(502,774,343)
	<b>₱334,516,031</b>	₱387,744,261

Dividend income earned from financial assets at FVOCI amounted to ₱20.0 million in 2019 and 2018.

The investment in common shares of Belle is based on the quoted price as at reporting date while the investment in golf club shares is based on secondary market prices as at reporting date.



## 14. Property and Equipment

The movements in this account follow:

	2019				
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Cost</b>					
Balance at beginning of year, as previously reported	₱911,789,356	₱99,270,113	₱196,967,691	₱79,101,958	₱1,287,129,118
Reclassification (see Notes 3 and 28)	(163,499,020)	—	—	—	(163,499,020)
Balances at beginning of year, as restated	748,290,336	99,270,113	196,967,691	79,101,958	1,123,630,098
Additions	7,759,051	2,984,917	8,836,568	9,966,165	29,546,701
Disposals	(13,280,268)	(87,500)	(3,762,911)	(11,742,909)	(28,873,588)
Balance at end of year	742,769,119	102,167,530	202,041,348	77,325,214	1,124,303,211
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year, as previously reported	₱750,870,733	₱83,589,685	₱144,355,804	₱48,409,324	₱1,027,225,546
Reclassification to (see Notes 3 and 28)	(154,873,751)	—	44,983	(44,983)	(154,873,751)
Balances at beginning of year, as restated	595,996,982	83,589,685	144,400,787	48,364,341	872,351,795
Depreciation and amortization (see Notes 23 and 24)	114,088,548	9,701,117	34,513,880	14,937,086	173,240,631
Disposals	(13,280,268)	(87,500)	(3,762,911)	(11,591,046)	(28,721,725)
Balance at end of year	696,805,262	93,203,302	175,151,756	51,710,381	1,016,870,701
<b>Net Book Value</b>	<b>₱45,963,857</b>	<b>₱8,964,228</b>	<b>₱26,889,592</b>	<b>₱25,614,833</b>	<b>₱107,432,510</b>

	2018				
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Cost</b>					
Balance at beginning of year	₱1,204,933,561	₱86,026,218	₱199,463,629	₱82,058,362	₱1,572,481,770
Additions	8,395,671	20,686,942	5,399,776	11,200,217	45,682,606
Disposals	(301,539,876)	(7,443,047)	(7,895,714)	(14,156,621)	(331,035,258)
Balance at end of year	911,789,356	99,270,113	196,967,691	79,101,958	1,287,129,118
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	880,721,990	72,888,038	132,930,804	47,876,983	1,134,417,815
Depreciation and amortization (see Notes 23 and 24)	171,522,876	18,144,694	19,314,514	14,288,962	223,271,046
Disposals	(301,374,133)	(7,443,047)	(7,889,514)	(13,756,621)	(330,463,315)
Balance at end of year	750,870,733	83,589,685	144,355,804	48,409,324	1,027,225,546
<b>Net Book Value</b>	<b>₱160,918,623</b>	<b>₱15,680,428</b>	<b>₱52,611,887</b>	<b>₱30,692,634</b>	<b>₱259,903,572</b>

Certain lottery equipment was acquired under finance lease agreements. The carrying amount of the equipment under finance lease agreements amounted to ₱30.9 million as at December 31, 2018 (see Note 28).

On January 1, 2019, upon adoption of PFRS 16, property and equipment with carrying value of ₱8.6 million as at December 31, 2018 were reclassified to right-of-use assets (see Notes 3 and 28).



## 15. Investment Property

These accounts pertain to parcels of land amounting to ₱285.5 million classified as investment property as at December 31, 2019 and 2018.

The fair value of the investment property amounted to ₱295.2 million as at December 31, 2019 and 2018, which was estimated using market approach, as determined by an independent appraiser. The value of the land was based on the sales and listings of comparable property registered within the vicinity and within Level 3 fair value hierarchy. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee. The Company believes that the highest and best use of its properties does not differ from their current use.

While fair values of other investment properties were not determined as at December 31, 2019, management believes that there were no conditions present as at December 31, 2019 that would significantly reduce the fair values of the investment properties.

## 16. Business Combination

### 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	24,873,909		
Property and equipment	28,664,784		
Deferred tax assets	1,466,821		
Other noncurrent assets	22,025,420	160,839,485	
Less liabilities assumed:			
Trade payables and other current liabilities	62,815,883		
Retirement liability	616,120		
Income tax payable	6,227,122	69,659,125	
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 goodwill of ₱3.7 million represents the value of expected synergies arising from the business combination (see Note 17).

In 2018, the fair values of the assets acquired and liabilities assumed were finalized. There were no changes or adjustments made from that of provisionally recognized in 2017. Goodwill recognized is not 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 in 2017, 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 in 2017. If the combination had taken place at the beginning of the year in 2017, 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 in 2017.

## 17. Goodwill

Goodwill acquired from the business combination as at December 31, 2019 and 2018 consists of:

	2019	2018
POSC	<b>₱1,717,643,956</b>	₱1,717,643,956
FRI	<b>110,933,996</b>	110,933,996
LCC subsidiaries (see Note 16)	<b>3,682,782</b>	3,682,782
	<b>1,832,260,734</b>	1,832,260,734
Less: allowance for impairment	<b>473,962,613</b>	110,933,996
	<b>₱1,358,298,121</b>	₱1,721,326,738

Movements in this account are as follow:

	2019	2018
Balance at beginning of year	<b>₱1,721,326,738</b>	₱1,832,260,734
Impairment loss (see Note 24)	<b>(363,028,617)</b>	(110,933,996)
Balance at end of year	<b>₱1,358,298,121</b>	₱1,721,326,738

Movements in the allowance for impairment loss is as follows:

	2019	2018
Balance at beginning of year	<b>₱110,933,996</b>	₱—
Impairment loss during the year (see Note 24)	<b>363,028,617</b>	110,933,996
Balance at end of year	<b>₱473,962,613</b>	₱110,933,996

The goodwill from the acquisitions have been subjected to the annual impairment review in 2019 and 2018. The recoverable amounts of the operations have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years.



In 2019, the Company recognized impairment of its goodwill in POSC and LCC subsidiaries amounting to ₱359.3 million and ₱3.7 million, respectively. The Company recognized impairment of its goodwill in FRI in 2018 amounting to ₱110.9 million (see Note 25).

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 8.45% and 12.21% was used in 2019 and 2018, 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 3% to 8% and 3% to 10% per annum were applied in the 5-year cash flow projections in 2019 and 2018, 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% in 2019 and 2018. 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.

Management assessed that an increase in pre-tax discount rate by 1% or decrease in revenue growth rate by 1% would result to additional impairment.

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.

With the recent change in FRI's exclusivity arrangement with its principal, the carrying amount of the goodwill and cash generating unit to which goodwill relates to materially exceed its recoverable amount.

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 WACC. The pre-tax discount rate applied to cash flow projections is 9.4% and 8.7% in 2018 and 2017, respectively. The long-term growth rate is 6.6% in 2017.

LCC subsidiaries

The recoverable amount of goodwill from the acquisition of LCC subsidiaries was determined based on a 5-year value-in-use calculation, using actual past results and observable market data.

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates and operating margins achievable in the relevant industry. The expected cash flows are discounted by applying a suitable WACC. The discount rate applied to pretax cash flow projections was 10.2% and 3.0% for the terminal growth rate in 2018.



## 18. Trade Payables and Other Current Liabilities

This account consists of:

	2019	2018
Trade payables	<b>₱75,397,172</b>	₱154,248,020
Accrued expenses and other payables	<b>1,244,486,435</b>	1,247,521,393
Unearned income	<b>212,652,281</b>	–
Professional, service and management fees (see Note 27)	<b>25,181,600</b>	42,530,367
Communication, rental and utilities	<b>17,666,835</b>	16,083,272
Consultancy, software and license fees payable	<b>17,207,061</b>	37,585,238
Withholding taxes payable	<b>5,478,560</b>	7,681,871
Current portion of installment payable	–	9,205,042
Others (see Note 27)	<b>20,295,526</b>	20,937,142
	<b>₱1,618,365,470</b>	₱1,535,792,345

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

Accrued expenses and other payables mainly represent provisions. Other than provisions, accruals are usually payable within 30 days term upon receipt of billing. 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 32). These are normally settled within the next financial year.

## 19. Loans Payable

On December 18, 2019, POSC availed an unsecured ₱150.0 million loan from a local bank with an interest rate of 5.25% per annum payable in equal monthly installment for a period of one (1) year.

## 20. 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 2019 are as follows:

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
At January 1, 2019	₱80,768,327	(₱79,894,267)	₱874,060
Net retirement income (costs) in profit or loss:			
Current service cost	—	(11,099,386)	(11,099,386)
Past service cost	—	(9,357,392)	(9,357,392)
Net interest	6,658,849	(6,282,258)	376,591
	6,658,849	(26,739,036)	(20,080,187)
Contributions	6,500,000	—	6,500,000
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	—	681,139	681,139
Actuarial changes arising from changes in financial assumptions	—	(33,150,515)	(33,150,515)
Actual return excluding amount included in net interest cost	(293,111)	—	(293,111)
Actuarial changes due to changes in demographic assumptions	—	1,548,460	1,548,460
Effect of asset ceiling	5,281,172	—	5,281,172
	4,988,061	(30,920,916)	(25,932,855)
At December 31, 2019	₱98,915,237	(₱137,554,219)	(₱38,638,982)

Changes in the retirement benefits of the Company in 2018 are as follows:

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
At January 1, 2018	₱85,569,924	(₱89,635,734)	(₱4,065,810)
Net retirement income (costs) in profit or loss:			
Current service cost	—	(13,467,939)	(13,467,939)
Net interest	4,863,314	(5,057,237)	(193,923)
	4,863,314	(18,525,176)	(13,661,862)
Benefits paid	(96,206)	96,206	—
Contributions	1,000,000	—	1,000,000
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	—	(918,318)	(918,318)
Actuarial changes arising from changes in financial assumptions	—	23,853,239	23,853,239
Actual return excluding amount included in net interest cost	—	5,235,516	5,235,516

(Forward)



	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
Actuarial changes due to changes in demographic assumptions	(P7,194,150)	P—	(P7,194,150)
Effect of asset ceiling	(3,374,555)	—	(3,374,555)
	(10,568,705)	28,170,437	17,601,732
At December 31, 2018	P80,768,327	(P79,894,267)	P874,060

The retirement benefits are presented in the consolidated statement of financial position as at December 31, 2019 and 2018 are as follows:

	2019	2018
Retirement asset	<b>P10,311,588</b>	P7,855,553
Retirement liability	<b>(48,950,570)</b>	(6,981,493)
Net retirement asset (liability)	<b>(P38,638,982)</b>	P874,060

The latest actuarial valuation of the Company is as at December 31, 2019.

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

	2019	2018
Cash and cash equivalents	<b>P6,462,731</b>	P2,640,981
Debt instruments - government bonds	<b>49,620,862</b>	43,122,315
Debt instruments - other bonds	<b>2,994,707</b>	2,525,548
Unit investment trust funds	<b>38,169,995</b>	35,706,253
Others	<b>1,666,942</b>	(3,226,770)
	<b>P98,915,237</b>	P80,768,327

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:

	2019	2018
Discount rate	<b>5.10 %-7.62%</b>	7.53%-8.06%
Rate of compensation increase	<b>5.00%-8.00%</b>	5.00%-8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2019 and 2018 assuming if all other assumptions were held constant:

	2019	2018
	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease) in Defined Benefit Obligation
Discount rate	<b>1.00%</b> <b>(1.00%)</b>	<b>(P15,318,357)</b> <b>18,829,785</b>
Salary increase rate	<b>1.00%</b> <b>(1.00%)</b>	<b>18,267,320</b> <b>(15,201,197)</b>



The average duration of the defined benefit obligation is 9.9 years to 30.8 years in 2019.

The maturity analysis of the undiscounted benefit payments follows:

	2019	2018
Less than 1 year	<b>₱28,318,747</b>	₱14,956,661
More than 1 year to 5 years	<b>10,979,223</b>	15,680,137
More than 5 years to 10 years	<b>54,506,564</b>	49,852,661

## 21. Equity

### Preferred Stock

As at December 31, 2019 and 2018, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. Under the provision of the Company's articles of incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

### Common Stock

Common stock as at December 31, 2019 and 2018 consists of the following:

	Number of Shares
Authorized - ₱0.25 par value per share	37,630,000,000
Issued and Subscribed -	
Balance at beginning and end of year	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 32).

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 32).

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 32).

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 32).

As discussed in Note 32, 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, 2019 and 2018 consists of the following:

Subscription and/or issuance of shares	₱6,941,634,391
Business combination	297,087,533
	<u>₱7,238,721,924</u>

Additional paid-in capital arising from business combination pertains to the excess of consideration from the carrying values of net assets acquired from the step acquisition of POSC in 2015, which was accounted for as business combination under common control using pooling of interest method.

#### Treasury shares

The BOD has authorized the buy-back of the Company's common shares to enhance the shareholder value. The Company is authorized to repurchase up to ₱500.0 million worth of common shares. On March 19, 2018, the Company commenced its share buyback program. As at December 31, 2019 and 2018, 28,379,000 shares have been bought back by the Company with a cost of ₱29.43 million. This is presented as "Treasury shares" and are treated as a reduction in equity.

#### Parent Company Shares Held by a Subsidiary

POSC holds common shares of the Parent Company totaling 377,143,000 shares as at December 31, 2019 and 2018, respectively, with a cost of ₱509.6 million as at December 31, 2019 and 2018, 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 22, 2019, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,588.8 million to shareholders of record as at March 8, 2019. Total dividends above are inclusive of dividends paid to related party shareholders amounting to ₱18.9 million.

On February 23, 2018, the Parent Company's BOD approved the declaration of cash dividends of ₱0.04391 per share amounting to ₱1,388.8 million to shareholders of record as at March 10, 2018. Total dividends above are inclusive of dividends paid to related party shareholders amounting to ₱19.5 million.

On February 23, 2017, the Parent Company's BOD approved the declaration of cash dividends of ₱0.0281 per share amounting to ₱888.7 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.

The consolidated retained earnings as at December 31, 2019 and 2018 includes the earnings of the subsidiaries which are not currently available for dividend declaration unless declared by the subsidiaries of the Parent Company. The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱2,441.1 million and ₱2,517.9 million as at December 31, 2019 and 2018, respectively.



## 22. Gaming Revenue Share

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

	2019	2018	2017
Gaming revenue share - gross	<b>₱5,954,695,862</b>	₱7,551,166,234	₱6,119,060,974
Less PAGCOR license fee paid by Melco	<b>2,978,329,390</b>	4,339,309,270	3,509,708,335
Gaming revenue share - net (see Note 31)	<b>₱2,976,366,472</b>	₱3,211,856,964	₱2,609,352,639

## 23. Cost of Services

This account consists of:

	2019	2018	2017
Payroll and related expenses	<b>₱138,274,529</b>	₱157,827,139	₱145,220,203
Depreciation and amortization (see Notes 14 and 28)	<b>184,639,676</b>	199,846,955	194,986,126
Rental and utilities (see Note 28)	<b>79,467,734</b>	159,011,768	62,975,691
Software and license fees (see Notes 28 and 32)	<b>136,317,928</b>	195,747,032	191,656,399
Communication	<b>120,030,518</b>	112,113,845	113,335,408
Operating supplies	<b>37,993,331</b>	150,145,617	205,296,501
Online lottery system expenses	<b>285,445,503</b>	237,205,391	193,378,115
Consultancy fees (see Note 32)	–	75,987,317	136,634,323
Service fees (see Notes 27 and 32)	–	–	260,564,461
Others	<b>4,038,614</b>	9,603,530	34,991,182
	<b>₱986,207,833</b>	₱1,297,488,594	₱1,539,038,409

## 24. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Impairment loss on goodwill (see Note 17)	<b>₱363,028,617</b>	₱110,933,996	₱–
Outside services (see Note 27)	<b>158,370,084</b>	60,275,106	12,999,222
Salaries, wages and benefits	<b>136,935,936</b>	140,133,637	121,420,783
Transportation and travel	<b>83,502,861</b>	77,390,533	91,941,841
Depreciation and amortization (see Notes 14 and 28)	<b>51,309,164</b>	23,424,091	30,573,004
Taxes and licenses	<b>38,047,179</b>	43,579,008	30,632,398
Professional, service and management fees (see Notes 27 and 32)	<b>31,690,978</b>	29,226,287	48,215,605
Rental and utilities (see Note 28)	<b>26,172,052</b>	25,616,335	37,718,135
Representation and entertainment	<b>11,135,287</b>	35,268,666	49,978,597
Insurance	<b>8,442,836</b>	803,164	1,384,637
Repairs and maintenance	<b>6,956,373</b>	19,976,689	12,428,642
Communication	<b>5,007,231</b>	12,963,789	7,826,803

(Forward)



	2019	2018	2017
Placement and listing fee	<b>₱2,027,292</b>	₱2,075,678	₱2,404,625
Provision for doubtful accounts and probable loss on input VAT (see Notes 9 and 11)	<b>2,147,581</b>	127	7,703,968
Marketing, advertising and promotion (see Note 27)	<b>1,563,541</b>	16,779,397	1,981,220
Termination cost (see Note 32)	—	327,614,359	—
Write-off of input VAT (see Note 11)	—	—	25,000,000
Miscellaneous (see Note 18)	<b>35,157,660</b>	606,769,744	536,473,897
	<b>₱961,494,609</b>	<b>₱1,532,830,606</b>	<b>₱1,018,683,377</b>

In 2019 and 2018, miscellaneous expense includes regular provisions of the Company.

## 25. Other Income (Expense) - net

This account consists of:

	2019	2018	2017
Marked-to-market gain (loss) on investments held for trading (see Note 8)	<b>(₱15,248,311)</b>	(₱11,903,085)	₱2,204,528
Foreign exchange loss	<b>(1,180,826)</b>	(845,519)	(1,671,684)
Gain on sale of property and equipment	<b>839,812</b>	1,038,518	155,142
Gain on sale of investments held for trading (see Note 8)	—	1,548,225	—
Loss on sale of AFS financial assets (see Note 13)	—	—	(31,647,929)
Brand and trademark income (see Note 32)	—	203,459,171	—
Other income (expense) - net	<b>(17,299,658)</b>	42,132,775	49,966,804
	<b>(₱32,888,982)</b>	<b>₱235,430,085</b>	<b>₱19,006,861</b>

Other income includes excess standard input VAT from transactions with government and service income earned in providing repairs and maintenance services.

## 26. Income Taxes

The components of income tax expense for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Current income tax	<b>₱22,422,019</b>	₱133,572,412	₱235,892,039
Deferred income tax relating to origination and reversal of temporary difference	<b>(81,838,677)</b>	47,432,314	(413,893)
	<b>(₱59,416,658)</b>	<b>₱181,004,726</b>	<b>₱235,478,146</b>

PLC and its subsidiaries are using itemized deduction in computing their taxable income, except for PLAI, who's revenues are exempt from income tax.



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

	2019	2018
Deferred tax assets:		
NOLCO	<b>₱71,861,151</b>	₱2,602,457
Unamortized past service costs	<b>11,988,761</b>	10,002,926
Right of use asset	<b>7,201,599</b>	—
Retirement liability	<b>7,506,311</b>	436,829
Allowance for doubtful accounts on receivables	<b>4,186,152</b>	4,045,557
Accrued expenses	<b>1,067,844</b>	2,417,101
Unrealized foreign exchange gain	<b>322,060</b>	265,884
	<b>₱104,133,878</b>	₱19,770,754
Deferred tax liabilities:		
Contract asset	<b>₱40,984,696</b>	₱50,404,696
Lease liabilities	<b>6,878,369</b>	—
Retirement asset	<b>2,730,737</b>	5,741,338
Others	<b>715,451</b>	921,858
	<b>51,309,253</b>	57,067,892
Deferred tax assets (liabilities) – net	<b>₱52,824,625</b>	(₱37,297,138)

The deferred taxes are presented in the consolidated statement of financial position as at December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred tax assets	<b>₱52,824,625</b>	₱8,864,126
Deferred tax liabilities	—	(46,161,265)
Net deferred tax assets (liabilities)	<b>₱52,824,625</b>	(₱37,297,138)

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:

	2019	2018
Allowance for doubtful accounts on receivables	<b>₱427,690,938</b>	₱427,690,938
Allowance for deferred oil exploration and development costs	<b>18,377,841</b>	18,377,841
Excess MCIT over regular corporate income tax	<b>1,503,015</b>	2,830,747
Allowance for impairment of AFS investments	—	2,000,000
NOLCO	<b>17,048,667</b>	99,441
	<b>₱464,620,461</b>	₱450,998,967

Deferred tax assets amounting to ₱140.4 million and ₱137.3 million as at December 31, 2019 and 2018, 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, 2019, the carryforward benefits of NOLCO and MCIT that can be claimed as deductions from regular taxable income and RCIT due, respectively, are as follows:

Year Incurred/Paid	Expiry Date	NOLCO	MCIT
2017	December 31, 2020	₱29,380	₱—
2018	December 31, 2021	8,705,228	1,503,015
2019	December 31, 2022	247,851,219	—
		<b>₱256,585,827</b>	<b>₱1,503,015</b>

The movements in NOLCO follow:

	2019	2018
NOLCO:		
Balance at beginning of year	<b>₱8,774,298</b>	₱5,050,362
Additions	<b>247,851,219</b>	8,705,228
Expirations	<b>(39,690)</b>	(91,885)
Applications	—	(4,889,407)
Balance at end of year	<b>₱256,585,827</b>	<b>₱8,774,298</b>

The movements in MCIT follow:

	2019	2018
MCIT:		
Balance at beginning of year	<b>₱2,830,747</b>	₱1,257,329
Application	<b>(671,126)</b>	
Expirations	<b>(656,606)</b>	(600,723)
Additions	—	2,174,141
Balance at end of year	<b>₱1,503,015</b>	<b>₱2,830,747</b>

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:

	2019	2018	2017
Income tax computed at statutory tax rate	<b>₱612,662,161</b>	₱747,197,352	₱671,443,231
Income tax effect of:			
Income not subject to income tax	<b>(900,322,367)</b>	(908,018,484)	(785,764,413)
Nondeductible expenses	<b>243,018,136</b>	338,235,727	357,133,868
Interest income subject to final tax	<b>(17,138,335)</b>	(2,450,189)	(2,059,579)
Change in unrecognized deferred tax assets	<b>3,157,036</b>	1,511,904	(8,505,413)
Expired NOLCO	<b>39,690</b>	91,885	76,929
Others	<b>(832,979)</b>	4,436,531	3,153,523
	<b>(₱59,416,658)</b>	₱181,004,726	₱235,478,146



## 27. 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.

Related party transactions amounting to 10% or higher of the Company's consolidated total assets are subject to the approval of the BOD.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### 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	Share in expenses	<b>2019</b>	<b>₱270,054</b>	<b>(₱4,590,877)</b>	Noninterest-bearing, on demand	Unsecured
		(see Note 18)	2018	668,842	(4,320,823)		
			2017	985,341	(3,713,633)		
		Notes receivable	<b>2019</b>	—	<b>3,705,925,000</b>	3.25% to 6.38% interest-bearing, due on demand	Unsecured, no impairment
		(see Note 10)	2018	2,100,000,000	3,705,925,000		
			2017	800,000,000	1,605,925,000		
		Financial assets at FVOCI	<b>2019</b>	—	<b>331,634,931</b>	Noninterest-bearing	Unsecured, no impairment
		(see Note 13)	2018	320,000	384,963,161		
		Available-for-sale financial assets				Noninterest-bearing	Unsecured, with allowance for impairment amounting to ₱569.9 million as at December 31, 2017
		(see Note 13)	2017	31,653,940	646,216,790		
		Interest income	<b>2019</b>	<b>214,129,362</b>	—	Noninterest-bearing, 30 days	Unsecured, no impairment
		(see Notes 9 and 10)	2018	108,707,037	2,217,463		
			2017	54,759,963	654,439		
		Service and management fee	<b>2019</b>	<b>54,000,000</b>	—	Noninterest-bearing, 30 days	Unsecured
		(see Notes 18, 23 and 24)	2018	54,000,000	(9,900,000)		
			2017	60,480,000	—		
		Others	<b>2019</b>	—	—	Noninterest-bearing, due on demand	Unsecured
		(see Note 9)	2018	—	5,443,618		
			2017	12,543,618	12,543,618		

(Forward)



Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance Assets (Liabilities)	Terms	Condition
Belle Grande	Affiliate	Service fees (see Notes 18 and 23)	<b>2019</b> 2018 2017	<b>₱-</b> 327,614,359 133,800,340	<b>₱-</b> - (35,157,662)	Noninterest- bearing, 30 days	Unsecured
SM Arena Complex Corporation	Affiliate	Others (see Notes 18, 24 and 28)	<b>2019</b> 2018 2017	<b>18,000,000</b> 18,900,000 20,701,935	- (4,950,000) -	Noninterest-bearing, 30 days	Unsecured
SM Prime Holdings, Inc.	Affiliate	Rental expense (see Note 23)	<b>2019</b> 2018 2017	- 27,208,158 12,610,120	- - -	Noninterest-bearing, 30 days	Unsecured

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. Effective January 1, 2018, PLAI transferred its Service Agreement with Belle to the Parent Company. Management and service fees amounting to ₱54.0 million, ₱50.4 million and ₱60.5 million in 2019, 2018 and 2017, 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 23 and 24).

#### Other Transactions

Compensation of key management personnel of the Company are as follows:

	2019	2018	2017
Short-term employee benefits	<b>₱46,432,466</b>	₱42,714,891	₱45,139,351
Retirement benefits costs	<b>3,567,771</b>	3,881,441	3,819,419
	<b>₱50,000,237</b>	₱46,596,332	₱48,958,770

## 28. Leases

### Starting January 1, 2019 - Upon adoption of PFRS 16

*As Lessee.* The Company has various lease contracts for office spaces, warehouses, retail equipment, retail outlets and corporate suite. The leases generally have lease terms of between 2 and 5 years. As at January 1, 2019, the remaining lease term is from 1 to 3 years. Previously, these leases were classified as operating leases under PAS 17 except for the lease contracts for the supply of online lottery system entered into by POSC with Scientific Games and Intralot and by TGTI with Intralot which were classified as finance lease.

The Company also has certain leases with lease terms of 12 months or less. The Company applies the “short-term lease” recognition exemptions for these leases. Rent expense on short-term lease amounted to ₱89.0 million (see Notes 23 and 24).



### Right-of-use assets

The rollforward analysis of right-of-use assets is follows:

	Right-of-use Suite	Right-of-use Equipment	Right-of-use Office and Warehouse	Right-of-use Total
<b>Cost</b>				
At January 1, 2019, as previously presented	P–	P–	P–	P–
Reclassification (see Notes 3 and 15)	–	163,499,020	–	163,499,020
Initial adoption of PFRS 16	39,502,279	–	70,434,635	109,936,914
Effect of adoption of PFRS 16 (see Note 3)	39,502,279	163,499,020	70,434,635	273,435,934
At January 1, 2019, as restated	39,502,279	163,499,020	70,434,635	273,435,934
Additions	–	–	17,371,992	17,371,992
At December 31, 2019	39,502,279	163,499,020	87,806,627	290,807,926
<b>Accumulated Depreciation and Amortization</b>				
At January 1, 2019, as previously presented	–	–	–	–
Reclassification (see Notes 3 and 15)	–	154,873,751	–	154,873,751
Initial recognition	–	–	–	–
Effect of adoption of PFRS 16 (see Note 3)	–	154,873,751	–	154,873,751
At January 1, 2019, as restated	–	154,873,751	–	154,873,751
Depreciation (see Notes 23 and 24)	16,574,383	8,625,269	37,508,557	62,708,209
At December 31, 2019	16,574,383	163,499,020	37,508,557	217,581,960
Net Book Value	P22,927,895	P–	P50,298,071	P73,225,966

The effect of the adoption of PFRS 16, net depreciation, at January 1, 2019 amounted to P118.6 million (see Note 3).

The following are the amounts recognized in statement of income:

	2019
Depreciation expense of right-of-use assets (see Note 23 and 24)	P62,708,209
Interest expense on lease liabilities	9,525,989
Expenses relating to short-term leases (see Notes 23 and 24)	89,024,069
Total amount recognized in statement of income	P161,258,267

### Lease liability

The rollforward analysis of lease liabilities follows:

	2019
As at January 1, 2019, as previously reported	P–
Effect of adoption of PFRS 16 (see Note 3)	143,194,992
At January 1, 2019, as restated	143,194,992
Additions	17,371,992
Interest expense	9,525,989
Payments	(78,485,645)
As at December 31, 2019	P91,607,328



Shown below is the maturity analysis of the undiscounted lease payments:

	2019
1 year	₱76,353,121
more than 1 years to 2 years	16,748,884

*As Lessor.* POSC leases online lotto equipment and accessories to PCSO for a period of 1 year until July 31, 2019 as provided in the 2018 Amended ELA (see Note 32). The ELA was renewed for another year starting August 1, 2019. Rental payments are 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 ₱427.9 million in 2019.

Future minimum rental income as at December 31, 2019 for the remaining lease term of one year is ₱82.2 million.

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 ₱253.6 million 2019.

Prior to January 1, 2019 – Prior to Adoption of PFRS 16

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 in 2018 is as follows:

	2018
Within one year	₱22,253,929
After one year but not more than five years	16,690,446
Total future minimum lease payments	38,944,375
Less amount representing interest	3,569,901
Present value of lease payments	35,374,474
Less current portion of obligations under finance lease	19,379,463
Noncurrent portion of obligations under finance lease	₱15,995,011

The contracts of POSC remain effective until July 31, 2019, 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 23). The interest component of the



payments recognized as “Finance costs” account in the consolidated statement of income amounted to ₱6.2 million and ₱10.9 million in 2018 and 2017, respectively.

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

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 ₱788.6 million and ₱1,036.9 million in 2018 and 2017, respectively.

Future minimum rental income as at December 31, 2018 for the remaining lease term of one year is ₱82.2 million.

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 ₱659.7 million and ₱803.6 million in 2018 and 2017, respectively.

Future minimum rental income for the remaining lease terms is as follows:

Within one year	₱98,160,000
After one year but not more than five years	73,620,000
	<u>₱171,780,000</u>

As Lessee

a. 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 ₱18.6 million and ₱16.2 million in 2018 and 2017, respectively.

b. 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 ₱97.4 million and ₱62.9 million in 2018 and 2017, respectively.



- c. 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 ₱10.6 million and ₱8.0 million in 2018 and 2017, respectively.

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

## 29. Basic/Diluted Earnings Per Common Share

As at December 31, 2019, 2018 and 2017, basic/diluted earnings per share were computed as follows:

	2019	2018	2017
Net income attributable to the equity holders of the Parent (a)	<b>₱2,261,962,747</b>	₱2,157,768,639	₱1,756,459,152
Weighted average common shares, beginning	<b>31,627,310,000</b>	31,627,310,000	31,627,310,000
Number of parent company common shares held by subsidiaries - basic, at beginning of year	<b>(377,143,000)</b>	(347,951,000)	(323,586,000)
Acquisition of entities holding parent common shares	–	(23,929,036)	(16,323,279)
Weighted average number of treasury shares acquired during the year	<b>(28,379,000)</b>	(19,849,526)	–
Weighted average common shares, end (b)	<b>31,221,788,000</b>	31,235,580,438	31,287,400,721
Earnings per common share (a/b)	<b>₱0.072448</b>	₱0.069080	₱0.056140

## 30. Financial Assets and Financial Liabilities

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

The Company's principal financial liabilities comprise trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents and receivables that derive directly from its operations. The Company also holds investments held for trading, notes receivable, financial assets at FVOCI, guarantee bonds and deposits included as part of "Other noncurrent assets" in the consolidated statement of financial position

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, financial assets at FVOCI 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, receivables, investments held for trading, financial assets at FVOCI, guarantee bonds and deposits, 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.

2019							
	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*	<b>₱3,522,420,729</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱3,522,420,729</b>
Investment held for trading	<b>140,456,581</b>	-	-	-	-	-	<b>140,456,581</b>
Receivables	<b>337,535,176</b>	-	-	-	-	<b>429,838,329</b>	<b>767,373,505</b>
Notes receivable	<b>3,705,925,000</b>	-	-	-	-	-	<b>3,705,925,000</b>
Financial assets at FVOCI	<b>334,516,031</b>	-	-	-	-	-	<b>334,516,031</b>
Guarantee bonds**	<b>12,000,000</b>	-	-	-	-	-	<b>12,000,000</b>
Deposits**	<b>35,424,154</b>	-	-	-	-	-	<b>35,424,154</b>
	<b>₱8,088,277,671</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱429,838,329</b>	<b>₱8,518,116,000</b>

\*Excluding cash on hand amounting to ₱14.7 million.

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

2018							
	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*	<b>₱2,307,628,061</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱2,307,628,061</b>
Investment held for trading	<b>155,704,892</b>	-	-	-	-	-	<b>155,704,892</b>
Receivables	<b>350,735,545</b>	-	-	-	-	<b>427,690,938</b>	<b>778,426,483</b>
Notes receivable	<b>3,705,925,000</b>	-	-	-	-	-	<b>3,705,925,000</b>
Financial assets at FVOCI	<b>387,744,261</b>	-	-	-	-	-	<b>387,744,261</b>
Guarantee bonds**	<b>42,000,000</b>	-	-	-	-	-	<b>42,000,000</b>
Deposits***	<b>35,400,000</b>	-	-	-	-	-	<b>35,400,000</b>
	<b>₱6,985,137,759</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱427,690,938</b>	<b>₱7,412,828,697</b>

\*Excluding cash on hand amounting to ₱6.4 million

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

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





### Credit Quality of Financial Assets

The financial assets are grouped according to stage whose description is explained as follows:

*Stage 1* - those that are considered current and up to 90 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

*Stage 2* - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 90 days past due but does not demonstrate objective evidence of impairment as of reporting date.

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

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

	2019			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱3,522,420,729	₱-	₱-	₱3,522,420,729
Trade and other receivables	337,535,176	-	429,838,329	767,373,505
Notes receivable	3,705,925,000	-	-	3,705,925,000
Guarantee bonds**	12,000,000	-	-	12,000,000
Deposits**	35,424,154	-	-	35,424,154
<b>Financial assets at FVTPL</b>	<b>140,456,581</b>	-	-	<b>140,456,581</b>
<b>Financial assets at FVOCI</b>	<b>334,516,031</b>	-	-	<b>334,516,031</b>
<b>Gross Carrying Amount</b>	<b>₱8,088,277,671</b>	<b>₱-</b>	<b>₱429,838,329</b>	<b>₱8,518,116,000</b>

\*Excluding cash on hand amounting to ₱14.7 million.

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

	2018			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱2,307,628,061	₱-	₱-	₱2,307,628,061
Trade and other receivables	350,735,545	-	427,690,938	778,426,483
Notes receivable	3,705,925,000	-	-	3,705,925,000
Guarantee bonds**	42,000,000	-	-	42,000,000
Deposits**	35,400,000	-	-	35,400,000
<b>Financial assets at FVTPL</b>	<b>155,704,892</b>	-	-	<b>155,704,892</b>
<b>Financial assets at FVOCI</b>	<b>387,744,261</b>	-	-	<b>387,744,261</b>
<b>Gross Carrying Amount</b>	<b>₱6,985,137,759</b>	<b>₱-</b>	<b>₱427,690,938</b>	<b>₱7,412,828,697</b>

\*Excluding cash on hand amounting to ₱6.3 million.

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

**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, 2019 and 2018 as the total current assets can cover the total current liabilities as they fall due.

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

	2019				
	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	₱3,537,075,479	₱—	₱—	₱—	₱3,537,075,479
Investments held for trading	140,456,581	—	—	—	140,456,581
Receivables	429,838,329	337,535,176	—	—	767,373,505
(Forward)					
Notes receivable	3,705,925,000	—	—	—	3,705,925,000
Financial assets at FVOCI	—	—	—	334,516,031	334,516,031
Deposits <sup>(a)</sup>	—	—	—	35,424,154	35,424,154
Guarantee bonds <sup>(a)</sup>	—	—	—	12,000,000	12,000,000
<b>Contract Assets</b>					
Contract asset <sup>(b)</sup>	—	8,000,000	40,000,000	96,000,000	144,000,000
	₱7,813,295,389	₱345,535,176	₱40,000,000	₱477,940,185	₱8,676,770,750

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

(b) Based on undiscounted payments

	2019				
	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>(a)</sup>	₱8,618,459	₱110,388,602	₱53,622,951	₱27,627,805	₱200,257,817
Loans payable	—	37,500,000	112,500,000	—	150,000,000
Lease liabilities <sup>(b)</sup>	—	—	76,353,121	16,748,884	93,102,005
	8,618,459	147,888,602	242,476,072	44,376,689	443,359,822

(a) Excluding statutory liabilities, provisions and unearned income

(b) Based on undiscounted payments

	2018				
	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	₱2,314,012,081	₱—	₱—	₱—	₱2,314,012,081
Investments held for trading	155,704,892	—	—	—	155,704,892
Receivables	—	350,735,545	—	—	350,735,545
Notes receivable	3,705,925,000	—	—	—	3,705,925,000
Financial assets at FVOCI	—	—	—	387,744,261	387,744,261
Guarantee bonds <sup>(a)</sup>	—	—	—	42,000,000	42,000,000
Deposits	—	—	35,400,000	—	35,400,000
<b>Contract Assets</b>					
Contract asset*	—	8,000,000	40,000,000	144,000,000	192,000,000
	₱6,175,641,973	₱358,735,545	₱75,400,000	₱573,744,261	₱7,183,521,779

\*based on undiscounted payments



	2018				Total
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	
Financial Liabilities					
Trade payables and other current liabilities <sup>(b)</sup>	₱43,763,639	₱280,407,822	₱—	₱—	₱324,171,461
Obligations under finance lease <sup>(c)</sup>	—	3,708,988	18,544,941	16,690,446	38,944,375
Installment payable <sup>(d)</sup>	—	—	9,205,042	—	9,205,042
	₱43,763,639	₱284,116,810	₱27,749,983	₱16,690,446	₱372,320,878

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

(b)Excluding statutory liabilities, provisions, unearned income and current portion of installment payable amounting to ₱1,211.6 million

(c)Based on undiscounted future payments

(d) Including current portion

**Equity Price Risk.** Equity price risk is the risk that the fair value of quoted investment held for trading and financial assets at FVOCI 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 financial assets at FVOCI. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's equity. The impact on the Company's equity already excludes the impact on transactions affecting the consolidated profit or loss before income tax.

#### Financial assets at FVOCI

	2019		2018	
	Increase in Equity Price	Increase in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	1%	1%	1%	1%
Effect on equity	₱3,344,349	(₱3,344,349)	₱3,423,323	(₱3,423,323)

#### Investments held for trading

	2019		2018	
	Increase in Equity Price	Increase 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	₱7,022,829	(₱7,022,829)	₱8,148,110	(₱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 ₱50.64 and ₱52.72 to US\$1, the Php to US\$ exchange rates as at December 31, 2019 and 2018, 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 2019. 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>2019</b>	<b>5%</b>	<b>(₱1,728,296)</b>	<b>(₱1,209,807)</b>
	<b>(5%)</b>	<b>1,728,296</b>	<b>1,209,807</b>
<b>2018</b>	<b>5%</b>	<b>(₱691,698)</b>	<b>(₱484,188)</b>
	<b>(5%)</b>	<b>691,698</b>	<b>484,188</b>

#### 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 2019 and 2018.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱17,478.8 million and ₱16,837.1 million as at December 31, 2019 and 2018, 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 investments held for trading and financial assets at FVOCI that are 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.

The fair values of lease liabilities in 2019 were calculated using Bloomberg Valuation Service (PHP BVAL) rates as at reporting date plus 0.012% to 0.95% spread.



The estimated fair value of obligations under finance lease was calculated using the discounted cash flow methodology, using Bloomberg Valuation Service (PHP BVAL) rates ranging from 6.7% to 6.9% in 2018.

The carrying value of guarantee bonds approximates fair value as at December 31, 2019 and 2018 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, 2019 and 2018:

2019					
	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, 2019	₱140,456,581	₱—	₱—	₱140,456,581
Financial assets at FVOCI	December 31, 2019	331,634,931	2,800,000	81,100	334,516,031
<b>Liabilities</b>					
Liabilities for which fair value is disclosed -					
Lease liabilities	December 31, 2019	—	—	90,557,014	90,557,014
2018					
	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, 2018	₱155,704,892	₱—	₱—	₱155,704,892
Financial assets at FVOCI	December 31, 2018	384,963,161	2,700,000	81,100	387,744,261
<b>Liabilities</b>					
Liabilities for which fair value is disclosed -					
Obligations under finance lease	December 31, 2018	—	—	38,944,375	38,944,375
Installment payable	December 31, 2018	—	—	9,205,042	9,205,042

There were no transfers between fair value measurements in 2019 and 2018.



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### 31. 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, 2019 and 2018, 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:

	2019						
	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	—	—	—	2,976,366,472	989,865,396	—	3,966,231,868
Internal	1,468,947,664	—	—	—	—	(1,468,947,664)	—
Cost and expenses, excluding depreciation and amortization	(145,053,371)	(16,997)	(14,243)	(52,902,194)	(1,150,738,180)	—	(1,348,724,985)
Interest income	225,696,122	1,551	—	44,009,957	10,149,516	—	279,857,146
Finance charges	(2,503,051)	—	—	—	(7,022,938)	—	(9,525,990)
Dividend income	11,998,526	—	—	—	12,709,560	—	24,708,086
Depreciation and amortization	(16,577,474)	—	—	(17,924)	(219,353,441)	(238,472,484)	(474,421,324)
Other income (loss)	—	—	—	10,000	(49,945,249)	17,046,266	(32,888,983)
Impairment loss on goodwill	(359,345,835)	—	—	—	(3,682,782)	—	(363,028,617)
Provision for income tax	(14,675,409)	—	—	—	74,415,297	(323,230)	59,416,658
Net income (loss) for the year	1,168,487,172	(15,445)	(14,243)	2,967,466,311	(343,602,821)	(1,690,697,113)	2,101,623,860
<b>Other information</b>							
Investments held for trading and							
Financial assets at FVOCI	201,856,661	—	—	—	488,087,461	(214,971,510)	474,972,612
Total assets	18,886,415,855	774,394	29,695,135	4,341,232,443	1,723,141,011	(5,050,336,483)	19,930,922,355
Total liabilities	2,063,838,988	260,405,318	5,000	1,420,393,246	409,721,657	(2,241,165,901)	1,913,198,308
Capital expenditure	—	—	—	—	29,536,478	—	29,536,478
Goodwill	—	—	—	—	1,358,298,121	—	1,358,298,121
Earnings before interest taxes, depreciation and amortization (EBITDA)	—	—	—	—	—	—	2,651,686,801



2018

	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
Earnings Information							
Revenue:							
External	P–	P–	P–	P3,211,856,964	P1,935,943,995	P–	P5,147,800,959
Internal	1,634,568,242	–	–	–	16,128,450	(1,650,696,692)	–
Cost and expenses, excluding depreciation and amortization	(106,463,099)	(11,808)	(10,141)	(998,341,000)	(1,391,288,110)	–	(2,496,114,158)
Interest income	115,028,840	1,577	–	28,391,280	14,031,614	–	157,453,311
Finance charges	–	–	–	–	(6,187,352)	–	(6,187,352)
Dividend income	11,998,526	–	–	–	12,953,995	–	24,952,521
Depreciation and amortization	(6,852)	–	–	(64,113)	(223,200,081)	(238,472,484)	(461,743,530)
Other income	–	–	–	–	235,430,085	–	235,430,085
Impairment loss on goodwill	–	–	–	–	(110,933,996)	–	(110,933,996)
Provision for income tax	(2,174,141)	–	–	–	(178,830,585)	–	(181,004,726)
Net income (loss) for the year	1,652,951,516	(10,231)	(10,141)	2,241,843,131	304,048,015	(1,889,169,176)	2,309,653,114
Other information							
Investments held for trading and Financial assets at FVOCI	233,752,731	–	–	–	611,410,822	(301,714,400)	543,449,153
Total assets	19,091,936,495	787,224	29,704,378	2,607,727,905	2,111,943,509	(4,652,310,423)	19,189,789,088
Total liabilities	2,158,818,606	260,402,703	–	1,204,355,019	351,323,731	(2,341,175,015)	1,633,725,044
Capital expenditure	–	–	–	–	45,682,606	–	45,682,606
Goodwill	–	–	–	–	1,721,326,738	–	1,721,326,738
Earnings before interest taxes, depreciation and amortization (EBITDA)	–	–	–	–	–	–	2,651,686,801





2017

	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
Earnings Information							
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, excluding depreciation and amortization	(25,700,352)	(15,162)	(14,472)	(640,149,925)	(1,427,810,261)	–	(2,093,690,172)
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)	(238,472,484)	(702,504,098)
Other income	–	–	–	6,235,476	44,419,265	(31,647,880)	19,006,861
Provision for income tax	(6,597,772)	–	–	–	(228,880,374)	–	(235,478,146)
Net income (loss) for the year	1,497,043,407	(13,559)	(14,472)	1,750,328,829	492,865,988	(1,737,544,233)	2,002,665,960
Other information							
Investments held for trading and AFS financial assets	390,333,450	–	–	–	906,481,132	(469,733,850)	827,080,732
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
Total liabilities	184,834,510	260,406,147	5,000	932,951,374	625,828,207	(436,045,807)	1,567,979,431
Capital expenditure	–	–	–	8,932	150,337,144	–	150,346,076
Goodwill	–	–	–	–	1,832,260,734	–	1,832,260,734
Earnings before interest taxes, depreciation and amortization (EBITDA)	–	–	–	–	–	–	2,597,183,359



### Disaggregated Revenue Information

Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended December 31, 2019 and 2018:

Type of Service	2019		
	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
Gaming revenue share – net	<b>₱2,976,366,472</b>	<b>₱–</b>	<b>₱2,976,366,472</b>
Commission and distribution income	–	<b>308,381,639</b>	<b>308,381,639</b>
Total revenue from contracts with customers	<b>₱2,976,366,472</b>	<b>₱308,381,639</b>	<b>₱3,284,748,111</b>

Type of Service	2018		
	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
Gaming revenue share – net	₱3,211,856,964	₱–	₱3,211,856,964
Commission and distribution income	–	487,626,385	487,626,385
Total revenue from contracts with customers	₱3,211,856,964	₱487,626,385	₱3,699,483,349

All revenue from contracts with customers enumerated above are all transferred over time.

Reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information follows:

Type of Service	2019		
	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
External customer	<b>₱2,976,366,472</b>	<b>₱989,865,396</b>	<b>3,966,231,868</b>
Equipment rental (presented separately from revenues from contract with customers)	–	<b>(681,483,757)</b>	<b>(681,483,757)</b>
Total revenue from contracts with customers	<b>₱2,976,366,472</b>	<b>₱308,381,639</b>	<b>₱3,284,748,111</b>

Type of Service	2018		
	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
External customer	₱3,211,856,964	₱1,935,943,995	₱5,147,800,959
Equipment rental (presented separately from revenues from contract with customers)	–	(1,448,317,610)	(1,448,317,610)
Total revenue from contracts with customers	₱3,211,856,964	₱487,626,385	₱3,699,483,349

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 ₱2,976.4 million, ₱3,211.9 million and ₱2,609.4 million in 2019, 2018 and 2017, respectively, are solely collectible from Melco and revenue from lottery equipment leasing, distribution and others business segment amounting to ₱989.9 million and ₱1,935.9 million and ₱2,320.0 million in 2018, 2017 and 2016, 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:

	2019	2018	2017
<b>Net Profit for the Year</b>			
Total profit for reportable segments	<b>₱3,792,320,973</b>	₱4,198,822,290	₱3,740,210,193
Elimination for intercompany profits	<b>(1,690,697,113)</b>	(1,889,169,176)	(1,737,544,233)
Consolidated net profit	<b>₱2,101,623,860</b>	₱2,309,653,114	₱2,002,665,960
<b>Assets</b>			
Total assets for reportable segments	<b>₱19,455,949,743</b>	₱18,646,339,935	₱17,806,942,537
Investments and advances	<b>474,972,612</b>	543,449,153	827,080,732
Consolidated assets	<b>₱19,930,922,355</b>	₱19,189,789,088	₱18,634,023,269

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.

## 32. 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 2019, 2018, and 2017 amounted to ₱2,976.4 million, ₱3,211.9 million and ₱2,609.4 million, respectively (see Notes 22 and 31).

#### 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 a 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.

In 2018, PLAI entered into a termination of advisory services agreement with Belle Grande. Termination cost paid to Belle Grande recognized under "General and administrative expenses" amounted to ₱327.6 million (see Note 24).

Professional fee amounted to nil in 2019 and 2018 and ₱72.9 million in 2017, presented as part of "Service fees" account under cost of services in the consolidated statements of income (see Note 23).

#### 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 21).

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 33). 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 21).

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, 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 28). 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.



*2018 Amended ELA.* On September 12, 2018, the ELA was amended to extend the term from August 1, 2018 to July 31, 2019. The amendment required POSC to post an additional deposit of ₱7.0 million cash bond. The total cash bond of ₱12.0 million is included under “Other noncurrent assets” in the consolidated statements of financial position.

*2019 Amended ELA.* On July 31, 2019, the ELA was amended to extend the term from August 1, 2019 to July 31, 2020.

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 VISMIN 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 3,785 and 4,029 as at December 31, 2019 and 2018, 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 PMLC for the authorization of PMLC 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.

PMLC 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. PMLC 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, PMLC 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, PMLC agreed to guarantee payment of the share of PCSO to POSC beginning April 2015. An existing consultancy agreement between POSC and PMLC 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 PMLC 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.



In 2018, POSC received a certification from the PCSO stating the fulfillment of POSC's obligation under the MOA and thereby clearing POSC of any accountability thereunder. PCSO certified that POSC is entitled to the release of the ₱10.0 million cashbond. The cash bond is expected to be collected in the next financial period. Thus, in 2018, the Company reclassified the cash bond amounting to ₱10.0 million from noncurrent asset to "Other current assets" account (see Note 11).

#### Brand and Trademark Agreement with PMLC

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting January 2018. The agreement with PMLC was accounted for as right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC. Thus, in 2018, POSC recognized revenue on the use of the brand and trademark amounting to ₱203.5 million (see Note 25). Interest income earned in 2019 and 2018 amounted to ₱8.6 million and ₱12.5 million, respectively.

Contract asset was recognized for the earned consideration but not yet collected. Current portion of contract asset amounted to ₱40.5 million and ₱37.9 million as at December 31, 2019 and 2018, respectively, while noncurrent portion amounted to ₱89.6 million and ₱130.1 million, at December 31, 2019 and 2018, respectively.

#### 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 to September 30, 2020. This covers PCSO's online KENO lottery operations. The lease includes online KENO equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of 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, 2019 and 2018, there are 1,833 and 2,454 "Online KENO" terminals in operation, respectively.

On October 1, 2019, the ELA was amended to a lower lease rate, inclusive of VAT. The minimum price per KENO bet was reduced from ₱12 to ₱10, inclusive of documentary stamp tax.

#### 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.

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.

On August 2018, the contract with Scientific Games was further amended to extend the period until July 31, 2019.

On September 4, 2019, the contract with Scientific Games was further amended to extend the period until July 31, 2020.

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.

On September 25, 2018, the contract with Intralot was further amended to extend the period until July 31, 2019.

On July 1, 2019, the contract with Intralot was further amended to extend the period until July 31, 2020.

- 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 contract was further amended for Intralot to supply additional online keno terminals to TGTI and reduced the percentage charged by Intralot to TGTI or US\$60.00 per terminal per month on an average basis, whichever is higher. TGTI also 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 ₱136.3 million, ₱195.7 million and ₱191.7 million in 2019, 2018 and 2017, respectively (see Note 23).

Consultancy and management fees recognized under "Consultancy fees" as part of "Cost of services" amounted to nil, ₱76.0 million and ₱136.6 million in 2019, 2018 and 2017, respectively (see Note 23). Consultancy fees recognized under "Professional, service and management fees" as part of "General and Administrative Expenses" amounted to nil, ₱25.9 million and nil in 2019, 2018 and 2017, respectively (see Note 24).



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### 33. 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 32). 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 28, 2020, the Supreme Court has yet to resolve this petition. However, as discussed in Note 32, 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 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. The main issue in the case before the RTC-Makati involves the claim by PGMC that the 2012 ELA conferred on it the exclusive right to install or operate equipment for online lottery operations in Luzon. On September 5, 2012, a Writ of Preliminary Injunction (Injunction) was issued by Branch 143 of the Regional Trial Court of Makati. The Injunction orders PCSO to refrain from 1) implementing, enforcing or exercising any right arising from the 2012 ELA between the Pacific Online and PCSO 2) ordering PCSO to refrain from allowing Pacific Online, or any third party, to install or operate any equipment, computer or terminal relating to online lottery operations in Luzon, and 3) committing any act that in any way violates or otherwise interferes with the ELA between PGMC and PCSO. Pacific Online filed a case with the Supreme Court to nullify the Injunction. PCSO also filed a case with the Court of Appeals likewise questioning the Injunction. On July 17, 2013, the Supreme Court decided that the case brought by POSC be consolidated with the case between PGMC and PCSO in the Court of Appeals, thus making the POSC a party to the case before the Court of Appeals.

Meanwhile, PGMC and PCSO entered into an Interim Settlement whereby they agreed, among others, to maintain the status quo insofar as the terminals already installed in Luzon by POSC are concerned. In the same Interim Settlement, PGMC and PCSO also agreed to submit to arbitration before the International Court of Arbitration (ICA) the issue of the alleged exclusivity conferred by the ELA to PGMC for online lotto operations in Luzon. POSC tried to join the arbitration but its Request for Arbitration dated May 12, 2014 was denied by the ICA on July 17, 2014, due to PCSO's opposition. An Urgent Motion to resolve was filed by POSC with the Court of Appeals to compel the court to issue an order to PGMC and PCSO to include POSC in the negotiations.

On January 29, 2016, PCSO filed a Manifestation with Motion to Dismiss dated January 12, 2016 with RTC-Makati, 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 said agreement, PCSO withdrew its Petition for Certiorari in the Court of Appeals, which was granted by virtue of the Resolution dated March 1, 2016. PCSO also prayed for the dismissal of the RTC case, but this was denied by the RTC Makati after PGMC opposed PCSO's motion to dismiss.

In the meantime, the Court of Appeals required the parties to file their respective Memoranda in the case. On September 13, 2017, POSC filed its Memorandum. PCSO opted not to file its own Memorandum but manifested instead that it was adopting the Memorandum of POSC.



On January 8, 2019, POSC's counsel received a Decision by the Court of Appeals dated December 17, 2018 dismissing POSC's Petition for Certiorari and Prohibition. POSC decided to no longer pursue a Motion for Reconsideration. To a certain extent, the Petition served its purpose as after the same was filed, the RTC Makati put on hold the hasty implementation of the injunction. Subsequent events have rendered moot the issues in the case. Aside from the ICA arbitration decision, the ELA at issue in the case has also been amended and superseded thrice. Moreover, the ELAs of both POSC and PGMG were extended for one year starting 1 August 2018, and then again for another year through July 31, 2020 to give PCSO enough time to prepare for the required public bidding for lotto equipment supply. With this development, the adverse effect against POSC - the reason that this case was initiated in the first place - is no longer attendant.

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#### 34. Events after the Reporting Period

On February 6, 2020, POSC's BOD approved the sale of LCC for POSC to focus its resources to its principal business of providing modern and efficient online gaming facilities and equipment to its customers. On the same date, the Company's investment in LCC qualifies as assets held for sale or assets under disposal group since its carrying amount will be recovered principally through a sale transaction rather than continuing use. The disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal group and its sale is highly probable. Management is committed to a plan to sell the disposal group and an active programme to locate a buyer and complete the plan have been initiated.

LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Company's reportable segment.

On February 13, 2020, POSC has concluded the sale of all of the POSC's equity interest in LCC, equivalent to 125.0 million shares for ₱1.082 per share. LCC currently operates and/or manages several outlets throughout the Philippines which sell products of the PCSO, including lotto, keno and instant scratch tickets.

On February 21, 2020, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,588.8 million to shareholders of record as at March 9, 2020. Payments will be made on March 20, 2020.

On February 21, 2020, the Parent Company's BOD approved the expansion of its share buy-back program by increasing the maximum aggregate value of the shares to be re-acquired from ₱500.0 million to ₱1,000.0 million. On February 12, 2020, pursuant to the Parent Company's share buy-back program, the Parent Company purchased 382.0 million shares for ₱191.0 million to be held under treasury shares.



### 35. Supplemental Disclosure of Cash Flow Information

#### Changes in Liabilities Arising from Financing Activities

	January 1, 2019	Additions	Cash flows	Finance costs	December 31, 2019
Lease liabilities	₱143,194,992	₱17,371,992	(₱78,485,646)	₱9,525,989	₱91,607,327
Dividends payables	—	1,593,816,121	(1,593,816,121)	—	—
Loans payables	—	—	150,000,000	—	150,000,000
Total liabilities from financing activities	₱35,374,474	₱1,611,188,113	(₱1,522,301,767)	₱9,525,989	₱241,607,327

	January 1, 2018	Additions	Cash flows	Finance costs	December 31, 2018
Dividends payable	₱—	₱1,490,549,616	(₱1,490,549,616)	₱—	₱—
Obligations under finance lease	74,862,984	—	(45,675,862)	6,187,352	35,374,474
Total liabilities from financing activities	₱74,862,984	₱1,490,549,616	(₱1,536,225,478)	₱6,187,352	₱35,374,474

Finance costs pertains to accretion of lease liabilities and obligations under finance lease in 2019 and 2018, respectively.

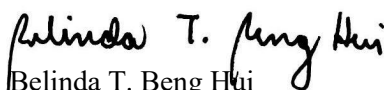


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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, 1300 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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and have issued our report thereon dated February 28, 2020. 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 Revised Securities Regulation Code Rule 68 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. 0943-AR-3 (Group A),  
March 14, 2019, valid until March 13, 2022  
Tax Identification No. 153-978-243  
BIR Accreditation No. 08-001998-78-2018,  
March 14, 2018, valid until March 13, 2021  
PTR No. 8125213, January 7, 2020, Makati City

February 28, 2020

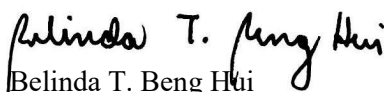


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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, 1300 Pasay City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Premium Leisure Corp. and its subsidiaries (the Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 28, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),

March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2018,

March 14, 2018, valid until March 13, 2021

PTR No. 8125213, January 7, 2020, Makati City

February 28, 2020



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Index to the Consolidated Financial Statements and**  
**Supplementary Schedules**  
**December 31, 2019**

Schedule I:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule II.	Map of the Relationships of the Companies Within the Group
Schedule III.	Supplementary Schedules Required by Paragraph 7D, Part II Under Revised SRC Rule 68



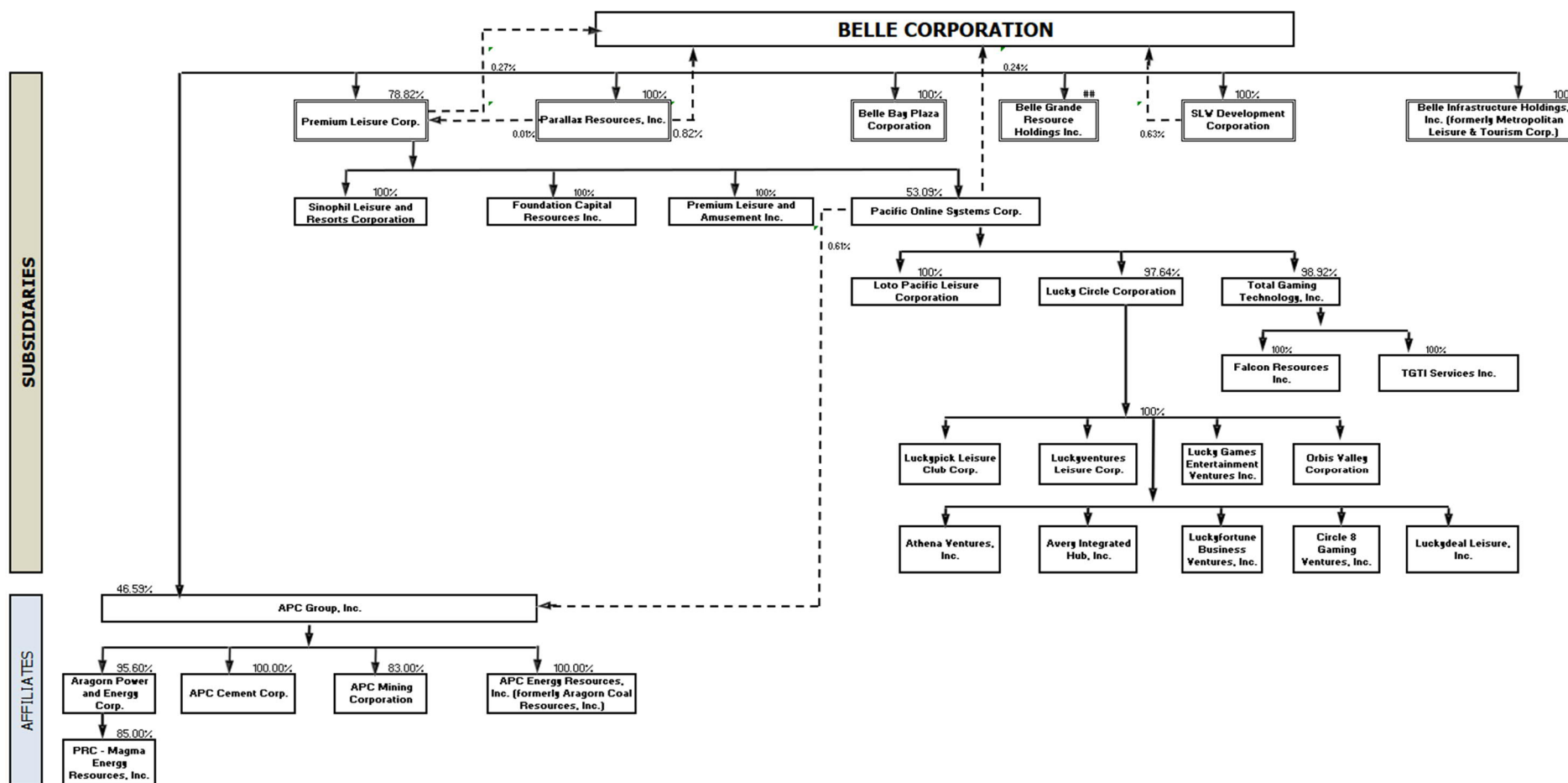
**SCHEDULE I**

**PREMIUM LEISURE CORP.**  
**Reconciliation of Retained Earnings**  
**Available for Dividend Declaration**  
**As at December 31, 2019**

Unappropriated retained earnings available for dividend distribution, at December 31, 2018	₱2,547,361,871
Net income during the year closed to retained earnings	1,510,721,733
Less: Dividend declarations during the year	(1,587,530,294)
Treasury shares	(29,430,080)
Total retained earnings as at December 31, 2019 available for dividend declaration	₱2,441,123,230

## SCHEDULE II

### PREMIUM LEISURE CORP. AND SUBSIDIARIES Map of the Relationship of the Companies within the Group December 31, 2019



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Supplementary Schedules Required by Paragraph 7D, Part II**  
**Under Revised SRC Rule 68**  
**December 31, 2019**

**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>Financial assets at amortized cost</b>				
Cash and cash equivalents	₱3,537,075,479	₱3,537,075,479	N/A	₱57,127,783
Notes receivable	3,705,925,000	3,705,925,000	N/A	214,129,362
Receivables	337,535,176	337,535,176	N/A	—
Guarantee bonds	35,424,154	35,424,154	N/A	—
Deposits	12,000,000	12,000,000	N/A	—
	<b>₱7,627,959,809</b>	<b>₱7,627,959,809</b>		<b>₱271,257,145</b>
<b>Financial assets at fair value through profit or loss</b>				
APC Group, Inc.	45,821,000	17,870,190	17,870,190	—
Leisure & Resorts World Corp.	10,724,792	25,739,501	25,739,501	—
Vantage Equities, Inc.	43,376,750	46,846,890	46,846,890	—
LRWC Preferred Shares	50,000,000	50,000,000	50,000,000	—
		140,456,581	140,456,581	—
<b>Financial assets at fair value through other comprehensive income</b>				
Belle Corporation	166,650,719	331,634,931	331,634,931	—
Tagaytay Highlands				
International Golf Club	2	1,400,000	1,400,000	—
Tagaytay Midlands Golf Club	2	1,400,000	1,400,000	—
Asian Petroleum		70,000		—
PLDT		11,100		—
		334,516,031		—
		<b>₱8,102,932,421</b>		<b>₱271,257,144</b>

**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	₱4,939,898	₱—	(₱364,639)	₱—	₱4,575,259	₱—	₱4,575,259

**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)	₱6,824,938	₱—	₱—	₱—	₱—	₱6,824,938	₱6,824,938
Pacific Online Systems Corporation (Subsidiary)	—	130,000,000	(130,000,000)	—	—	—	—
PremiumLeisure and Amusement, Inc. (Subsidiary)	—	—	—	—	—	—	—
Premium Leisure Corp. (Parent)	1,979,704,251	—	(100,009,116)	—	—	1,879,695,135	1,879,695,135

**Schedule D. 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	₱—	₱—	₱—

**Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

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

**Schedule F. 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 G. 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	31,598,931,000	—	24,904,904,324	41,409,007	6,652,617,669
Preferred stock	6,000,000,000	—	—	—	—	—

**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Components of Financial Soundness Indicators**  
**December 31, 2019**

Ratio	Formula	2019	2018
<b>Current Ratio</b>	<b>Total Current Assets divided by Total Current Liabilities</b>	<b>4.35</b>	4.40
	Total Current Assets	₱8,030,049,966	
	Divide by: Total Current Liabilities	1,847,671,093	
	Current Ratio	4.35	
<b>Acid Test Ratio</b>	<b>Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities</b>	<b>4.20</b>	4.20
	Quick Assets	₱7,761,502,999	
	Divided by: Total Current Liabilities	1,847,671,093	
	Current Ratio	4.20	
<b>Solvency Ratio</b>	<b>Net Income add Non-cash Expenses divide by Total Liabilities</b>	<b>1.54</b>	<b>1.77</b>
	Net Income	₱2,101,623,860	
	Add: Non-cash expenses	853,879,078	
		2,955,502,938	
	Divided by: Total Liabilities	1,913,198,308	
		1.54	
<b>Debt-to-Equity Ratio</b>	<b>Total Interest-Bearing Debt divided by Total Stockholder's Equity</b>	<b>0.008</b>	0.002
	Total interest-bearing debt	₱150,000,000	
	Divided by: Total stockholder's equity	18,017,724,047	
	Debt-to-Equity Ratio	0.008	
<b>Asset-to-Equity Ratio</b>	<b>Total Assets divided by Total Stockholder's Equity</b>	<b>1.11</b>	1.09
	Total Assets	₱19,930,922,355	
	Divided by: Total Stockholder's Equity	18,017,724,047	
	Asset-to-Equity Ratio	1.11	
<b>Interest Rate Coverage Ratio</b>	<b>Earnings Before Interest and Taxes divided by Total Interest Expense</b>	<b>215.38</b>	428.57
	Earnings Before Interest and Taxes	₱2,051,733,192	
	Divided by: Interest Expense	9,525,990	
		215.38	

<b>Return on Equity</b>	<b>Net Income divided by Average Total Stockholder's Equity</b>	<b>11.82%</b>	13.34%
	Net Income	₱2,101,623,860	
	Divided by: Average Total Stockholders	17,786,894,046	
	Return on Equity	11.82%	
<b>Return on Assets</b>	<b>Net Income divided by Average Total Assets</b>	<b>10.74%</b>	12.21%
	Net Income	₱2,101,623,860	
	Divided by: Average Total Assets	19,560,355,722	
	Return on Assets	10.74%	
<b>Net Profit Margin</b>	<b>Net Income divided by Total Revenue</b>	<b>52.99%</b>	45%
	Net Income	₱2,101,623,860	
	Divided by: Total Revenue	3,966,231,868	
		52.99%	

# Premium Leisure Corp.

## Sustainability Reporting Template

### Contextual Information

Company Details	
Name of Organization	Premium Leisure Corp. (PLC or the “Corporation”)
Location of Headquarters	5 <sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila
Location of Operations	<p>PLC’s Principal Address is 5<sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila</p> <p>Though the Corporation has no location of operation as it is an investment holding company, it has invested in some operating companies. One of such is Premium Leisure and Amusement, Inc. (PLAI) which is located at 10<sup>th</sup> Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City.</p>
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	Within PLC and PLAI
Business Model, including Primary Activities, Brands, Products, and Services	<p>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.</p> <p>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, 2019. PLC and its subsidiaries have investment portfolio consisting of investment holding, gaming business and lottery equipment leasing, distribution and others.</p> <p>On the other hand, PLAI a fully owned subsidiary of PLC, is a grantee by the Philippine Amusement and Gaming Corporation of a license to operate integrated resorts, including casinos,</p>



	<p>within PAGCOR's Entertainment City in Paranaque City, Metro Manila. Through its partnership with Melco Resorts and Entertainment (Philippines) Corporation, a leading developer, owner and operator of casino gaming and entertainment resort facilities in Asia, PLAI has an interest in the development of City of Dreams Manila, an integrated entertainment and gaming complex located at the PAGCOR Entertainment City, and from where PLAI receives its share in gaming revenues.</p> <p>Pacific Online Systems Corporation (POSC), PLC's subsidiary, leases online betting equipment to the Philippine Charity Sweepstakes Office for their lottery operations.</p>
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Mr. Armin Antonio B. Raquel Santos, President and Chief Executive Officer of the Corporation

## Materiality Process

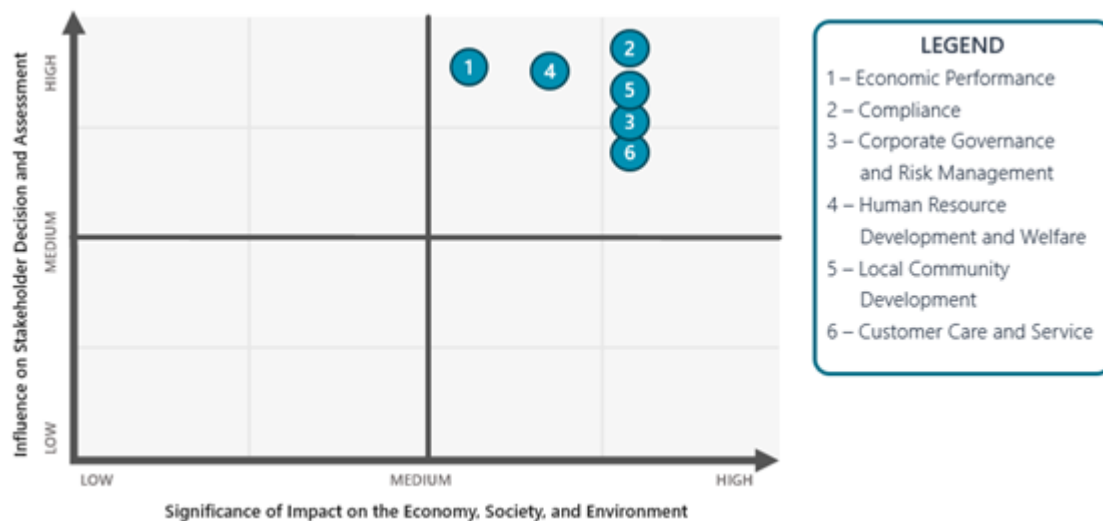
**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**

To identify our Corporation's material economic, environmental, social, and governance topics, we went through the following process:

### Materiality Process

	1	2	3	4	5
Steps Taken	Build Corporate Capacity	Review of Business Model with Senior Management and Employees	Identify Material Topics	Prioritize Material Topics	Process Review
Description	Participation and attendance to SEC workshop on sustainability reporting, and internal training	Review of vision, operations, policies and practices, and identification of aspects which have critical impact on the economy, society, and environment	Identification of material topics based on review of business	Engagement with internal and external stakeholders through dialogues and online surveys	Review of material topics and existing disclosures

### Materiality Matrix



## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	2,976,366,472	PhP
Direct economic value distributed:		
a. Operating costs	323,126,237	PhP
b. Employee wages and benefits	16,434,509	PhP
c. Payments to suppliers, other operating costs	112,148,156	PhP
d. Dividends given to stockholders and interest payments to loan providers	1,568,582,629	PhP
e. Taxes given to government	12,808,484	PhP
f. Investments to community (e.g. donations, CSR)	539,900	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations and supply chain caused by the organization	Employees, investors/shareholders, and suppliers/business partners / host communities / government	<p>The Corporation creates direct economic impact through the economic value it distributes to its various stakeholders in its primary business operations and supply chain.</p> <p>The Corporation acknowledges the importance of sustainability to our businesses. To be able to uphold its sustainable programs, PLC, through its parent company, Belle, has adopted a global standard guiding principle aligned to the United Nations Global Compact to ensure proper implementation current practices and to seek for further developments.</p> <p>Led by our Management, the Corporation pursues to reach out to its stakeholders in order to recognize their interests.</p> <p>Alongside with Belle, and other co-subsidiaries, and as part of the SM Group, the Corporation anchored its sustainable development strategy to the seventeen</p>

		<p>(17) Sustainable Development Goals of the United Nations.</p> <p>This approach intends to have a strategic and diverse portfolio of businesses that delivers stable and reliable economic returns.</p>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<p><b>Competition Risk</b></p> <p>As the Entertainment City grows and accommodates more players, the increase in competition also poses a risk to the Corporation 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.</p>	<p>Employees, host community members, investors/shareholders, suppliers/business partners, and customers/clients</p>	<p>In spite of the increase in competition, the increase in number of players in the gaming industry is expected to improve the Philippines' ability to attract more foreign players to the Entertainment City, making the gaming industry in the country more robust. The Corporation monitors the Corporation's performance and the performance of its competitors. The PLC also endeavors to always be up-to-date on market trends.</p>
<p><b>Credit Risk</b></p> <p>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, financial assets at FVOCI and AFS financial assets.</p>	<p>Employees, host community members, investors/shareholders, suppliers/business partners, and customers/clients</p>	<p>High grade financial assets pertain to receivables from related parties or customers that consistently pay on or before the maturity date while medium grade includes those financial assets being collected on due dates with an effort of collection.</p> <p>The Corporation assessed its cash in bank and cash equivalents as high grade since this is deposited with reputable banks.</p>
<p><b>Liquidity Risk</b></p> <p>Liquidity risk is the risk that the Corporation will encounter difficulty in</p>	<p>Employees, host community members, investors/shareholders, suppliers/business partners, and customers/clients</p>	<p>The Corporation 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</p>

meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.		<p>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.</p> <p>The Corporation 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.</p>
<p><b>Equity Price Risk</b></p> <p>Equity price risk is the risk that the fair value of quoted investment held for trading, AFS financial assets, and financial assets at fair value through other comprehensive income decrease as the result of changes in the value of individual stocks. The Corporation's exposure to equity price risk primarily to the Company's quoted investments held for trading, AFS financial assets and financial assets at FVOCI.</p>	Employees, host community members, investors/shareholders, suppliers/business partners, and customers/clients	The Corporation 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.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Increase of PLC's shareholder value for partners and investors	Employees, host community members, suppliers/business partners, customers/clients, and investors/shareholders	The Corporation is committed to looking for various opportunities for growth through profitable and sustainable investments, which will can help improve the economic value it creates and distribute to its stakeholders.

## Climate-related risks and opportunities<sup>1</sup>

- Not material to the Corporation

Governance	Strategy	Risk Management	Metrics and Targets
Not material			
<b>Recommended Disclosures</b>			
Not material			

## Procurement Practices

### Proportion of spending on local suppliers

- Not material to the Corporation

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Not material	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

<sup>1</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Established anti-corruption policies, standards, and practices due to information campaigns	Employees, host community members, suppliers/business partners, customers/clients, and investors/shareholders	<p>The Board has been identifying areas of continuing education on corporate governance topics which covers anti-corruption. To keep the Board and key officers well-informed of good governance practices and standards, regular annual education programs are conducted in coordination with SM Investments Corporation (SMIC) and training providers duly accredited by the Securities and Exchange Commission (SEC), while employees and business partners are being informed of the Corporation's governance-related policies and practices upon on-boarding and timely updates.</p> <p>The Corporation also has an existing policy on whistle-blowing. Further, the Ethics Committee (Management level) was formed to receive reports on questionable activities, unethical conduct fraud or malpractice in strictest confidence without the fear of retaliation. Composed of the Heads of Human Resources, Internal Audit and Governance Departments, they will collectively evaluate, and conduct an immediate investigation, as necessary.</p> <p><a href="https://www.premiumleisurecorp.com/governance-plc/corporate-policies">https://www.premiumleisurecorp.com/governance-plc/corporate-policies</a></p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Corporation will be put in a disadvantageous position due to conflict of interests which could	Employees, suppliers/business partners	Guided by the principles of good governance, the Corporation constantly reviews its policies on anti-corruption and amends as necessary.

trigger to loss of trust and integrity issues.		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
To maintain and increase stakeholders' trust and confidence to the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of leading corporations for its good governance practices	Employees, host community members, suppliers/business partners, customers/clients, and investors/shareholders	PLC upholds its commitment to the enhancement of stakeholder value by continuously seeking for improvements on the Corporation's policies, processes, and procedures, especially on corporate governance ( <a href="https://www.premiumleisurecorp.com/governance-plc/corporate-policies">https://www.premiumleisurecorp.com/governance-plc/corporate-policies</a> ), particularly on anti-corruption.

#### Incidents of Corruption

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Primary business operations and supply chain caused by the organization and through its business relationship	Employees, host community members, suppliers/business partners, customers/clients, and investors/shareholders	The Board has been identifying areas of continuing education on corporate governance topics which covers anti-corruption. To keep the Board and key officers well-informed of good governance practices and standards, regular annual education programs are conducted in coordination with SMIC and training providers duly accredited by the SEC, while employees and business partners are being informed of the Corporation's governance-related policies and practices upon on-boarding and timely updates.



		The Corporation also has an existing policy on whistle-blowing. Further, the Ethics Committee (Management level) was formed to receive reports on questionable activities, unethical conduct fraud or malpractice in strictest confidence without the fear of retaliation. Composed of the Heads of Human Resources, Internal Audit and Governance Departments, they will collectively evaluate, and conduct an immediate investigation, as necessary.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
The Corporation will be put in a disadvantageous position due to conflict of interests which could trigger to loss of trust and integrity issues.	Employees, suppliers / business partners	Guided by the principles of good governance, the Corporation constantly reviews its policies on anti-corruption and amends as necessary.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
To maintain and increase stakeholders' trust and confidence to the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of leading corporations for its good governance practices	Employees, host community members, suppliers/business partners, customers/clients, and investors/shareholders	PLC upholds its commitment to the enhancement of stakeholder value by continuously seeking for improvements on the Corporation's policies, processes, and procedures, especially on corporate governance ( <a href="https://www.premiumleisurecorp.com/governance-plc/corporate-policies">https://www.premiumleisurecorp.com/governance-plc/corporate-policies</a> ), particularly on anti-corruption.

## ENVIRONMENT

### Resource Management

Energy consumption within the organization:

- Not material to the Corporation

Disclosure	Quantity	Units
Energy consumption (renewable sources)	Not material	GJ
Energy consumption (gasoline)	Not material	GJ
Energy consumption (LPG)	Not material	GJ
Energy consumption (diesel)	Not material	GJ
Energy consumption (electricity)	Not material	kWh

Reduction of energy consumption

- Not material to the Corporation

Disclosure	Quantity	Units
Energy reduction (gasoline)	Not material	GJ
Energy reduction (LPG)	Not material	GJ
Energy reduction (diesel)	Not material	GJ
Energy reduction (electricity)	Not material	kWh
Energy reduction (gasoline)	Not material	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

#### Water consumption within the organization

- Not material

Disclosure	Quantity	Units
Water withdrawal	Not material	Cubic meters
Water consumption	Not material	Cubic meters
Water recycled and reused	Not material	Cubic meters

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		

#### Materials used by the organization

- Not material to the Corporation

Disclosure	Quantity	Units
Materials used by weight or volume	Not material	
• renewable	Not material	kg/liters
• non-renewable	Not material	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not material	%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

#### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

- Not material to the Corporation

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites) Not material	
Habitats protected or restored	Not material	ha
IUCN <sup>2</sup> Red List species and national conservation list species with habitats in areas affected by operations	(list) Not material	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

<sup>2</sup> International Union for Conservation of Nature

## Environmental impact management

### Air Emissions

#### GHG

- Not material to the Corporation

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	Not material	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	Not material	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	Not material	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

### Air pollutants

- Not material

Disclosure	Quantity	Units
NOx	Not material	kg
Sox	Not material	kg
Persistent organic pollutants (POPs)	Not material	kg
Volatile organic compounds (VOCs)	Not material	kg
Hazardous air pollutants (HAPs)	Not material	kg
Particulate matter (PM)	Not material	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

## Solid and Hazardous Wastes

### Solid Waste

- Not material to the Corporation

Disclosure	Quantity	Units
Total solid waste generated	Not material	kg
Reusable	Not material	kg
Recyclable	Not material	kg
Composted	Not material	kg
Incinerated	Not material	kg
Residuals/Landfilled	Not material	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

### Hazardous Waste

- Not material to the Corporation

Disclosure	Quantity	Units
Total weight of hazardous waste generated	Not material	kg
Total weight of hazardous waste transported	Not material	kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		

#### Effluents

- Not material to the Corporation

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total volume of water discharges	Not material	Cubic meters
Percent of wastewater recycled	Not material	%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

- Not material to the Corporation

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	Not material	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	Not material	#
No. of cases resolved through dispute resolution mechanism	Not material	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		



## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>3</sup>	5	#
a. Number of female employees	3	#
b. Number of male employees	2	#
Attrition rate <sup>4</sup>	0	rate (%)
Ratio of lowest paid employee against minimum wage	1:3.28	ratio

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	33.33%	0%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	Y	100%	100%
(Others)	N	-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – Having an average of	PLC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Corporation

<sup>3</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>4</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

5.6 years of retention among the employees	<p>also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. PLC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community.</p> <p>The Corporation also exerts its best efforts to maintain a climate conducive to working and provides a substantial level of job security, benefits and personal rewards for their employees. The performance evaluation system has been designed and established to provide a common and equitable basis for evaluating the performance of individual employees. It also implements policies on promotions and salary adjustments in support of PLC/PLAI's aim to empower and fulfill career aspirations of employees.</p>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Possibility of higher attrition rate which could hamper the operations and consequently affect the delivery of services; apart from incurring costs due to the on-boarding and trainings to be provided, the time provided for training could impede the business operations	<p>All our employees are treated fairly by providing opportunities for career development based on merit, regardless of gender, age.</p> <p>All officers and employees are selected, engaged, and compensated based on qualifications and performance. They are treated fairly and accorded respect and dignity. Their individual and collective rights are not violated.</p> <p>Opportunities for career advancement are provided based on clear performance and qualifications criteria. PLC also provides continuous learning and development opportunities to improve and increase their level of competency, efficiency and general well-being leading to professional growth.</p>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
To motivate talents, and to assure internal equity in pay	The Corporation constantly explores human resource developments and enhancements, particularly on employment, benefits and other prerequisites.

### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees*		
a. Female employees	13	Hours
b. Male employees	2	Hours
Average training hours provided to employees**		
a. Female employees	4.33	hours/employee
b. Male employees	1	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – having a pool of specialized team players	<p>PLC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Corporation also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. PLC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community.</p> <p>Upon being hired by the Corporation, an employee undergoes induction and orientation as may be determined by the Human Resources Department (HRD). Each newly hired employee is introduced to the organization and is oriented on the personnel policies, guidelines and benefits through a Corporate Orientation Program. An annual mandated Corporate Training is also done to refresh employees on Company Codes and Policies. Specific technical training and compliance to Continuing Professional Development are among Management's approach to ensure learning and development of employees.</p>

What are the Risk/s Identified?	Management Approach
Possibility of higher attrition rate which could hamper the operations and consequently affect the delivery of services; apart from incurring costs due to the on-boarding and trainings to be provided, the time provided for training could impede the business operations	<p>All our employees are treated fairly by providing opportunities for career development based on merit, regardless of gender, age.</p> <p>All officers and employees are selected, engaged, and compensated based on qualifications and performance. They are treated fairly and accorded respect and dignity. Their individual and collective rights are not violated.</p> <p>Opportunities for career advancement are provided based on clear performance and qualifications criteria. PLC also provides continuous learning and development opportunities to improve and increase their level of competency, efficiency and general well-being leading to professional growth.</p>
What are the Opportunity/ies Identified?	Management Approach
Obtaining home-grown professionals equipped for career advancement/succession	The Corporation constantly explores human resource developments and enhancements, particularly on employee training and development

#### Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization and through the business relationship – effective cooperation between the management and labor workforce	<p>PLC maintains open communication lines among its directors and management and among its management and its personnel.</p> <p>It is also a goal and part of the mission of the Company to enhance the positive atmosphere of open communication and the maintenance of a</p>

	productive work environment conducive to high performance and harmonious employer-employee relationship.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Disagreements between management and employees leading to disruption of operations/suspension of services	<p>The Corporation values the importance of its employees. It espouses leadership by example and established and continues to review its Code of Conduct to serve as a guide for employee discipline and the grounds for disciplinary actions.</p> <p>In order to create an environment where concerns are freely communicated, the Ethics Committee composed of the Heads of HRD, Internal Audit and Governance was formed. The Committee is tasked to hear grievances and accept whistle-blowing reports, evaluate and investigate, determine their authenticity, and recommend the sanctions as applicable for approval by the Board as endorsed by the Corporate Governance Committee.</p>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
A clear and unified impartment of directions to attain the Corporation's goals	Preserved communication mechanisms, and continuous look-out improvement

#### Diversity and Equal Opportunity

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of female workers in the workforce	60	%
% of male workers in the workforce	40	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Primary business operations caused by the organization – Variety of equally-treated individuals with diverse approach and viewpoint to realize a common goal	<p>The Corporation provides equal opportunities for its employees, regardless of age, gender, or creed and adopted policies</p> <p>(<a href="https://www.premiumleisurecorp.com/governance-plc/corporate-policies">https://www.premiumleisurecorp.com/governance-plc/corporate-policies</a>) which</p>

	<p>promote and observe diversity to and equality throughout the Corporation.</p> <p>PLC encourages respect amongst its employees by setting policies and codes that support diversity in the workplace. It adheres to relevant labor standards that support vulnerable sectors of the community such as RA 9710, RA 9262, and etc.</p>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Discrimination in the workplace	<p>Whether in selection of the countries and markets where the Company operates, hiring and promotion of employees, selection of suppliers and contractors – the Company decides on the basis of merit and value to shareholders and does not discriminate on the basis of race, ethnicity, religion, or gender. All board members, officers, and employees are prohibited from practicing any form of discrimination or harassment in the workplace. This obligation to refrain from such behavior extends to contractors, vendors, suppliers, or visitors, to the extent that their conduct affects the work environment.</p> <p><a href="https://www.premiumleisurecorp.com/governance-plc/code-ethics">https://www.premiumleisurecorp.com/governance-plc/code-ethics</a></p>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Capturing different perspectives and ideas, with equal appreciation, with the intention of achieving the Corporation's goals	Interminable improvement of the Corporation's policies on governance, particularly on diversity and equality

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	8,670*	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	2	#

\* Full year

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – having active and fit employees, and harm-free working environment	<p>PLC strongly implements the strict compliance of the Corporation's safety, health and welfare policy.</p> <p>The Company provides medical/clinical benefits to all employees. Employees are entitled to a free standard check up in the Medical Clinic and are provided the available medicine supplies at the Company Clinic.</p> <p>The Company also implement and conduct various health-related activities and programs including but not limited to Drug-Free Workplace, Family Welfare Program, HIV and AIDS Prevention and Control in the Workplace Program, Workplace Policy on Hepatitis B, Program on Tuberculosis Prevention and Control in the Workplace, and the like.</p> <p><a href="https://www.premiumleisurecorp.com/governance-plc/code-ethics">https://www.premiumleisurecorp.com/governance-plc/code-ethics</a></p>
What are the Risk/s Identified?	Management Approach
Due to the nature of our operations, the risk of injury is minimal.	<i>While there is minimal risk, continuous review of requirements to compliance is done</i>
What are the Opportunity/ies Identified?	Management Approach
A more motivating, and secured working atmosphere for the employees, including maintaining workplace safety	Continuing feedback mechanisms to consider/acknowledge insights from employees

#### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	The Corporation has its Manual on Corporate Governance ( <a href="https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance">https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance</a> ) that adheres compliance
Child labor	Y	
Human Rights	Y	

		with best corporate governance practices and standards, and applicable laws, rules and regulations. This covers forced and child labor, and human rights.
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<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Good standing for moral values for recognizing labor laws and human rights	The Company continues to pursue the observance to pertinent rules, and regularly look-out for relevant issuances as provided for by law.  <a href="https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance">https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance</a>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Risk of violation of labor laws leading to possible filing of lawsuits; loss of confidence from investors; demoralized employees	PLC strongly adheres to labor laws and protection of human rights as much as violations done by employees are not tolerated.  <a href="https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance">https://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance</a>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
To further the employees and other stakeholders' certainty and optimism towards the Management's labor laws and human rights initiatives	Issuance of certification of full compliance, and confirmation of data with zero complaints, through various reports

### Supply Chain Management

- Not material to the Corporation

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

\_\_\_\_\_

Do you consider the following sustainability topics when accrediting suppliers?

<b>Topic</b>	<b>Y/N</b>	<b>If Yes, cite reference in the supplier policy</b>
Environmental performance	Not material	Not material
Forced labor	Not material	Not material
Child labor	Not material	Not material
Human rights	Not material	Not material
Bribery and corruption	Not material	Not material



<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not material	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	

## Relationship with Community

### Significant Impacts on Local Communities

- Not material to the Corporation

<b>Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)</b>	<b>Location</b>	<b>Vulnerable groups (if applicable)*</b>	<b>Does the particular operation have impacts on indigenous people (Y/N)?</b>	<b>Collective or individual rights that have been identified that or particular concern for the community</b>	<b>Mitigating measures (if negative) or enhancement measures (if positive)</b>
Not material					

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

<b>Certificates</b>	<b>Quantity</b>	<b>Units</b>
FPIC process is still undergoing	Not material	#
CP secured	Not material	#

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	

## Customer Management

### Customer Satisfaction

- Not material for the Corporation

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	Not material	Not material

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not material	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	

### Health and Safety

- Not material to the Corporation

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not material	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	

### Marketing and labelling

- Not material to the Corporation

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	Not material	#
No. of complaints addressed	Not material	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not material	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	

### Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Secured data management thru complex and layered safekeeping – no customer privacy complaints received during the reporting period	<p>A policy on record management, aligned with the Data Privacy Act, is in place and has been properly implemented</p> <p><a href="https://www.premiumleisurecorp.com/governance-plc/corporate-policies">https://www.premiumleisurecorp.com/governance-plc/corporate-policies</a></p>

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
PLC may be at risk for breach of data privacy as detailed information is gathered from customers and prospective buyers.	This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Opportunity in tightening measures to secure customer data privacy	<p>The Corporation ensures the continuous review of the processes and systems in place.</p> <p>The Corporation regularly reviews and evaluates the policies related to data privacy, and makes recommendations for their amendment as applicable for the Board to approve, management to implement and employees to adhere to.</p>

#### Data Security

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of data breaches, including leaks, thefts and losses of data	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Secured data management thru complex and layered safekeeping – no data security complaints received during the reporting period	A policy on record management, aligned with the Data Privacy Act, is in place and has been properly implemented
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
PLC may be at risk for breach of data privacy as detailed information is gathered from its stakeholders.	This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.

What are the Opportunity/ies Identified?	Management Approach
Work actively with the Corporation's information technology department to ensure that the integrity of the Corporation is protected; automate processes to increase overall efficiency	The Corporation ensures that its network system is secure and runs smoothly; hardware and software are updated; employs redundant security levels to guard against theft, hacking.

## Compliance

### Non-compliance with Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with laws and/or regulations	0	Php
No. of non-monetary sanctions for non-compliance with laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Full compliance with the Corporation's Manual on Corporate Governance, which that adheres compliance with best corporate governance practices and standards, and applicable laws, rules and regulations.	Employees, host community members, suppliers/business partners, customers/clients, investors/shareholders, and regulators	The Board has been identifying areas of continuing education on corporate governance topics. To keep the Board and key officers well-informed of good governance practices and standards, regular annual education programs are conducted in coordination with SMIC and training providers duly accredited by the SEC, while employees and business partners are being informed of the Corporation's governance-related policies and practices upon on-boarding.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of PLC, including its subsidiaries and affiliates.	Employees, host community members, suppliers/business partners, customers/clients, investors/shareholders, and regulators	In order to mitigate this risk, the Corporation continues to exercise fiscal prudence and adopts what it considers conservative financial and operational controls.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To maintain and increase stakeholders' trust and confidence to the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of leading corporations for its compliance and good governance practices	Employees, host community members, suppliers/business partners, customers/clients, and investors/shareholders	PLC upholds its commitment to the enhancement of stakeholder value by continuously seeking for improvements on the Corporation's policies, processes, and procedures, especially on corporate governance and sustainability.

### Local Community Development

Disclosure	Quantity	Units
Number of direct beneficiaries of corporate social responsibility initiative/s	7,291	#
Number of communities benefitted from corporate social responsibility initiative/s*	7	#

\* In coordination with Belle Kaagapay, the Corporate Social Responsibility Arm of PLC's parent company, Belle Corporation.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
A vigorous collaboration between PLC, the Belle Group, and concerned localities in developing sustainable communities.	Constant cooperation with stakeholders by what method to espouse in maintaining and/or refining the Corporation's local community development initiatives such as Brigada Eskwela, Supplemental Feeding in partnership with the Department of Education, full scholarship programs for college students, and provision of medical aid and assistance,
What are the Risk/s Identified?	Management Approach
Risk of malnutrition and illiteracy in host communities	PLC's focus on its CSR activities are geared toward providing access to basic social services in the areas of education and health.
What are the Opportunity/ies Identified?	Management Approach
Create a more active partnership with the host communities by providing opportunities such as livelihood programs, educational scholarships that	PLC remains committed to look for various opportunities for growth through profitable investments that will increase the Corporation's shareholder value for partners and investors alike. It shall likewise continue to partner with its

will contribute to the improvement of their overall well-being.	parent corporation's corporate social responsibility arm, Belle Kaagapay, to continue on enhancing quality of life for its host communities.
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## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Please refer to the Business Model, including Primary Activities, Brands, Products, and Services, under Contextual Information of this Report	<p>SDG 1: No Poverty</p> <p>1. PhP 12.8M taxes paid in 2019; and</p> <p>2. Community investments /CSR (PhP 540K community investments in 2019)</p> <p>In partnership with Belle Kaagapay, the activities participated in by the Corporation promoted the spirit of volunteerism among the employees. In 2019, the efforts were directed toward environmental protection such as water and power conservation, tree-planting activities and recycling initiatives. The employees also took part in the annual Brigada Eskwela activity where the school buildings were repainted to provide the students an ambience conducive to learning.</p>	In spite the Corporation's contributions, it can only cover limited areas	<p>PLC regularly pays taxes which help provide sustainable growth.</p> <p>The Corporation maintains a partnership with Melco Resorts and Entertainment (Philippines), Inc., manager-operator of City of Dreams Manila, from where it derives its share in the gaming revenues.</p>

	SDG 8: Decent Work and Economic Growth	Insufficient opportunities for vulnerable sector	<p>The Corporation targets growth in accordance with national conditions, and full and productive employment for all women and men, including young and disabled people, with equal pay for work and value.</p> <p>The Corporation prioritizes welfare of its employees, recognizes its top performers and provides a safe and healthy working environment. It also aspires to be an employer of choice by providing benefits, career growth, training and work-life balance, engagement programs, among others.</p> <p>Through its parent company's corporate social responsibility arm, Belle Kaagapay, the Corporation participates in various activities such as recycling initiatives, livelihood programs, Brigada Eskwela, tree-planting activities which help improve the lives of its host communities.</p> <p>The Corporation also developed various policies (please refer to the following links) to implement and ensure that overall employee and other stakeholders' welfare and interests are being valued.</p>
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			<a href="http://www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance">www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance</a> ; <a href="http://www.premiumleisurecorp.com/governance-plc/code-ethics">www.premiumleisurecorp.com/governance-plc/code-ethics</a> ; and <a href="http://www.premiumleisurecorp.com/governance-plc/corporate-policies">www.premiumleisurecorp.com/governance-plc/corporate-policies</a>
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*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*