The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: February 25, 2025 05:14:42 PM

Company Information

SEC Registration No.: AS93009289
Company Name: PREMIUM LEISURE CORP.
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST10225202583081669
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2024
Submission Type: Consolidated
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

A	S	9	3	0	0	9	2	8	9

S.E.C. Registration Number

PREMIUM LEISURE CORP.

(Company's Full Name)

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

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

MICHELLE ANGELI T. HERNANDEZ	(+632) 8662-8888
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17C		
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

PREMIUM
LEISURE CORP.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER**

1. **February 21, 2025**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **AS093009289**

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

4. **Premium Leisure Corp.**
   Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **5/F, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City**
   Address of principal office

   1300
   Postal Code

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

9. **Not Applicable**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**31,216,931,000**

11. Indicate the item numbers reported herein:

Item No. 9 (Please refer to the attached)

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Premium Leisure Corp.

DIOVILLE M. VILLARIAS	**February 21, 2025**
Chief Finance Officer	Date

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

SEC Registration Number

A	S	0	9	3	0	0	9	2	8	9

C O M P A N Y N A M E

PREMIUM LEISURE CORP. AND SUBSIDIARIES

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

5/F Tower A, Two E-com Center, Palm
Coast Avenue, Mall of Asia Complex,
Pasay City, Metro Manila

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

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
plc_governance@bellecorp.com	**(02) 8662-8888**	**+639175691734**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
528	**Any Day in May**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dioville M. Villarias	**dioville.villarias@premiumleisurecorp.com**	**(02) 8662-8888**	**+639178057405**

CONTACT PERSON'S ADDRESS

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

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

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

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Premium Leisure Corp. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2024, 2023 and 2022, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024, 2023, and 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782/P-005; Valid until June 6, 2026
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 10467126
Issued January 2, 2025, Makati City

February 21, 2025
Makati City, Metro Manila

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2024**	2023
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱1,744,650,647**	₱2,000,178,939
Investments held for trading	6	**42,744,518**	100,012,769
Notes receivable	7	**2,100,000,000**	2,100,000,000
Receivables	8	**410,085,315**	486,283,555
Other current assets	9	**537,816,947**	306,687,874
Total Current Assets		**4,835,297,427**	4,993,163,137
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	11	**178,060,714**	129,666,731
Property and equipment	13	**652,211,504**	706,342,434
Right-of-use (ROU) assets	23	**2,611,361,416**	2,655,189,953
Investment properties	12	**285,510,452**	285,510,452
Intangible asset	10	**7,998,764,583**	8,237,237,067
Goodwill	14	**926,007,748**	926,007,748
Net deferred tax assets	21	**–**	3,248,780
Other noncurrent assets	9	**250,306,379**	384,383,991
Total Noncurrent Assets		**12,902,222,796**	13,327,587,156
		₱17,737,520,223	₱18,320,750,293
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	15	**₱688,666,278**	₱785,392,630
Current portion of loans payable	4	**138,980,392**	58,823,529
Current portion of lease liabilities	23	**57,445**	294,303
Total Current Liabilities		**827,704,115**	844,510,462
Noncurrent Liabilities			
Loans payable - net of current portion	4	**277,960,784**	411,764,706
Lease liabilities - net of current portion	23	**–**	208,495
Net retirement liability	16	**25,579,975**	16,014,299
Net deferred tax liability	21	**4,882,801**	–
Total Noncurrent Liabilities		**308,423,560**	427,987,500
Total Liabilities		**1,136,127,675**	1,272,497,962

(Forward)

		December 31	
	Note	**2024**	2023
Equity attributable to the Equity Holders of the Parent Company	17		
Capital stock		**₱7,906,827,500**	₱7,906,827,500
Additional paid-in capital		**7,238,721,924**	7,238,721,924
Treasury stock - at cost		**(220,430,080)**	(220,430,080)
Cost of Parent Company common shares held by a subsidiary		**–**	(509,597,055)
Other equity reserves		**(923,138,351)**	(785,086,348)
Retained earnings		**2,265,651,784**	2,957,045,719
		16,267,632,777	16,587,481,660
Non-controlling Interests		**333,759,771**	460,770,671
Total Equity		**16,601,392,548**	17,048,252,331
		₱17,737,520,223	₱18,320,750,293

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 **2024**	2023	2022
REVENUE				
Gaming revenue share	26	**₱2,290,602,702**	₱2,339,334,874	₱1,560,845,412
Equipment rental	23	**527,482,143**	599,221,040	519,051,226
Commission income	26	**–**	2,332,616	–
		2,818,084,845	2,940,888,530	2,079,896,638
COST AND EXPENSES				
Cost of services	18	**601,245,384**	528,440,721	503,646,918
General and administrative	19	**351,614,098**	450,399,236	438,961,707
		952,859,482	978,839,957	942,608,625
OTHER INCOME (CHARGES)				
Interest income	5	**255,204,090**	254,011,944	147,434,493
Finance cost	4, 23	**(36,577,881)**	(17,903,206)	(220,505)
Marked-to-market gains (losses) on investments held for trading	6	**(952,007)**	54,078,646	(371,193)
Dividend income	11	**–**	5,999,263	–
Others - net	20	**28,686,944**	199,483,142	6,901,066
		246,361,146	495,669,789	153,743,861
INCOME BEFORE INCOME TAX		**2,111,586,509**	2,457,718,362	1,291,031,874
PROVISION FOR INCOME TAX	21	**30,781,746**	133,799,458	35,084,426
NET INCOME		**2,080,804,763**	2,323,918,904	1,255,947,448
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Unrealized valuation gain on financial assets at FVOCI	11	**48,393,983**	153,203,945	54,225,946
Remeasurement gains (losses) on net retirement liability, net of tax	16	**5,162,703**	(9,233,066)	8,655,955
		53,556,686	143,970,879	62,881,901
TOTAL COMPREHENSIVE INCOME		**₱2,134,361,449**	₱2,467,889,783	₱1,318,829,349
Net income attributable to:				
Equity holders of the parent company		**₱2,072,240,966**	₱2,185,274,122	₱1,159,554,790
Non-controlling interests		**8,563,797**	138,644,782	96,392,658
		₱2,080,804,763	₱2,323,918,904	₱1,255,947,448
Total comprehensive income attributable to:				
Equity holders of the parent company		**₱2,123,193,528**	₱2,333,860,610	₱1,220,228,226
Non-controlling interests		**11,167,921**	134,029,173	98,601,123
		₱2,134,361,449	₱2,467,889,783	₱1,318,829,349
Basic/Diluted Earnings per Common Share	24	**₱0.0667**	₱0.0709	₱0.0376

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
		2024	2023	2023
CAPITAL STOCK	17	**₱7,906,827,500**	₱7,906,827,500	₱7,906,827,500
ADDITIONAL PAID-IN CAPITAL	17	**7,238,721,924**	7,238,721,924	7,238,721,924
TREASURY STOCK - at cost	17	**(220,430,080)**	(220,430,080)	(220,430,080)
COST OF PARENT COMPANY SHARES HELD BY A SUBSIDIARY	17			
Balance at beginning of year		**(509,597,055)**	(509,597,055)	(509,597,055)
Disposal		**509,597,055**	–	–
Balance at end of year		**–**	(509,597,055)	(509,597,055)
RETAINED EARNINGS				
Balance at beginning of year		**2,957,045,719**	2,094,797,559	2,566,288,233
Net income		**2,072,240,966**	2,185,274,122	1,159,554,790
Dividends declared	17	**(2,763,634,901)**	(1,549,390,947)	(1,549,390,949)
Realized portion of the fair value reserve	11	**–**	226,364,985	(87,305,366)
Reclassification to retained earnings of retirement benefit reserve		**–**	–	5,650,851
Balance at end of year		**2,265,651,784**	2,957,045,719	2,094,797,559
OTHER EQUITY RESERVES	17			
Cumulative Unrealized Losses on Financial Assets at FVOCI	11			
Balance at beginning of year		**(537,667,720)**	(464,506,680)	(606,037,992)
Net unrealized gains		**48,393,983**	153,203,945	54,225,946
Realized portion of the fair value reserve		**–**	(226,364,985)	87,305,366
Balance at end of year		**(489,273,737)**	(537,667,720)	(464,506,680)
Cumulative Remeasurement Gains on Net Retirement Liability	16			
Balance at beginning of year		**6,901,069**	11,518,526	9,309,174
Net remeasurement gains (losses)		**2,581,868**	(4,617,457)	6,447,490
Reclassification to retained earnings of retirement benefit reserve		**–**	–	(4,238,138)
Balance at end of year		**9,482,937**	6,901,069	11,518,526
Other Reserves				
Balance at beginning of year		**(254,319,697)**	(254,319,697)	(254,319,697)
Loss on disposal of Parent Company shares held by a subsidiary	17	**(189,027,854)**	–	–
Balance at end of year		**(443,347,551)**	(254,319,697)	(254,319,697)
		(923,138,351)	(785,086,348)	(707,307,851)
Equity Attributable to the Equity Holders of the Parent Company		**16,267,632,777**	16,587,481,660	15,803,011,997
Non-controlling Interests				
Balance at beginning of year		**460,770,671**	366,371,813	267,770,690
Impact of additional shares acquired by a subsidiary		**(99,327,616)**	–	–
Dividends declared		**(38,827,916)**	(39,630,315)	–
Share in net income		**8,563,797**	138,644,782	96,392,658
Share in other comprehensive income (loss)		**2,580,835**	(4,615,609)	2,208,465
Balance at end of year		**333,759,771**	460,770,671	366,371,813
TOTAL EQUITY		**₱16,601,392,548**	₱17,048,252,331	₱16,169,383,810

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2024**	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱2,111,586,509**	₱2,457,718,362	₱1,291,031,874
Adjustments for:				
Interest income	5	**(255,204,090)**	(254,011,944)	(147,434,493)
Amortization of intangible asset	10	**238,472,484**	238,472,484	238,472,484
Depreciation and amortization	13	**154,732,039**	39,049,219	29,127,843
Amortization on ROU asset	13	**43,851,524**	9,147,229	4,645,028
Finance costs	4, 23	**36,577,881**	17,903,206	220,505
Reversals of long-outstanding payables	15	**30,637,063**	–	–
Provisions	19	**11,346,464**	124,685,209	187,363,193
Retirement benefits	16	**7,065,402**	5,370,147	8,802,230
Unrealized foreign exchange loss		**996,948**	2,351,019	170,916
Mark-to-market (gains) losses on investments held for trading	6	**952,007**	(54,078,646)	371,193
Loss (gain) on disposal of:				
Investments held for trading	6	**(885,410)**	(146,545,079)	–
Property and equipment	13	**(290,267)**	(38,845)	(395,719)
Net assets of subsidiaries	20	**–**	–	(542,645)
Provision for (reversal of) impairment loss on:				
Trade and other receivables	20	**1,940,214**	–	–
Other current assets	9	**–**	8,088	(32,673,528)
Interest expense on lease liabilities	23	**30,797**	–	–
Dividend income	11	**–**	(5,999,263)	–
Operating income before working capital changes		**2,381,809,565**	2,434,031,186	1,579,158,881
Decrease (increase) in:				
Receivables		**74,258,026**	(273,715,324)	51,886,620
Other current assets		**(190,083,948)**	(124,329,981)	77,205,123
Decrease in trade payables and other current liabilities		**(133,368,364)**	(65,019,319)	(88,908,677)
Net cash generated from operations		**2,132,615,279**	1,970,966,562	1,619,341,947
Interest received		**255,204,090**	254,011,944	143,436,911
Income taxes paid		**(104,244,107)**	(96,811,948)	–
Retirement contributions	16	**–**	(19,569,605)	(10,000,000)
Retirement benefits paid		**–**	–	(252,285)
Net cash provided by operating activities		**2,283,575,262**	2,108,596,953	1,752,526,573

(Forward)

	Note	2024	2023	2022
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Investments held for trading	6	**₱57,201,654**	₱173,293,408	₱–
Property and equipment	13	**373,591**	1,362,047	3,869,287
Financial assets at FVOCI	11	**–**	710,268,432	88,661,791
Acquisition of:				
Property and equipment	13, 27	**(100,684,433)**	(537,557,130)	(85,500)
Net assets of subsidiaries, net of cash disposed		**–**	–	(3,910,087)
Decrease (increase) in other noncurrent asset		**134,077,612**	23,710,270	(29,320,112)
Collection of notes receivable	7	**–**	1,605,925,000	–
Dividends received	11	**–**	5,999,263	–
Advances to suppliers for acquisition of property and equipment	27	**–**	–	(207,054,331)
Net cash provided by (used in) investing activities		**90,968,424**	1,983,001,290	(147,838,952)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	27	**(2,763,634,901)**	(1,589,021,262)	(1,549,390,949)
Proceeds from:				
Disposal of Parent Company shares	17	**320,569,201**	–	–
Loan availments	4	**80,000,000**	500,000,000	67,500,000
Payments of:				
Loans payable	4	**(133,647,059)**	(96,911,765)	–
Interest on loans payable	27	**(32,535,518)**	(17,878,309)	–
Acquisition of shares by a subsidiary	4	**(99,327,616)**	–	–
Payments of lease liabilities	23	**(499,137)**	(2,663,827,027)	(4,989,872)
Net cash used in financing activities		**(2,629,075,030)**	(3,867,638,363)	(1,486,880,821)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(254,531,344)**	223,959,880	117,806,800
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		**(996,948)**	(2,351,019)	(170,916)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,000,178,939**	1,778,570,078	1,660,934,194
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱1,744,650,647**	₱2,000,178,939	₱1,778,570,078

NONCASH FINANCIAL INFORMATION				
Reclassification from advances to suppliers to property and equipment	13	**₱68,850**	₱207,054,331	₱–
Impact of lease modification on right-of-use assets and lease liabilities	23	**22,987**	–	–

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2024 AND 2023, AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

1. **General Information**

Corporate Information

Premium Leisure Corp. (PLC or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993. 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 exclude real estate business activities.

As at December 31, 2023, PLC, a publicly-listed company in the Philippine Stock Exchange (PSE) since September 17, 2014, is 79.78% (directly and indirectly) owned by Belle Corporation (Belle or the Ultimate Parent Company) and the rest by the public.

On March 11, 2024, the Board of Directors (BOD) of Belle approved its conduct of a tender offer for up to 6,312,026,669 common shares constituting 20.22% of the issued and outstanding common stock of PLC (the Tender Offer). On the same date, the BOD of PLC approved the voluntary delisting of PLC shares from the PSE, subject to the successful Tender Offer by Belle and in accordance with the requirements of the PSE for voluntary delisting. This was ratified by the shareholders on April 22, 2024.

The Tender Offer commenced on March 22, 2024 and ended on April 24, 2024 (the Tender Offer Period). During the Tender Offer Period, a total of 6,172,192,242 common shares or approximately 19.77% of the total issued and outstanding common stock of PLC were tendered and accepted by Belle for a total consideration of ₱5,246.4 million. On May 9, 2024, Belle successfully completed the Tender Offer. On July 9, 2024, PLC was delisted from the PSE.

As at December 31, 2024, PLC is 99.55% owned by Belle.

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

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries and interest in a joint operation, all of which are incorporated and domiciled in the Philippines:

		Percentage of Ownership			
		2024		2023	
	Industry	**Direct**	**Indirect**	Direct	Indirect
Subsidiaries					
PremiumLeisure and Amusement, Inc. (PLAI)	Gaming	**100.00**	**–**	100.00	–
Foundation Capital Resources, Inc. (FCRI)	Non-operating	**100.00**	**–**	100.00	–
Sinophil Leisure and Resorts Corporation (SLRC)	Non-operating	**100.00**	**–**	100.00	–
Pacific Online Systems Corporation (POSC)	Gaming	**50.10**	**–**	50.10	–
Subsidiaries of POSC					
Loto Pacific Leisure Corporation (LotoPac)	Gaming	**–**	**100.00**	–	100.00
Total Gaming Technologies, Inc. (TGTI)	Gaming	**–**	**98.92**	–	98.92
Falcon Resources, Inc. (FRI)	Gaming	**–**	**100.00**	–	100.00
Futurelab Interactive Corp.	Gaming	**–**	**100.00**	–	100.00
Interest in Joint Operation					
PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	**–**	**50.00**	–	50.00

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

<u>Approval of the Consolidated Financial Statements</u>
The consolidated financial statements as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 were endorsed by the Audit Committee to the BOD on February 20, 2025 and were approved and authorized by the BOD for issuance on February 21, 2025.

2. Summary of Material Accounting Policy Information

The material accounting policy information that have been used in the preparation of the financial statements have been consistently applied to all the years presented, unless otherwise stated.

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

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of market observable data to a possible extent. Fair values are categorized into different levels in a fair value hierarchy, as described below, based on lowest level inputs used that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

- Note 6 - *Investments held for Trading*
- Note 11 - *Financial Assets at FVOCI*
- Note 12 - *Investment Properties*
- Note 25 - *Financial Instruments*

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

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

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

- Amendments to PAS 1, *Presentation of Financial Statements - Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instruments: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information.

The adoption of the amendments to PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Amendments to PFRS in Issue But Not Yet Effective or Adopted
Relevant amendments to PFRS, which are not yet effective as at December 31, 2024 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2025 -

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2026 -

- Amendments to PFRS 9, *Financial Instruments,* and PFRS 7, *Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI). Earlier application is permitted.

- Amendments to PFRS 9, *Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9*,* the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to *'transaction price as defined by PFRS 15'* to *'the amount determined by applying PFRS 15'* to remove potential confusion. Earlier application is permitted.

- Annual Improvements to PFRS Accounting Standards Volume 11:

    - Amendments to PFRS 7– The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.

    - Amendments to PFRS 10, *Consolidated Financial Statements - Determination of a 'de facto agent'* – The amendments remove inconsistencies by clarifying that an entity must use judgment to determine whether other parties are acting as de facto agents. Earlier application is permitted.

    - Amendments to PAS 7, *Cost Method* – The amendments replace the term 'cost method' with 'at cost' following the deletion of the definition of 'cost method'. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2027 -

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1 and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity's assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier 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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Basis of Consolidation

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

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Joint Arrangements. Joint arrangements represent activities where the Parent Company has joint control established by a contractual agreement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the requires unanimous consent for financial and operational decisions of the parties sharing the control. A joint arrangement is either a joint operation, whereby the parties have rights to the assets and obligations for the liabilities, or a joint venture, whereby the parties have rights to the net assets.

The Group accounted for its interest in PinoyLotto as a joint operation. Accordingly, the Group recognizes (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenues and share in revenues from the output of the joint operation, and (iv) its expenses, including its share of any expenses incurred jointly.

The Parent Company reports items of a similar nature to those on the financial statements of the joint arrangement, on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

The financial statements of PinoyLotto with a fiscal period ended June 30, are incorporated in the consolidated financial statements as at December 31. Adjustments and disclosures are made for the effects of significant transactions or events that occurred between the date of PinoyLotto's financial statements and the date of the consolidated financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

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

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends its contractual cash flow characteristics and on the Group's business model for managing them.

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

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

Equity securities that have been designated to be measured at FVOCI can no longer be reclassified to a different category.

There were no reclassifications of financial assets in 2024 and 2023.

As at December 31, 2024 and 2023, the Group does not have financial liabilities at FVPL and debt instruments measured at FVOCI.

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

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

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

Classified under this category are the Group's investments in equity securities included under "Investments held for trading" account and share warrants component of investment in Black Spade Acquisition Co. (BSA).

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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 dates of placement and are subject to an insignificant risk of changes in value.

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

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

Classified under this category are the Group's investments in quoted and unquoted shares included under "Financial assets at FVOCI" account.

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

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

Classified under this category are the Group's trade payables and other current liabilities (excluding provisions and statutory payables), loans payable and lease liabilities.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

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

- Deliver cash or another financial asset to another entity;

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

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

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

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

Advances to Officers and Employees
Advances to officers and employees represent cash advances made for use in the operations. These are noninterest-bearing and are settled through liquidation within the year.

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

Prepayments
Prepayments are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred.

Spare Parts and Supplies

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

Value-Added Tax (VAT)

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

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

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

The net amount of tax recoverable from (payable to) the taxation authority is included as part of "Other current assets" account or "Trade payables and other current liabilities" account in the consolidated statements of financial position.

Intangible Asset

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

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

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

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

Intangible asset with indefinite useful life is not amortized, but is tested for impairment annually, either individually or at the CGU 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 statements of comprehensive income when the asset is derecognized.

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

Property and Equipment

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

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

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

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

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

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

Asset Type	Number of Years
Lottery equipment	54-10 or term of lease, whichever is shorter
Office furniture, fixtures and equipment	3-5
Leasehold improvements	4 or the term of the lease, whichever is shorter
Transportation equipment	4-5

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

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

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

Investment Properties

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

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

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

Software Development

Software development cost is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, an internally generated software development is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values, if any, using the straight-line method over their estimated useful lives, of two to three years and amortization of intangible assets is recognized in profit or loss. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of Nonfinancial Assets (excluding Goodwill)

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

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

Equity

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

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

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

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

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

Other Equity Reserves. Other equity reserves primarily comprise of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other equity reserves of the Group mainly pertain to cumulative unrealized losses of financial assets at FVOCI and, cumulative remeasurement gains of net retirement liability and other reserves. Other reverses arise from the disposal of Parent Company shares held by subsidiaries.

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

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

The Group has generally concluded that it is the principal in its revenue arrangements. 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 an Operating Agreement and is measured at the fair value of the consideration received or receivable, net of Philippine Amusement and Gaming Corporation (PAGCOR) license fee.

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

Equipment Rental. Revenue from lease agreements with variable lease payments 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. For lease agreements with fixed payments and is classified as operating lease, revenue is recognized on a straight-line basis over the term of the lease.

Commission Income. Commission income from Web-based Betting Application Platform (WABP) is recognized at a point in time when the related services are provided and is computed based on a certain percentage of gross sales of the web-based lottery operations.

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

Service Income. Revenue is recognized at a point in time when the service to the customer is performed.

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

Other Income. Revenue is recognized when earned.

The related contract balances are the trade receivables which represent the Group's right to an amount of consideration that is unconditional i.e., only the passage of time is required before payment of the consideration is due.

Contract Costs

Costs to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Costs Incurred to Fulfil a Contract. Costs incurred to fulfil a contract are recognized as an asset if they are (a) directly related to a contract or to an anticipated contract that can be specifically identified by the Group, (b) generate or enhance resources of the Group that will be used in satisfying
(or in continuing to satisfy) future performance obligations, and (c) are expected to be recovered.

Amortization, Derecognition and Impairment of Contract Costs. Costs recognized as an asset is amortized on a systematic basis consistently with the transfer of services related to the asset.

A capitalized contract cost is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that contract costs maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

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

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

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

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

Other Charges. Other charges are recognized when incurred.

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

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

b) The right to direct the use of the identified asset.

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

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

a) The amount of the initial measurement of lease liabilities;

b) Any lease payments made at or before the commencement date less any lease incentives received;

c) Any initial direct costs; and

d) An estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

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

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

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

a) Fixed payments, including in-substance fixed payments;

b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c) Amounts expected to be payable by the lessee under residual value guarantees; and

d) The exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

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

Employee Benefits

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

Foreign Currency-Denominated Transactions and Translations

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

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

Income Taxes

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

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

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

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

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

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

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

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

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

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

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Related Parties and Transactions

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

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

Comparatives

When necessary, comparative figures have been reclassified to conform to the changes in the presentation of the current year.

3. **Significant Judgments, Accounting Estimates and Assumptions**

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

Judgments

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

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

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

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

Assessing Joint Control and Determining the Proper Classification of a Joint Arrangement. Management has exercised judgment regarding the classification of the Group's interest in PinoyLotto and classified it as a joint operation. PinoyLotto is 50% owned by the Parent Company but controlled jointly with the other owner. PinoyLotto has been classified as a joint operation because the parties have equal number of board representatives and because relevant activities that significantly affect the return on the investment requires approval of representatives from both partners. Management's considerations include, determining whether the arrangement is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity direct rights to the assets and obligations for the liabilities within the normal course of business. Other facts and circumstances are also assessed by management, including the entity's rights to the economic benefits of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

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

Lease commitments are disclosed in Note 23.

Determining the Classification of Lease. The Group leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. The Group 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, the lease term is not for the major part of the asset's economic life, and, certain features of the arrangement does not transfer substantially all risk and rewards to the lessee. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental is disclosed in Note 23.

Determining Capitalizable Contract Costs. Assessing whether costs to obtain a contract will be recognized as an asset depends on the Group's judgment which costs are considered as incremental, i.e., those expenditures which would not have been incurred if the contract had not been secured. On the other hand, the primary focus when deciding on the capitalization of costs incurred to fulfil a contract is determining which costs generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future

The carrying amount of capitalized contract costs is disclosed in Note 9.

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

The fair value of the Group's financial assets and liabilities are disclosed in Note 25.

Accounting Estimates and Assumptions

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

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

Assessing Impairment Losses on Financial Assets at Amortized Cost. Impairment losses on financial assets are determined based on ECL. In assessing the ECL, the Group uses historical loss experience adjusted for the forward-looking factors, as appropriate.

The Group's cash and cash equivalents are maintained at reputable financial institutions with good industry rating and score.

The Group maintains allowance for impairment losses on trade and other receivables at a level considered adequate to provide for potential uncollectible accounts. 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 are not limited to, the age and status of receivables, the length of relationship with the customers, the customer's payment behavior and known market factors. The Group reviews the allowance on a continuous basis.

For other financial assets at amortized cost, the Group has applied the general approach and calculated the ECL by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime ECL.

In 2024, the Group recognized a provision for impairment loss amounting to ₱1.4 million (see Note 8). No provision for impairment losses on financial assets at amortized cost was recognized by the Group in 2023 and 2022.

The carrying amounts and credit quality of financial assets at amortized cost that were subjected to impairment assessment are disclosed in Note 25.

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

No provision for impairment loss was recognized for significant nonfinancial assets (excluding goodwill) in 2024, 2023 and 2022.

The carrying amount of significant nonfinancial assets (excluding goodwill) as at December 31, 2024 and 2023 are disclosed in Notes 10, 12 and 13.

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

No impairment loss was recognized in 2024,2023 and 2022. The carrying amount of goodwill as at December 31, 2024 and 2023 is disclosed in Note 14.

Estimating the Useful Lives of Property and Equipment and ROU Assets. The Group estimates the useful lives of the property and equipment and ROU assets based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property and equipment and ROU assets in 2024, 2023 and 2022. The carrying amounts of property and equipment and ROU assets are disclosed in Notes 13 and 23, respectively.

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

In 2024,2023 and 2022, there were no changes in the estimated useful life of gaming license. The carrying amount of the gaming license as at December 31, 2024 and 2023 is disclosed in Note 10.

Assessing the Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount 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. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

Details of recognized and unrecognized deferred tax assets are disclosed in Note 21.

Evaluating Contingencies. The Group recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel (see Note 15).

4. **Material Partly-owned Subsidiary and Interest in Joint Operation**

Material Partly-owned Subsidiary

The non-controlling interests of POSC are material to the Group. NCI is 49.9% as at December 31, 2024 and 2023.

Prior to October 1, 2023, POSC's primary source of revenue arises from the Equipment Lease Agreement (ELA) with the PCSO for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment. The ELA was concluded on September 30, 2023 (see Notes 23 and 26).

POSC remains committed to looking for opportunities in the industry. These opportunities include the lease of a WABP. On August 30, 2023, POSC signed a Memorandum of Agreement with PCSO in connection with the latter's implementation of a trial run for a WABP during which POSC will be acting as PCSO's exclusive agent.

On June 19, 2024, POSC received a Notice of Award for a five-year lease of its WABP from PCSO after a bidding process. With the issuance of the Notice of Award, POSC will now be complying with the post-Notice of Award requirements of the PCSO; thereafter, the contract between POSC and PCSO covering the terms and conditions of the WABP project will be executed. The commercial operation will commence 76 days from receipt of the Notice to Proceed.

On July 12, 2024, the trial period for WABP ended upon the instruction of PCSO as it gears toward making the E-lotto services better and as it transitions to a new platform.

As at December 31, 2024, PCSO has not yet issued the Notice to Proceed (see Note 26).

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

	2024	2023
Total current assets	**₱1,082,177,990**	₱948,422,045
Total noncurrent assets	**654,347,014**	953,357,175
Total current liabilities	**353,533,405**	314,098,180
Total noncurrent liabilities	**285,183,386**	411,973,202
Total equity	**1,097,808,213**	1,175,707,838
Net income	**16,977,825**	274,864,816
Other comprehensive income	**88,134,163**	49,224,099

Interest in Joint Operation

On June 21, 2021, PinoyLotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated and registered with the SEC primarily to provide software support and online lottery equipment service.

Interest in joint operation pertains to POSC's 50% ownership in PinoyLotto, the entity which was awarded a five-year lease of the customized PCSO Lottery System, also known as '2021 PLS Project' with a contract price of ₱5,800.0 million.

PinoyLotto started nationwide operations on October 1, 2023. Pursuant to the contract, 6,500 terminals were installed and are in operation nationwide. Pre-operating expenses amounted to nil, ₱14.4 million and ₱14.0 million in 2024, 2023 and 2022, respectively (see Note 19).

Share in Assets, Liabilities, Revenues, Costs and Expenses

	2024	2023
Cash and cash equivalents	**₱98,816,367**	₱72,608,057
Trade and other receivables	**49,737,037**	99,395,044
CWTs	**16,680,804**	–
Other current assets	**28,901,910**	26,759,374
Total Current Assets	**194,136,118**	198,762,475
Property and equipment	**652,001,130**	706,091,820
Deferred tax assets	**428,878**	–
ROU asset	**54,149**	541,486
Other noncurrent assets	**–**	68,850
Total Noncurrent Assets	**652,484,157**	706,702,156
Total Assets	**₱846,620,275**	₱905,464,631
Trade payables and other current liabilities	**(₱131,845,610)**	(₱110,782,832)
Current portion of loans payable	**(138,980,392)**	(58,823,529)
Current portion of lease liabilities	**(57,445)**	(294,303)
Nontrade payable	**–**	(67,500,000)
Total Current Liabilities	**(270,883,447)**	(237,400,664)
Loans payable - net of current portion	**(277,960,784)**	(411,764,706)
Retirement liability	**(662,330)**	–
Lease liabilities - net of current portion	**–**	(208,495)
Total Noncurrent Liabilities	**(278,623,114)**	(411,973,201)
Total Liabilities	**(₱549,506,561)**	(₱649,373,865)
Revenue from equipment rental	**₱517,857,143**	₱129,464,286
Cost of services	**(264,209,114)**	(57,535,027)
General and administrative expenses	**(130,901,005)**	(46,366,911)
Finance cost	**(36,577,881)**	(17,878,309)
Interest income	**158,808**	84,322
Other charges	**(960,463)**	(2,312,579)
Provision for income taxes	**(13,098,869)**	–
Net income	**₱72,268,619**	₱5,455,782

Loan Agreement
On October 15, 2022, PinoyLotto entered into a long-term loan agreement with a local bank for a loan facility with a maximum aggregate principal amount of ₱1.0 billion, the proceeds of which shall be used to partially finance the capital expenditure requirements of the PLS Project. The loan has a term of five years, payable in equal quarterly installments beginning on the second year from initial drawdown up to the maturity. The loan bears an annual interest ranging from 6.54% to 7.45% in 2024 and 2023.

In 2024, PinoyLotto acquired additional bank loan amounting to ₱160.0 million from the same local bank for the same purpose. The additional loan has a term of four years, payable in equal quarterly installments and bears an annual interest of 8.63%.

Interest expense on loan payable which was recognized as "Finance cost" amounted to ₱36.5 million and ₱17.9 million in 2024 and 2023, respectively. The related accrued interest as at December 31, 2024 amounting to ₱4.0 million was presented as "Accrued expenses, provisions and other payables" under "Trade payables and other current liabilities" account in the consolidated statements of financial position (see Note 15).

The loan is secured by a continuing surety of the Parent Company and PGMC and maintenance of a debt service reserve account.

The movements in the loans payable recognized in the consolidated statements of financial position are presented below:

	2024	2023
Balance at beginning of year	**₱470,588,235**	₱67,500,000
Availments	**80,000,000**	432,500,000
Repayments	**(133,647,059)**	(29,411,765)
Balance at end of year	**₱416,941,176**	₱470,588,235

Pursuant to the terms of these loan agreements, PinoyLotto is required to comply with certain financial covenants starting June 30, 2024 which includes (a) bank debt to equity ratio not exceeding 3.0x, (b) debt-to-equity ratio not exceeding 3.5x and (c) debt service coverage ratio not falling below 1.2x. PinoyLotto is also restricted from performing certain corporate acts including declaration of dividends, material change in business and ownership, among others, without prior consent of the bank and must adhere to all financial and funding requirements. As at December 31, 2024 and 2023, PinoyLotto is compliant with the financial covenants and agreements.

Surety Bond

As at December 31, 2024, PinoyLotto has an existing surety bond agreement with Milestone Guaranty and Assurance Corp. to ensure compliance with its obligations related to the 2021 PLS Project. The surety bond agreement is valid until September 30, 2028.

5. **Cash and Cash Equivalents**

This account consists of:

	2024	2023
Cash on hand	**₱364,729**	₱407,064
Cash in banks	**397,879,774**	540,975,005
Cash equivalents	**1,302,583,547**	1,458,796,870
Restricted cash	**43,822,597**	–
	₱1,744,650,647	₱2,000,178,939

Cash in banks earn interest at the respective bank deposit rates.

Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Under its loan agreement, PinoyLotto is required to maintain a debt service reserve account for the security of interest and/or principal repayments to the lenders. PinoyLotto is required to deposit cash to the debt service reserve account equivalent to the upcoming interest and/or principal repayment (see Note 4).

Details of interest income follow:

	Note	**2024**	2023	2022
Notes receivable	7	**₱131,650,438**	₱205,583,013	₱125,333,368
Cash in banks and cash equivalents		**123,553,652**	48,428,931	18,420,210
Contract asset		**–**	–	3,680,915
		₱255,204,090	₱254,011,944	₱147,434,493

6. Investments Held for Trading

This account consists of the Group's investments in shares of stock of Vantage Equities, Inc., APC Group, Inc., DigiPlus Interactive Corp and share warrants component of investment in BSA (see Note 11).

Movements in this account are as follows:

	2024	2023
Balance at beginning of year	**₱100,012,769**	₱72,682,452
Mark-to-market gains (losses)	**(952,007)**	54,078,646
Disposals	**(56,316,244)**	(26,748,329)
Balance at end of year	**₱42,744,518**	₱100,012,769

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

Proceeds from disposal of investment held for trading amounted to ₱57.2 million and ₱173.3 million resulting to a gain of ₱885,410 and ₱146.5 million in 2024 and 2023, respectively (see Note 20). Disposals in 2023 include sale of share warrants related to investment in BSA (see Note 11).

7. Notes Receivable

Movements in this account are as follows:

	2024	2023
Balance at beginning of year	**₱2,100,000,000**	₱3,705,925,000
Collection	**–**	(1,605,925,000)
Balance at end of year	**₱2,100,000,000**	₱2,100,000,000

Notes receivable are unsecured, collectible on demand and bear interest at rates ranging from 5.95% to 6.37% and 5.87% to 6.50% in 2024 and 2023, respectively (see Note 22).

Interest income from notes receivable recognized in the consolidated statements of comprehensive income amounted to ₱131.7 million, ₱205.6 million and ₱125.4 million in 2024, 2023 and 2022, respectively (see Notes 5 and 22).

8. Receivables

This account consists of:

	2024	2023
Trade receivables	**₱268,204,379**	₱329,033,920
Receivable from a Share Swap Agreement	**422,341,815**	422,341,815
Nontrade receivables	**133,704,502**	113,677,614
Advances to:		
Consultant	**126,786,600**	147,500,000
Officers and employees	**1,870,155**	873,536
Other receivables	**2,634,020**	16,372,612
	955,541,471	1,029,799,497
Less allowance for impairment losses	**545,456,156**	543,515,942
	₱410,085,315	₱486,283,555

Trade receivables are generally on a 20-day to 60-day credit term. These are mostly receivables arising from lease agreement with PCSO and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila.

The receivable from a Share Swap Agreement (the Agreement) is a receivable by the Parent Company from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as “Metroplex”) amounting to ₱422.3 million representing the cost of rescission of the Agreement involving PLC shares. This is fully provided with allowance for impairment loss as at December 31, 2024 and 2023.

Nontrade receivables include amounts due from LCC Group, former investees, where the Group had set up an allowance for impairment because of the delayed payments and disposal of ownership interest in LCC Group.

Advances to consultant pertain to noninterest-bearing advances intended for exploration of projects and business opportunities which are subject for refund in the absence of output.

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

Other receivables primarily arise from shared services rendered in 2024 and disposal of trademark in 2023 which are collectible in the following financial period (see Note 20).

The movements in allowance for impairment loss on trade and other receivables are as follows:

	Note	**2024**	2023
Balance at beginning of year		**₱543,515,942**	₱543,515,942
Provision	20	**1,940,214**	–
Balance at end of year		**₱545,456,156**	₱543,515,942

9. **Other Assets**

Other Current Assets
This account consists of:

	Note	**2024**	2023
CWT		**₱260,573,016**	₱188,875,669
Advances to contractors		**139,738,757**	–
Guarantee deposits	26	**79,000,000**	91,000,000
Prepaid expenses		**46,868,857**	3,773,451
Spare parts and supplies - at cost		**8,170,480**	606,075
Input VAT		**1,495,059**	23,036,803
Others		**2,574,902**	–
		538,421,071	307,291,998
Less allowance for impairment loss		**604,124**	604,124
		₱537,816,947	₱306,687,874

Guarantee deposits pertain to cash bonds held in escrow account as part of the agreement with PCSO (see Note 26).

Prepayments represent mainly insurance and rent. It also includes prepaid technical training, advisory and maintenance services. As at December 31 2024, prepayments also include contract costs amounting to ₱30.7 million, which pertains to costs incurred to fulfil the obligations under the five-year lease of WABP (see Note 26).

Spare parts and accessories are generally used for providing maintenance and repair services on the leased lottery equipment to PCSO.

Other Noncurrent Assets
This account consists of:

	Note	**2024**	2023
CWT		**₱239,961,695**	₱239,961,705
Advances to contractors		**8,052,957**	139,738,757
Refundable deposits	23	**2,291,727**	3,036,529
Others		–	1,647,000
		₱250,306,379	₱384,383,991

CWT under "Other noncurrent assets" account pertain to CWT from the gaming revenue share of PLAI.

Advances to contractors primarily pertain to noninterest-bearing intended for exploration of projects within the gaming industry. As at report date, the Group decided to discontinue the project and has ongoing negotiations with the contractor to immediately finalize the terms and manner of recovery of the outstanding receivables. Accordingly, the amount was reclassified to current assets in 2024.

Refundable deposits are subject to adjustments every year if rent rates increase and shall be returned to the lessee without interest.

10. Intangible Asset

PLAI Gaming License

Intangible asset, which was part of the assets acquired from Belle in 2014, pertains to the provisional license granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. On April 29, 2015, PAGCOR granted the Regular Gaming License (License), which has the same terms and conditions of the provisional license. The License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033, renewable for another 25 years.

The amortization of the intangible asset started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. The unamortized life of the license as at December 31, 2024 is 33.5 years.

Movements in intangible asset are as follows:

	Note	**2024**	2023
Cost			
Balance at beginning and end of year		**₱10,843,215,811**	₱10,843,215,811
Accumulated Amortization			
Balance at beginning of year		**2,605,978,744**	2,367,506,260
Amortization	18	**238,472,484**	238,472,484
Balance at end of year		**2,844,451,228**	2,605,978,744
Carrying Amount		**₱7,998,764,583**	₱8,237,237,067

Gaming License Application

In July 2024, the Group, through its wholly-owned subsidiaries SLRC and FRCI, applied for a gaming license with PAGCOR for an Integrated Resort development in Clark Special Economic Zone. As at December 31, 2024, the application is still under assessment by PAGCOR.

11. **Financial Assets at FVOCI**

This account pertains to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2024 and 2023, consisting of the following:

	Note	**2024**	2023
Quoted Shares			
Belle-common shares	22	**₱165,979,614**	₱116,985,631
Golf club shares		**12,000,000**	12,600,000
		177,979,614	129,585,631
Unquoted Shares			
Others		**81,100**	81,100
		₱178,060,714	₱129,666,731

The movements of financial assets at FVOCI in 2024 and 2023 are as follows:

	2024	2023
Cost		
Balance at beginning of year	**₱667,334,451**	₱1,151,237,898
Disposal	**–**	(483,903,447)
Balance at end of year	**667,334,451**	667,334,451
Cumulative Unrealized Valuation Gains (Losses) on Financial Assets at FVOCI		
Balance at beginning of year	**(537,667,720)**	(464,506,680)
Unrealized valuation gain	**48,393,983**	153,203,945
Disposal	**–**	(226,364,985)
Balance at end of year	**(489,273,737)**	(537,667,720)
Carrying Amount	**₱178,060,714**	₱129,666,731

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.

Belle-common shares

In 2023, the Group received dividend income of ₱6.0 million.

BSA

Disposal in 2023 pertains to investment in BSA which is composed of 1,000,000 common shares and 500,000 share warrants. Each whole warrant entitles the holder to purchase one Class A ordinary share at a price of $11.50 per share. Share warrants were classified under “Investments held for trading” account (see Note 6).

On April 17, 2023, the Group redeemed/sold the common shares for ₱710.3 million while the share warrants were sold for ₱147.4 million.

12. Investment Properties

Investment properties pertain to parcels of land amounting to ₱285.5 million as at December 31, 2024 and 2023.

There was no rental income from investment properties in 2024, 2023 and 2022.

Expenses related to investment properties amounted to ₱73,694, ₱33,600 and ₱73,744 in 2024, 2023 and 2022, respectively, which mainly pertain to real property taxes.

The fair value of the investment properties as at December 31, 2024 and 2023 amounting to ₱304.0 million and ₱288.9 million is higher than its carrying value, as determined by an independent appraiser and estimated using market approach. The value of the land was based on the sales and listings of comparable properties registered within the vicinity and within Level 3 fair value hierarchy. The Group assessed that the highest and best use of its properties does not differ from their current use.

13. Property and Equipment

The movements in this account follow:

	2024				
	Lottery Equipment	**Office Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost					
Balance at beginning of year	**₱716,564,344**	**₱41,381,748**	**₱3,537,822**	**₱12,557,629**	**₱774,041,543**
Additions	**98,304,976**	**1,593,819**	**57,004**	**728,634**	**100,684,433**
Disposals and retirement	**–**	**(311,607)**	**–**	**(2,059,610)**	**(2,371,217)**
Balance at end of year	**814,869,320**	**42,663,960**	**3,594,826**	**11,226,653**	**872,354,759**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**35,833,622**	**19,240,441**	**176,890**	**12,448,156**	**67,699,109**
Depreciation and amortization	**149,001,119**	**4,912,166**	**713,266**	**105,488**	**154,732,039**
Disposals and retirement	**–**	**(311,607)**	**–**	**(1,976,286)**	**(2,287,893)**
Balance at end of year	**184,834,741**	**23,841,000**	**890,156**	**10,577,358**	**220,143,255**
Carrying Amount	**₱630,034,579**	**₱18,822,960**	**₱2,704,670**	**₱649,295**	**₱652,211,504**

	2023				
	Lottery Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱501,864,242	₱16,872,453	₱6,732,232	₱16,360,639	₱541,829,566
Additions	716,564,344	24,509,295	3,537,822	–	744,611,461
Disposals and retirement	(501,864,242)	–	(6,732,232)	(3,803,010)	(512,399,484)
Balance at end of year	716,564,344	41,381,748	3,537,822	12,557,629	774,041,543
Accumulated Depreciation and Amortization					
Balance at beginning of year	501,864,242	16,782,610	5,576,547	15,502,773	539,726,172
Disposals and retirement	(501,864,242)	–	(5,576,547)	(3,635,493)	(511,076,282)
Depreciation and amortization	35,833,622	2,457,831	176,890	580,876	39,049,219
Balance at end of year	35,833,622	19,240,441	176,890	12,448,156	67,699,109
Carrying Amount	₱680,730,722	₱22,141,307	₱3,360,932	₱109,473	₱706,342,434

The Group sold equipment with a carrying amount of ₱83,324, ₱3.4 million and ₱3.5 million for ₱373,591, ₱1.3 million and ₱3.9 million in 2024, 2023 and 2022, respectively, resulting to a gain on sale of ₱290,267, ₱38,845 and ₱395,719 in 2024, 2023 and 2022, respectively (see Note 20).

Since the ELA was terminated on September 30, 2023, the Group retired fully depreciated lottery equipment with an aggregate cost of ₱501.9 million in 2023.

Depreciation and amortization consist of the following:

	Note	**2024**	2023	2022
Property and equipment		**₱154,732,039**	₱39,049,219	₱17,991,479
ROU assets	23	**43,851,524**	9,147,229	4,645,028
Software development		–	–	11,136,364
		₱198,583,563	₱48,196,448	₱33,772,871

Depreciation and amortization are allocated as follows:

	Note	**2024**	2023	2022
Cost of services	18	**₱192,342,318**	₱45,233,477	₱29,217,792
General and administrative expenses	19	**6,241,245**	2,962,971	4,555,079
		₱198,583,563	₱48,196,448	₱33,772,871

14. **Goodwill**

The carrying amount of goodwill acquired from business combination amounting to ₱926.0 million as at December 31, 2024 and 2023 pertains to the acquisition of POSC.

No provision for impairment loss on goodwill was recognized in 2024, 2023 and 2022.

The goodwill from the acquisition has been subjected to the annual impairment assessment. 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 four to five years, taking into consideration the effect of significant events on the macroeconomic factors used in developing the assumptions.

<u>Key Assumptions Used in Value-in-use Calculations</u>
The calculations of value in use for the cash-generating units are most sensitive to the following assumptions:

<u>POSC</u>

Discount Rate. Discount rate reflects management's estimate of the risks specific to the CGU. The pre-tax discount rate of 9.66%, 7.42% and 9.79% was used in 2024, 2023 and 2022, respectively, based on the Weighted Average Cost of Capital (WACC) of POSC. Any future significant increase (decrease) in discount rate will result in lower (higher) recoverable amount.

Revenue Growth Rate, Long-Term Growth Rate and Terminal Values. No growth rate was applied to the five-year cash flow projections for 2023, as the main source of cash flow comes from a fixed-price contract. However, in 2024, a 1% growth rate was applied to the four-year cash flow projections. Management assessed that a contract extension or renewal is highly probable, given POSC's technical expertise and historical experience.

<u>FRI</u>
The recoverable amount of goodwill from the acquisition of FRI by TGTI was determined based on value-in-use calculations using actual past results and observable market data such as growth rates, operating margins, among others. The expected cash flows are discounted by applying a suitable WACC.

With the change in FRI's exclusivity arrangement with its principal, goodwill in FRI was fully provided with allowance for impairment loss as at December 31, 2024 and 2023.

15. Trade Payables and Other Current Liabilities

This account consists of:

	Note	**2024**	2023
Trade payables		**₱93,777,636**	₱257,384,427
Accrued expenses, provisions and other payables		**572,772,432**	497,812,626
Statutory payables		**6,509,193**	2,756,500
Software and license fees payable	26	**–**	8,865,861
Others		**15,607,017**	18,573,216
		₱688,666,278	₱785,392,630

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

Accrued expenses and other payables mainly represent provisions. Other than provisions, accruals are usually payable within a 30-day term upon receipt of billing. The Group provides for probable losses. Provisions represent estimated probable losses arising in the normal course of business. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, further information are not disclosed so as not to prejudice the Group's position on the matter. In 2024, 2023, and 2022, the Group recognized provisions amounting to ₱11.3 million, ₱124.7 million and ₱ 187.4 million, respectively (see Note 19).

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 26). These are normally settled within the next financial year.

Statutory payables mainly pertain to statutory contributions, withholding taxes, VAT payable and deferred output VAT and other liabilities to the government agencies, which are generally payable the following month.

In 2024, the Group reversed long-outstanding payables amounting to ₱30.6 million (see Note 20).

16. **Retirement Plan**

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in the retirement liability of the Group in 2024 and 2023 are as follows:

	2024		
	Fair Value of Plan Assets	**Present Value of Defined Benefit Obligation**	**Net Retirement Liability**
Balance at beginning of year	**₱73,028,676**	**(₱89,042,975)**	**(₱16,014,299)**
Net retirement income (costs) in profit or loss:			
Net interest	**2,079,892**	**(3,431,271)**	**(1,351,379)**
Current service cost	–	**(6,097,696)**	**(6,097,696)**
Past service cost	–	**383,673**	**383,673**
	2,079,892	**(9,145,294)**	**(7,065,402)**
Benefits paid from retirement fund	**(44,939,458)**	**35,555,580**	**(9,383,878)**
Remeasurement gain recognized in OCI:			
Actual return excluding amount included in net interest cost	**887,923**	–	**887,923**
Actuarial changes due to experience adjustment	–	**5,841,880**	**5,841,880**
Actuarial changes arising from changes in financial assumptions	–	**153,801**	**153,801**
	887,923	**5,995,681**	**6,883,604**
Balance at end of year	**₱31,057,033**	**(56,637,008)**	**(₱25,579,975)**

	2023		
	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Net Retirement Liability
Balance at beginning of year	₱50,611,659	(₱68,514,661)	(₱17,903,002)
Net retirement income (costs) in profit or loss:			
Net interest	3,219,029	(4,455,195)	(1,236,166)
Current service cost	–	(6,074,809)	(6,074,809)
Past service cost	–	1,940,828	1,940,828
	3,219,029	(8,589,176)	(5,370,147)
Contribution	19,569,605	–	19,569,605
Remeasurement gain recognized in OCI:			
Actual return excluding amount included in net interest cost	(371,617)	–	(371,617)
Actuarial changes due to experience adjustment	–	(7,263,106)	(7,263,106)
Actuarial changes arising from changes in financial assumptions	–	(4,676,032)	(4,676,032)
	(371,617)	(11,939,138)	(12,310,755)
Balance at end of year	₱73,028,676	(₱89,042,975)	(₱16,014,299)

Movements in cumulative remeasurement gains (losses) on net retirement liability consist of the following:

	2024		
	Retirement benefits reserve	**Deferred Tax** (see Note 21)	**Total**
Balance at beginning of year	**₱8,216,710**	**₱2,515,426**	**₱5,701,284**
Remeasurement gain	**6,883,604**	**1,720,901**	**5,162,703**
Balance at end of year	**₱15,100,314**	**₱4,236,327**	**₱10,863,987**

	2023		
	Retirement benefits reserve	Deferred Tax (see Note 21)	Total
Balance at beginning of year	₱20,527,465	₱5,593,115	₱14,934,350
Remeasurement loss	(12,310,755)	(3,077,689)	(9,233,066)
Balance at end of year	₱8,216,710	₱2,515,426	₱5,701,284

The latest actuarial valuation of the Group is as at December 31, 2024.

The Group's plan assets are administered by a Trustee. The Group and the retirement plan have no specific matching strategies between the retirement plan assets and define benefit asset or obligation under the retirement plan.

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

	2024	2023
Cash and cash equivalents	**₱7,266**	₱651,170
Debt instruments-government bonds	**16,560,599**	39,659,754
Debt instruments-other bonds	**4,529,172**	4,317,196
Unit investment trust funds	**9,763,744**	21,424,722
Others	**196,252**	6,975,834
	₱31,057,033	₱73,028,676

The principal assumptions used to determine retirement plan assets as at December 31 are as follows:

	2024	2023
Discount rate	**5.05% - 6.15%**	5.05% - 6.11%
Rate of compensation increase	**6.00% - 8.00%**	6.00% - 8.00%

The Group is not expected to contribute to the plan in 2024.

The retirement benefits expose the Group to the following risks:

- *Salary risk* - any increase in the qualified employees' salary will increase the net retirement liability.

- *Longevity risk* – any increase in the qualified employees' life expectancy will increase the net retirement liability.

- *Interest rate risk* - a decrease in the bond interest rate will increase the present value of the net retirement liability.

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, 2023 and 2022 assuming all other assumptions were held constant:

	2024		2023	
	Increase (Decrease)	**Increase (Decrease) in Defined Benefit Obligation**	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	**+100**	**(₱33,025,750)**	+100	(₱76,572,768)
	-100	**40,868,205**	-100	68,623,123
Salary increase rate	**+100**	**40,859,598**	+100	77,152,897
	-100	**(32,902,565)**	-100	(67,905,939)

The average duration of the defined benefit obligation is 13.02 years in 2024.

The maturity analysis (ten-year projection) of the undiscounted benefit payments follows:

	2024	2023
Less than one year	**₱2,113,464**	₱30,247,221
More than one year to five years	**4,302,736**	9,576,101
More than five years to ten years	**191,924,294**	220,724,900

17. **Equity**

Preferred Stock
As at December 31, 2024 and 2023, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. Under the provision of the Group's articles of incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

Common Stock
Common stock as at December 31, 2024 and 2023 consists of the following:

	Number of Shares	Amount
Authorized - ₱0.25 par value per share	37,630,000,000	₱9,407,500,000
Issued and subscribed	31,627,310,000	₱7,906,827,500

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
Common stock			
August 28, 1995	100,000,000,000	1,000,000,000	₱0.01
September 30, 1996	100,000,000,000	1,000,000,000	0.01
March 10, 1997	(198,000,000,000)	–	–
March 10, 1997	12,000,000,000	8,797,310,000	1.00
March 28, 2006	(1,870,000,000)	(1,870,000,000)	1.00
June 24, 2008	(1,000,000,000)	(1,000,000,000)	1.00
July 9, 2009	(1,000,000,000)	(1,000,000,000)	1.00
September 5, 2014	27,500,000,000	24,700,000,000	0.25
	37,630,000,000	31,627,310,000	
Preferred stock			
March 10, 1997	6,000,000,000	–	₱0.25*

**On May 29, 2014, SEC approved the reduction of par value of preferred shares to ₱0.25 from ₱1.00 per share.*

On November 7, 2024, the Parent Company's BOD approved the amendment of the Articles of Incorporation to increase the par value of the Parent Company's common shares from ₱0.25 to ₱1,000.00 per share. This amendment was subsequently approved by the stockholders during the Special Stockholders Meeting held on December 20, 2024. The increase in par value will result in the Parent Company's authorized capital stock of ₱10,907,500,000 being divided into: (a) 9,407,500 common shares with a par value of ₱1,000.00 per share; and (b) 6,000,000,000 preferred shares with a par value of ₱0.25 per share

As at December 31, 2024, the amendment is pending approval from the SEC. The proposed change in par value has no impact on the Parent Company's total equity position.

The Parent Company has 31,627,310,000 shares with 528 and 362 stockholders of record as at December 31, 2024 and 2023, respectively.

Additional Paid-in Capital

Additional paid-in capital as at December 31, 2024 and 2023 consists of the following:

Subscriptions and/or issuances of shares	₱6,941,634,391
Business combination	297,087,533
	₱7,238,721,924

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

Treasury Stock

The BOD authorized the buy-back of up to ₱500.0 million Parent Company's common shares to enhance the shareholder value.

As at December 31, 2024 and 2023, 410,379,000 shares have been bought back by the Parent Company with a cost of ₱220.4 million.

Parent Company Common Shares Held by a Subsidiary

POSC holds 377,143,000 common shares of the Parent Company equivalent to ₱509.6 million as at December 31, 2023. These are presented as "Cost of Parent Company common shares held by a subsidiary" and is treated as a reduction in equity.

In 2024, POSC sold its investment in shares of the Parent Company for ₱320.6 million as a result of the tender offer conducted by the Ultimate Parent Company for the purpose of voluntary delisting the Parent Company shares from the Main Board of PSE (see Note 1). The sale of the Parent Company shares held by POSC resulted to a loss of ₱189.0 million which was recognized as part of "Other reserves" account in the consolidated statements of changes in equity.

Retained Earnings

On October 26, 2024, the Parent Company's BOD approved the declaration of cash dividends of ₱0.08853 per share amounting to approximately ₱2,763.6 million to shareholders of record as at November 4, 2024. The dividends were paid on November 11, 2024.

On February 28, 2023, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at March 15, 2023. Total dividends are inclusive of dividends payable to a subsidiary which holds Parent Company shares amounting to ₱18.9 million.

On April 18, 2022, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at May 16, 2022. Total dividends are inclusive of dividends paid to a subsidiary which holds Parent Company shares amounting to ₱18.9 million.

The consolidated retained earnings as at December 31, 2024 and 2023 includes the accumulated earnings of the subsidiaries which are not currently available for dividend declaration unless declared by the subsidiaries of the Parent Company. The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of the SEC amounted to ₱1,914.4 million and ₱2,418.0 million as at December 31, 2024 and 2023, respectively.

Other Equity Reserves

Details of other equity reserves shown in the consolidated statements of financial position follows:

	Note	2024	2023
Cumulative unrealized valuation losses on financial assets at FVOCI	11	**(₱489,273,737)**	(₱537,667,720)
Cumulative remeasurement gains on net retirement liability		**9,482,937**	6,901,069
Other reserves		**(443,347,551)**	(254,319,697)
		(₱923,138,351)	(785,086,348)

18. Cost of Services

This account consists of:

	Note	2024	2023	2022
Amortization of intangible asset	10	**₱238,472,484**	₱238,472,484	₱238,472,484
Depreciation and amortization	13	**192,342,318**	45,233,477	29,217,792
Communication		**67,316,596**	35,853,495	43,522,403
Software and license fees	26	**43,447,330**	65,552,554	60,508,456
Online lottery system expenses		**27,613,705**	121,389,224	102,829,369
Payroll and related expenses		**15,057,821**	13,071,218	12,207,289
Service charges		**6,679,913**	–	–
Others		**10,315,217**	8,868,269	16,889,125
		₱601,245,384	₱528,440,721	₱503,646,918

19. General and Administrative Expenses

This account consists of:

	Note	2024	2023	2022
Salaries, wages and benefits		**₱72,852,925**	₱44,332,878	₱42,568,378
Outside services		**61,240,960**	67,563,347	62,805,069
Transportation and travel		**61,163,482**	76,509,531	68,096,691
Rental and utilities		**24,898,221**	14,813,288	5,812,273
Professional, service and management fees		**24,433,389**	25,016,660	20,921,858
Taxes and licenses		**22,910,038**	22,977,685	6,563,665
Marketing, advertising and promotion		**19,590,053**	19,424,873	12,036,387
Other external services		**19,414,987**	–	–
Provisions	15	**11,346,464**	124,685,209	187,363,193
Representation and entertainment		**6,765,183**	4,047,244	2,473,236
Depreciation and amortization	13	**6,241,245**	2,962,971	4,555,079
Placement and listing fee		**4,518,541**	1,517,047	1,374,499
Repairs and maintenance		**3,023,139**	1,598,131	1,251,808
Communication		**2,941,171**	17,922,729	2,508,353
Insurance		**847,079**	736,984	2,556,769
Pre-operating expenses		**–**	14,362,120	13,993,257
Miscellaneous		**9,427,221**	11,928,539	4,081,192
		₱351,614,098	₱450,399,236	₱438,961,707

Pre-operating expenses of PinoyLotto is as follows:

	2023	2022
Taxes and licenses	₱4,360,942	₱2,740,990
Professional fees	4,255,645	6,221,510
Rent and utilities	3,283,261	920,890
Entertainment and representation	535,557	398,094
Bank charges	2,976	3,266,241
Depreciation and amortization	2,224	7,200
Others	1,921,516	438,332
	₱14,362,121	₱13,993,257

Provisions represent estimated probable losses arising in the normal course of business in 2024, 2023, and 2022 (see Note 15).

20. Other Income (Charges)

This account consists of:

	Note	**2024**	2023	2022
Reversal of long-outstanding payables	15	**₱30,637,063**	₱–	₱–
Provision for doubtful accounts	8	**(1,940,214)**	–	–
Foreign exchange loss		**(996,948)**	(2,351,019)	(1,830,662)
Gain on sale of property and equipment	13	**290,267**	38,845	395,719
Gain on sale of investments held for trading	6	**885,410**	146,545,079	–
Service income		**–**	–	₱2,035,055
Sale of trademark		**–**	26,785,714	–
Net claims		**–**	20,218,195	–
Sale of scrap items		**–**	–	2,892,120
Others		**(188,634)**	8,246,328	3,408,834
		₱28,686,944	₱199,483,142	₱6,901,066

In November 2023, the Parent Company entered into a Trademark Assignment agreement with Diamond Powerwinners Corp. (DPC) where the Parent Company conveys the subject trademarks and assigns all of its rights, title and interest therein to DPC for a total consideration of ₱30.0 million (inclusive of VAT) payable in ten equal monthly installments. Gain on trademark assignment amounted to ₱26.8 million. All outstanding receivable was collected in 2024.

Others mainly consist of miscellaneous income and bank charges.

21. Income Taxes

The components of income taxes as reported in the consolidated statements of comprehensive income are as follows:

	2024	2023	2022
Current	**₱32,548,226**	₱133,538,442	₱14,627,225
Deferred	**(1,766,480)**	261,016	20,457,201
	₱30,781,746	₱133,799,458	₱35,084,426

Current income tax expense pertains to RCIT of the Parent Company and RCIT and MCIT of certain subsidiaries.

The components of the net deferred tax assets (liabilities) of the Group are as follows:

	2024	2023
Items recognized in profit or loss		
Costs incurred to fulfill a contract	**(₱7,665,028)**	₱–
Retirement benefits	**4,655,696**	1,518,148
Unamortized past service costs	**1,941,190**	4,255,619
Unrealized foreign exchange loss	**(7,210)**	(9,561)
Temporary differences attributable to joint operation	**428,878**	–
	(646,474)	5,764,206
Items recognized in other comprehensive income		
Cumulative remeasurement gains on retirement liability	**(4,236,327)**	(2,515,426)
Net deferred tax assets (liabilities)	**(₱4,882,801)**	₱3,248,780

Unrecognized deferred tax assets pertain to the following:

	2024	2023
Allowance for impairment losses on receivables	**₱107,742,365**	₱107,742,365
NOLCO	**59,333,193**	38,017,607
Excess MCIT over RCIT	**1,412,242**	312,034
Unamortized past service costs	**589,776**	979,844
	₱169,077,576	₱147,051,850

These were not recognized because management has assessed that there is no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 to implement Section 4 of the Republic Act No. 11494 (Bayanihan to Recover as One Act) allowing the net operating loss of a business or enterprise incurred for the taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

The details of the Group's unused NOLCO which can be claimed as deduction from future taxable income during the stated validity are as follows:

Year Incurred	Beginning Balance	Incurred	Applied	Expired	Ending Balance	Valid Until
2024	₱–	₱7,772,509	₱–	₱–	₱7,772,509	2027
2023	7,680,947	–	–	–	7,680,947	2026
2022	16,436,829	–	–	–	16,436,829	2025
2021	53,848,887	–	–	–	53,848,887	2026
2020	20,755,612	–		–	20,755,612	2025
	₱98,722,275	₱7,772,509	₱–	₱–	₱106,494,784	

As at December 31, 2024, the Group has excess MCIT over RCIT which can be claimed as deduction against tax due during the stated validity as follows:

Year Incurred	Beginning Balance	Incurred	Applied/ Expired	Ending Balance	Valid Until
2024	₱–	₱1,100,208	₱–	₱1,100,208	2027
2023	312,034	–	–	312,034	2026
	₱312,034	₱1,100,208	₱–	₱1,412,242	

The reconciliation between the provision for income tax computed at statutory tax rate and the provision for income tax shown in the consolidated statement of comprehensive income is as follows:

	2024	2023	2022
Income tax at statutory income tax rate	**₱1,189,296,904**	₱614,395,740	₱387,174,694
Income tax effects of:			
Nontaxable income	**(647,771,151)**	–	–
Income not subject to income tax	**(572,650,675)**	(589,808,774)	(383,096,549)
Marked-to-market losses (gains) on investments	**39,364,889**	(13,519,662)	–
Income subjected to final tax	**(30,847,458)**	(11,694,139)	(9,341,875)
Nondeductible provisions and expenses	**31,363,511**	117,839,382	66,096,064
Taxable income recognized directly in equity	**–**	56,514,765	–
Effect of optional standard deduction	**–**	(36,102,627)	–
Expired NOLCO	**–**	–	6,942
Change in unrecognized deferred tax assets	**22,025,726**	(3,825,227)	(25,754,850)
	₱30,781,746	₱133,799,458	₱35,084,426

Pursuant to Presidential Decree No. 1869, *Consolidating and Amending Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1399 and 1632, relative to the Franchise and Powers of the PAGCOR*, as amended by RA No. 9487, *PAGCOR Charter*, co-licensee's share from gaming revenue is subject to 5% franchise tax in lieu of all taxes. Accordingly, PLAI's gaming revenue share is not subjected to income tax.

Under the Corporate Recovery and Tax Incentives for Enterprises ("CREATE"), the RCIT of domestic corporations was reduced from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. MCIT was changed from 2% to 1% of gross income for a period of three years up to June 30, 2023. The rate of MCIT reverted to 2% based on gross income starting July 1, 2023. The impact of the revision is accounted for in 2023, if any.

22. **Related Party Transactions and Balances**

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, and subsidiaries. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Related party transactions amounting to 10% or higher of the Group's consolidated total assets are subject to the approval of the BOD. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions with Related Parties

In the ordinary course of business, the Group has the following transactions with related parties.

Related Party	Note	Nature of Transactions	Year	Transactions for the Year	Outstanding Balance of Assets	Terms and Conditions
Ultimate Parent Company	7	Notes receivable	**2024**	**₱–**	**₱2,100,000,000**	Unsecured and bearing interest rates ranging 5.95% to 6.37% and 5.87% to 6.50% in 2024 and 2023, respectively
			2023	–	2,100,000,000	
	11	Financial assets at FVOCI	**2024**	**48,993,983**	**165,979,614**	
			2023	–	116,985,631	
	7	Interest income	**2024**	**131,650,438**	**–**	Unsecured and noninterest-bearing, 30 days
			2023	205,583,013	–	
		Service fee	**2024**	**54,000,000**	**–**	Unsecured and noninterest-bearing, 30 days
			2023	54,000,000	–	
Affiliate		Marketing expense	**2024**	**18,583,333**	**–**	Unsecured and noninterest-bearing, 30 days
			2023	18,583,333	–	

As at December 31, 2024 and 2023, PLC has a Service Agreement with Belle wherein the latter shall provide services to support the operations of the casino license from PAGCOR. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Service fees amounting to ₱54.0 million in 2024, 2023 and 2022 were presented as part of "Outside services" under general and administrative expenses in the consolidated statements of comprehensive income.

In 2022, the Parent Company entered into an agreement with an affiliate for access to the latter's various corporate suites to promote patronage to the subsidiary's business. Marketing expense amounting was presented as part of "Marketing, advertising and promotion" line item under "General and administrative expenses" account in the consolidated statements of comprehensive income.

The outstanding balances at year-end are due on demand. There have been no guarantees provided or received for any related party receivables or payables and settlements occur in cash.

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

	2024	2023	2022
Short-term employee benefits	**₱15,057,821**	₱13,657,558	₱21,526,866
Retirement benefits costs	**2,609,165**	2,473,999	3,997,315
	₱17,666,986	₱16,131,557	₱25,524,181

23. **Lease**

Group as Lessor

POSC leased online lotto equipment and accessories to PCSO until September 30, 2023. Rental income amounted to ₱9.6 million, ₱469.8 million and ₱512.7 million in 2024, 2023 and 2022, respectively, (see Note 26). The rental income in 2023 and 2022 is based on a percentage of gross sales of lotto tickets from PCSO's Luzon and VISMIN operations while the rental income in 2024 is primarily due to continuing costs incurred from ticket validations.

On October 1, 2023, PinoyLotto commenced its commercial operations for a five year-lease of the customized PCSO Lottery System at a contract price of ₱5,800.0 million. Pursuant to the contract, 6,500 terminals were installed and are in operation nationwide. Rental income amounted to ₱517.9 million and ₱129.5 million in 2024 and 2023, respectively (see Note 4).

TGTI leased "Online KENO" equipment and accessories to PCSO until April 1, 2022. Rental payment by PCSO was based on certain percentage of the gross amount of "Online KENO" games from the operation of all TGTI's KENO terminals. Rental income amounted to ₱6.3 million in 2022 (see Note 26).

Group as Lessee

The Group leases office space, and warehouses. The leases typically run for a period of two to five years, with an option to renew the lease after the end date.

In November 2023, SLRC (sublessee) entered into a sublease agreement with Global Gateway Development Corporation (sublessor) for the lease of land. The lease term is 62 years. Rent is payable upon execution of the sublease agreement amounting to ₱2.7 billion.

Amounts recognized in the consolidated statements of comprehensive income follow:

	Note	**2024**	2023	2022
Rent expense		**₱17,266,475**	₱18,092,195	₱12,592,852
Amortization on ROU assets	13	**43,851,524**	9,147,229	4,645,028
Interest expense on lease liabilities		**30,797**	24,897	220,505
		₱61,148,796	₱27,264,321	₱17,458,385

Interest expense on lease liabilities is recognized under "Finance cost" account in the consolidated statements of comprehensive income.

Rent expense pertains to low-value asset leases on storage and short-term leases on warehouses.

The movements in the ROU assets are presented below:

	Note	2024	2023
Balance at beginning of year		**₱2,655,189,953**	₱1,815,399
Amortization	13	**(43,851,524)**	(9,147,229)
Addition		**–**	2,662,521,783
Modification		**22,987**	–
Balance at end of year		**₱2,611,361,416**	₱2,655,189,953

The movements in the lease liabilities are presented below:

	2024	2023
Balance at beginning of year	**₱502,798**	₱1,891,442
Payments	**(499,137)**	(2,663,827,027)
Interest expense	**30,797**	24,897
Modification	**22,987**	–
Addition	**–**	2,662,413,486
Balance at end of year	**57,445**	502,798
Current portion	**57,445**	294,303
Noncurrent portion	**₱–**	₱208,495

Refundable deposits amounted to ₱2.3 million and ₱3.0 million as at December 31, 2024 and 2023, respectively (see Note 9).

The future minimum lease payments within one year under noncancellable leases amounted to ₱114,890.

24. **Basic/Diluted Earnings per Common Share**

As at December 31, 2024, 2023 and 2022, the basic/diluted earnings per share were computed as follows:

	2024	2023	2022
Earnings attributable to Equity holders of the Parent (a)	**₱2,072,240,966**	₱2,185,274,122	₱1,159,554,790
Weighted average number of outstanding common shares (b)	**31,091,216,667**	30,839,788,000	30,839,788,000
Basic/diluted EPS (a/b)	**₱0.0667**	₱0.0709	₱0.0376

The weighted average number of common shares outstanding are computed as follows:

	2024	2023	2022
Number of outstanding shares at beginning of year	**30,839,788,000**	30,839,788,000	30,839,788,000
Weighted average number of Parent Company shares disposed by a subsidiary during the year	**251,428,667**	–	–
	31,091,216,667	30,839,788,000	30,839,788,000

There are no common stock equivalents that would have a dilutive effect on the basic earnings per share.

25. **Financial Instruments**

Financial Risk Management Objectives and Policies

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

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

It is the Group's policy that no trading of financial instruments should be undertaken by the Group.

The main risks arising from the financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing these risks.

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

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

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

	2024						
	Neither Past Due nor Impaired	Past Due but not Impaired Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	**₱1,744,285,918**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,744,285,918**
Notes receivable	**2,100,000,000**	**–**	**–**	**–**	**–**	**–**	**2,100,000,000**
Receivables	**410,085,315**	**–**	**–**	**–**	**–**	**545,456,156**	**955,541,471**
Guarantee deposits**	**79,000,000**	**–**	**–**	**–**	**–**	**–**	**79,000,000**
Advances to contractors***	**139,738,757**	**–**	**–**	**–**	**–**	**–**	**139,738,757**
Refundable deposits***	**2,291,727**	**–**	**–**	**–**	**–**	**–**	**2,291,727**
	₱4,475,401,717	**₱–**	**₱–**	**₱–**	**₱–**	**₱545,456,156**	**₱5,020,857,873**

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

	2023						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	₱1,999,771,875	₱–	₱–	₱–	₱–	₱–	₱1,999,771,875
Notes receivable	2,100,000,000	–	–	–	–	–	2,100,000,000
Receivables	486,283,555	–	–	–	–	543,515,942	1,029,799,497
Guarantee deposits**	91,000,000	–	–	–	–	–	91,000,000
Advances to contractors***	139,738,757	–	–	–	–	–	139,738,757
Refundable deposits***	3,036,529	–	–	–	–	–	3,036,529
	₱4,819,830,716	₱–	₱–	₱–	₱–	₱543,515,942	₱5,363,346,658

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

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

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

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

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

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

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

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
High Grade				
Cash and cash equivalents*	**₱1,744,285,918**	**₱–**	**₱–**	**₱1,744,285,918**
Notes receivable	**2,100,000,000**	**–**	**–**	**2,100,000,000**
Receivables	**410,085,315**	**–**	**–**	**410,085,315**
Guarantee deposit**	**79,000,000**	**–**	**–**	**79,000,000**
Advances to contractors***	**139,738,757**	**–**	**–**	**139,738,757**
Refundable deposits***	**2,291,727**	**–**	**–**	**2,291,727**
Substandard Grade				
Receivables	**–**	**–**	**545,456,156**	**545,456,156**
Gross Carrying Amount	**₱4,475,401,717**	**₱–**	**₱545,456,156**	**₱5,020,857,873**

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

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High Grade				
Cash and cash equivalents*	₱1,999,771,875	₱–	₱–	₱1,999,771,875
Notes receivable	2,100,000,000	–	–	2,100,000,000
Receivables	486,283,555	–	–	486,283,555
Guarantee deposit**	91,000,000	–	–	91,000,000
Advances to contractors**	139,738,757	–	–	139,738,757
Refundable deposits**	3,036,529	–	–	3,036,529
Substandard Grade				
Receivables	–	–	543,515,942	543,515,942
Gross Carrying Amount	₱4,819,830,716	₱–	₱543,515,942	₱5,363,346,658

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

High grade financial assets consist of receivables, which are normally settled by the counterparty following the terms. Standard grade financial assets consist of receivables from its counterparties with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

ECL for trade receivables is based on simplified approach which requires a lifetime ECL computation.

Other financial assets at amortized cost consist mostly of cash and cash equivalents, notes receivables, other receivables, guarantee deposit, advances to contractors and refundable deposits. It is the Company's policy to measure ECL on the foregoing instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Cash and cash equivalents are deposited and invested with the top ten banks in the Philippines and are considered low risk credit investments.

Notes receivables have low credit risk, since the related parties with whom the Group has transacted with are not expected to default in settling its obligations with respect to these financial assets. Hence, these financial assets are considered high grade.

For guarantee deposits, advances to contractors and refundable deposits, credit risk is low since the parties are not expected to default in settling its obligations and the Group only transacted with reputable companies with respect to these financial assets.

Receivables with high probability of delinquency and default were provided with allowance for impairment losses.

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2024 and 2023 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	**2024**	2023
Impact in profit or loss		
5%	**₱2,137,226**	₱5,000,638
(5%)	**(2,137,226)**	(5,000,638)
Impact in other comprehensive income		
1%	**1,780,607**	1,296,667
(1%)	**(1,780,607)**	(1,296,667)

Liquidity Risk. Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Group considers obtaining borrowings as the need arises.

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

	2024				
	Less than 3 months	**3-6 months**	**6-12 months**	**More than 12 months**	**Total**
Trade payables and other current liabilities*	**₱242,372,746**	**₱–**	**₱–**	**₱12,356,873**	**₱254,729,619**
Loan payable	**–**	**–**	**138,980,392**	**277,960,784**	**416,941,176**
Lease liabilities**	**57,445**	**–**	**–**	**–**	**57,445**
	₱242,430,191	**₱–**	**₱138,980,392**	**₱290,317,657**	**₱671,728,240**

**Excluding provisions and statutory payables*
***Based on undiscounted payments*

	2023				
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade payables and other current liabilities*	₱314,614,496	₱–	₱–	₱58,832,186	₱373,446,682
Loan payable	58,823,529	–	–	411,764,706	470,588,235
Lease liabilities**	373,960	–	–	305,745	679,705
	₱373,811,985	₱–	₱–	₱470,902,637	₱844,714,622

**Excluding provisions and statutory payables*
***Based on undiscounted payments*

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates.
It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Group seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.

As at December 31, 2024 and 2023, foreign currency-denominated financial assets and financial liability in US dollars, translated into Philippine peso at the closing rate are as follows:

	2024		2023	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Cash and cash equivalents	**$1,137,079**	**₱65,962,131**	$1,027,608	₱56,693,402
Trade payables*	**(2,180,257)**	**(126,127,922)**	(160,700)	(8,865,861)
Foreign currency-denominated financial assets (liabilities)	**($1,043,178)**	**(₱60,165,791)**	$866,908	₱47,827,541

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

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱58.01 to US$1.0 and ₱55.17 to US$1.0, as at December 31, 2024 and 2023, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2024 and 2023. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2024		2023	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
Change in US$ rate	**3%**	**(3%)**	3%	(3%)
Effect on income before income tax	**(₱2,164,407)**	**₱2,164,407**	₱2,748,044	(₱2,748,044)

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2024 and 2023.

The Group considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱16,267.6 million and ₱16,587.5 million as at December 31, 2024 and 2023, respectively.

The Group is not subject to any externally imposed capital requirements.

<u>Fair Value of Financial Instruments</u>

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

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At FVPL				
Investments held for trading	**₱42,744,518**	**₱42,744,518**	₱100,012,769	₱100,012,769
At FVOCI				
Financial assets at FVOCI	**178,060,714**	**178,060,714**	129,666,731	129,666,731
	₱220,805,232	**₱220,805,232**	₱229,679,500	₱229,679,500
Financial Liabilities				
Loans Payable	**₱416,941,176**	**₱404,355,763**	₱470,588,235	₱463,882,778

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of financial assets at FVPL and financial assets at FVOCI in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss. The fair value measurement of financial assets at FVPL and FVOCI is classified as Level 1.

Loan Payable. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rate used for loans payable 6.05% in 2024 and 5.89% in 2023. The fair value measurement of loan payables is classified as Level 2.

The carrying values of the following financial instruments approximate their fair values:

	2024	2023
Financial Assets at Amortized Cost:		
Cash and cash equivalents	**₱1,744,285,918**	₱2,000,178,939
Notes receivable	**2,100,000,000**	2,100,000,000
Receivables	**410,085,315**	486,283,555
Guarantee deposits*	**79,000,000**	91,000,000
Advances to contractors*	**139,738,757**	139,738,757
Refundable deposits*	**2,291,727**	3,036,529
	₱4,475,401,717	₱4,820,237,780
Financial Liabilities at Amortized Cost:		
Trade payables and other current liabilities**	**₱109,383,198**	₱373,446,682

**Presented under "Other current assets" account in the consolidated statements of financial position.*
***Presented under "Other noncurrent assets" account in the consolidated statements of financial position.*
****Excluding provisions and statutory payables.*

Cash and Cash Equivalents, Notes Receivables, Receivables, Trade Payables and Other Current Liabilities (excluding Provisions and Statutory Payables). The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Refundable Deposits and Guarantee Deposits. The carrying value of refundable deposits and guaranteed deposit approximates fair value as at December 31, 2024 and 2023 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

The Group has no financial liabilities measured at fair value as at December 31, 2024 and 2023. There were no transfers between fair value measurements in 2024 and 2023.

26. Significant Contracts and Commitments

Operating Agreement with Melco

On March 13, 2013, Belle, together with PLAI, entered into an Operating Agreement with MPHIL Holdings No. 2 Corporation, MPHIL Holdings No. 1 Corporation and Melco. Under the terms of the Operating Agreement, Melco was appointed as the operator and manager of the casino development project.

The Operating Agreement shall be in full force and effect for the period of the PAGCOR License, unless terminated earlier in accordance with the agreements among the parties.

Pursuant to this agreement, the PLAI shares from the performance of the casino gaming operations.

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

	2024	2023	2022
Gaming revenue share - gross	**₱3,011,897,507**	₱3,170,196,608	₱1,973,905,543
Less PAGCOR license fee paid by Melco	**721,294,805**	830,861,734	413,060,131
Gaming revenue share - net	**₱2,290,602,702**	₱2,339,334,874	₱1,560,845,412

Agreements with PCSO

POSC. POSC had an ELA with the PCSO for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment of PCSO. This also includes the supply of betting slips and ticket paper rolls. The ELA was concluded on September 30, 2023.

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

Pursuant to the amended ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The cash bond under the ELA, included under "Other current assets" account in the consolidated statements of financial position as at December 31, 2023 amounting to ₱12.0 million was refunded in 2024 (see Note 9).

The rental fee presented as "Equipment rental" in the consolidated statements of comprehensive income is disclosed in Note 23.

WABP. On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO. Under the arrangement, POSC will be acting as PCSO's exclusive agent and generate fees based on a certain percentage of revenues. This was launched on December 15, 2023 and ended on July 12, 2024 upon the instruction of PCSO as it gears toward making the E-lotto services better and as it transitions to a new platform.

Cash bond for the E-lottery system, included under "Other current assets" account in the consolidated statements of financial position as at December 31, 2024 and 2023 amounted to ₱79.0 million (see Note 9).

Fees presented as "Commission income" in the separate statements of comprehensive income amounted to ₱2.3 million in 2023 which is based on 14.0% of E-lotto sales. In 2024, the terms of arrangement were revised to indicate that POSC, instead of receiving commission, shall be reimbursed for reasonable actual costs as may be determined by the PCSO BOD, but in no case, shall it exceed 8.0% of the generated sales less any taxes due. In relation to this, POSC billed PCSO ₱35.4 million, net of taxes, in September 2024. Upon request of PCSO, PCSO has already submitted the supporting documentations for the amount billed. As at December 31, 2024, these documents are still under the review by the PCSO, accordingly, no revenue was recognized in 2024.

On June 19, 2024, POSC received a Notice of Award from PCSO after a bidding process for a five-year lease of its WABP. With the issuance of the Notice of Award, POSC will now have to comply with the post-Notice of Award requirements of the PCSO; thereafter, the contract between POSC and PCSO covering the terms and conditions of the WABP project will be executed. The commercial operation will commence 76 days from the receipt of the Notice to Proceed. As at December 31, 2024, PCSO has not yet issued the Notice to Proceed. The related costs incurred to fulfill a contract amounting to ₱30.7 million included under "Other current assets" account in the consolidated statements of financial position will be amortized over the term of the lease (see Note 9).

Contracts with Scientific Games and Intralot and Management Agreement

Scientific Games. POSC had a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland until September 30, 2023 for the use of computer hardware and operating system for the Visayas-Mindanao Online Lottery System. Pursuant to the contract, POSC paid Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of the online lottery operation.

Intralot. POSC and TGTI have the contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI paid Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The contract was extended, with POSC until September 30, 2023 and TGTI until March 31, 2022.

Software and license fee recognized amounted to ₱43.4 million, ₱65.6 million and ₱60.5 million in 2024, 2023 and 2022, respectively (see Note 18). Software and license fees payable amounted to nil and ₱8.9 million as at December 31, 2024 and 2023, respectively (see Note 15).

27. Supplemental Schedule of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	January 1, 2024	**Modifications**	**Additions**	**Finance Costs**	**Cash Flows**	**December 31, 2024**
Lease liabilities	**₱502,798**	**₱22,987**	**₱–**	**₱30,797**	**(₱499,137)**	**₱57,445**
Dividends payables	**–**	**–**	**2,763,634,901**	**–**	**(2,763,634,901)**	**–**
Loans payable	**470,588,235**	**–**	**80,000,000**	**–**	**(133,647,059)**	**416,941,176**
Interest on loan payable	**–**	**–**	**–**	**36,547,084**	**(32,535,518)**	**4,011,566**
Total liabilities from financing activities	**₱471,091,033**	**₱22,987**	**₱2,843,634,901**	**₱36,577,881**	**(₱2,930,316,615)**	**₱421,010,187**

	January 1, 2023	Modifications	Additions	Finance Costs	Cash Flows	December 31, 2023
Lease liabilities	₱1,891,442	₱–	₱2,662,413,486	₱24,897	(₱2,663,827,027)	₱502,798
Dividends payables	–	–	1,589,021,262	–	(1,589,021,262)	–
Loans payable	67,500,000	–	500,000,000		(114,790,074)	470,588,235
Interest on loan payable	–	–	–	17,878,309	(17,878,309)	–
Total liabilities from financing activities	₱69,391,442	₱–	₱4,751,434,748	₱17,903,206	(₱4,385,516,672)	₱471,091,033

	January 1, 2022	Modifications	Additions (Reversals)	Finance Costs	Cash Flows	December 31, 2023
Lease liabilities	₱6,872,952	₱–	(₱212,143)	₱220,505	(₱4,989,872)	₱1,891,442
Dividends payables	–	–	1,549,390,949	–	(1,549,390,949)	–
Loans payable	–	–	67,500,000	–	–	67,500,000
Total liabilities from financing activities	₱6,872,952	₱–	₱1,616,678,806	₱220,505	(₱1,554,380,821)	₱69,391,442

28. Events After the Reporting Period

On January 29, 2025, POSC entered into an Investment Agreement with HHR Philippines, Inc. (HHRPI) together with the latter's principal shareholders. Pursuant to the agreement, POSC shall subscribe to 81,000 common shares translating to 37.50% of the total issued and outstanding capital stock of HHRPI for the amount of ₱150.0 million, which shall be paid in three tranches.

The proceeds of POSC capital infusion will be utilized by HHRPI primarily to fund its expansion program.

HHRPI, a software and professional service provider of electronic gaming platforms for land-based and online gaming operators, is licensed and accredited by the Philippine Amusement and Gaming Corporation (PAGCOR). At the same time, it is a holder of a PAGCOR Gaming License for online gaming (e-Casino) under the brand "Buenas".

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited the accompanying financial statements of Premium Leisure Corp. (the Parent Company) and its Subsidiaries as at and December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022, on which we have rendered our report dated February 21, 2025.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has 499 stockholders owning 100 or more shares each.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782/P-005; Valid until June 6, 2026
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 10467126
Issued January 2, 2025, Makati City

February 21, 2025
Makati City, Metro Manila

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Premium Leisure Corp. and Subsidiaries (the Group) as at and for the years ended December 31, 2024, 2023 and 2022 and have issued our report thereon dated February 21, 2025. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole.

The following supplementary schedules are the responsibility of the Group's management. These are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements:

- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration as at December 31, 2024
- Schedules required by Annex 68-J as at December 31, 2024
- Conglomerate Map as at December 31, 2024
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2024 and 2023

The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

The Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management.

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782/P-005; Valid until June 6, 2026
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 10467126
Issued January 2, 2025, Makati City

February 21, 2025
Makati City, Metro Manila

PREMIUM LEISURE CORP. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2024 and 2023

Ratio	Formula	2024	2023
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		
	Total Current Assets	**₱4,835,297,427**	₱4,993,163,137
	Divide by: Total Current Liabilities	**827,704,115**	844,510,462
	Current Ratio	**5.84**	5.91
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		
	Total Current Assets	**₱4,835,297,427**	₱4,993,163,137
	Less Other Current Assets	**537,816,947**	306,687,874
	Quick Assets	**4,297,480,480**	4,686,475,263
	Divide by: Total Current Liabilities	**827,704,115**	844,510,462
	Acid Test Ratio	**5.19**	5.55
Debt-to-Equity Ratio	**Total Interest-Bearing debt divided by Total Equity**		
	Total interest-bearing debt	**₱416,941,176**	₱470,588,235
	Total Equity	**16,601,392,548**	17,048,252,331
	Debt to Equity Ratio	**2.51%**	2.76%
Asset-to-Equity Ratio	**Total Assets divided by Total Equity**		
	Total Assets	**₱17,737,520,223**	₱18,320,750,293
	Total Equity	**16,601,392,548**	17,048,252,331
	Asset to Equity Ratio	**1.07**	1.07
Interest Rate Coverage Ratio	**Earnings Before Interest and Taxes divided by Total Interest Expense**		
	Net Income Before Income Tax	**₱2,111,586,509**	₱2,457,718,362
	Less: Interest income	**(255,204,090)**	(254,011,944)
	Add: Interest Expense	**36,577,881**	17,903,206
	Earnings Before Interest and Taxes	**1,892,960,300**	2,221,609,624
	Divide by: Interest Expense	**36,577,881**	17,903,206
	Interest Rate Coverage Ratio	**51.75**	124.09

Ratio	Formula	2024	2023
Return on Equity	**Net Income divided by Average Total Equity**		
	Net Income	**₱2,080,804,763**	₱2,323,918,904
	Average Total Equity	**16,824,822,440**	16,608,818,071
	Return on Equity	**12.37%**	13.99%
Return on Assets	**Net Income divided by Average Total Assets**		
	Net Income	**₱2,080,804,763**	₱2,323,918,904
	Average Total Assets	**18,029,135,258**	17,653,327,916
	Return on Assets	**11.54%**	13.16%
Solvency Ratio	**Net Income Before Non-Cash Expenses divided by Total Liabilities**		
	Net Income	**₱2,080,804,763**	₱2,323,918,904
	Add: Non-Cash Expenses	**451,332,478**	416,724,288
	Net Income Before Non-Cash Expenses	**2,532,137,241**	2,740,643,192
	Total Liabilities	**1,136,127,675**	1,272,497,962
	Solvency Ratio	**2.23**	2.15
Net Profit Margin	**Net Income divided by Total Revenue**		
	Net Income	**₱2,080,804,763**	₱2,323,918,904
	Total Revenue	**2,818,084,845**	2,940,888,530
	Net Profit Margin	**73.84%**	79.02%

PREMIUM LEISURE CORP. AND SUBSIDIARIES

PARENT COMPANY'S RECONCILIATON OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2024

Unappropriated retained earnings, beginning of reporting period, as adjusted	₱2,636,081,381
Add: Net income for the current year	2,080,804,763
Less: Category B: Items that are directly debited to unappropriated retained earnings	
Dividend declaration during the reporting period	(2,802,462,817)
Total retained earnings, end of the reporting period available for dividend	₱1,914,423,327

PREMIUM LEISURE CORP. AND SUBSIDIARIES

SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6
PART II OF REVISED SRC RULE 68
DECEMBER 31, 2024

Table of Contents

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Financial Assets at Fair Value through Profit or Loss				
APC Group, Inc.	45,821,000	₱8,476,885	₱8,476,885	₱–
Vantage Equities, Inc.	43,376,750	34,267,633	34,267,633	–
		₱42,744,518	**₱42,744,518**	**₱–**
Financial Assets at Fair Value through Other Comprehensive Income				
Belle Corporation	99,987,719	₱165,979,614	₱165,979,614	₱–
Tagaytay Highlands International Golf Club, Inc.	2	6,000,000	6,000,000	–
Tagaytay Midlands Golf Club Inc.	2	6,000,000	6,000,000	–
APC Group, Inc.	–	11,100	11,100	–
PLDT Inc.	–	70,000	70,000	–
		178,060,714	**178,060,714**	**–**
		₱220,805,232	**₱220,805,232**	**₱–**

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	₱873,536	₱1,683,262	₱686,643	₱–	₱1,870,155	₱–	₱1,870,155

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial statements

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Allowance for Doubtful Accounts	Current	Not Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	₱6,503,380	₱–	₱–	₱–	₱–	₱6,503,380	₱6,503,380
Premium Leisure Corp. (Parent)	2,662,720,128	–	–	–	–	2,662,720,128	2,662,720,128
	₱2,669,223,508	₱–	₱–	₱–	₱–	₱2,669,223,508	₱2,669,223,508

Schedule D. Intangible Assets – Other Assets

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Ending Balance
License	₱8,237,237,067	₱–	₱238,472,484	₱7,998,764,583
Goodwill	926,007,748	–	–	926,007,748
	₱9,163,244,815	**₱–**	**₱238,472,484**	**₱8,924,772,331**

Schedule E. Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Loan Payable			
Unionbank of the Philippines	₱580,000,000	₱138,980,392	₱277,960,784

Schedule H. Capital Stock

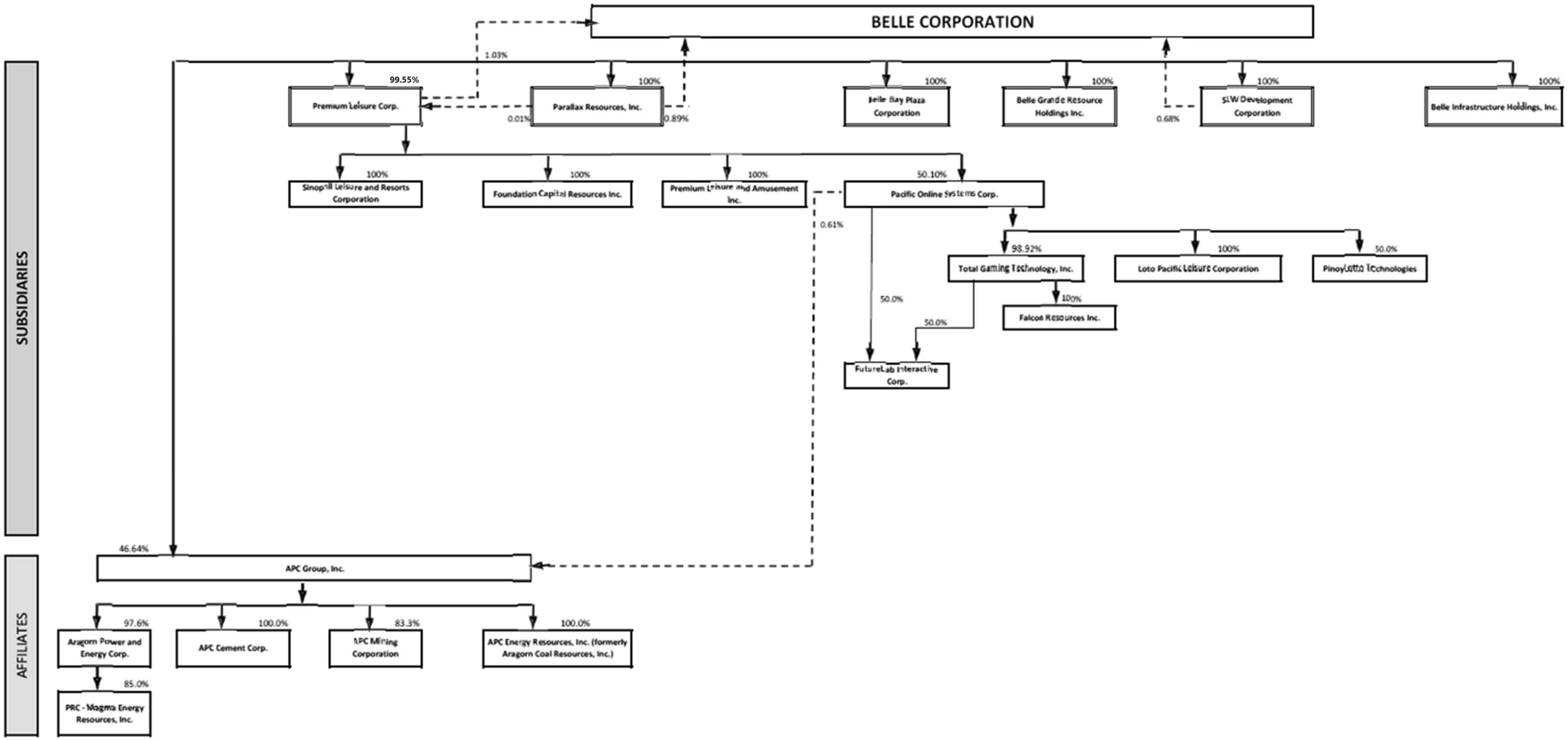
Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,216,931,000	–	31,077,096,570	3,053,104	136,781,326
Preferred Stock	6,000,000,000	–	–	–	–	–

* Net of 410,379,000 treasury stock

PREMIUM LEISURE CORP. AND SUBSIDIARIES

Map of the Relationship of the Companies within the Group

December 31, 2024



PREMIUM LEISURE CORP. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION

DECEMBER 31, 2024 AND 2023

	2024	2023
Total Audit Fees	**₱446,250**	₱525,000
Non-audit services fees:		
Other assurance services	**–**	–
Tax services	**–**	–
All other services	**–**	–
Total Non-Audit Fees	**–**	–
Total Audit and Non-audit Fees	**₱446,250**	₱525,000

Audit and Non-audit Fees of Other Related Entities

	2024	2023
Audit Fees	**₱463,150**	₱470,000
Non-audit services fees:		
Other assurance services	**–**	–
Tax services	**–**	–
All other services	**70,000**	70,000
Total Audit and Non-audit Fees of Other Related Entities	**₱533,150**	₱540,000