



P R E M I U M
LEISURE CORP.

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

The management of **Premium Leisure Corp and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2025, 2024 and 2023**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, for the periods December 31, 2025 and 2024 have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

WILLY N. OCIER
Chairman of the Board

ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer

DIOVILLE M. VILLARIAS
Chief Finance Officer / Treasurer

Signed this 26th day of February 2026

SUBSCRIBED AND SWORN to before me this 26 day of FEB 26 2026 2026 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER			Manila
ARMIN ANTONIO B. RAQUEL SANTOS			Manila
DIOVILLE M. VILLARIAS			NCR South

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ATTY. RYAN ANTHONY G. PERENA
NOTARY PUBLIC for MAKATI CITY
Commission No. M-012 until Dec. 31, 2027
Roll of Attorneys 77327
PTR No. 10465813; 01/02/2026; Makati City
IBP OR No. 566188 12/16/2025; Pasig City
MCLE Compliance No. VIII-0000389
8553 San Jose St., Guadalupe Nuevo, Makati City



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

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, 2025 and 2024, 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, 2025, 2024 and 2023, 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2025, 2024 and 2023 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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.

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 Accounting Standards, 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.

GRACE M. ALBUNIAN
Partner

February 26, 2026
Makati City, Metro Manila

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱2,182,311,041	₱1,744,650,647
Investments held for trading	6	43,462,334	42,744,518
Notes receivable	7	1,500,000,000	2,100,000,000
Receivables	8	427,495,213	410,085,315
Other current assets	9	398,677,620	537,816,947
Total Current Assets		4,551,946,208	4,835,297,427
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	10	142,664,889	178,060,714
Property and equipment	13	498,105,239	652,211,504
Right-of-use (ROU) assets	23	2,568,707,616	2,611,361,416
Investment properties	12	285,510,452	285,510,452
Intangible asset	11	7,760,292,099	7,998,764,583
Goodwill	14	926,007,748	926,007,748
Other noncurrent assets	9	349,543,538	250,306,379
Total Noncurrent Assets		12,530,831,581	12,902,222,796
		₱17,082,777,789	₱17,737,520,223
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	15	₱691,675,861	₱688,666,278
Current portion of:			
Loans payable	4	138,980,392	138,980,392
Lease liabilities	23	333,767	57,445
Total Current Liabilities		830,990,020	827,704,115
Noncurrent Liabilities			
Loans payable - net of current portion	4	138,980,392	277,960,784
Net retirement liability	16	21,694,857	25,579,975
Lease liabilities - net of current portion	23	444,791	-
Net deferred tax liabilities	21	718,655	4,882,801
Total Noncurrent Liabilities		161,838,695	308,423,560
Total Liabilities		992,828,715	1,136,127,675

(Forward)

		December 31	
	Note	2025	2024
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		(220,767,230)	(220,430,080)
Other equity reserves		(956,425,896)	(923,138,351)
Retained earnings		1,754,598,281	2,265,651,784
		15,722,954,579	16,267,632,777
Non-controlling interests		366,994,495	333,759,771
Total Equity		16,089,949,074	16,601,392,548
		₱17,082,777,789	₱17,737,520,223

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2025	2024	2023
REVENUE				
Gaming revenue share	26	₱1,895,064,052	₱2,290,602,702	₱2,339,334,874
Equipment rental	23	524,171,429	527,482,143	599,221,040
Commission income	26	–	–	2,332,616
		2,419,235,481	2,818,084,845	2,940,888,530
COST AND EXPENSES				
Cost of services	18	613,940,304	601,245,384	528,440,721
General and administrative	19	369,481,227	351,614,098	450,399,236
		983,421,531	952,859,482	978,839,957
OTHER INCOME (CHARGES)				
Interest income	5	212,390,647	255,204,090	254,011,944
Finance cost	4, 23	(24,654,742)	(36,577,881)	(17,903,206)
Dividend income	6, 10	21,181,126	–	5,999,263
Marked-to-market gains (losses) on investments held for trading	6	717,816	(952,007)	54,078,646
Others - net	20	55,017,438	28,686,944	199,483,142
		264,652,285	246,361,146	495,669,789
INCOME BEFORE INCOME TAX		1,700,466,235	2,111,586,509	2,457,718,362
PROVISION FOR INCOME TAX	21	11,427,022	30,781,746	133,799,458
NET INCOME		1,689,039,213	2,080,804,763	2,323,918,904
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that will not be reclassified to profit or loss:</i>				
Unrealized valuation gain (loss) on financial assets at FVOCI	10	(35,395,825)	48,393,983	153,203,945
Remeasurement gains (losses) on net retirement liability, net of tax	16	6,661,443	5,162,703	(9,233,066)
		(28,734,382)	53,556,686	143,970,879
TOTAL COMPREHENSIVE INCOME		₱1,660,304,831	₱2,134,361,449	₱2,467,889,783
Net income attributable to:				
Equity holders of the Parent Company		₱1,660,357,652	₱2,072,240,966	₱2,185,274,122
Non-controlling interests		28,681,561	8,563,797	138,644,782
		₱1,689,039,213	₱2,080,804,763	₱2,323,918,904
Total comprehensive income attributable to:				
Equity holders of the Parent Company		₱1,629,315,638	₱2,123,193,528	₱2,333,860,610
Non-controlling interests		30,989,193	11,167,921	134,029,173
		₱1,660,304,831	₱2,134,361,449	₱2,467,889,783
Basic/Diluted Earnings per Common Share	24	₱209.9887	₱266.6015	₱283.4357

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
		2025	2024	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			
Balance at beginning of year		(220,430,080)	(220,430,080)	(220,430,080)
Additions		(337,150)	–	–
Balance at end of year		(220,767,230)	(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)
Disposal		–	509,597,055	–
Balance at end of year		–	–	(509,597,055)
OTHER EQUITY RESERVES	17			
Cumulative Unrealized Losses on Financial Assets at FVOCI	10			
Balance at beginning of year		(489,273,737)	(537,667,720)	(464,506,680)
Net unrealized gains (losses)		(35,395,825)	48,393,983	153,203,945
Realized portion of the fair value reserve		–	–	(226,364,985)
Balance at end of year		(524,669,562)	(489,273,737)	(537,667,720)
Cumulative Remeasurement Gains on Net Retirement Liability	16			
Balance at beginning of year		9,482,937	6,901,069	11,518,526
Net remeasurement gains (losses)		2,108,280	2,581,868	(4,617,457)
Balance at end of year		11,591,217	9,482,937	6,901,069
Other Reserves	17			
Balance at beginning of year		(443,347,551)	(254,319,697)	(254,319,697)
Loss on disposal of Parent Company shares held by a subsidiary		–	(189,027,854)	–
Balance at end of year		(443,347,551)	(443,347,551)	(254,319,697)
		(956,425,896)	(923,138,351)	(785,086,348)
RETAINED EARNINGS				
Balance at beginning of year		2,265,651,784	2,957,045,719	2,094,797,559
Net income		1,660,357,652	2,072,240,966	2,185,274,122
Dividends declared	17	(2,171,411,155)	(2,763,634,901)	(1,549,390,947)
Realized portion of the fair value reserve		–	–	226,364,985
Balance at end of year		1,754,598,281	2,265,651,784	2,957,045,719
Equity Attributable to the Equity Holders of the Parent Company		15,722,954,579	16,267,632,777	16,587,481,660
Non-controlling Interests				
Balance at beginning of year		333,759,771	460,770,671	366,371,813
Share in net income		28,681,561	8,563,797	138,644,782
Share in other comprehensive income (loss)		4,553,163	2,580,835	(4,615,609)
Impact of additional shares acquired by a subsidiary	4	–	(99,327,616)	–
Dividends declared	4	–	(38,827,916)	(39,630,315)
Balance at end of year		366,994,495	333,759,771	460,770,671
TOTAL EQUITY		₱16,089,949,074	₱16,601,392,548	₱17,048,252,331

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱1,700,466,235	₱2,111,586,509	₱2,457,718,362
Adjustments for:				
Amortization of intangible asset	11	238,472,484	238,472,484	238,472,484
Depreciation and amortization	13	214,562,644	198,583,563	48,196,448
Interest income	5	(212,390,647)	(255,204,090)	(254,011,944)
Reversals of provisions and accrued expenses	15	(30,000,000)	(30,637,063)	–
Finance costs	4, 23	24,654,742	36,577,881	17,903,206
Dividend income	6, 10	(21,181,126)	–	(5,999,263)
Share in net loss of an associate	20	6,185,271	–	–
Gain on disposal of:				
Investment in an associate	20	(6,185,271)	–	–
Property and equipment	13	(750,340)	(290,267)	(38,845)
Investments held for trading	6	–	(885,410)	(146,545,079)
Retirement benefits	16	4,301,296	7,065,402	5,370,147
Mark-to-market losses (gains) on investments held for trading	6	(717,816)	952,007	(54,078,646)
Unrealized foreign exchange loss	20	118,277	996,948	2,351,019
Provisions	15	–	11,346,464	124,685,209
Provision for impairment loss on:				
Receivables	8	–	1,940,214	–
Other current assets		–	–	8,088
Operating income before working capital changes		1,917,535,749	2,320,504,642	2,434,031,186
Decrease (increase) in:				
Receivables		51,060,242	74,258,026	(273,715,324)
Other current assets		110,438,183	(190,083,948)	(124,329,981)
Increase (decrease) in trade payables and other current liabilities		34,132,719	(33,235,525)	(65,019,319)
Net cash generated from operations		2,113,166,893	2,171,443,195	1,970,966,562
Interest received		212,390,647	255,204,090	254,011,944
Income taxes paid		(85,055,872)	(104,244,107)	(96,811,948)
Contributions to retirement plan		–	–	(19,569,605)
Net cash provided by operating activities		2,240,501,668	2,322,403,178	2,108,596,953

(Forward)

		Years Ended December 31		
	Note	2025	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection of notes receivable	7	₱600,000,000	₱–	₱1,605,925,000
Receivable arising from a discontinued investment	8	(65,000,000)	–	–
Acquisition of property and equipment	13	(22,490,821)	(100,684,433)	(537,557,130)
Dividends received	6, 10	17,710,986	–	5,999,263
Decrease in other noncurrent assets		3,118,719	134,077,612	23,710,270
Proceeds from disposal of:				
Property and equipment	13	750,340	373,591	1,362,047
Investments held for trading	6	–	57,201,654	173,293,408
Financial assets at FVOCI	10	–	–	710,268,432
Net cash provided by investing activities		534,089,224	90,968,424	1,983,001,290
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	27	(2,171,411,155)	(2,802,462,817)	(1,589,021,262)
Payments of:				
Loans payable	27	(138,980,392)	(133,647,059)	(29,411,765)
Interest on loans payable	27	(26,050,319)	(32,535,518)	(17,878,309)
Lease liabilities	27	(361,125)	(499,137)	(2,663,827,027)
Payment for fractional shares	17	(9,230)	–	–
Proceeds from:				
Disposal of Parent Company shares	17	–	320,569,201	–
Loan availments	27	–	80,000,000	432,500,000
Acquisition of shares by a subsidiary	4	–	(99,327,616)	–
Net cash used in financing activities		(2,336,812,221)	(2,667,902,946)	(3,867,638,363)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		437,778,671	(254,531,344)	223,959,880
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(118,277)	(996,948)	(2,351,019)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,744,650,647	2,000,178,939	1,778,570,078
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱2,182,311,041	₱1,744,650,647	₱2,000,178,939

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2025 AND 2024
AND FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

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.

On November 25, 2025, the SEC granted the Parent Company's Petition for Voluntary Revocation of Order of Registration of Securities and Certificate of Permit to Sell, therefore, relieving PLC of its reporting obligations under Section 17.2 of the Securities Regulation Code (SRC).

As at December 31, 2025 and 2024, PLC is 99.56% owned by Belle.

The registered office address of the Parent Company is 5/F 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:

	Industry	Percentage of Ownership			
		2025		2024	
		Direct	Indirect	Direct	Indirect
Subsidiaries					
PremiumLeisure and Amusement, Inc. (PLAI)	Gaming	100.00	–	100.00	–
Foundation Capital Resources, Inc. (FCRI)	Gaming	100.00	–	100.00	–
Sinophil Leisure and Resorts Corporation (SLRC)	Gaming	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. (FIC)	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.”

Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 were endorsed by the Audit Committee to the BOD on February 25, 2026 and were approved and authorized by the BOD for issuance on February 26, 2026.

2. Summary of Material Accounting Policy Information

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

Basis of Preparation and Statement of Compliance

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

As discussed in Note 1, the SEC approved the Parent Company’s Petition for Voluntary Revocation of Order of Registration of Securities and Certificate of Permit to Sell in November 2025. As allowed under PAS 1, *Presentation of Financial Statements*, management retained the three-year comparative presentation of the consolidated statements of comprehensive income, changes in equity and cash flows until December 31, 2025, consistent with the presentation requirements previously applicable under the Revised SRC Rule 68.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), the Parent Company’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
- net 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 the maximum extent possible. 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 10 - *Financial Assets at FVOCI*
- Note 12 - *Investment Properties*
- Note 25 - *Financial Instruments*

Adoption of Amendments to PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*, effective for annual periods beginning on or after January 1, 2025.

The amendments clarify when a currency is considered exchangeable and how the exchange rate should be determined when exchangeability is lacking. They also introduce additional disclosure requirements. The amendments are applied prospectively, with any effect of initial application recognized as an adjustment to opening retained earnings, as applicable.

The adoption of these amendments did not have a material impact on the Group's consolidated financial statements, except for additional disclosures, where applicable.

Amendments to PFRS Accounting Standards in Issue But Not Yet Effective or Adopted

Relevant amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025 and have not been applied in preparing the consolidated financial statements, are summarized below:

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

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendment clarify certain requirements relating to the recognition and derecognition of financial instruments, the assessment of contractual cash flow characteristics of financial assets, and related disclosures.
- Annual Improvements to PFRS Accounting Standards Volume 11 – These amendments provide clarifications to PFRS 7, PFRS 9, PFRS 10, *Consolidated Financial Statements* and PAS 7, *Statement of Cash Flows*, including guidance on derecognition, consolidation assessments, and cash flow presentation.

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 requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.

The Group expects the adoption of PFRS 18 to result in changes in presentation and additional disclosures in the consolidated financial statements. The standard is not expected to have an impact on the recognition or measurement of the Group's assets, liabilities, income or expenses.

Deferred effectivity -

- Amendments to PFRS 10 and PAS 28, *Investment in Associates - 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 Accounting Standards 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 and 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 represents the portion of net results and net assets not held by the Parent Company. This is 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 represents 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 CGUs 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 Group 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 unanimous consent 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 and its unincorporated joint arrangement with PinoyLotto and Philippine Gaming Management Corp. (PGMC) as 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 2025 and 2024.

As at December 31, 2025 and 2024, 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.

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, advances to contractors and guarantee deposits (presented as part of "Other current assets"), 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 accumulated under "Other equity reserves" account in the equity section of the consolidated statements 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, unearned income 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.

Except for trade receivables in which the simplified approach was applied, 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.

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.

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.

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 contractors that are expected to be realized for no more than 12 months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.

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.

Software Development Costs

Software development costs represent expenditures incurred by the Group in connection with the development of software and applications for a customer. Research costs are expensed as incurred. Development costs are capitalized when the recognition criteria are met, including technical feasibility, intention and ability to complete the asset for sale, probability of future economic benefits, and reliable measurement costs.

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.

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.

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:

<u>Asset Type</u>	<u>Number of Years</u>
Lottery equipment	5 - 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 or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Investment in an Associate

An associate is an entity in which the Group has significant influence but not control or joint control. Investment in an associate is accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and subsequently adjusted for the Group's share in the associate's post-acquisition profit or loss and other comprehensive income.

Upon disposal or loss of significant influence, the Group derecognizes the investment in the associate. The difference between the carrying amount of investment at the date significant influence is lost and the consideration from disposal including the fair value of retained interest, if any, is recognized in profit or loss.

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 statements 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 statements 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 Accounting Standards. Other equity reserves of the Group mainly pertain to cumulative unrealized losses of financial assets at FVOCI, 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, except for commission income. 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 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.

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 include trade receivables and contract liabilities (unearned income). Trade receivables 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 liabilities (unearned income) arise when the Group receives consideration from customers before the transfer of goods or services.

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, i.e., if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

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

Group as a Lessee

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

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

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

After the commencement date, the ROU assets are carried at cost less any accumulated 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, and 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.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS Accounting Standards 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 Control and Subsidiaries with Material NCI. Management exercises significant judgment in assessing whether the Group controls an investee in accordance with PFRS 10. Control exists when the Group has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power to affect those returns. The Group holds a 50.1% ownership interest in POSC and assessed that it has control through its majority voting rights and ability to direct the relevant activities of POSC.

Moreover, the Group is required to disclose certain financial information on its subsidiaries with material NCI in accordance with PFRS 12, *Disclosure of Interests in Other Entities*. Management applies judgment in determining which subsidiaries have material NCI that require additional disclosures.

Materiality is assessed based on both quantitative and qualitative factors. Management considers subsidiaries with assets, non-controlling interests, revenues and net income exceeding 5% of the corresponding consolidated balances as material. Qualitative factors, such as the nature of the relationship between the Group and the subsidiary and the nature of their businesses, are also considered in determining whether the NCI is material.

The Group has determined POSC as a subsidiary with material NCI (see Note 4).

Assessing Joint Control and Determining Proper Classification of a Joint Arrangement. Management applied judgment in assessing whether the POSC's interest in PinoyLotto constitutes joint control and in determining the appropriate classification of the joint arrangement under PFRS 11, *Joint Arrangements*. PinoyLotto is 50% owned by POSC and is considered jointly controlled as the parties to the agreement have equal board representation and decisions about the relevant activities require unanimous consent of both parties.

In determining whether the arrangement is a joint operation or a joint venture, management considered the requirements of PFRS 11, including: whether the arrangement is structured through a separate vehicle; the legal form of the separate vehicle; the terms of the contractual arrangements; and other facts and circumstances, including the design and purpose of the arrangement. This assessment required significant judgment, particularly in evaluating the substance of the rights and obligations conveyed by the arrangement, including the parties' exposure to the economic benefits of assets used in the activities and their responsibility for settling liabilities arising from those activities. Based on this assessment, management classified the arrangement as a joint operation (see Note 4).

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 the Fair Value of Financial Instruments. PFRS Accounting Standards 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.

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

PLAI determined that the most likely amount method is more appropriate for PLAI's contract with single volume threshold. Before including any amount of variable consideration in the transaction price, PLAI considers whether the amount of variable consideration is constrained. PLAI determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame (see Note 26).

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 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.

The Group recognized a provision for impairment loss amounting to ₱1.9 million in 2024 (see Note 8). No provision for impairment losses on financial assets at amortized cost was recognized by the Group in 2025 and 2023.

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 significant nonfinancial assets for impairment when there are indicators that the carrying amounts may not be recoverable. If there are any impairment indicators, management determines whether the recoverable amount is lower than the carrying amount which may result to impairment. Determining the value of these nonfinancial assets requires the estimation of future cash flows expected to be generated from the continued use and ultimate disposition of such assets.

While it is believed that the assumptions used in the estimation of recoverable values are appropriate and reasonable, 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 2025, 2024 and 2023.

The carrying amounts of nonfinancial assets (excluding goodwill) and related allowance for impairment for losses, if any, are disclosed in the following notes:

	Note
Intangible asset	11
Investment properties	12
Property and equipment	13
Other current assets*	9
Other noncurrent assets**	9

*Excluding guarantee deposits.

**Excluding refundable deposits.

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 2025, 2024 and 2023. The carrying amount of goodwill as at December 31, 2025 and 2024 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 2025, 2024, and 2023. 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 2025, 2024 and 2023, there were no changes in the estimated useful life of gaming license. The carrying amount of the gaming license as at December 31, 2025 and 2024 is disclosed in Note 11.

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).

The Group also assesses potential contingent assets arising from claims or legal actions. Contingent assets are not recognized in the consolidated financial statements until the realization of income is virtually certain; however, they are disclosed when the inflow of economic benefits is probable (see Note 21).

4. Material Partly-owned Subsidiary and Joint Arrangements

Material Partly-owned Subsidiary

The non-controlling interests of POSC are material to the Group. NCI is 49.9% as at December 31, 2025 and 2024.

Prior to October 1, 2023, POSC's primary source of revenue was the Equipment Lease Agreement (ELA) with the PCSO for the lease of lotto terminals and related equipment. The ELA expired on September 30, 2023 (see Notes 23 and 26).

In 2024 and 2023, POSC participated in initiatives related to a web-based application betting platform (E-Lotto Project) with PCSO. However, in 2025, the national government adopted a policy discontinuing the licensing of online gaming and online betting platforms by state gaming agencies. As a result, the implementation of the E-Lotto Project did not proceed (see Note 26).

In light of these developments, the BOD approved the unwinding of POSC's involvement in the E-Lotto Project and directed management to pursue other business opportunities within the industry.

The summarized consolidated statements financial position of POSC, before intercompany eliminations, as at December 31 is presented below:

	2025	2024
Total current assets	₱1,144,790,227	₱1,082,177,990
Total noncurrent assets	502,340,827	654,347,014
Total current liabilities	347,742,583	353,533,405
Total noncurrent liabilities	140,143,838	285,183,386
Total equity	₱1,159,244,633	₱1,097,808,213
Attributable to:		
Equity holders of the Parent	₱1,157,021,338	₱1,094,837,945
NCI	2,223,295	2,970,268
Total	₱1,159,244,633	₱1,097,808,213

The summarized consolidated statements of comprehensive income of POSC, before intercompany eliminations, for the years ended December 31 is presented below:

	2025	2024	2023
Revenue	₱524,171,429	₱527,482,143	₱601,553,656
Cost of services	(305,166,653)	(294,229,052)	(260,670,197)
General and administrative expenses	(193,676,424)	(177,631,621)	(124,144,648)
Finance cost	(24,654,742)	(36,577,881)	(17,903,206)
Other income - net	62,024,907	12,502,364	132,825,496
Income before income tax	62,698,517	31,545,953	331,661,101
Provision for income tax	5,837,006	14,568,128	56,796,285
Net income	56,861,511	16,977,825	274,864,816
Other comprehensive income	4,574,909	88,134,163	49,224,099
Total comprehensive income	₱61,436,420	₱105,111,988	₱324,088,915
Attributable to:			
Equity holders of the Parent	₱62,183,393	₱106,280,716	₱321,926,095
NCI	(746,973)	(1,168,728)	2,162,820
Total	₱61,436,420	₱105,111,988	₱324,088,915

The summarized consolidated statements of cash flows of POSC, before intercompany eliminations, for the years ended December 31 is presented below:

	2025	2024	2023
Operating activities	₱364,748,376	₱239,130,647	₱232,462,293
Investing activities	(71,866,539)	279,811,690	(491,292,904)
Financing activities	(165,391,836)	(269,693,327)	298,768,504
Net increase in cash and cash equivalents	₱127,490,001	₱249,249,010	₱39,937,893

In 2024, TGTI acquired 22,224,200 POSC shares for a consideration of ₱99.3 million. Dividends declared and paid by POSC attributable to NCI amounted to ₱38.8 million and ₱39.6 million in 2024 and 2023, respectively.

Joint Arrangements

Joint Operation in PinoyLotto

On June 21, 2021, PinoyLotto, a joint venture corporation owned by POSC, PGMC and International Lottery & Totalizator Systems, Inc., 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.

The contractual arrangements and other facts and circumstances give the joint operators direct rights to the assets and obligations for the liabilities within the normal course of business.

PinoyLotto commenced its commercial operations on October 1, 2023. In accordance with the contract, terminals are being installed and operated nationwide, with a maximum capacity of up to 6,500 terminals.

The Group's share in assets, liabilities, revenues, costs and expenses of PinoyLotto is presented below:

	2025	2024	
Cash and cash equivalents	₱122,084,700	₱98,816,367	
Receivables	56,480,134	49,737,037	
CWTs	32,416,183	16,680,804	
Other current assets	28,588,368	28,901,910	
Total Current Assets	239,569,385	194,136,118	
Property and equipment	497,951,256	652,001,130	
Other noncurrent assets	741,547	483,027	
Total Noncurrent Assets	498,692,803	652,484,157	
Total Assets	₱738,262,188	₱846,620,275	
Trade payables and other current liabilities	(₱123,684,459)	(₱131,845,610)	
Current portion of:			
Loans payable	(138,980,392)	(138,980,392)	
Lease liabilities	(333,767)	(57,445)	
Total Current Liabilities	(262,998,618)	(270,883,447)	
Loans payable - net of current portion	(138,980,392)	(277,960,784)	
Retirement liability	(1,903,499)	(662,330)	
Net deferred tax liabilities	(1,200,688)	-	
Lease liabilities - net of current portion	(444,791)	-	
Total Noncurrent Liabilities	(142,529,370)	(278,623,114)	
Total Liabilities	(₱405,527,988)	(₱549,506,561)	
	2025	2024	2023
Revenue from equipment rental	₱523,457,143	₱517,857,143	₱129,464,286
Cost of services	(291,393,024)	(264,209,114)	(57,535,027)
General and administrative expenses	(159,594,925)	(130,901,005)	(46,366,911)
Finance cost	(24,654,742)	(36,577,881)	(17,878,309)
Interest income	178,092	158,808	84,322
Other charges	(137,779)	(960,463)	(2,312,579)
Provision for income taxes	(12,024,365)	(13,098,869)	-
Net income	₱35,830,400	₱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 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 8.63% and 6.54% to 7.45% in 2025 and 2024, respectively.

In 2024, PinoyLotto obtained an 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%.

The Group's share in interest expense on loan payable which was recognized as "Finance cost" amounted to ₱24.6 million, ₱36.6 million and ₱17.9 million in 2025, 2024 and 2023, respectively (see Note 27). The related accrued interest as at December 31, 2025 and 2024 amounting to ₱2.6 million and ₱4.0 million, respectively, was presented as "Accrued expenses, provisions and other payables" under "Trade payables and other current liabilities" account in the consolidated statements of financial position.

The loan is secured by a continuing surety of POSC and PGMC and maintenance of a debt service reserve account (see Note 5).

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

	2025	2024
Balance at beginning of year	₱416,941,176	₱470,588,235
Repayments	(138,980,392)	(133,647,059)
Availments	-	80,000,000
Balance at end of year	277,960,784	416,941,176
Current portion	138,980,392	138,980,392
Noncurrent portion	₱138,980,392	₱277,960,784

Pursuant to the terms of these loan agreements, PinoyLotto is subject to financial covenants starting June 30, 2024, including maintaining certain bank debt to equity ratio, debt-to-equity ratio and debt service coverage ratio. 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, 2025 and 2024, PinoyLotto is compliant with the financial covenants and agreements.

Surety Bond. 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.

Unincorporated Joint Operation between POSC, PinoyLotto and PGMC

On November 18, 2025, POSC, together with PinoyLotto and PGMC, formed an unincorporated joint operation to participate in PCSO's procurement for the supply, installation, and maintenance of Radio Frequency Identification-enabled draw machines and related accessories.

On December 19, 2025, the Unincorporated Joint Operation was awarded with the Project at a contract price of ₱559.0 million as the bidder with the single calculated and responsive bid and received a Notice to Proceed for the project on December 26, 2025.

Under the joint operation agreement, PinoyLotto holds a 90% participating interest and is primarily responsible for the implementation and execution of the project while PGMC and POSC each hold a 5% participating interest and provides funding support.

Each party recognizes its proportionate share of assets, liabilities, revenues, and expenses arising from the project.

5. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand	₱419,729	₱364,729
Cash in banks	255,235,853	397,879,774
Cash equivalents	1,882,796,934	1,302,583,547
Restricted cash	43,858,525	43,822,597
	₱2,182,311,041	₱1,744,650,647

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	2025	2024	2023
Notes receivable	7	₱113,658,000	₱131,650,438	₱205,583,013
Cash in banks and cash equivalents		98,732,647	123,553,652	48,428,931
		₱212,390,647	₱255,204,090	₱254,011,944

6. Investments Held for Trading

As at December 31, 2025 and 2024, this account consists of the Group's investments in shares of stock of Vantage Equities, Inc. and APC Group, Inc.

Movements in this account are as follows:

	2025	2024
Balance at beginning of year	₱42,744,518	₱100,012,769
Marked-to-market gains (losses)	717,816	(952,007)
Disposals	-	(56,316,244)
Balance at end of year	₱43,462,334	₱42,744,518

Proceeds from disposal of investment held for trading amounted to ₱57.2 million and ₱173.3 million in 2024 and 2023, respectively. The related gain on disposal is disclosed in Note 20. Disposals in 2023 include sale of share warrants related to investment in Black Spade Acquisition Co. (BSA) (see Note 10). The Group determines the cost of investments sold using specific identification method.

Dividend income from investments held for trading amounted to ₱15.2 million in 2025. The related dividend receivable amounting to ₱3.5 million as at December 31, 2025 was presented as "Other receivables" under "Receivables" account in the consolidated statements of financial position.

The fair values of these securities are based on the quoted prices on the last market day of the year.

7. Notes Receivable

Movements in this account are as follows:

	2025	2024
Balance at beginning of year	P2,100,000,000	P2,100,000,000
Collection	(600,000,000)	-
Balance at end of year	P1,500,000,000	P2,100,000,000

Notes receivable are unsecured, collectible on demand and bear interest at rates ranging from 5.17% to 5.75% and 5.95% to 6.37% in 2025 and 2024, respectively (see Note 22).

Interest income from notes receivable recognized in the consolidated statements of comprehensive income amounted to P113.7 million, P131.7 million and P205.6 million in 2025, 2024, and 2023, respectively (see Notes 5 and 22).

8. Receivables

This account consists of:

	2025	2024
Trade receivables	P266,974,717	P268,204,379
Receivable from a Share Swap Agreement	422,341,815	422,341,815
Nontrade receivables	132,667,566	149,086,305
Advances to:		
Consultant	66,500,000	109,000,000
Contractors and suppliers	13,169,006	2,404,797
Officers and employees	2,501,734	1,870,155
Receivable from discontinued investment	65,000,000	-
Other receivables	3,796,531	2,634,020
	972,951,369	955,541,471
Less allowance for impairment losses	545,456,156	545,456,156
	P427,495,213	P410,085,315

Trade Receivables

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.

Receivable from a Share Swap Agreement

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 P422.3 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, 2025 and 2024.

Nontrade Receivables

Nontrade receivables include amounts due from former investees which are substantially provided with allowance for impairment, because of the delayed payments and disposal of ownership interest in the former investees.

Advances to Consultant

Advances to consultant represent noninterest-bearing advances made to a consultant for the exploration of potential projects and business opportunities. The Group has discontinued the related project, and recovery efforts are ongoing. The Group has already begun receiving payments from the consultant and continues to finalize the remaining terms and manner of collection of the outstanding receivables.

Advances to Contractors and Suppliers

Advances to contractors and suppliers represent payments made for goods and services to be delivered in future periods.

Advances to Officers and Employees

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

Receivable from Discontinued Investment

On January 29, 2025, POSC entered into an Investment Agreement for the acquisition of 37.5% ownership of HHR Philippines, Inc. (HHRPI) for a consideration of ₱150.0 million, out of which ₱65.0 million was paid in 2025. On December 29, 2025, due to tightening of government policy toward online gaming, POSC sold its investments for a consideration of ₱65.0 million. The buyer assumes the remaining subscription payable amounting to ₱85.0 million.

Upon acquisition, the investment qualifies as an investment in associate. Upon disposal within the same year, share in net loss of HHRPI of ₱6.2 million also translates to gain on disposal of the same amount (see Note 20).

Other Receivables

Other receivables primarily arise from dividends receivable in relation to investments held for trading (see Note 6) and shared services rendered in 2024 which are collectible in the following financial period (see Note 20).

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

	Note	2025	2024
Balance at beginning of year		₱545,456,156	₱543,515,942
Provision	20	–	1,940,214
Balance at end of year		₱545,456,156	₱545,456,156

9. Other Assets

Other Current Assets

This account consists of:

	Note	2025	2024
CWT		₱226,156,872	₱260,573,016
Advances to contractors		139,738,757	139,738,757
Spare parts and supplies - at cost		9,495,203	8,170,480
Software development cost		7,573,167	–
Prepayments		6,682,398	46,868,857
Guarantee deposits	26	5,355,837	79,000,000
Input VAT		2,179,531	1,495,059
Others		2,099,979	2,574,902
		399,281,744	538,421,071
Less allowance for impairment loss		604,124	604,124
		₱398,677,620	₱537,816,947

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

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

Software development costs pertain to charges incurred by the Group for the development of software and applications for PCSO. The Group expects the turnover and realization of economic benefits to occur in 2026. The total costs include the amount reclassified from property and equipment amounting to ₱5.7 million (see Note 13).

Prepayments represent mainly insurance and rent. It also includes prepaid technical training, advisory and maintenance services. In 2024, prepayments also include contract costs amounting to ₱30.7 million which pertains to costs incurred to fulfil the obligations under E-Lotto Project (see Note 26).

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

Other Noncurrent Assets

This account consists of:

	Note	2025	2024
CWT		₱340,695,255	₱239,961,695
Advances to contractors		8,052,957	8,052,957
Refundable deposits	23	795,326	2,291,727
		₱349,543,538	₱250,306,379

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

Advances to contractors pertain to a noninterest-bearing contract with a third party to provide architectural and engineering design services related to a proposed project of the Group.

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

10. Financial Assets at FVOCI

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

	Note	2025	2024
Quoted Shares			
Belle-common shares	22	₱131,983,789	₱165,979,614
Golf club shares		10,600,000	12,000,000
		142,583,789	177,979,614
Unquoted Shares			
Others		81,100	81,100
		₱142,664,889	₱178,060,714

The movements of financial assets at FVOCI in 2025 and 2024 are as follows:

	Note	2025	2024
Cost		₱667,334,451	₱667,334,451
Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI			
Balance at beginning of year		(489,273,737)	(537,667,720)
Unrealized valuation gain (loss)		(35,395,825)	48,393,983
Balance at end of year	17	(524,669,562)	(489,273,737)
Carrying amount		₱142,664,889	₱178,060,714

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

The Group received dividend income of ₱6.0 million in 2025 and 2023.

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.

11. Intangible Asset

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

The amortization of the intangible asset started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. The unamortized life of the license as at December 31, 2025 is 32.5 years.

Movements in intangible asset are as follows:

	Note	2025	2024
Cost		₱10,843,215,811	₱10,843,215,811
Accumulated Amortization			
Balance at beginning of year		2,844,451,228	2,605,978,744
Amortization	18	238,472,484	238,472,484
Balance at end of year		3,082,923,712	2,844,451,228
Carrying Amount		₱7,760,292,099	₱7,998,764,583

12. Investment Properties

Investment properties pertain to parcels of land amounting to ₱285.5 million as at December 31, 2025 and 2024.

There was no rental income from investment properties in 2025, 2024, and 2023.

Expenses related to investment properties amounted to ₱73,694 in 2025 and 2024, and ₱33,600 in 2023, which mainly pertain to real property taxes.

The fair value of the investment properties as at December 31, 2025 and 2024 amounting to ₱295.2 million is higher than its carrying value, as determined by an independent appraiser and estimated using market approach. The value of the land was based on the sales and listings of comparable properties registered within the vicinity and within Level 3 fair value hierarchy. The Group assessed that the highest and best use of its properties does not differ from their current use.

13. Property and Equipment

The movements in this account follow:

	2025				
	Lottery Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱814,869,320	₱42,663,960	₱3,594,826	₱11,226,653	₱872,354,759
Additions	20,958,237	576,781	232,142	723,661	22,490,821
Disposals and retirement	–	(19,152,632)	–	(1,652,459)	(20,805,091)
Reclassification	(5,715,000)	–	–	–	(5,715,000)
Balance at end of year	830,112,557	24,088,109	3,826,968	10,297,855	868,325,489
Accumulated Depreciation and Amortization					
Balance at beginning of year	184,834,741	23,841,000	890,156	10,577,358	220,143,255
Depreciation and amortization	164,853,567	5,086,895	743,221	198,403	170,882,086
Disposals and retirement	–	(19,152,632)	–	(1,652,459)	(20,805,091)
Balance at end of year	349,688,308	9,775,263	1,633,377	9,123,302	370,220,250
Carrying Amount	₱480,424,249	₱14,312,846	₱2,193,591	₱1,174,553	₱498,105,239

	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

The Group sold property and equipment for a total consideration of ₱750,340, ₱373,591 and ₱1.4 million in 2025, 2024, and 2023, respectively. The related gain on disposal is disclosed in Note 20.

Depreciation and amortization, excluding amortization of intangible assets, consist of the following:

	Note	2025	2024	2023
Property and equipment		₱170,882,086	₱154,732,039	₱39,049,219
ROU assets	23	43,680,558	43,851,524	9,147,229
		₱214,562,644	₱198,583,563	₱48,196,448

Depreciation and amortization of property and equipment and ROU assets are allocated as follows:

	Note	2025	2024	2023
Cost of services	18	₱214,123,394	₱192,342,318	₱45,233,477
General and administrative expenses	19	439,250	6,241,245	2,962,971
		₱214,562,644	₱198,583,563	₱48,196,448

The cost of fully depreciated property and equipment still in use amounted to ₱23.9 million and ₱23.8 million as at December 31, 2025 and 2024, respectively.

14. Goodwill

The carrying amount of goodwill acquired from business combination amounting to ₱926.0 million as at December 31, 2025 and 2024 pertains to the acquisition of POSC.

No provision for impairment loss on goodwill was recognized in 2025, 2024 and 2023.

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.

Key Assumptions Used in Value-in-use Calculations

The calculations of value in use for the cash-generating units are most sensitive to the following assumptions:

Discount Rate. Discount rate reflects management's estimate of the risks specific to the CGU. The pre-tax discount rate of 8.89% and 9.66% was used in 2025 and 2024, respectively, based on the weighted average cost of capital 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. Growth rates of 1.50% and 1.00% were applied to the five-year cash flow projections for 2025 and 2024, respectively. Management assessed that a contract extension or renewal of PLS Project is highly probable, given POSC and joint operator's technical expertise and historical experience of extensions or renewals.

15. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2025	2024
Trade payables		₱124,404,389	₱93,777,636
Accrued expenses, provisions and other payables		464,163,403	572,772,432
Unearned income	26	77,420,024	–
Statutory payables		7,841,832	6,509,193
Others		17,846,213	15,607,017
		₱691,675,861	₱688,666,278

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

Accrued expenses and other payables mainly represent provisions. 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 2025, 2024, and 2023, the Group recognized provisions amounting to nil, ₱11.3 million and ₱124.7 million, respectively (see Note 19). The carrying amount of provisions amounted to ₱343.5 million and ₱449.4 million as at December 31, 2025 and 2024, respectively.

Other than provisions, accruals which primarily include communications, outside services, software support fees, professional fees, salaries and other employee benefits, and interests, among others, are usually payable within a 30-day term upon receipt of billing.

Unearned income pertains to the advance payment from Melco, which will be applied as payment for PLAI's future gaming revenue share (see Note 26).

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 2025 and 2024, the Group reversed provisions and long-outstanding accruals amounting to ₱30.0 million and ₱30.6 million, respectively (see Note 20).

16. Retirement Plan

Under the existing regulatory framework, Republic Act (RA) No. 7641 also known as Retirement Pay Law 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 net retirement liability of the Group in 2025 and 2024 are as follows:

	2025		
	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Net Retirement Liability
Balance at beginning of year	₱31,057,033	(₱56,637,008)	(₱25,579,975)
Net retirement income (costs) in profit or loss:			
Net interest	1,853,637	(3,229,947)	(1,376,310)
Current service cost	-	(5,758,756)	(5,758,756)
Past service income	-	2,833,770	2,833,770
	1,853,637	(6,154,933)	(4,301,296)
Benefits paid from retirement fund	(3,528,122)	3,528,122	-
Remeasurement gain (loss) recognized in other comprehensive income:			
Actual return excluding amount included in net interest cost	(2,086,548)	-	(2,086,548)
Actuarial changes due to experience adjustment	-	3,831,719	3,831,719
Actuarial changes arising from changes in financial assumptions	-	6,441,243	6,441,243
	(2,086,548)	10,272,962	8,186,414
Balance at end of year	₱27,296,000	(₱48,990,857)	(₱21,694,857)
	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 income	-	383,673	383,673
	2,079,892	(9,145,294)	(7,065,402)
Benefits paid from retirement fund	(35,555,580)	35,555,580	-
Plan adjustments - transfers	(9,383,878)	-	(9,383,878)
Remeasurement gain recognized in other comprehensive income:			
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)

In 2025 and 2024, net remeasurement gain, net of deferred tax, amounted to ₱6.7 million and ₱5.2 million, respectively. In 2023, net remeasurement loss, net of deferred tax, amounted to ₱9.2 million. Cumulative remeasurement gains on net retirement liability attributable to equity holders of the Parent Company amounted to ₱11.6 million and ₱9.5 million as at December 31, 2025 and 2024, respectively (see Note 17).

The latest actuarial valuation of the Group is for the year ended December 31, 2025.

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 defined benefit obligation under the retirement plan.

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

	2025	2024
Cash and cash equivalents	₱3,708	₱7,266
Debt instruments - government bonds	14,970,093	16,560,599
Unit investment trust funds	8,269,419	9,763,744
Debt instruments - other bonds	3,895,306	4,529,172
Others	157,474	196,252
	₱27,296,000	₱31,057,033

The principal assumptions used to determine net retirement liability as at December 31 are as follows:

	2025	2024
Discount rate	6.28% - 6.30%	5.05% - 6.15%
Rate of compensation increase	6.00% - 8.00%	6.00% - 8.00%

The Group is not expected to contribute to the plan in 2025.

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, 2025 and 2024 assuming all other assumptions were held constant:

	2025		2024	
	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(P22,142,742)	+100	(P33,025,750)
	-100	26,668,351	-100	40,868,205
Salary increase rate	+100	(26,787,392)	+100	40,859,598
	-100	(22,006,642)	-100	(32,902,565)

The average duration of the defined benefit obligation is 7.62 years in 2025.

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

	2025	2024
Less than one year	P892,130	P2,113,464
More than one year to five years	26,282,548	4,302,736
More than five years to ten years	77,458,586	191,924,294

17. Equity

Preferred Stock

As at December 31, 2025 and 2024, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of P0.25. Under the provision of the Group's Articles of Incorporation (AOI), the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

Common Stock

Common stock consists of the following:

	2025		2024	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - P1,000.00 par value and P0.25 par value in 2025 and 2024, respectively				
Beginning of year	37,630,000,000	P9,407,500,000	37,630,000,000	P9,407,500,000
Effect of reverse stock split	(37,620,592,500)	-	-	-
End of year	9,407,500	P9,407,500,000	37,630,000,000	P9,407,500,000
Issued and subscribed				
Beginning of year	31,627,310,000	P7,906,827,500	31,627,310,000	P7,906,827,500
Effect of reverse stock split	(31,619,403,172.5)	-	-	-
End of year	7,906,827.5	P7,906,827,500	31,627,310,000	P7,906,827,500

The following summarizes the information on the Parent Company's registration of securities under the SRC:

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
July 22, 2025	(37,620,592,500)	(31,619,403,172.5)	1,000.00
	9,407,500	7,906,827.5	
Preferred stock			
March 10, 1997	6,000,000,000	–	₱0.25*

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

Reverse Stock Split

On November 7, 2024, the Parent Company's BOD approved the amendment of the AOI 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.

On July 22, 2025, the SEC approved the amendment to the Parent Company's AOI to implement a reverse stock split of its common shares. Under the reverse stock split, every 4,000 outstanding common shares were automatically converted into one new common share.

As discussed in Note 1, on November 25, 2025, the SEC granted the Parent Company's Petition for Voluntary Revocation of Order of Registration of Securities and Certificate of Permit to Sell, therefore, relieving PLC of its reporting obligations under Section 17.2 of the SRC. The Parent Company undertakes to file an application for decrease of capital stock to correct the 0.5 fractional share resulting from the change of par value.

The Parent Company has 7,906,827.5 shares and 31,627,310,000 shares with 433 and 528 stockholders of record as at December 31, 2025 and 2024, respectively.

Additional Paid-in Capital

Additional paid-in capital as at December 31, 2025 and 2024 consists of the following:

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

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

Treasury Stock

The details and movements of treasury stock are as follows:

	2025		2024	
	Number of Shares	Amount	Number of Shares	Amount
Beginning of year	410,379,000	₱220,430,080	410,379,000	₱220,430,080
Effect of reverse stock split	(410,276,405.25)	–	(410,276,405.25)	–
Fractional shares to be acquired	153.25	337,150	–	–
End of year	102,748	₱220,767,230	102,594.75	₱220,430,080

As a result of the reverse stock split, the Parent Company shall buy back 153.25 fractional shares at the book value of ₱0.55 per share (prior to reverse stock split) or a total of ₱337,150, of which ₱9,230 was settled as at December 31, 2025.

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.

Other Equity Reserves

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

	Note	2025	2024
Cumulative unrealized losses on financial assets at FVOCI	10	(₱524,669,562)	(₱489,273,737)
Cumulative remeasurement gains on net retirement liability	16	11,591,217	9,482,937
Other reserves		(443,347,551)	(443,347,551)
		(₱956,425,896)	(₱923,138,351)

Other reserves primarily represent cumulative losses arising from the subsidiaries’ disposals of their equity investments in the Parent Company. In 2024, POSC recognized a ₱189.0 million loss from the sale of its investment in Parent Company shares in connection with the tender offer undertaken as part of the Parent Company’s voluntary delisting. The remaining balance mainly relates to the ₱219.0 million loss recognized in 2014 when FCRI disposed of its investment in the Parent Company shares.

Retained Earnings

On October 30, 2025, the Parent Company's BOD approved the declaration of cash dividends of ₱278.24055 per share amounting to approximately ₱2,171.4 million to shareholders of record as at November 7, 2025. The dividends were paid on November 17, 2025.

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.

The consolidated retained earnings as at December 31, 2025 and 2024 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 ₱2,440.2 million and ₱2,484.7 million as at December 31, 2025 and 2024, respectively.

18. Cost of Services

This account consists of:

	Note	2025	2024	2023
Amortization of intangible asset	11	₱238,472,484	₱238,472,484	₱238,472,484
Depreciation and amortization	13	214,123,394	192,342,318	45,233,477
Software and license fees	26	59,770,173	43,447,330	65,552,554
Communication		55,347,565	67,316,596	35,853,495
Payroll and related expenses		24,237,717	28,104,770	60,911,865
Repairs and maintenance		5,571,667	4,963,355	36,253,335
Travel and accommodation		3,483,374	4,764,921	15,998,823
Rent and utilities		2,032,886	4,772,410	15,954,914
Others		10,901,044	17,061,200	14,209,774
		₱613,940,304	₱601,245,384	₱528,440,721

19. General and Administrative Expenses

This account consists of:

	Note	2025	2024	2023
Salaries, wages and benefits		₱67,504,409	₱72,852,925	₱44,332,878
Outside services		61,707,595	61,240,960	67,563,347
Taxes and licenses		48,194,575	22,910,038	22,977,685
Transportation and travel		44,187,989	61,163,482	76,509,531
Other external services		39,177,965	19,414,987	–
Professional, service and management fees		34,258,187	24,433,389	25,016,660
Rental and utilities		22,135,109	24,898,221	14,813,288
Marketing, advertising and promotion		19,624,560	19,590,053	19,424,873
Representation and entertainment		7,835,700	6,765,183	4,047,244
Research and development		7,500,000	–	–
Repairs and maintenance		3,493,941	3,023,139	1,598,131
Communication		1,955,274	2,941,171	17,922,729
Depreciation and amortization	13	439,250	6,241,245	2,962,971
Insurance		370,168	847,079	736,984
Provisions	15	–	11,346,464	124,685,209
Placement and listing fee		–	4,518,541	1,517,047
Pre-operating expenses		–	–	14,362,120
Miscellaneous		11,096,505	9,427,221	11,928,539
		₱369,481,227	₱351,614,098	₱450,399,236

Pre-operating expenses of PinoyLotto is as follows:

	2023
Taxes and licenses	₱4,360,942
Professional fees	4,255,645
Rent and utilities	3,283,261
Entertainment and representation	535,557
Bank charges	2,976
Depreciation and amortization	2,224
Others	1,921,515
	₱14,362,120

20. Other Income (Charges)

This account consists of:

	Note	2025	2024	2023
Reversal of provisions and accrued expenses	15	₱30,000,000	₱30,637,063	₱-
Reimbursable charges		24,382,494	-	-
Share in net loss of an associate	8	(6,185,271)	-	-
Gain on disposal of:				
Investment in an associate	8	6,185,271	-	-
Property and equipment	13	750,340	290,267	38,845
Investments held for trading	6	-	885,410	146,545,079
Foreign exchange loss - net		(118,277)	(996,948)	(2,351,019)
Provision for impairment loss	8	-	(1,940,214)	-
Sale of trademark		-	-	26,785,714
Net claims		-	-	20,218,195
Others		2,881	(188,634)	8,246,328
		₱55,017,438	₱28,686,944	₱199,483,142

Reimbursable charges pertain to amounts collected from PCSO in relation to the E-Lotto trial run, net of additional expenses incurred in 2025 (see Note 26).

In November 2023, POSC assigned certain trademarks to Diamond Powerwinners Corp. for ₱30.0 million (inclusive of VAT), resulting in a gain of ₱26.8 million. The consideration was fully collected in 2024.

Net claims pertain to TGTI's claims over lost revenues during the pandemic from PCSO, net of related costs incurred.

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:

	2025	2024	2023
Current	₱18,738,456	₱32,548,226	₱133,538,442
Deferred	(7,311,434)	(1,766,480)	261,016
	₱11,427,022	₱30,781,746	₱133,799,458

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 liabilities of the Group are as follows:

	2025	2024
Items recognized in profit or loss		
Retirement benefits	₱4,564,998	₱4,655,694
Unamortized past service costs	1,671,082	1,941,191
Temporary differences attributable to joint operation	(912,988)	709,329
Unrealized foreign exchange loss	-	(7,210)
Costs incurred to fulfill a contract	-	(7,665,028)
	5,323,092	(366,024)
Item recognized in other comprehensive income		
Cumulative remeasurement gains on retirement liability	(6,041,747)	(4,516,777)
Net deferred tax liabilities	(₱718,655)	(₱4,882,801)

Unrecognized deferred tax assets pertain to the following:

	2025	2024
Allowance for impairment losses on receivables	₱107,742,365	₱107,742,365
NOLCO	67,852,220	59,520,693
Excess MCIT over RCIT	2,536,317	1,412,242
Unamortized past service costs	199,707	589,776
	₱178,330,609	₱169,265,076

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 RA 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 consecutive taxable years following the year of such loss.

The Group has contingent assets arising from tax refund claims for taxable years 2014 and 2015 where Writs of Execution have been issued, indicating a probable inflow of economic benefits. In accordance with PAS 37, the contingent assets are not recognized in the consolidated financial statements until their realization becomes virtually certain.

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
2025	₱-	₱81,296,075	₱-	₱-	₱81,296,075	2028
2024	140,909,384	-	(9,883,098)	-	131,026,286	2027
2023	7,993,381	-	-	-	7,993,381	2026
2022	15,045,170	-	-	(15,045,170)	-	2025
2021	53,314,213	-	-	-	53,314,213	2026
2020	24,573,429	-	-	(24,573,429)	-	2025
	₱241,835,577	₱81,296,075	(₱9,883,098)	(₱39,618,599)	₱273,629,955	

As at December 31, 2025, 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
2025	₱–	₱1,124,075	₱–	₱1,124,075	2028
2024	1,100,208	–	–	1,100,208	2027
2023	312,034	–	–	312,034	2026
	₱1,412,242	₱1,124,075	₱–	₱2,536,317	

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

	2025	2024	2023
Income tax at statutory income tax rate	₱992,360,210	₱1,189,296,904	₱614,395,740
Income tax effects of:			
Nontaxable income	(530,281,328)	(647,771,151)	–
Income not subject to income tax	(481,266,013)	(572,650,675)	(589,808,774)
Income subjected to final tax	(24,637,423)	(30,847,458)	(11,694,139)
Expired NOLCO	9,510,375	–	–
Marked-to-market losses (gains) on investments	17,084,702	39,364,889	(13,519,662)
Nondeductible provisions and expenses	19,590,966	31,363,511	117,839,382
Taxable income recognized directly in equity	–	–	56,514,765
Effect of optional standard deduction	–	–	(36,102,627)
Change in unrecognized deferred tax assets	9,065,533	22,025,726	(3,825,227)
	₱11,427,022	₱30,781,746	₱133,799,458

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
Ultimate Parent Company	7	Notes receivable	2025	₱-	₱1,500,000,000
			2024	-	2,100,000,000
	10	Financial assets at FVOCI	2025	-	131,983,789
			2024	-	165,979,614
	7	Interest income	2025	113,658,000	-
			2024	131,650,438	-
	Service fee	2025	54,000,000	-	
		2024	54,000,000	-	
Affiliate		Marketing expense	2025	19,000,000	-
			2024	18,583,333	-
Joint Operator		Trade payables	2025	37,995,780	37,352,128
			2024	76,674,243	82,635,722

- As at December 31, 2025 and 2024, 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 2025, 2024 and 2023 were presented as part of "Outside services" under "General and administrative expenses" account 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.
- As the primary supplier of the lottery equipment, the Group has transactions with a joint operator for the acquisition of lottery equipment and provision of related maintenance services.

The outstanding balances at year-end are due on demand. There are 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:

	2025	2024	2023
Short-term employee benefits	₱28,867,243	₱30,108,756	₱23,481,788
Retirement benefits costs	3,507,953	3,404,869	3,355,107
	₱32,375,196	₱33,513,625	₱26,836,895

23. Leases

Group as Lessor

POSC leased online lotto equipment and accessories to PCSO starting July 31, 2021 as provided in the 2020 Amended ELA, with a series of extensions until September 30, 2023 in time for the commencement of PinoyLotto's nationwide operations.

Rental income amounted to ₱714,286 and ₱9.6 million and ₱469.8 million in 2025, 2024 and 2023, respectively, (see Note 26). The rental income is based on a percentage of gross sales of lotto tickets from PCSO's Luzon and VISMIN operations in 2023, continuing costs incurred from ticket validations in 2024 and lease of draw machines in 2025.

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.

Rental income amounted to ₱523.5 million, ₱517.9 million, and ₱129.5 million in 2025, 2024, and 2023, respectively (see Note 4).

Group as Lessee

Long-term Leases. 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 expiration date upon mutual agreement of the parties.

In November 2023, SLRC (sublessee) entered into a sublease agreement with Global Gateway Development Corporation (lessor) 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.

The movements in the ROU assets are presented below:

	Note	2025		Total
		Land	Office Spaces and Warehouse	
Cost				
Balance at beginning of year		₱2,661,872,000	₱672,770	₱2,662,544,770
Addition		–	1,026,758	1,026,758
Balance at end of year		2,661,872,000	1,699,528	2,663,571,528
Accumulated Amortization				
Balance at beginning of year		50,564,732	618,622	51,183,354
Amortization	13	43,341,199	339,359	43,680,558
Balance at end of year		93,905,931	957,981	94,863,912
Carrying Amount		₱2,567,966,069	₱741,547	₱2,568,707,616

	Note	2024		
		Land	Office Spaces and Warehouse	Total
Cost				
Balance at beginning end of year		₱2,661,872,000	₱649,783	₱2,662,521,783
Modification		–	22,987	22,987
Balance at end of year		2,661,872,000	672,770	2,662,544,770
Accumulated Amortization				
Balance at beginning of year		7,223,533	108,297	7,331,830
Amortization	13	43,341,199	510,325	43,851,524
Balance at end of year		50,564,732	618,622	51,183,354
Carrying Amount		₱2,611,307,268	₱54,148	₱2,611,361,416

The movements in the lease liabilities are presented below:

	2025	2024
Balance at beginning of year	₱57,445	₱502,798
Addition	1,026,758	–
Payments	(361,125)	(499,137)
Interest expense	55,480	30,797
Modification	–	22,987
Balance at end of year	778,558	57,445
Current portion	333,767	57,445
Noncurrent portion	₱444,791	₱–

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

Amounts recognized in the consolidated statements of comprehensive income follow:

	Note	2025	2024	2023
Rent expense		₱14,410,474	₱17,266,475	₱18,092,195
Amortization on ROU assets	13	43,680,558	43,851,524	9,147,229
Interest expense on lease liabilities		55,480	30,797	24,897
		₱58,146,512	₱61,148,796	₱27,264,321

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

Refundable deposits amounted to ₱795,326 and ₱2.3 million as at December 31, 2025 and 2024, respectively (see Note 9).

The future minimum lease payments under noncancellable leases are as follows:

	2025	2024
Within one year	₱379,181	₱114,890
After one year but not more than five years	465,028	–
	₱844,209	₱114,890

24. Basic/Diluted Earnings per Common Share

As at December 31, 2025, 2024 and 2023, the basic/diluted earnings per share were computed as follows:

	2025	2024	2023
Net income attributable to Equity holders of the Parent (a)	₱1,660,357,652	₱2,072,240,966	₱2,185,274,122
Weighted average number of outstanding common shares (b)	7,906,891	7,772,804	7,709,947
Basic/diluted EPS (a/b)	₱209.9887	₱266.6015	₱283.4357

As discussed in Note 17, the Parent Company effected a 1-for-4,000 reverse stock split in 2025. Accordingly, basic and diluted EPS for all periods presented have been adjusted retrospectively.

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

	2025	2024	2023
Number of outstanding shares at beginning of year	31,627,310,000	30,839,788,000	30,839,788,000
Effect of stock split	(31,619,403,173)	(30,832,078,053)	(30,832,078,053)
Weighted average number of:			
Fractional shares to be acquired	64	-	-
Parent Company shares disposed by a subsidiary during the year, after stock split	-	62,857	-
	7,906,891	7,772,804	7,709,947

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, advances to contractors and guarantee deposits (presented as part of "Other current assets"), and refundable deposits (presented as part of "Other noncurrent assets), investments held for trading, financial assets at FVOCI, trade payables and other current liabilities (excluding provisions, unearned income and statutory payables), lease liabilities and loans 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.

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, advances to contractors and guarantee deposits (presented as part of "Other current assets" account), and refundable deposits (presented as part of "Other noncurrent assets" account), 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.

	2025						Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalents*	₱2,181,891,312	₱-	₱-	₱-	₱-	₱-	₱2,181,891,312
Notes receivable	1,500,000,000	-	-	-	-	-	1,500,000,000
Receivables**	414,326,207	-	-	-	-	₱545,456,156	959,782,363
Advances to contractors***	139,738,757	-	-	-	-	-	139,738,757
Guarantee deposits***	5,355,837	-	-	-	-	-	5,355,837
Refundable deposits****	795,326	-	-	-	-	-	795,326
	₱4,242,107,439	₱-	₱-	₱-	₱-	₱545,456,156	₱4,787,563,595

*Excluding cash on hand.

**Excluding advances to contractors and suppliers.

***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.

	2024						Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalents*	₱1,744,285,918	₱-	₱-	₱-	₱-	₱-	₱1,744,285,918
Notes receivable	2,100,000,000	-	-	-	-	-	2,100,000,000
Receivables**	407,680,518	-	-	-	-	₱545,456,156	953,136,674
Advances to contractors***	139,738,757	-	-	-	-	-	139,738,757
Guarantee deposits***	79,000,000	-	-	-	-	-	79,000,000
Refundable deposits****	2,291,727	-	-	-	-	-	2,291,727
	₱4,472,996,920	₱-	₱-	₱-	₱-	₱545,456,156	₱5,018,453,076

*Excluding cash on hand.

**Excluding advances to contractors and suppliers.

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

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

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

Credit Quality of Financial Assets

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

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

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

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

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

	2025			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
High Grade				
Cash and cash equivalents*	P2,181,891,312	P-	P-	P2,181,891,312
Notes receivable	1,500,000,000	-	-	1,500,000,000
Receivables**	414,326,207	-	-	414,326,207
Advances to contractors***	139,738,757	-	-	139,738,757
Guarantee deposit***	5,355,837	-	-	5,355,837
Refundable deposits****	795,326	-	-	795,326
Substandard Grade				
Receivables**	-	-	545,456,156	545,456,156
Gross Carrying Amount	P4,242,107,439	P-	P545,456,156	P4,787,563,595

*Excluding cash on hand.

**Excluding advances to contractors and suppliers.

***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.

	2024			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
High Grade				
Cash and cash equivalents*	P1,744,285,918	P-	P-	P1,744,285,918
Notes receivable	2,100,000,000	-	-	2,100,000,000
Receivables**	407,680,518	-	-	407,680,518
Advances to contractors***	139,738,757	-	-	139,738,757
Guarantee deposit***	79,000,000	-	-	79,000,000
Refundable deposits****	2,291,727	-	-	2,291,727
Substandard Grade				
Receivables**	-	-	545,456,156	545,456,156
Gross Carrying Amount	P4,472,996,920	P-	P545,456,156	P5,018,453,076

*Excluding cash on hand.

**Excluding advances to contractors and suppliers.

***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 receivable, other receivables, advances to contractors, guarantee deposit, 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 receivable have low credit risk, since the related party with whom the Group has transacted with is not expected to default in settling its obligations with respect to these financial assets. Hence, these financial assets are considered high grade.

For advances to contractors, guarantee deposits, 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 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 and financial assets at FVOCI. 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 2025 and 2024 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	2025	2024
Impact in profit or loss		
5%	₱2,173,117	₱2,137,226
(5%)	(2,173,117)	(2,137,226)
Impact in other comprehensive income		
1%	1,426,649	1,780,607
(1%)	(1,426,649)	(1,780,607)

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.

	2025				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade payables and other current liabilities*	₱262,866,596	₱-	₱-	₱-	₱262,866,596
Loans payable	34,745,098	34,745,098	69,490,196	138,980,392	277,960,784
Lease liabilities**	94,795	94,795	189,591	465,028	844,209
	₱297,706,489	₱34,839,893	₱69,679,787	₱139,445,420	₱541,671,589

*Excluding provisions, unearned income and statutory payables

**Based on undiscounted payments

	2024				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade payables and other current liabilities*	₱232,793,969	₱-	₱-	₱-	₱232,793,969
Loans payable	-	-	138,980,392	277,960,784	416,941,176
Lease liabilities**	114,890	-	-	-	114,890
	₱232,908,859	₱-	₱138,980,392	₱277,960,784	₱649,850,035

*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, 2025 and 2024, foreign currency-denominated financial assets and financial liabilities in United States Dollars (US\$), translated into Peso at the closing rate are as follows:

	2025		2024	
	US\$	Peso Equivalent	US\$	Peso Equivalent
Cash and cash equivalents	\$35,118	₱2,065,287	\$1,137,079	₱65,780,049
Trade payables*	(1,270,696)	(74,729,216)	(2,180,257)	(126,127,922)
Foreign currency-denominated financial assets (liabilities)	(\$1,235,578)	(₱72,663,929)	(\$1,043,178)	(₱60,347,873)

*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 ₱58.79 to US\$1.0 and ₱58.01 to US\$1.0, as at December 31, 2025 and 2024, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2025 and 2024. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2025		2024	
	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	(P3,784,671)	P3,784,671	(P2,164,407)	P2,164,407

The increase in US\$ rate means stronger US\$ against Peso while the decrease in US\$ means stronger Peso against the US\$.

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 2025 and 2024.

The Group considers the total equity attributable to the equity holders of the Parent as its capital amounting to P15,723.0 million and P16,267.6 million as at December 31, 2025 and 2024, respectively.

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

Fair Value of Financial Instruments

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

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At FVPL				
Investments held for trading	P43,462,334	P43,462,334	P42,744,518	P42,744,518
At FVOCI				
Financial assets at FVOCI	142,664,889	142,664,889	178,060,714	178,060,714
	P186,127,223	P186,127,223	P220,805,232	P220,805,232
Financial Liabilities				
Loans payable	P277,960,784	P294,035,746	P416,941,176	P404,355,763

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. The fair value measurement of financial assets at FVPL and FVOCI is classified as Level 1.

Loans 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 5.78% in 2025 and 6.05% in 2024. The fair value measurement of loans payable is classified as Level 2.

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

	2025	2024
Financial Assets at Amortized Cost:		
Cash and cash equivalents	₱2,182,311,041	₱1,744,650,647
Notes receivable	1,500,000,000	2,100,000,000
Receivables*	414,326,207	407,680,518
Advances to contractors**	139,738,757	139,738,757
Guarantee deposits**	5,355,837	79,000,000
Refundable deposits***	795,326	2,291,727
	₱4,242,527,168	₱4,473,361,649
Financial Liabilities at Amortized Cost:		
Trade payables and other current liabilities****	₱262,866,596	₱232,793,969

*Excluding advances to contractors and suppliers.

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

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

****Excluding provisions, unearned income and statutory payables.

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

Guarantee Deposits and Refundable Deposits. The carrying values of guaranteed deposits and refundable deposits approximate fair value as at December 31, 2025 and 2024 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, 2025 and 2024. There were no transfers between fair value measurements in 2025 and 2024.

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. Gaming revenue share, net of PAGCOR license fee and franchise tax paid by Melco, amounted to ₱1,895.1 million, ₱2,290.6 million, and ₱2,339.3 in 2025, 2024, and 2023, respectively.

Unearned income amounted to ₱77.4 million in 2025 (see Note 15).

Agreements with PCSO

Equipment Lease Agreement. POSC previously entered into an ELA with the PCSO for the lease of lotto terminals, including the central computer system, communications equipment, related application software and manuals, and the supply of betting slips and ticket paper rolls.

PCSO is a 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.

The ELA expired on September 30, 2023. Upon its expiration, the operations were transferred to PinoyLotto pursuant to a separate agreement with PCSO (see Note 23).

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

Web-Based Application Betting Platform or E-Lotto Project. On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO, under which it acted as PCSO's exclusive agent. The platform was launched on December 15, 2023 and operated until July 12, 2024 upon PCSO's instruction.

In 2023, the Group recognized commission income of ₱2.3 million, representing 14.0% of e-lotto sales. In 2024, the arrangement was revised such that POSC was reimbursed for reasonable actual costs, subject to a ceiling of 8.0% of generated sales less applicable taxes. POSC billed PCSO ₱35.4 million, net of taxes, in September 2024, which was fully collected in 2025.

On June 19, 2024, POSC received a Notice of Award from PCSO for the five-year lease of the platform following a competitive bidding process. Preparatory activities were undertaken pending contract execution.

Subsequently, the national government adopted a policy discontinuing the licensing of online gaming and online betting platforms by state gaming agencies. As a result, the implementation of the E-Lotto Project did not proceed. The BOD approved the unwinding of POSC's involvement in the project.

Costs incurred to fulfill a contract amounting to ₱30.7 million were recognized under “Other current assets” account in 2024 (see Note 9). Following the discontinuation of the project, ₱22.0 million of these costs were reimbursed in 2025, while the remaining ₱8.7 million was recognized in profit or loss during the year.

A cash bond related to the trial run amounting to ₱79.0 million was posted in favor of PCSO and is presented under “Other current assets” account in the consolidated statements of financial position as at December 31, 2024 (see Note 9).

Following the termination of the trial run in July 2024, POSC initiated the refund process. During 2025, a substantial portion of the bond was refunded, resulting in the remaining balance of ₱5.4 million as at December 31, 2025. The outstanding balance is expected to be collected upon completion of the refund process (see Note 9).

Contracts with Scientific Games and Intralot and Management Agreement

In connection with the ELA with PCSO, POSC entered into separate agreements with Scientific Games and Intralot Inc. for the supply of lottery system hardware, software terminals and related support services.

Under these arrangements, POSC paid the suppliers a pre-agreed percentage of revenues generated from PCSO’s online lottery operations using the supplied systems and equipment.

These agreements were co-terminus with the ELA and effectively ceased upon the expiration of the ELA on September 30, 2023.

Software and license fees recognized in relation to these agreements amounted to ₱59.6 million in 2023.

27. Supplemental Schedule of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	Balance at Beginning of Year	Noncash Changes		Cash Flows		Balance at End of Year
		Additions	Accretion of Interest	Receipts	Payments	
2025						
Lease liabilities	₱57,445	₱1,026,758	₱55,480	₱-	(₱361,125)	₱778,558
Dividends payable	-	2,171,411,155	-	-	(2,171,411,155)	-
Loans payable	416,941,176	-	-	-	(138,980,392)	277,960,784
Interest on loan payable	4,011,566	-	24,599,262	-	(26,050,319)	2,560,509
Total liabilities from financing activities	₱421,010,187	₱2,172,437,913	₱24,654,742	₱-	(₱2,336,802,991)	₱281,299,851

	Balance at Beginning of Year	Noncash Changes		Cash Flows		Balance at End of Year
		Additions/ Modifications	Accretion of Interest	Receipts	Payments	
2024						
Lease liabilities	₱502,798	₱22,987	₱30,797	₱-	(₱499,137)	₱57,445
Dividends payable	-	2,802,462,817	-	-	(2,802,462,817)	-
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	₱2,802,485,804	₱36,577,881	₱80,000,000	(₱2,969,144,531)	₱421,010,187

2023	Balance at Beginning of Year	Noncash Changes		Cash Flows		Balance at End of Year
		Additions	Accretion of Interest	Receipts	Payments	
Lease liabilities	₱1,891,442	₱2,662,413,486	₱24,897	₱-	(₱2,663,827,027)	₱502,798
Dividends payable	-	1,589,021,262	-	-	(1,589,021,262)	-
Loans payable	67,500,000	-	-	432,500,000	(29,411,765)	470,588,235
Interest on loan payable	-	-	17,878,309	-	(17,878,309)	-
Total liabilities from financing activities	₱69,391,442	₱4,251,434,748	₱17,903,206	₱432,500,000	(₱4,300,138,363)	₱471,091,033

Other Noncash Financial Information

- In 2025, the Group reclassified certain property and equipment amounting to ₱5.7 million to other current assets (see Note 13).
- In 2023, reclassification from advances to suppliers to property and equipment amounted to ₱207.1 million.

28. Events After the Reporting Period

On February 5, 2026, the Group submitted a formal request to PAGCOR to include PLC and the ultimate parent company, Belle, as co-licensees in the gaming license for the Integrated Resort Project in Clark Special Economic Zone, which initially included only its wholly-owned subsidiaries SLRC and FRCI. The inclusion of the Parent Company and Belle is intended to strengthen the Project's development capabilities. As of the report date, the amended terms of the Provisional License reflecting these co-licensees are in the process of finalization.



**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 consolidated financial statements of Premium Leisure Corp. (the Parent Company) and its Subsidiaries as at and December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023, on which we have rendered our report dated February 26, 2026.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has 35 stockholders owning 100 or more shares each.

REYES TACANDONG & Co.

GRACE M. ALBUNIAN
Partner

February 26, 2026
Makati City, Metro Manila