

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
Dec 31, 2021
2. SEC Identification Number
AS093-009289
3. BIR Tax Identification No.
003-457-827
4. Exact name of issuer as specified in its charter
Premium Leisure Corp.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
5/F Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City
Postal Code
1300
8. Issuer's telephone number, including area code
02-86628888
9. Former name or former address, and former fiscal year, if changed since last report
n.a.
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, Php0.25 par value	31,216,931,000

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes No
If yes, state the name of such stock exchange and the classes of securities listed therein:
The Philippine Stock Exchange, Inc.
12. Check whether the issuer:

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

Yes No

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

Yes No

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

2,695,062,699.00

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

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

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

n.a

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

n.a

(c) Any prospectus filed pursuant to SRC Rule 8.1

n.a

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



PREMIUM LEISURE CORP.

Premium Leisure Corp. PLC

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

For the fiscal year ended	Dec 31, 2021
Currency	PHP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Current Assets	6,002,149,366.00	6,735,160,173.00
Total Assets	17,084,896,212.00	17,793,014,064.00
Current Liabilities	653,483,170.00	1,172,207,600.00
Total Liabilities	686,363,515.00	1,235,426,915.00
Retained Earnings/(Deficit)	2,566,288,233.00	2,629,106,978.00
Stockholders' Equity	16,398,532,697.00	16,557,587,149.00
Stockholders' Equity - Parent	16,130,762,007.00	16,220,076,183.00
Book Value Per Share	0.52	0.53

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Gross Revenue	1,726,637,079.00	963,655,509.00
Gross Expense	963,909,247.00	1,697,851,321.00
Non-Operating Income	422,076,335.00	1,061,656,049.00
Non-Operating Expense	642,417.00	6,800,483.00

Income/(Loss) Before Tax	1,184,161,750.00	320,659,754.00
Income Tax Expense	61,252,340.00	-3,056,684.00
Net Income/(Loss) After Tax	1,122,909,410.00	323,716,438.00
Net Income/(Loss) Attributable to Parent Equity Holder	1,193,902,616.00	517,573,391.00
Earnings/(Loss) Per Share (Basic)	0.03	0.01
Earnings/(Loss) Per Share (Diluted)	0.03	0.01

Financial Ratios

	Formula	Fiscal Year Ended Dec 31, 2021	Previous Fiscal Year Dec 31, 2020
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	9.18	5.75
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	8.86	5.56
; ; Solvency Ratio	Total Assets / Total Liabilities	24.89	14.4
Financial Leverage Ratios			
; ; Debt Ratio	Total Debt/Total Assets	0	0
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0	0
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	1,582.2	48.15
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.04	1.07
Profitability Ratios			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.63	0.48
; ; Net Profit Margin	Net Profit / Sales	0.65	0.34
; ; Return on Assets	Net Income / Total Assets	0.06	0.02
; ; Return on Equity	Net Income / Total Stockholders' Equity	0.07	0.02
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	11.11	26.84

Other Relevant Information

Attached is the Corporation's Amended Annual Report which is being filed herewith to reflect the following changes:
1) Attached Index to Financial Statements and Supplementary Schedules, SRC Rule 68 Schedules, and Index to Exhibits; and
2) Updated the page numbers.

Filed on behalf by:

Name	Michelle Angeli Hernandez
Designation	Chief Risk Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the year ended: **December 31, 2021**
2. SEC Identification Number: **AS93-009289**
3. BIR Tax Identification No.: **003-457-827**
4. Exact name of registrant as specified in its charter: **PREMIUM LEISURE CORP.**
5. Province, Country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines
6.

--

 (SEC Use Only)
Industry Classification Code
7. Address of Principal Office:
5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila Postal Code: 1300
8. Issuer's telephone number, including area code: **(632) 8662-8888**
9. Former name, former address, and former fiscal year, if changed since last report
Former name: **N/A**
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class Common stock	Number of Shares of Common Stock Outstanding 31,216,931,000
--	---
11. Are any or all of these securities listed on the Philippine Stock Exchange, Inc. (PSE).
Yes ☒ No ☐
12. Check whether the issuer:
 - a) has filed all reports required to be filed by Section 17 of Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the issuer was required to file such report(s), been filed:

Yes ☒ No ☐
 - b) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐
13. Aggregate market value of the voting stock held by non-affiliates: **₱2,695,062,698.96**
Aggregate market value was computed by multiplying voting stock held by non-affiliates (6,267,587,672.00 shares) with the stock's closing price of **₱0.43** per share on **December 31, 2021**.

TABLE OF CONTENTS

	<u>Page No.</u>
PART I - BUSINESS AND GENERAL INFORMATION	
Item 1 Business	3
Item 2 Properties	13
Item 3 Legal Proceedings	14
Item 4 Submission of Matters to a Vote of Security Holders	14
PART II - OPERATIONAL AND FINANCIAL INFORMATION	
Item 5 Market for Registrant's Common Equity and Related Stockholder Matters	15
Item 6 Management's Discussion and Analysis of Operating Performance and Financial Condition	17
Item 7 Financial Statements	43
Item 8 Changes in and Disagreements with Accountants and Financial Disclosure	43
PART III - CONTROL AND COMPENSATION INFORMATION	
Item 9 Directors and Executive Officers of the Registrant	44
Item 10 Compensation of Directors and Executive Officers	49
Item 11 Security Ownership of Certain Beneficial Owners and Management	51
Item 12 Certain Relationships and Related Transactions	53
PART IV – CORPORATE GOVERNANCE	54
PART V - EXHIBITS AND SCHEDULES	
Item 13 Exhibits and Reports on SEC Form 17-C	60
SIGNATURES	60
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES	62
INDEX TO EXHIBITS	63

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Corporate Information

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

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.78% (direct and indirect) owned by Belle Corporation (“Belle” or “Ultimate Parent Company”) and the rest by the public as at December 31, 2021 and 2020.

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

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

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

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

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

^(a) Non-operating

^(b) Sold on February 13, 2020

Material acquisitions of investments

The Company has invested in various companies as follows:

1. 100% Equity Investment in PLAI

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

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

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

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

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

Fees payable to PLAI

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

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

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

City of Dreams Manila integrated resort opened to the public in December 2014, and had its grand opening on February 2015. The resort complex is located on a land area of around 6.2 hectares in the gateway of the Entertainment City. It is composed of hotel, retail and dining areas with an allotment of around 380 mass and VIP gaming tables, 2,260 slot machines and 1,130 electronic gaming tables. As of December 31, 2019, City of Dreams Manila boasts of 302 gaming tables, 1,891 slot machines and 234 electronic gaming tables in operation. With approximately 22,507 square meters of gaming gross floor area and around 20,000 square meters of retail and restaurant facilities and various entertainment options, City of Dreams Manila is one of the main players in the Philippine gaming industry. Total gross floor area of the entire complex is at 310,565 square meters.

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

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

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

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

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

Pacific Online Systems Corporation, with PSE ticker symbol LOTO was incorporated in 1993. A systems integrator of gaming solutions, it is primarily engaged in the development, design and management of online computer systems, terminals and software for the gaming industry, with the Philippine Charity Sweepstakes Office (PCSO) as its main customer. It has been consistently profitable since its fiscal year 2002.

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

As of December 31, 2021 PLC has 50.1% ownership in POSC issued shares, with a total of 448,560,806 shares.

3. Acquisition of Falcon Resources, Inc.

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

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

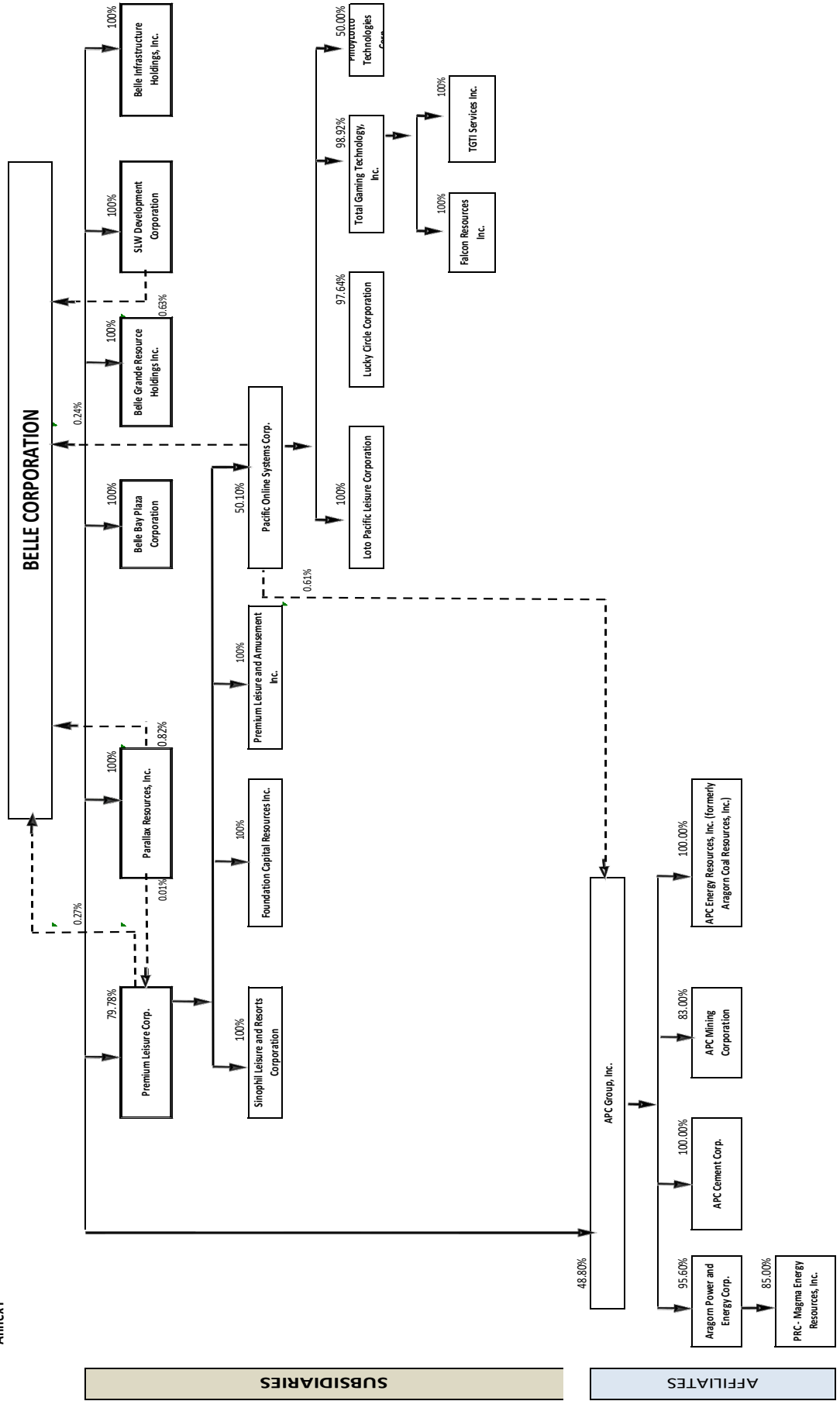
On July 1, 2017, LCC, a subsidiary of Pacific Online, acquired 100% ownership interest in the following nine entities engaged in lotto/keno outlets and retail of scratchit tickets: Athena Ventures, Inc., Avery Integrated Hub, Inc., Circle 8 Gaming Ventures, Inc., Luckydeal Leisure, Inc., Luckyfortune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

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

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

5. 50% Interest in PinoyLotto

On September 7, 2021, Pinoylotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated with the SEC. PinoyLotto was awarded the five years lease of the customized Philippine Charity Sweepstakes Office (PCSO) Lottery System, also known as ‘2021 PLS Project’. The Group’s interest in PinoyLotto was considered as joint operation.



Revenues

The following are the major revenue and income items in 2021 and 2020:

Year ended December 31 (Php)	Amount	% to total	Amount	% to total
Gaming revenue share	1,300,291,468	75%	635,217,388	66%
Equipment lease rentals	426,345,611	25%	293,104,496	30%
Commission, distribution and instant scratch tickets	-	0%	35,333,625	4%
Total	1,726,637,079	100%	963,655,509	100%

Products

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

1. PLAI is a grantee by PAGCOR of Certificate of Affiliations and Provisional License to operate integrated resorts, including casinos, in the vicinity of PAGCOR Entertainment City. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, renewable for another 25 years, by the Philippine Congress.
2. POSC leases online betting equipment to the PCSO for their lottery operations in the Visayas and Mindanao regions for lotto and nationwide for KENO. PLC owns a controlling interest of 50.1% of issued shares of POSC, which is a publicly-listed company.

As of December 31, 2020, POSC together with its subsidiary, Total Gaming Technologies, Inc. (TGTI) had over 3,698 lottery terminals installed nationwide. All online lottery terminals located in PCSO authorized retail outlets are continuously connected to the PCSO's central computer system that enables real time recording and monitoring of lottery sales and validation of winning tickets.

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

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

Customers and Market Profile

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

As of December 31, 2021, Pacific Online made P6.512B of which P1.430B (22%) is the share of Luzon Sales. It is noted that while in Luzon, the jackpot games account for 53% of total lottery sales, the VisMin area shows that it is digit games that dominates the sales of the region, accounting for 47% of total lottery sales. While previous years showed higher sales for digit games, the drop in Digit Games particularly with 3D Lotto may be due to the shift of bettors to other Gaming Products like STL, Peryahan ng Bayan, or esabong.

The Company's total terminal deployment in VISMIN Territory covered 69 cities out of 73 total cities and 530 municipalities out of total 791. In Luzon, the Company's lotto terminal deployment covered 52 Cities and 71 municipalities. The Company covers 100% of the VisMin sales and only 15% in Luzon due to its restricted entry since 2012 up to 2021.

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

Competition

Gaming business: City of Dreams Manila is competing against casinos operated by PAGCOR and the other licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. ("Travelers"), Solaire Resort and Casino of Bloomberry Resorts Corporation, and Okada Manila. Travelers has also broken ground on its planned Resorts World Westside project in PAGCOR City, which is expected to open in 2023.

Lottery equipment leasing, distribution and retail business: POSC, PLC's subsidiary, expects the aggressive push for Small Town Lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas to continue to provide competition to its online lotto revenues. This mostly affects the VisMin region due to the popularity of the digit games, which are very similar to STL games. With the removal of the legal impediment for the Company to provide lotto equipment in Luzon, the Company was able to expand its operations in Luzon, where the additional revenues offset the lost sales in VisMin due to STL. Another recent competitor in the gaming market is sabong, which has grown in sales and number of outlets during the pandemic.

Employees

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

Risks

Economic and Political Conditions

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

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

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

Changes to the Philippine Laws and Regulations

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

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

Competition Risk

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

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

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

Risk relating to the Corporation and its subsidiaries

a. Dependence on Suppliers

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

b. Business Interruption Risk

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

Data Privacy

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

Information Technology

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

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

COVID-19

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

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

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

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

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

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

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

Not Applicable.

Transactions with and/or Dependence on Related Parties

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

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

PAGCOR license

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

Agreements with PCSO

POSC. The Parent Company has an ELA with the PCSO for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals

for the central computer system and draw equipment of PCSO. This also includes the supply of betting slips and ticket paper rolls.

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

Pursuant to the amended ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2021 and 2020, the total cash bond, included under “Other current assets” or “Other noncurrent assets” in the consolidated statement of financial position, amounted to Php12.0 million.

On July 31, 2019, the ELA was amended to extend the term from August 1, 2019 to July 31, 2020. The said extension was intended for PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO.

On September 9, 2020, the term of the ELA was extended on a month-to-month basis effective August 1, 2020 but not to exceed one year, commensurate to the necessity and immediacy to complete the bidding process of the new lottery system. POSC undertakes not to pull-out the lottery terminals until after the 7th month after the expiration of the ELA.

In 2021, the term of the ELA was month-to-month basis not exceeding one year, commencing from April 1, 2021 and not exceeding July 31, 2022.

The rental fee, presented as “Equipment rental” in the consolidated statement of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO’s Luzon and Vismin operations. The number of installed lotto terminals totaled 3,129 and 3,370 as at December 31, 2021 and 2020.

TGTI. TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO’s Online KENO games. This covers PCSO’s online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the “Online KENO” terminals. The ELA may be extended and/or renewed upon the mutual consent of the parties.

On October 1, 2019, the ELA was amended to reduce the lease rate. The minimum price per keno bet was reduced from Php12 to Php10, inclusive of documentary stamp tax.

On December 11, 2020, the ELA was amended to extend the term for six months, effective October 1, 2020 until March 31, 2021. The amendment also required TGTI to post a cash bond and performance security bond with an aggregate amount of P=2.5 million. The cash bond is included under “Other current assets” or “Other noncurrent assets” in the consolidated statements of financial position.

In 2021, the ELA was extended on a month-to-month basis not exceeding 1 year, commencing from April 1, 2021 and not exceeding April 1, 2022.

The number of installed online KENO terminals totaled 569 and 1,180 as at December 31, 2021 and 2020, respectively.

Brand and Trademark Agreement with PMLC

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with Powerball Marketing and Logistics Corp. (PMLC) granting the latter a non-assignable, non-transferable and exclusive right to use POSC’s instant scratch tickets’ brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC’s agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of Php4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to

use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC.

Due to the suspension of PCSO games on July 27, 2019 for two months and on March 17, 2020 for four and a half months, PMLC was not able to supply and distribute instant scratch tickets to its customers. The management expects delay on the payment for those months, this, the management assessed that the accrued license fee income equivalent to those months with no operations may not be recoverable. Impairment losses amounting to Php26.0 million were recognized in 2020 and subsequently reversed in 2021.

TGTI Equipment Rental

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's Online KENO games. This covers PCSO's online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the "Online KENO" terminals. The ELA may be extended and/or renewed upon the mutual consent of the parties.

On October 1, 2019, the ELA was amended to reduce the lease rate. The minimum price per keno bet was reduced from Php12 to Php10, inclusive of documentary stamp tax.

On December 11, 2020, the ELA was amended to extend the term for six months, effective October 1, 2020 until March 31, 2021. The amendment also required TGTI to post a cash bond and performance security bond with an aggregate amount of Php2.5 million. The cash bond is included under "Other current assets" or "Other noncurrent assets" in the consolidated statements of financial position.

In 2021, the ELA was extended on a month-to-month basis not exceeding 1 year, commencing from April 1, 2021 and not exceeding April 1, 2022.

The number of installed online KENO terminals totaled 569 and 1,180 as at December 31, 2021 and 2020, respectively.

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

a. Scientific Games

As at December 31, 2021 and 2020, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect.

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

b. Intralot

As at December 31, 2021 and 2020, POSC and TGTI have contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The Contract shall continue as long as POSC's and TGTI's ELA with PCSO are in effect.

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

c. Management Agreement

POSC and TGTI entered into Management Agreements with AB Gaming and Leisure Exponent Specialist, Inc. ("Manager") for the latter to provide investment and management counsel and to act as

manager and overseer of its operations. In consideration of the Manager's services, POSC shall pay a monthly fee and an amount equivalent to a certain percentage of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA). The agreements were terminated in 2021.

Government Approvals/Regulations

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

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

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

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

Effect of existing or probable governmental regulations on the business.

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

Item 2. Properties

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

POSC's online lottery operations are conducted mainly in Cebu, where its central system data center and logistics center are located. It also has set up 8 logistics hubs in 8 major VisMin cities to ensure efficient service delivery to the PCSO lottery agents. The Company Head Office is located in Pasig City.

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

The leased properties for business offices, data center and logistics facilities, reached about 2,588 sqm by year end 2021. About 49% of these properties are located in Luzon, and 51% in VisMin. Majority of the properties in Luzon are found in Metro Manila while those in VisMin are in Cebu. The logistics centers' areas are about 1,364 sqm in total, with 586 sqm in Cebu and 778 sqm in Metro Manila. Lease terms for most office and warehouse spaces range from month-to-month up to one (1) year. All lease agreements have provisions for renewal subject to terms and conditions mutually agreed upon by all parties concerned. The lease agreements provide for minimum rental commitment with annual rental escalation rates at around 5%. One (1) office lease and three (3) warehouse units located in Metro Manila were terminated in 2021.

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

Item 3. Legal Proceedings

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

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

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

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

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

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Stock Prices

2021	High	Low
First Quarter	0.560	0.350
Second Quarter	0.475	0.380
Third Quarter	0.465	0.395
Fourth Quarter	0.490	0.410
2020	High	Low
First Quarter	0.610	0.255
Second Quarter	0.375	0.275
Third Quarter	0.335	0.280
Fourth Quarter	0.530	0.300

As of **December 31, 2021**, Premium Leisure Corp. market capitalization on **31,216,931,000** outstanding shares in the PSE amounted to **₱13,423,280,330.00** based on the closing price of **₱0.43** per share.

Security Holders

The number of shareholders of record as of **December 31, 2021** was **358**. Common shares outstanding as of **December 31, 2021** are **31,216,931,000**.

Top 20 shareholders as of December 31, 2021:

RANK	NAMES	CITIZENSHIP	TOTAL	PERCENTAGE
1	BELLE CORPORATION	Filipino	24,904,904,324	79.780%
2	PCD NOMINEE CORP. (FILIPINO)	Filipino	5,824,223,483	18.657%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	Others	412,923,252	1.323%
4	SYSMART CORPORATION	Filipino	128,370,000	0.411%
5	F.YAP SECURITIES, INC.	Filipino	110,000,000	0.352%
6	SYNTRIX HOLDINGS, INC.	Filipino	74,040,000	0.237%
7	F.YAP SECURITIES, INC.	Filipino	57,000,000	0.183%
8	WILLY NG OCIER AND/OR GERALDINE ESCOLAR YU OCIER	Filipino	22,000,000	0.070%
9	WILLY NG OCIER	Filipino	17,888,000	0.057%
10	PARKORAM DEVELOPMENT LIMITED	Filipino	14,264,119	0.046%
11	OSCAR S. CU ITF ANTHONY CU	Filipino	10,430,000	0.033%
12	OSCAR S. CU	Filipino	9,070,000	0.029%
13	REGINA CAPITAL DEVELOPMENT CORP.	Filipino	7,900,000	0.025%
14	PARALLAX RESOURCES, INC.	Filipino	4,570,300	0.015%
15	ALEXANDER AUSTRIA &/OR DOMINICA AUSTRIA	Filipino	1,520,000	0.005%
16	AUGUSTO LITONJUA &/OR LUIS SALVADOR	Filipino	1,520,000	0.005%
17	CAI CHANG CHU	Filipino	1,400,000	0.004%
18	LEONCIO TAN TIU	Filipino	1,300,000	0.004%
19	MARY ANGEL I.F. BASILIO	Filipino	1,100,000	0.004%
20	ELIZABETH CHENG	Filipino	1,100,000	0.004%

Dividend Policy

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

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

Dividend Payments

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

YEAR	2021	2020	2019	2018	2017	2016	2015
Declaration Date	04/14/2021	02/21/2020	02/22/2019	02/23/2018	02/23/2017	02/23/2016	03/05/2015
Amount per share	₱0.04075	₱0.05024	₱0.05024	₱0.04391	₱0.0281	₱0.0215	₱0.022
Total Dividends	₱1,272.1 M	₱1,588.8 M	₱1,588.8 M	₱1,388.8 M	₱888.0 M	₱680.0 M	₱700.0 M
Record Date	04/28/2021	03/06/2020	03/08/2019	03/09/2018	03/10/2017	03/10/2016	03/20/2015
Payment Date by	05/12/2021	03/20/2020	03/22/2019	03/23/2018	03/23/2017	03/23/2016	04/17/2015

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

Recent Sales of Unregistered Securities

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

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

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

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

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

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

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

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

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

(Amounts in Peso except percentages)

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

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

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

Consolidated Statements of Financial Position

(Amounts in Peso except percentages)

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

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

Cash and cash equivalents

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

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

Trade and other receivables

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

Investments held for trading

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

Intangible Asset

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

Investment Properties

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

Financial assets at fair value through OCI

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

Property and equipment

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

Goodwill

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

Total Liabilities

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

Equity

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

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

Ratio	Manner in which the financial ratios are computed	Dec 31, 2021	Dec 31, 2020
Current ratio	Current assets divided by current liabilities	9.18	5.75
Quick ratio	(Current assets less invty - prepayments) / Current liabilities	8.86	5.56
Solvency ratio	Total assets / total liabilities	24.89	14.13
Asset to equity	Total assets divided by total equity	1.04	1.07
Debt to equity	Interest bearing debt divided by total equity	-	-
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	1,582.21	48.15
Debt ratio	Total debt / total assets	0.04	0.07
Return on assets	Net income (loss) divided by average total assets during the period	6.44%	1.72%
Return on equity	Net income (loss) divided by average total equity during the period	6.81%	1.87%

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

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

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

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

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

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

2022 PLAN OF OPERATIONS

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

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

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

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

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

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

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

Consolidated Statements of Comprehensive Income

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

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

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

Consolidated Statements of Financial Position

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

Cash and cash equivalents

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

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

Investments held for trading

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

Receivables

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

Notes receivable

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

Intangible asset

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

Financial assets at fair value through OCI

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

Property and equipment

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

Goodwill

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

Total Liabilities

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

Equity

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

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

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

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

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

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

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

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

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

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

2021 Plan of Operations

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

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

Analysis of Results of Operations and Financial Condition – 2019 compared to 2018

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

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

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

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

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

Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2019	2018	Increase (Decrease)		2019	2018
			Amount	%		
NET INCOME	2,101,623,860	2,309,653,114	(208,029,254)	-9%	53%	45%
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Marked-to-market losses on financial assets at fair value through OCI	(53,228,230)	(261,173,629)	207,945,399	-80%	-1%	-5%
Remeasurement gain (loss) on net retirement benefits - net of tax	(18,152,998)	12,297,225	(30,450,223)	-248%	0%	0%
	(71,381,228)	(248,876,404)	177,495,176	-71%	-2%	-5%
TOTAL COMPREHENSIVE INCOME (LOSS)	2,030,242,632	2,060,776,710	(30,534,078)	-1%	51%	40%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the parent	2,210,284,612	1,954,907,883	255,376,729	13%	56%	38%
Non-controlling interests	(180,041,980)	105,868,827	(285,910,807)	-270%	-5%	2%
	2,030,242,632	2,060,776,710	(30,534,078)	-1%	51%	40%

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

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2019.

Consolidated Statements of Financial Position (in Php)

	December 31		Horizontal Analysis		Vertical Analysis	
	2019	2018	Increase (Decrease) Amount	%	2019	2018
ASSETS						
Current Assets						
Cash and cash equivalents	3,537,075,479	2,314,012,081	1,223,063,398	53%	18%	12%
Investments held for trading	140,456,581	155,704,892	(15,248,311)	-10%	1%	1%
Receivables	337,535,176	350,735,545	(13,200,369)	-4%	2%	2%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	19%	19%
Contract assets	40,510,763	37,892,531	2,618,232	7%	0%	0%
Other current assets	268,546,967	319,087,307	(50,540,340)	-16%	1%	2%
Total Current Assets	8,030,049,966	6,883,357,356	1,146,692,610	17%	40%	36%
Noncurrent Assets						
Intangible asset	9,191,127,003	9,429,599,487	(238,472,484)	-3%	46%	49%
Financial assets at fair value through OCI	334,516,031	387,744,261	(53,228,230)	-14%	2%	2%
Property and equipment	107,432,510	259,903,572	(152,471,062)	-59%	1%	1%
Investment property	285,510,452	285,510,452	-	0%	1%	1%
Goodwill	1,358,298,121	1,721,326,738	(363,028,617)	-21%	7%	9%
Deferred tax assets	52,824,625	8,864,126	43,960,499	496%	0%	0%
Retirement asset	10,311,588	7,855,553	2,456,035	31%	0%	0%
Right of use assets	73,225,966	-	73,225,966	100%	0%	0%
Contract assets - net of current portion	89,612,359	130,123,123	(40,510,764)	-31%	0%	1%
Other noncurrent assets	398,013,734	75,504,420	322,509,314	427%	2%	0%
Total Noncurrent Assets	11,900,872,389	12,306,431,732	(405,559,343)	-3%	60%	64%
TOTAL ASSETS	19,930,922,355	19,189,789,088	741,133,267	4%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables and other current liabilities	1,618,365,470	1,535,792,345	82,573,125	5%	8%	8%
Loans payable	150,000,000	-	150,000,000	100%	1%	0%
Lease liabilities - current portion	75,030,683	-	75,030,683	100%	0%	0%
Current portion of obligations under finance lease	-	19,379,463	(19,379,463)	-100%	0%	0%
Income tax payable	4,274,940	9,415,467	(5,140,527)	-55%	0%	0%
Total Current Liabilities	1,847,671,093	1,564,587,275	283,083,818	18%	9%	8%
Noncurrent Liabilities						
Deferred tax liability	-	46,161,265	(46,161,265)	-100%	0%	0%
Lease liabilities - net of current portion	16,576,645	-	16,576,645	100%	0%	0%
Obligation under finance lease	-	15,995,011	(15,995,011)	-100%	0%	0%
Retirement liability	48,950,570	6,981,493	41,969,077	601%	0%	0%
Total Noncurrent Liabilities	65,527,215	69,137,769	(3,610,554)	-5%	1%	0%
Total Liabilities	1,913,198,308	1,633,725,044	279,473,264	17%	10%	9%
Equity Attr to the Equity Holders of the Parent						
Capital stock	7,906,827,500	7,906,827,500	-	0%	40%	41%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	36%	38%
Treasury shares	(29,430,080)	(29,430,080)	-	0%	0%	0%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(788,608,550)	(736,930,415)	(51,678,135)	7%	-4%	-4%
Retained earnings	3,660,924,536	2,967,544,418	693,380,118	23%	18%	15%
Total Equity Attr to Equity Holders of the Parent	17,478,838,275	16,837,136,292	641,701,983	4%	88%	88%
Non-controlling Interests	538,885,772	718,927,752	(180,041,980)	-25%	3%	4%
Total Equity	18,017,724,047	17,556,064,044	461,660,003	3%	90%	91%
TOTAL LIABILITIES AND EQUITY	19,930,922,355	19,189,789,088	741,133,267	4%	100%	100%

As of December 31, 2019, PLC's total assets amounted to Php19,930.9 million, higher by Php741.1 million, or 4% versus total assets as at December 31, 2018. Key movements in balance sheet items are as follows:

Cash and cash equivalents

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

Cash and cash equivalents increased by 53% (Php1.22 billion) to Php3.54 billion in 2019. This is because in 2018, the Company increased its notes receivable, thereby contributing to the lower cash at the end of that year.

Investments held for trading

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

Receivables

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

Notes Receivable

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

Intangible Asset

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

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

Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is an overall decrease of Php152.47 million in the account compared to balances at December 31, 2018 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

Goodwill

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

Total Liabilities

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

Equity

Stockholders' equity increased by Php461.66 million as of December 31, 2019 from Php17.56 billion as of December 31, 2018. The increase was due mainly to the increase in retained earnings from the net income earned for the year, offset in part by the declaration and payment of dividends during the period and adjustments in other reserves pertaining to unrealized gains and losses through other comprehensive income. Minority interest is at Php538.9 million as at December 31, 2019.

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

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

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

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

Interest-bearing debt refers to the short-term loan of the Company. This is minimal compared with the Company's total equity.

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

As of December 31, 2019, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

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

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

2020 Plan of Operations

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

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

(Amounts in Peso except percentages)

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

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

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

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

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

Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)

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

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

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2018.

Consolidated Statements of Financial Position (in Php)

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

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

Cash and cash equivalents

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

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

Investments held for trading

Investments held for trading decreased by 13% mainly due to disposals of investments for the year as well as mark-to-market gains and losses due to changes in share prices.

Receivables

Receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as operational advances to customers, suppliers and employees. The Company recorded net decrease of 50% or Php350.0 million in receivables.

Notes Receivable

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

Intangible Asset

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

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

Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is an overall decrease of Php178.2 million in the account compared to balances at December 31, 2017 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

Goodwill

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

Total Liabilities

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

Equity

Stockholders' equity increased by Php490.0 million as of December 31, 2018 from Php17,066.0 million as of December 31, 2017. The increase was due mainly to the increase in retained earnings from the net income earned for the year, offset in part by the declaration and payment of dividends during the period and adjustments in other reserves pertaining to unrealized gains and losses through other comprehensive income. Minority interest is at Php718.9 million as at December 31, 2018.

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

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

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

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

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

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

As of December 31, 2018, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and

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

2019 Plan of Operations

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

Financial Risk Management Objectives and Policies and Capital Management

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

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

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

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

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

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

*Excluding cash on hand.

**Presented under “Other current assets” or “Other noncurrent assets” account in the consolidated statement of financial position.

	2020						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalent*	₱2,205,051,264	₱—	₱—	₱—	₱—	₱—	₱2,205,051,264
Receivables	214,136,749	111,443,085	143,172,251	—	—	543,515,942	1,012,268,027
Notes receivable	3,705,925,000	—	—	—	—	—	3,705,925,000
Contract asset	86,205,643					26,000,000	112,205,643
Advances to contractors**	139,739,757	—	—	—	—	—	139,739,757
Refundable deposit**	5,953,851	—	—	—	—	—	4,159,704
Guarantee bonds**	14,500,000	—	—	—	—	—	14,500,000
	₱6,371,512,264	₱111,443,085	₱143,172,251	₱—	₱—	₱569,515,942	₱7,193,849,395

*Excluding cash on hand.

**Presented under “Other current assets” or “Other noncurrent assets” account in the consolidated statement of financial position.

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

Credit Quality of Financial Assets

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

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

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

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

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

	2021			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalent*	₱1,660,389,063	₱—	₱—	₱1,660,389,063
Receivables	277,787,614	—	543,515,942	821,303,556
Notes receivable	3,705,925,000	—	—	3,705,925,000
Contract asset	44,319,085	—	26,000,000	70,319,085
Advances to contractors**	139,738,757	—	—	139,738,757
Refundable deposit**	3,706,928	—	—	3,706,928
Guarantee bonds**	14,500,000	—	—	14,500,000
Gross Carrying Amount	₱5,846,366,447	₱—	₱569,515,942	₱6,415,882,389

*Excluding cash on hand.

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

	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost				
Cash and cash equivalent*	₱2,205,051,264	₱—	₱—	₱2,205,051,264
Receivables	468,752,085	—	543,515,942	1,012,268,027
Notes receivable	3,705,925,000	—	—	3,705,925,000
Contract asset	86,205,643	—	26,000,000	112,205,643
Advances to contractors**	139,739,757	—	—	139,739,757
Refundable deposit**	5,953,851	—	—	5,953,851
Guarantee bonds**	14,500,000	—	—	14,500,000
Gross Carrying Amount	₱6,626,127,600	₱—	₱569,515,942	₱7,195,643,542

*Excluding cash on hand.

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

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

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

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

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2021 and 2020 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	2021	2020
Impact in profit or loss		
5%	₱3,652,682	₱4,213,046
(5%)	(3,652,682)	(4,213,046)
Impact in comprehensive income		
1%	7,211,671	2,873,726
(1%)	(7,211,671)	(2,873,726)

Liquidity Risk. Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Group's

objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Group considers obtaining borrowings as the need arises.

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

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

* Excluding statutory liabilities, provisions and unearned income

2020	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	₱124,477,689	₱–	₱112,196,669	₱–	₱236,674,358
Lease liabilities	–	–	7,063,070	4,992,336	12,055,406
	₱124,477,689	₱–	₱119,259,739	₱4,992,336	₱248,729,764

* Excluding statutory liabilities, provisions and unearned income

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

As at December 31, 2021 and 2020, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2021	2020
Cash	₱10,679,109	₱19,636,348
Software license fee payable*	733,127	17,207,061
Foreign currency-denominated financial assets (liabilities)	₱9,945,982	₱2,429,287

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

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱51.09 to US\$1.0 and ₱48.02 to US\$1.0, as at December 31, 2021 and 2020, respectively.

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

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2021 and 2020. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2021		2020	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate	5%	(5%)	5%	(5%)
Effect on income before income tax	₱1,338,810	(₱1,338,810)	₱4,213,046	(₱4,213,046)

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return

capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2021 and 2020.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱16,130.8 million as at December 31, 2021 (₱16,220.1 million as at December 31, 2020).

Fair Value of Assets and Financial Liabilities

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

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalent	₱1,660,934,194	₱1,660,934,194	₱2,218,311,525	₱2,218,311,525
Receivables	277,787,614	277,787,614	468,752,085	468,752,085
Notes receivable	3,705,925,000	3,705,925,000	3,705,925,000	3,705,925,000
Contract asset	70,319,085	70,319,085	86,205,643	86,205,643
Advances to contractors*	139,738,757	139,738,757	139,739,757	139,739,757
Refundable deposit*	3,706,928.00	3,706,928.00	5,953,851	5,953,851
Guarantee bonds	14,500,000	14,500,000	14,500,000	14,500,000
At FVPL				
Investment held for trading	73,053,645	73,053,645	84,260,926	84,260,926
At FVOCI				
Financial assets at FVOCI	721,167,064	721,167,064	287,453,830	287,453,830
	₱6,667,132,287	₱6,667,132,287	₱7,011,102,617	₱7,011,102,617
Financial Liabilities				
At amortized cost:				
Trade and other current liabilities**	₱325,484,791	₱325,484,791	₱238,136,053	₱238,136,053
Lease liabilities	6,872,952	6,872,952	12,055,406	12,055,406
	₱332,357,743	₱332,357,743	₱250,191,459	₱250,191,459

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

** Excluding statutory liabilities, provisions and unearned income

The Group has no financial liabilities measured at fair value as at December 31, 2021 and 2020. There were no transfers between fair value measurements in 2021 and 2020.

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

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

Refundable Deposit and Guarantee bonds. The carrying value of refundable deposits and guaranteed bonds approximates fair value as at December 31, 2021 and 2020 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

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

Lease Liabilities. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used are 5.25% to 6.50% in 2021 and 2020.

Other Required Disclosures

- A.) The attached financial reports were prepared in accordance with accounting standards generally accepted in the Philippines.
- B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the period.
- C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current period.
- D.) Except as disclosed in the MD&A, there were no other issuance, repurchases and repayments of debt and equity securities.
- E.) There were no material events that occurred subsequent to December 31, 2021 and up to the date of this report that need disclosure herein.
- F.) There were no changes in the composition of the Company during the period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations, except for the accounting for the PinoyLotto Technologies Corporation as a joint operation as discussed above.
- G.) There were no changes in contingent liabilities or contingent assets since December 31, 2021, as of the date of this report.
- H.) There exist no material contingencies and other material events or transactions affecting the current period.

Key Variables and other Qualitative and Quantitative Factors

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

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

Information on Independent Accountant and Other Related Matters

a. External Audit Fees

a.1. Audit and Audit-Related Fees

The aggregate fees paid by the Corporation for professional services (excluding Value Added Tax) rendered by the external auditor for the audit of financial statements for the years ended 31 December 2021 and 2020 follow:

	(₱000's omitted)
2021	₱640.0
2019	629.0

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

b. Tax Fees

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

c. All Other Fees

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

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

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

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

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

Item 7. Financial Statements

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

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

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

Independent Public Accountants, External Audit Fees and Services

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

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

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

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

The Audit Committee composed of Atty. Maria Grace Tan, Messrs. Juan Victor Tanjuatco, Jaime Bautista, and Exequiel Villacorta recommends to the Board of Directors the appointment of the external auditors. The Board

of Directors and the stockholders approve the Audit Committee's recommendation. The Board of Directors or the Executive Committee approves the audit fees as recommended by the Management Committee.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

(1) Directors and Executive Officers

The names and ages of all the incumbent Directors, elected on June 25, 2021 during the Annual Stockholders' Meeting and who are to serve for a term of one (1) year until their successor shall have been duly elected and qualified, and the Executive Officers are as follows:

Name	Citizenship	Age	Position	Period Served
Willy N. Ocier	Filipino	65	Chairman of the Board; Executive Director	Jun 25, 1999 - present
Armin Antonio B. Raquel Santos	Filipino	54	President and Chief Executive Officer; Executive Director	Jul 18, 2014 – July 03, 2017 as EVP & COO July 01, 2017 – present, as President & CEO
Juan Victor S. Tanjuatco	Filipino	74	Independent Director	Jul 18, 2014 – present
Exequiel P. Villacorta, Jr.	Filipino	75	Non-Executive Director	Jul 18, 2014 – present
Maria Gracia P. Tan	Filipino	66	Independent Director	June 25, 2021 – present
Jaime J. Bautista	Filipino	65	Independent Director	June 25, 2021 – present
Jerry C. Tiu	Filipino	65	Independent Director	June 25, 2021 – present
Jackson T. Ongsip	Filipino	48	Vice President for Finance, Chief Financial Officer, Treasurer, and Compliance Officer	Apr 23, 2012 - present
Elmer B. Serrano	Filipino	54	Corporate Secretary	Apr 27, 2015 - present
Arthur A. Sy	Filipino	52	Assistant Corporate Secretary	Jul 19, 2011 – present
Phil Ivan A. Chan	Filipino	39	Assistant Corporate Secretary	May 11, 2015 - present
Anna Josefina G. Esteban	Filipino	54	Chief Audit Executive	
Michelle Angeli T. Hernandez	Filipino	50	Chief Risk Officer	June 25, 2021 – present

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

Willy N. Ocier

Chairman, Executive Director

Date of first appointment – June 1999

Chairman, Executive Committee

Member, Compensation and Remuneration Committee

Mr. Willy Ocier, 65, Filipino, is an Executive Director and Chairman of Premium Leisure Corp. He is also the Chairman and Director of Belle Corporation, APC Group, Inc., Pacific Online Systems Corporation, Total Gaming and Technologies, Inc. and PremiumLeisure and Amusement, Inc. He is also Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., and The Country Club at the Tagaytay Highlands, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., He is a Director of Leisure and Resorts World Corporation. He also sits as a Director to the following unaffiliated corporations, IVantage Equities, Philequity

Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation.

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

Armin Antonio B. Raquel Santos

Executive Director, President and Chief Executive Officer

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

Date of first appointment as officer – July 2014

Chairman, Compensation and Remuneration Committee

Member, Executive Committee

Mr. Raquel Santos, 54, Filipino, is concurrently the Executive Vice President – Integrated Resorts of Belle Corporation, Director, and the President and Chief Executive Officer of both Premium Leisure Corp. and its subsidiary PremiumLeisure and Amusement, Inc. He is also a Director of Pacific Online Systems Corporation and Tagaytay Highlands International Golf Club, Inc., and a member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation.

Formerly he was Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II and First Philippine Electric Company. He was also former Governor of the Board of Investments (BOI), served as Assistant Secretary with the Department of Trade and Industry (DTI), Vice Chairman and CEO of Philippine Retirement Authority (PRA), Executive Vice President of Philippine International Trading Corporation (PITC), and Deputy Administrator of Subic Bay Metropolitan Authority (SBMA). His experience includes stints with multinational companies; Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York.

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

Juan Victor S. Tanjuatco

Independent Director

Date of first appointment – July 2014

Lead Independent Director

Chairman, Corporate Governance Committee

Chairman, Compensation and Remuneration Committee

Member, Related Party Transactions Committee

Member, Audit Committee

Mr. Tanjuatco, 74, Filipino, is an independent director of Premium Leisure Corp. and MEDCO Holdings, Inc. He is also a director of IP Ventures, Inc., and Ketmar Fast Food Corporation. Previously, he served in the same capacity on the board of Insular Savings Bank and Asiatrust Development Bank. A career banker, he was the former President of Export and Industry Bank and was assigned to various managerial and executive positions at Credit Agricole Indosuez Manila, New Zealand and Hongkong, where, after 21 years, he retired as Deputy General Manager in Manila.

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

Exequiel P. Villacorta, Jr

Non-Executive Director

Date of first appointment – July 2014

Member, Audit Committee

Member, Risk Oversight Committee

Member, Executive Committee

Mr. Villacorta, 76, Filipino, is a Non-Executive Director of Premium Leisure Corp. He is also an elected Director of BDO Leasing and Finance, Inc. Prior to this position, he was a Director of Equitable PCI Bank, EBC Insurance Brokerage, and Maxicare Healthcare Corporation. He was the former Chairman of EBC Strategic Holdings Corporation, EBC Investments (now BDO Strategic Holdings), Jardine Equitable Finance Corporation, Strategic Property Holdings, PCIB Properties, Equitable Data Center, and PCI Automation Center. He was a past President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of the Private Development Corporation of the Philippines. He was Senior Adviser and BSP Controller of Equitable PCI Bank and PBCom, and Adviser to the Board of PCI Capital Corporation.

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

Maria Gracia P. Tan

Independent Director

Date of first election – June 2021

Chairperson, Audit Committee

Member, Corporate Governance Committee and Risk Oversight Committee

Atty. Tan, 66, Filipino, is an Independent Director of Premium Leisure Corp. She is also an Independent Director of Belle Corporation and Pacific Online Systems Corporation. She is the former Chairperson of the Commission on Audit, Undersecretary of Finance and Commissioner of the Presidential Commission on Good Government. She is currently a Trustee of the International Budget Partnership, an international NGO based in Washington DC, USA. She is a director of several Philippine corporations, a tax consultant and legal adviser of some private clients, and an accredited Arbitrator of the Construction Industry Arbitration Commission, Philippines and Philippine Dispute Resolution Center, Inc, Philippines.

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

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

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

Jamie J. Bautista

Independent Director

Date of first election – June 2021

Chairman, Risk Oversight Committee

Member, Audit Committee, Corporate Governance Committee and Related Party Transactions Committee

Mr. Bautista, 64, Filipino, is an independent director of Premium Leisure Corp. He is also an independent director of Belle Corporation and Nickel Asia Corp. He is the former President and Chief Operating Officer of Philippine Airlines, Inc., as well as a former Executive and Director in Macroasia Corporation, Macroasia Services Corporation, Macroasia Airport Services Corporation, Macroasia Properties Development Corporation and ETON Properties Philippines, Inc. He is also a former Treasurer of Tan Yan Kee Foundation, Inc. He served in various executive capacities in the the Lucio Tan group for 39 years, the last 24 years for Philippine Airlines and its subsidiaries.

Mr. Bautista is currently a non-executive director in Cosco Capital, Inc., Philippine Bank of Communications, Alphaland Corporation, Airspeed International Corporation, and Gothong Southern ShippingLines, Inc. He is likewise the Vice Chairman of the Philippine Eagle Foundation and a member of the Board of Trustees of the University of the East, the UE Ramon Magsaysay Medical Memorial Center, and the International School of Sustainable Tourism.

Mr. Bautista graduated in 1977 from the Colegio de San Juan de Letran, Magna Cum Laude with a decree of Bachelor of Science in Commerce, major in Accounting. He is a Certified Public Accountant. He received his Doctorate in Humanities (Honoris Causa) from the Central Luzon State University in 2018.

Jerry C. Tiu

Independent Director

Date of first election – June 2021

Chairman, Related Party Transactions Committee

Member, Compensation and Remuneration Committee and Risk Oversight Committee

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

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

Other Executive Officers

Jackson T. Ongsip

Mr. Ongsip, 48, Filipino, is the Vice President for Finance, Chief Financial Officer and Treasurer and Compliance Officer of Premium Leisure Corp. He is also the Executive Vice President, CFO, and Treasurer of Belle Corporation, President and Chief Executive Officer of Pacific Online Systems Corporation, Non-Executive Director of APC Group, Inc., and Vice President for Portfolio Investments of SM Investments Corporation. Mr. Ongsip is a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co., 11 years with Globe Telecom and 9 years now with the SM Group. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

Elmer B. Serrano

Mr. Elmer B. Serrano is the Corporate Secretary and Corporate Information Officer of the Company. Mr. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW.

Mr. Serrano has been awarded “Asia Best Lawyer” by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in the Philippines. This comes after being consistently recognized as a “Highly Regarded-Leading Lawyer” in the same fields by IFLR.

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

Mr. Serrano is a director of 2GO Group, Inc. He is Corporate Secretary of some of the largest and most respected publicly listed companies in the Philippines, including SM Investments Corporation, SM Prime Holdings, Inc., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO

Unibank, Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies.

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

Arthur A. Sy

Atty. Sy, 52, is the Assistant Corporate Secretary of Premium Leisure Corp. He is the Senior Vice President for Legal Department and Assistant Corporate Secretary at SM Investments Corporation. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation and 2GO Group, Inc. Further, he is currently the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo de Manila University, School of Law.

Phil Ivan A. Chan

Atty. Chan, 39, is the Assistant Corporate Secretary of Premium Leisure Corp. He is co-founder of Serrano Law. He was previously a partner at Martinez Vergara Gonzalez & Serrano.

The Legal 500 Asia Pacific recognized Mr. Chan as a "Recommended Lawyer" in Corporate and M&A, Antitrust and Competition, and Immigration.

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

(2) Significant Employees

There are no other significant employees.

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

- (1) Any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (2) Any conviction by final judgment, in a criminal proceeding, domestic or foreign;
- (3) Any order or judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities, or banking activities; and,

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

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

Item 10. Compensation of Directors and Executive Officers

Summary of Annual Compensation

Name and Principal Position	Year	Salary/ Per Diem Allowance	Bonus	Other Annual Compensation	Total Annual Compensation
Willy N. Ocier, Chairman of the Board and Executive Director Armin Antonio B. Raquel Santos, President & CEO Jackson T. Ongsip, CFO Carlo R. Climaco, SAVP for Operations Maria Neriza C. Banaria, Controller					
President and 4 most highly compensated executive officers	2022*	13,021,918	—	113,580	13,135,498
	2021	13,021,918	—	113,580	13,135,498
	2020	12,930,139	—	196,330	13,126,469
All other officers and directors as a Group (Unnamed)	2022*	5,143,945	—	—	5,143,945
	2021	5,143,945	—	—	5,143,945
	2020	4,680,000	—	—	4,680,000

Name and Principal Position	Year	Salary/ Per Diem Allowance	Bonus	Other Annual Compensation	Total Annual Compensation
Willy N. Ocier, Chairman of the Board and Executive Director Armin Antonio B. Raquel Santos, President & CEO Jackson T. Ongsip, CFO Carlo R. Climaco, SAVP for Operations Maria Neriza C. Banaria, Controller					
President and 4 most highly compensated executive officers	2022*	13,021,918	—	113,580	13,135,498
	2021	13,021,918	—	113,580	13,135,498
	2020	12,930,139	—	196,330	13,126,469
All other officers and directors as a Group (Unnamed)	2022*	5,143,945	—	—	5,143,945
	2021	5,143,945	—	—	5,143,945
	2020	4,680,000	—	—	4,680,000

*estimates

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

Compensation of Directors

Each member of the Board of Directors received the following as Directors for the year 2021. The amounts represent their per diem for the meetings attended and all other responsibilities undertaken for the Company.

Directors		2021 Per Diem
1	Juan Victor S. Tanjuatco	ID PHP 960,000.00
2	Maria Gracia P. Tan*	ID PHP 499,726.03
3	Jaime J. Bautista*	ID PHP 499,726.03
4	Jerry C. Tiu*	ID PHP 499,726.03
5	Exequiel P. Villacorta Jr.	PHP 960,000.00
6	Willy N. Ocier	PHP 720,000.00
7	Armin Antonio B. Raquel-Santos	PHP 720,000.00

* - elected on June 25, 2021

Below is the summary of Board meetings held/attended by each director during 2021:

BOARD OF DIRECTORS	19-Feb-21	25-Mar-21	14-Apr-21	12-May-21	25-June-21	25-Jun-21 ⁷	30-Jun-21	29-Jul-21	28-Oct-21	% Attendance
Ocier, Willy N.	x	x	x	x	x	x	x	x	x	100%
Raquel Santos, Armin Antonio B.	x	x	x	x	x	x	x	x	x	100%
Bautista, Jaime J. ¹	N/A	N/A	N/A	N/A	x	x	x	x	x	100%
Reyes, Roman Felipe S. ²	x	x	x	x	N/A	N/A	N/A	N/A	N/A	100%
Tan, A. Bayani K. ³	x	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Tan, Maria Gracia P. ⁴	N/A	N/A	N/A	N/A	x	x	x	x	x	100%
Tan, Joseph C. ⁵	x	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Tanjuatco, Juan Victor S.	x	x	x	x	x	x	x	x	x	100%
Tiu, Jerry C. ⁶	N/A	N/A	N/A	N/A	x	x	x	x	x	100%
Villacorta, Exequiel P. Jr.	x	x	x	x	x	x	x	x	x	100%

¹ - elected on June 25, 2021

² - end of tenure on June 25, 2021

³ - resigned effective March 25, 2021

⁴ - elected on June 25, 2021

⁵ - passed away on April 15, 2021

⁶ - elected on June 25, 2021

⁷ - Annual Stockholders' Meeting

The Board Committees met in 2021 as shown below:

Audit Committee	11-Feb-21	17-Feb-21	25-Mar-21	14-Apr-21
Chairman (ID)	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.
Member (ID)	Tan, Joseph C.	Tan, Joseph C.	Tan, Joseph C.	-
Member (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.

Audit Committee	12-May-21	28-Jul-21	28-Sep-21	27-Oct-2021
Chairman (ID)	Reyes, Roman Felipe S.	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.
Member (ID)	-	Bautista, Jaime J.	Bautista, Jaime J.	Bautista, Jaime J.
Member (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.

Corporate Governance Committee	17-Feb-21	25-Mar-21	15-Apr-21
Chairman (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member (ID)	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.
Member (ID)	Tan, Joseph C.	Tan, Joseph C.	-

Corporate Governance Committee	12-May-21	27-Oct-21
Chairman (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member (ID)	Reyes, Roman Felipe S.	Bautista, Jaime J.
Member (ID)	-	Tan, Maria Gracia P.

Related Party Transactions Committee	19-Feb-21	7-Dec-21
Chairman (ID)	Tanjuatco, Juan Victor S.	Tiu, Jerry C.
Member (ID)	Reyes, Roman Felipe S.	Tanjuatco, Juan Victor S.
Member (ID)	Tan, Joseph C.	Bautista, Jaime J.

Risk Oversight Committee	17-Feb-21	27-Oct-21
Chairman (ID)	Tan, Joseph C.	Bautista, Jaime J.
Member (ID)	Tanjuatco, Juan Victor S.	Tan, Maria Gracia P.
Member (ID)	Reyes, Roman Felipe S.	Tiu, Jerry C.
Member	Villacorta, Exequiel P.	Villacorta, Exequiel P.

Executive Committee	19-Feb-21	7-Dec-21
Chairman	Ocier, Willy N.	Ocier, Willy N.
Member	Raquel Santos, Armin Antonio B.	Raquel Santos, Armin Antonio B.
Member	-	Villacorta, Exequiel P.

Compensation and Remuneration Committee	19-Feb-21	27-Jul-2021
Chairman (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Raquel Santos, Armin Antonio B.	Raquel Santos, Armin Antonio B.
Member (ID)	Tan, Joseph C.	Tiu, Jerry C.

Employment Contracts and Termination of Employment and Change in Control Arrangements

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

Warrants and Options Outstanding

None

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The persons or groups identified in the table below are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of **December 31, 2021**:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares	Percent of ownership
Common	Belle Corporation (Belle) * 5th Floor Tower A, Two E-Com Center Pa Coast Ave., Mall of Asia Complex, Pasay City, Metro Manila, Philippines (a)	Belle Corporation	Filipino	24,904,904,324	79.78
Common	PCD Nominee Corp. (Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City (b)	(please see footnote)	Filipino	5,824,223,483	18.657

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

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

As of December 31, 2021, the participant of PCD who owns more than 5% of the Company's outstanding capital is BDO Securities Corporation with 2,473,325,884 shares or 7.932% ownership.

As of December 31, 2021, 429,911,622 Common Shares of the Company are owned by non-Filipinos, constituting 1.377% of the Company's outstanding capital stock.

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of December 31, 2021:

Title Class	Name of Beneficial Owner	Amount* Nature Beneficial Ownership	Citizenship	Percent of ownership
Common	Willy N. Ocier	39,888,001 Direct	Filipino	0.128%
Common	Exequiel P. Villacorta, Jr.	500,001 Direct	Filipino	0%
Common	Juan Victor S. Tanjuatco	1 Direct	Filipino	0%
Common	Armin Antonio B. Raquel Santos	1,000 Direct	Filipino	0%
Common	Maria Gracia P. Tan	10,001 Direct	Filipino	0%
Common	Jaime J. Bautista	20,000 Indirect	Filipino	0%
Common	Jerry C. Tiu	4,000,000 Indirect	Filipino	0%
Common	Jackson T. Ongsip	0	Filipino	0%
Common	Maria Neriza C. Banaria	0	Filipino	0%
Common	Arthur A. Sy	20,000 Direct	Filipino	0%
Common	Elmer B. Serrano	0	Filipino	0%
Common	Phil Ivan A. Chan	0	Filipino	0%
Common	Anna Josefina G. Esteban	0	Filipino	0%
Common	Michelle Angeli T. Hernandez	0	Filipino	0%

*Number of shares

(3) Voting Trust Holders of 5% or More

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

(4) Change in Control

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

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

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

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

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

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

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

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

As of December 31, 2021, there is no arrangement that may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

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

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

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

PART IV – CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

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

Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2021, each of the Company's directors have complied with the requirements.

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

BOARD OF DIRECTORS	19-Feb-21	25-Mar-21	14-Apr-21	12-May-21	25-June-21	25-Jun-21 ⁷	30-Jun-21	29-Jul-21	28-Oct-21	% Attendance
Ocier, Willy N.	x	x	x	x	x	x	x	x	x	100%
Raquel Santos, Armin Antonio B.	x	x	x	x	x	x	x	x	x	100%
Bautista, Jaime J. ¹	N/A	N/A	N/A	N/A	x	x	x	x	x	100%
Reyes, Roman Felipe S. ²	x	x	x	x	N/A	N/A	N/A	N/A	N/A	100%
Tan, A. Bayani K. ³	x	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Tan, Maria Gracia P. ⁴	N/A	N/A	N/A	N/A	x	x	x	x	x	100%
Tan, Joseph C. ⁵	x	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Tanjuatco, Juan Victor S.	x	x	x	x	x	x	x	x	x	100%
Tiu, Jerry C. ⁶	N/A	N/A	N/A	N/A	x	x	x	x	x	100%
Villacorta, Ezequiel P. Jr.	x	x	x	x	x	x	x	x	x	100%

¹ - elected on June 25, 2021

² - end of tenure on June 25, 2021

³ - resigned effective March 25, 2021

⁴ - elected on June 25, 2021

⁵ - passed away on April 15, 2021

⁶ - elected on June 25, 2021

⁷ - Annual Stockholders' Meeting

The Board of Directors during its meeting in October 2021 approved the scheduling of the 2022 Board and Committee Meetings in adherence to good governance practices.

Board Performance Evaluation

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

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

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

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

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

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

The said performance evaluation for 2021 will be conducted within Q1 2022.

Continuing Education Programs

The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC. The annual training in 2021 was virtually held on September 2021 and conducted by the Institute of Corporate Directors.

On May 27, 2021, the incoming Independent Directors, Atty. Maria Gracia P. Tan, Mr. Jerry C. Tiu and Mr. Jaime J. Bautista, were provided on-boarding session by the President and CEO, Chief Finance Officer, Chief Risk Officer, Compliance Officer and Business Unit Heads with topics including but not limited to the Corporation's various businesses, financial reports, compliance and governance matters. The session was also attended by the Chairman and the incumbent Independent Directors.

Manual on Corporate Governance

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

Board Committees

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

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

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

Below is the attendance of the members of the Board Committees for 2021.

Audit Committee	11-Feb-21	17-Feb-21	25-Mar-21	14-Apr-21
Chairman (ID)	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.
Member (ID)	Tan, Joseph C.	Tan, Joseph C.	Tan, Joseph C.	-
Member (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.
Audit Committee	12-May-21	28-Jul-21	28-Sep-21	27-Oct-2021
Chairman (ID)	Reyes, Roman Felipe S.	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.
Member (ID)	-	Bautista, Jaime J.	Bautista, Jaime J.	Bautista, Jaime J.
Member (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.
Corporate Governance Committee	17-Feb-21	25-Mar-21	15-Apr-21	
Chairman (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	
Member (ID)	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.	Reyes, Roman Felipe S.	
Member (ID)	Tan, Joseph C.	Tan, Joseph C.	-	
Corporate Governance Committee	12-May-21	27-Oct-21		
Chairman (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.		
Member (ID)	Reyes, Roman Felipe S.	Bautista, Jaime J.		
Member (ID)	-	Tan, Maria Gracia P.		
Related Party Transactions Committee	19-Feb-21	7-Dec-21		
Chairman (ID)	Tanjuatco, Juan Victor S.	Tiu, Jerry C.		
Member (ID)	Reyes, Roman Felipe S.	Tanjuatco, Juan Victor S.		
Member (ID)	Tan, Joseph C.	Bautista, Jaime J.		
Risk Oversight Committee	17-Feb-21	27-Oct-21		
Chairman (ID)	Tan, Joseph C.	Bautista, Jaime J.		
Member (ID)	Tanjuatco, Juan Victor S.	Tan, Maria Gracia P.		
Member (ID)	Reyes, Roman Felipe S.	Tiu, Jerry C.		
Member	Villacorta, Exequiel P.	Villacorta, Exequiel P.		
Executive Committee	19-Feb-21	7-Dec-21		
Chairman	Ocier, Willy N.	Ocier, Willy N.		
Member	Raquel Santos, Armin Antonio B.	Raquel Santos, Armin Antonio B.		
Member	-	Villacorta, Exequiel P.		
Compensation and Remuneration Committee	19-Feb-21	27-Jul-2021		
Chairman (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.		
Member	Raquel Santos, Armin Antonio B.	Raquel Santos, Armin Antonio B.		
Member (ID)	Tan, Joseph C.	Tiu, Jerry C.		

Risk Oversight Committee

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

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company's risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company's risk management system for 2021 and has found the same effective and adequate.

The Audit Committee

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains

regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2021.

Corporate Objectives

The Board establishes the corporate objectives, which are:

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

Code of Business Conduct and Ethics

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

Governance Policies

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

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

Board Diversity

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

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

PLC Board Skill Set Matrix				INDUSTRY EXPERIENCE / EXPERTISE / COMPETENCIES																		
NAME and DESIGNATION	AGE	GEN DER	EDUCATIONAL BACKGROUND	Accounting / Audit	Anti-Money Laundering	Banking	Corp. Gov.	Economics	Finance	Hospitality / Leisure	IT / Comm	Insurance	Investment	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales & Mktg.
Willy N. Ocier Chairman Executive Director	64	M	Bachelor of Arts in Economics				✓	✓	✓	✓	✓		✓			✓			✓	✓	✓	✓
Armin Antonio B. Raquel-Santos President & CEO Executive Director	52	M	Bachelor of Science Degree Business Administration and Finance Master of Arts in Liberal Studies				✓	✓	✓	✓			✓			✓			✓		✓	
Juan Victor S. Tanjuatco Lead Independent Director	72	M	Bachelor of Arts in Economics Masters in Business Administration, major in Finance		✓	✓	✓	✓	✓	✓			✓			✓					✓	
Exequiel P. Villacorta, Jr. Non-Executive Director	74	M	Bachelor of Science - Business Administration Masters in Business Management		✓	✓	✓	✓	✓	✓	✓	✓	✓			✓			✓		✓	
Maria Gracia P. Tan Independent Director	65	F	Bachelor of Science - Business Administration and Accounting, and Bachelor of Laws Masters in Law (Tax)	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓					✓	
Jaime J. Bautista Independent Director	64	M	Bachelor of Science - Commerce major in Accounting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓			✓	✓	✓	✓
Jerry C. Tiu Independent Director	64	M	Bachelor of Science - Commerce major in Marketing	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓			✓		✓	✓

Premium Leisure Corp. prohibits its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of December 31, 2021 is shown below:

Name of Director / Officer	Number of Shares held as of 12.31.2020	Acquisition (+)	Disposition (-)	Number of Shares held as of 12.31.2021	% of Ownership
Ocier, Willy N.	39,888,001	-	-	39,888,001	0.128
Raquel Santos, Armin Antonio B.	1,000	-	-	1,000	0.000
Tanjuatco, Juan Victor S.	1	-	-	1	0.000
Bautista, Jaime J.*	20,000	-	-	20,000	0.000
Tan, Maria Gracia P.*	10,001	-	-	10,001	0.000
Tiu, Jerry C.*	4,000,000	-	-	4,000,000	0.013
Villacorta, Exequiel P. Jr.	500,001	-	-	500,001	0.002
TOTALS	44,419,004	0	0	44,419,004	0.143

* elected on June 25, 2021

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

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

Investor Relations

Michelle T. Hernandez
Vice President -Governance and Corporate Affairs, Belle Corporation
5th Floor Tower A, Two E-com Center
Palm Coast Avenue, Mall of Asia Complex
Pasay City 1300 Philippines
Tel.No.:(632) 8662-8888
Email: michelle.hernandez @bellec corp.com

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

PART V - EXHIBITS AND SCHEDULES

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

a. Exhibits on SEC Form 17-C

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

b. Reports on SEC Form 17-C

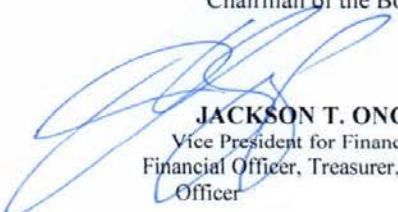
Date	Matter
2/19/2021	[Amend 1] Notice of Annual or Special Stockholder's Meeting
3/25/2021	Change in Directors and/or Officers
3/25/2021	Material Information/Transactions
3/25/2021	[Amend 2] Notice of Annual or Special Stockholder's Meeting
3/25/2021	Postponement of Annual Stockholders' Meeting
3/25/2021	[Amend 1] Postponement of Annual Stockholders' Meeting
4/14/2021	Declaration of Cash Dividends
4/15/2021	Change in Directors and/or Officers
5/12/2021	[Amend 2] Postponement of Annual Stockholders' Meeting
5/12/2021	[Amend 3] Notice of Annual or Special Stockholder's Meeting
6/25/2021	Results of Annual or Special Stockholders' Meeting
6/25/2021	Results of the Organizational Meeting of the Board of Directors
7/2/2021	[Amend 1] Results of the Organizational Meeting of the Board of Directors
10/28/2021	Amendments to the By-laws

SIGNATURES

Pursuant to the requirements of Section 17 of the Code, this report is signed on behalf of the issuer by the undersigned; thereunto duly authorized, on _____.

By:


WILLY N. OCIER
Chairman of the Board


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


ARMIN ANTONIO B. RAQUEL SANTOS
President & CEO


ELMER B. SERRANO
Corporate Secretary

MAR 14 2022

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2021, affiants exhibiting to me their passports/TIN as follows:

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

DOC. NO. : 100
PAGE NO. : 21
BOOK NO. : 29
SERIES OF : ma

JOSHUA D. LAPUZ
Notary Public in Makati City
Appointment No. M-19 / Until 12-31-23
Roll No. 45790 / IBP Life No. 04897 / 07-03-03
PTR-O.R. No. 8-02510 / 01-03-22 / Makati City
MCLE No. VI-0016665 / 01-14-19
G/F Fortson Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City

PREMIUM LEISURE CORP.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

Consolidated Financial Statements	Page No.
Statement of Management's Responsibility for Financial Statements	)
Report of Independent Public Accountants	) see attached FS
Consolidated Balance Sheets as of December 31, 2021 and 2020	)
Consolidated Statements of Income for the years ended December 31, 2021, 2020 and 2019	)
Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019	)
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	)
Notes to Consolidated Financial Statements	)

Securities Regulation Code Rule 68 Schedules

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

INDEX TO EXHIBITS

Form 11-A

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

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



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

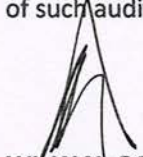
The management of **Premium Leisure Corp and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed financial reporting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

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

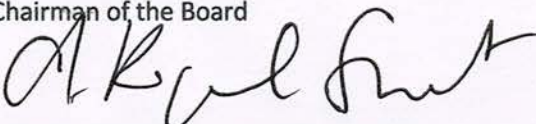
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

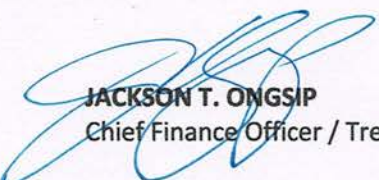
Reyes Tacandong & Co. and SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the periods December 31, 2021 and 2020, respectively, have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports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



WILLY N. OCIER
Chairman of the Board



ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer



JACKSON T. ONGSIP
Chief Finance Officer / Treasurer

Signed this 24th day of February 2022

FEB 28 2022

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2022 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

ARMIN ANTONIO B. RAQUEL SANTOS

JACKSON T. ONGSIP

DOC NO. : 14
PAGE NO. : 4
BOOK NO. : 29
SERIES OF : 2022.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-19 / Until 12-31-23
Roll No. 45790 / IBP Life No. 04897 / 07-03-03
PTR-O.R. No. 8852510 / 01-03-22 / Makati City
MCLE No. VI-0016565 / 01-14-19
G/F Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

COMPANY NAME

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

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

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

Form Type

A	A	C	F	S
---	---	---	---	---

Department Requiring the Report

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

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address

plc_governance@bellec corp.com

Company's Telephone Number/s

(02) 8662-8888

Mobile Number

N/A

No. of Stockholders

358

Annual Meeting (Month / Day)

Any Day in May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Jackson T. Ongsip

Email Address

plc@premiumleisure.com

Telephone Number/s

(02) 8662-8888

Mobile Number

0917-5578203

CONTACT PERSON'S ADDRESS

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

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

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



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Premium Leisure Corp. and Subsidiaries
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, 1300 Pasay City

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Group as at December 31, 2020 and for the years ended December 31, 2020 and 2019 were audited by another auditor whose report dated April 14, 2021, expressed an unmodified opinion on those consolidated financial statements.

Key Audit Matter

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



Assessment of Recoverability of Goodwill in Pacific Online Systems Corporation (POSC)

The Group is required to assess at each reporting date the recoverability of goodwill. As at December 31, 2021, goodwill arising from acquisition of POSC amounted to ₱926.0 million. This matter is considered significant to our audit because the assessment of recoverability of goodwill involves the exercise of significant management judgment and estimates such as determination of forecasted cash flows and discount rate. These judgment and estimates are based on assumptions that are subject to high level of estimation uncertainty because of the prevailing challenges in the conduct of business brought about by the pandemic and imminent changes in the operations and sources of cash flows of the Group.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report distributed to stockholders for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report to be distributed to stockholders for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

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

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(With Comparative Figures for 2020)

	Note	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱1,660,934,194	₱2,218,311,525
Investment held for trading	6	73,053,645	84,260,926
Notes receivable	7	3,705,925,000	3,705,925,000
Receivables	8	277,787,614	468,752,085
Contract asset - current portion	28	70,319,085	39,903,188
Other current assets	9	214,129,828	218,007,449
Total Current Assets		6,002,149,366	6,735,160,173
Noncurrent Assets			
Intangible asset	10	8,714,182,035	8,952,654,519
Financial assets at fair value through other comprehensive income (FVOCI)	11	721,167,064	287,453,830
Investments properties	12	285,510,452	285,510,452
Goodwill	15	926,007,748	926,007,748
Property and equipment	13	23,482,941	83,505,713
Deferred tax assets	22	21,398,655	82,414,559
Right-of-use (ROU) assets	24	6,672,570	10,119,536
Contract asset - net of current portion	28	—	46,302,455
Other noncurrent assets	9	384,325,381	383,885,079
Total Noncurrent Assets		11,082,746,846	11,057,853,891
		₱17,084,896,212	₱17,793,014,064
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other current liabilities	16	₱648,596,232	₱1,164,524,630
Lease liabilities - current portion	24	4,886,938	7,676,824
Income tax payable		—	6,146
Total Current Liabilities		653,483,170	1,172,207,600
Noncurrent Liabilities			
Lease liabilities - net of current portion	24	1,986,014	3,928,543
Retirement liability	17	30,894,331	59,290,772
Total Noncurrent Liabilities		32,880,345	63,219,315
Total Liabilities		686,363,515	1,235,426,915

(Forward)

	Note	2021	2020
EQUITY	18		
Capital stock		₱7,906,827,500	₱7,906,827,500
Additional paid-in capital		7,238,721,924	7,238,721,924
Treasury stock		(220,430,080)	(220,430,080)
Cost of Parent Company common shares held by a subsidiary		(509,597,055)	(509,597,055)
Other equity reserves		(851,048,515)	(824,553,084)
Retained earnings		2,566,288,233	2,629,106,978
		16,130,762,007	16,220,076,183
Non-controlling Interests		267,770,690	337,510,966
Total Equity		16,398,532,697	16,557,587,149
		₱17,084,896,212	₱17,793,014,064

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

(With Comparative Figures for 2020 and 2019)

	Note	2021	2020	2019
REVENUE				
Gaming revenue share	28	₱1,300,291,468	₱635,217,388	₱2,976,366,472
Equipment rental	24	426,345,611	293,104,496	681,483,757
Commission and distribution income		–	35,333,625	308,381,639
		1,726,637,079	963,655,509	3,966,231,868
COST AND EXPENSES				
Cost of service	19	632,737,322	742,369,058	1,224,680,317
General and administrative	20	331,171,925	955,482,263	961,494,609
		963,909,247	1,697,851,321	2,186,174,926
OTHER INCOME (CHARGES)				
Interest income	5	135,626,403	217,963,792	279,857,146
Finance cost	24	(642,417)	(6,800,483)	(9,525,989)
Dividend income	6, 11	–	22,353,086	24,708,086
Others - net	21	286,449,932	821,339,171	(32,888,983)
		421,433,918	1,054,855,566	262,150,260
INCOME BEFORE INCOME TAX		1,184,161,750	320,659,754	2,042,207,202
PROVISION FOR (BENEFIT FROM)				
INCOME TAX				
Current	22	11,118,008	28,076,028	22,422,019
Deferred		50,134,332	(31,132,712)	(81,838,677)
		61,252,340	(3,056,684)	(59,416,658)
NET INCOME		1,122,909,410	323,716,438	2,101,623,860
OTHER COMPREHENSIVE LOSS				
<i>Items that will not be reclassified to profit or loss:</i>				
Mark-to-market loss on financial assets at FVOCI	11	(50,496,141)	(47,062,201)	(53,228,230)
Remeasurement gains (losses) on net retirement liability, net of tax	17	25,253,640	3,599,814	(18,152,998)
		(25,242,501)	(43,462,387)	(71,381,228)
TOTAL COMPREHENSIVE INCOME		₱1,097,666,909	₱280,254,051	₱2,030,242,632
Net income attributable to:				
Equity holders of the parent		₱1,193,902,616	₱517,573,391	₱2,261,962,747
Non-controlling interests		(70,993,206)	(193,856,953)	(160,338,887)
		₱1,122,909,410	₱323,716,438	₱2,101,623,860
Total comprehensive income attributable to:				
Equity holders of the parent		₱1,167,407,185	₱481,628,857	₱2,210,284,612
Non-controlling interests		(69,740,276)	(201,374,806)	(180,041,980)
		₱1,097,666,909	₱280,254,051	₱2,030,242,632
Basic/Diluted Earnings per Common Share				
	25	₱0.0387	₱0.0168	₱0.0724

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures for 2020 and 2019)**

	Notes	Capital Stock (see Note 18)	Additional Paid-in Capital (see Note 18)	Treasury Stock (see Note 18)	Cost of Parent Company shares Held by a Subsidiary (see Note 18)	Cumulative Unrealized Mark-to-Market Loss on Financial Asset as FVOCI	Cumulative Remeasurement Gains (Losses) on Net Retirement Liability	Other Reserves (see Note 18)	Retained Earnings	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interest	Total
Balance at January 1, 2021		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱567,517,192)	(₱2,716,195)	(₱254,319,697)	₱2,629,106,978	₱16,220,076,183	₱337,510,966	₱16,557,587,149
Net income (loss)		-	-	-	-	-	-	-	1,193,902,616	1,193,902,616	(70,993,206)	1,122,909,410
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	-	-	-
Mark-to-market loss on financial assets at FVOCI	11	-	-	-	-	(38,520,800)	-	-	-	(38,520,800)	(11,975,341)	(50,496,141)
Remeasurement gain on net retirement liability - net of tax	17	-	-	-	-	-	12,025,369	-	-	12,025,369	13,228,271	25,253,640
Total comprehensive income (loss)		-	-	-	-	(38,520,800)	12,025,369	-	1,193,902,616	1,167,407,185	(69,740,276)	1,097,666,909
Cash dividends		-	-	-	-	-	-	-	(1,256,721,361)	(1,256,721,361)	-	(1,256,721,361)
Balance at December 31, 2021		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱606,037,992)	₱9,309,174	(₱254,319,697)	₱2,566,288,233	₱16,130,762,007	₱267,770,690	₱16,398,532,697
Balance at January 1, 2020		₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱529,769,146)	(₱4,519,707)	(₱254,319,697)	₱3,660,924,536	₱17,478,838,275	₱538,885,772	₱18,017,724,047
Net income (loss)		-	-	-	-	-	-	-	517,573,391	517,573,391	(193,856,953)	323,716,438
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	-	-	-
Mark-to-market loss on financial assets at FVOCI	11	-	-	-	-	(37,748,046)	-	-	-	(37,748,046)	(9,314,155)	(47,062,201)
Remeasurement gain on net retirement liability - net of tax	17	-	-	-	-	-	1,803,512	-	-	1,803,512	1,796,302	3,599,814
Total comprehensive income (loss)		-	-	-	-	(37,748,046)	1,803,512	-	517,573,391	481,628,857	(201,374,806)	280,254,051
Treasury stock		-	-	(191,000,000)	-	-	-	-	-	(191,000,000)	-	(191,000,000)
Cash dividends		-	-	-	-	-	-	-	(1,549,390,949)	(1,549,390,949)	-	(1,549,390,949)
Balance at December 31, 2020		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱567,517,192)	(₱2,716,195)	(₱254,319,697)	₱2,629,106,978	₱16,220,076,183	337,510,966	₱16,557,587,149

See accompanying Notes to Consolidated Financial Statements.

		Capital Stock	Additional	Treasury	Cost of Parent	Cumulative	Cumulative	Other	Retained	Total Equity	Non-controlling	Total
	Notes	(see Note 18)	Paid-in Capital	Stock	Company shares	Unrealized	Remeasurement	Reserves	Earnings	Attributable to	Interest	
			(see Note 18)	(see Note 18)	Held by a	Loss on Financial	Gains (Losses) on	(see Note 18)		the Equity Holders		
					Subsidiary	Asset as FVOCI	Net Retirement			of the Parent		
							Liability					
Balance at January 1, 2019		₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱487,185,664)	₱4,574,946	(₱254,319,697)	₱2,967,544,418	₱16,837,136,292	₱718,927,752	₱17,556,064,044
Net income (loss)		—	—	—	—	—	—	—	2,261,962,747	2,261,962,747	(160,338,887)	2,101,623,860
Other comprehensive income (loss)												
Mark-to-market loss on financial assets at FVOCI	11	—	—	—	—	(42,583,482)	—	—	—	(42,583,482)	(10,644,748)	(53,228,230)
Remeasurement gain on net retirement liability - net of tax	17	—	—	—	—	—	(9,094,653)	—	—	(9,094,653)	(9,058,345)	(18,152,998)
Total comprehensive income (loss)		—	—	—	—	(42,583,482)	(9,094,653)	—	2,261,962,747	2,210,284,612	(180,041,980)	2,030,242,632
Cash dividends		—	—	—	—	—	—	—	(1,568,582,629)	(1,568,582,629)	—	(1,568,582,629)
Balance at December 31, 2019		₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱529,769,146)	(₱4,519,707)	(₱254,319,697)	₱3,660,924,536	₱17,478,838,275	₱538,885,772	₱18,017,724,047

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures for 2020 and 2019)

	Note	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱1,184,161,750	₱320,659,754	₱2,042,207,202
Adjustment for:				
Reversal of provisions	16	(281,316,859)	(756,115,335)	—
Amortization of intangible asset	10	238,472,484	238,472,484	238,472,484
Depreciation and amortization	13	81,571,381	113,477,090	235,948,840
Interest income	5	(135,626,403)	(217,963,792)	(279,857,146)
Provision for (reversal of) impairment loss on:				
Receivables	8	—	113,677,613	2,147,391
Contract asset	28	(26,000,000)	26,000,000	—
Other current assets	9	—	44,005,370	127
Right-of-use asset	24	—	9,324,857	—
Goodwill	15	—	432,290,373	363,028,617
Mark-to-market loss on investments held for trading	6	23,622,906	6,195,655	15,248,311
Retirement expense	17	12,062,363	14,850,616	20,080,187
Finance costs	24	642,417	6,800,483	9,525,989
Foreign exchange loss		511,428	238,218	1,180,826
Gain on disposal of:				
Property and equipment		(175,500)	(15,850)	(839,812)
Net assets of subsidiaries	14	—	(70,338,145)	—
Dividend income	6, 11	—	(22,353,086)	(24,708,086)
Gain on termination of leases	24	—	(1,165,723)	—
Operating income before working capital changes		1,097,925,967	258,040,582	2,622,434,930
Decrease (increase) in:				
Receivables		190,964,471	(278,975,919)	235,513
Contract asset		47,999,600	29,098,255	57,309,999
Other current assets		3,877,621	(76,850,985)	34,786,133
Increase (decrease) in trade payables and other current liabilities		(235,122,967)	438,940,774	80,889,069
Net cash generated from operations		1,105,644,692	370,252,707	2,795,655,644
Interest received	5	129,513,361	212,373,404	271,257,144
Income taxes paid		(10,447,746)	(1,895,478)	(13,924,734)
Retirement contributions	17	(5,000,000)	—	(6,500,000)
Retirement benefits paid	17	—	(1,809,643)	—
Net cash provided by operating activities		1,219,710,307	578,920,990	3,046,488,054

(Forward)

	Note	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of:				
Financial assets at fair value through other comprehensive income	11	(P484,209,375)	P—	P—
Investment held for trading	6	(12,415,625)		
Property and equipment	13	(12,221,823)	(90,839,188)	(29,546,701)
Proceeds from disposal of:				
Property and equipment		1,748,246	828,622	991,675
Investments held for trading	6	—	50,000,000	—
Net assets of subsidiaries, net of cash disposed		—	74,027,310	—
Increase in other noncurrent assets		(440,302)	(9,097,146)	(322,509,314)
Dividend received		—	22,353,086	24,708,086
Net cash provided by (used in) investing activities		(507,538,879)	47,272,684	(326,356,254)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	18	(1,256,721,361)	(1,549,390,949)	(1,568,582,629)
Payments of lease liabilities	24	(12,827,398)	(50,208,626)	(78,485,646)
Acquisition of treasury stocks	18	—	(191,000,000)	—
Proceeds from (payments of) loan	24	—	(150,000,000)	150,000,000
Interest paid on loans payable	24	—	(4,358,053)	—
Net cash used in financing activities		(1,269,548,759)	(1,944,957,628)	(1,497,068,275)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(557,377,331)	(1,318,763,954)	1,223,063,398
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,218,311,525	3,537,075,479	2,314,012,081
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	P1,660,934,194	P2,218,311,525	P3,537,075,479

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(With Comparative Information for 2020 and 2019)

1. Reporting Entity

Corporate Information

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

PLC, a publicly-listed company in the Philippine Stock Exchange (PSE), is 79.78% (direct and indirect) owned by Belle Corporation (“Belle” or the “Ultimate Parent Company”) and the rest by the public as at December 31, 2021 and 2020.

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

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

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

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

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

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

The consolidated financial statements as at and for the year ended December 31, 2021 (and as at December 31, 2020 and for the years ended December 31, 2020 and 2019) were approved and authorized for issuance by the Board of Directors (BOD) on February 24, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investment held for trading and financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value.

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Notes 12, *Investment Properties* and 26, *Financial Instruments*.

Adoption of Amendment to PFRS

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

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, *Leases – Corona Virus Disease (Covid)-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of Covid -19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

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

Amendments to PFRS Issued But Not Yet Effective

Relevant amendments to PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after April 1, 2021 -

- Amendment to PFRS 16 - *Covid-19-Related Rent Concessions beyond June 30, 2021* – Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding Covid-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to apply the previous amendment.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combination - Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
 - Amendments to PFRS 16 - *Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

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

- Amendments to PAS 1, *Presentation to Financial Statements - Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Deferred effectivity -

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

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

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

Material Partly-owned Subsidiary

The non-controlling interests of POSC are material to the Group. NCI is 49.9% as at December 31, 2021 and 2020.

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

	2021	2020
Total current assets	₱546,896,174	₱543,642,892
Total noncurrent assets	308,260,726	559,761,148
Total current liabilities	(117,809,297)	(186,366,143)
Total noncurrent liabilities	(18,048,641)	(53,897,344)
Total equity	719,298,962	863,140,553
Net loss	(140,744,819)	(381,387,516)
Other comprehensive loss	(3,096,771)	(68,891,287)

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. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest 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.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Group.

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 non-controlling inter costs and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated statement of comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

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

Joint ventures are accounted for using the equity method of accounting and recognized at cost and adjusted thereafter for the post-acquisition change in the Parent Company's share of the joint venture's net assets.

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

Current versus Noncurrent Classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when it is:

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

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

The Group classifies all other liabilities as noncurrent.

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

Financial Instruments

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

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

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

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

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

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

As at December 31, 2021 and 2020, the Group does not have financial liabilities at FVPL and debt instruments measured at FVOCI.

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

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

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, receivables, notes receivables, contract asset, advances to contractors, guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets").

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

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

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

Classified under this category are the Group's investments in equity securities and share warrants included under "Investment held for trading" account.

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

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

Classified under this category are the Group’s investments in equity securities included under “Financial assets at FVOCI” account.

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

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

Classified under this category are the Group’s trade and other current liabilities (excluding statutory liabilities, provisions and unearned income) 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 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.

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Offsetting Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Other Assets

This account mainly consists of creditable withholding taxes (CWT), spare parts and supplies, prepaid expenses, and excess of input value-added tax (VAT) over output VAT.

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.

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.

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

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

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

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

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

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

The amount of VAT on revenue not yet collected is presented under "Trade and other current liabilities" account in the consolidated statement of financial position.

Intangible Assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of intangible assets.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of 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, renewable for another 25 years, by the relevant government agency. The license was assessed as having a finite life and is amortized on a straight-line basis over the period of the license, i.e., 43.6 years.

Investment 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.

Property and Equipment

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

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

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

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

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the depreciable assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

<u>Asset Type</u>	<u>Number of Years</u>
Lottery equipment	4-10 or term of lease, whichever is shorter
Leasehold improvements	4 or the term of the lease, whichever is shorter
Office furniture, fixtures and equipment	3-4
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.

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 cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. 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 Stocks. Own equity instruments which are reacquired (treasury stocks) 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 stocks are nullified for the Group and no dividends are allocated to them.

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

Other Comprehensive Income (Loss). Other comprehensive income (loss) comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS.

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

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

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

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

Revenue Recognition

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

The Group has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

Gaming Revenue Share - Net. 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 is recognized based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement, or a fixed annual rental per terminal in commercial operations, whichever is higher.

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

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

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

Other Income. Revenue is recognized when earned.

Cost and Expense Recognition

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

Leases

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

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

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

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

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

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

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

Lease payments included in the measurement of a lease liability 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.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability 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 liability 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 liability is 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 liability is 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.

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

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

Foreign Currency-Denominated Transactions

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

Income Taxes

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

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

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

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

Related Parties and Transactions

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Earnings per Share (EPS)

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

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

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

Operating Segments

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

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

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

The Group has determined POSC as a subsidiary with material non-controlling interests.

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

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

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

Revenue from equipment rental amounted to ₱426.3 million in 2021 (₱293.1 million and ₱681.5 million in 2020 and 2019, respectively) (see Note 24).

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

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

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

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

- identify the specified goods or services to be provided to the customer (which for example, could be a right to a good or service to be provided by another party) and
- assess whether it controls each specified good or service before that good or service is transferred to the customer.

The Group has determined that it is acting as an agent in its commission and distribution income arrangements.

Estimates and Assumptions

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

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

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

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

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

The Group recognized provision for (reversal of) allowance for impairment amounting to (P26.0 million) in 2021 (P139.7 million and P2.1 million in 2020 and 2019, respectively) (see Notes 8 and 28). Allowance for allowance for impairment losses amounted to P543.5 million as at December 31, 2021 (P569.5 million as at December 31, 2020).

The carrying amount of financial assets as at December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Cash and cash equivalent	5	₱1,660,934,194	₱2,218,311,525
Notes receivable	7	3,705,925,000	3,705,925,000
Receivables	8	277,787,614	468,752,085
Contract asset	28	70,319,085	86,205,643
Advances to contractors	9	139,738,757	139,738,757
Refundable deposits*	9	3,706,928	5,953,851
Guaranteed deposits*	9	14,500,000	—

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

Determining NRV of Spare Parts and Supplies. Spare parts and supplies are stated at lower of cost and NRV. The Group writes down the carrying value of spare parts and supplies whenever the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. The carrying value is reviewed at least annually for any decline in value.

The Group recognized provision for probable loss on spare parts and supplies amounting to ₱43.5 million in 2020 (see Notes 9 and 20). No provision was recognized in 2021 and 2019.

The carrying amount of spare parts and supplies amounted to ₱28.3 million as at December 31, 2021 (₱18.6 million as at December 31, 2020) (see Note 9).

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

Provision for impairment loss on CWT amounted to nil in 2021 (₱471,222 and nil in 2020 and 2019, respectively) (see Note 9). Provision for impairment loss on ROU asset amounted to nil in 2021 (₱9.3 million and nil in 2020 and 2019, respectively) (see Note 24).

The carrying amount of nonfinancial assets (excluding goodwill) as at December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Intangible asset	10	₱8,714,182,035	₱8,952,654,519
Investment properties	12	285,510,452	285,510,452
Property and equipment	13	23,482,941	83,505,713
ROU assets	24	6,672,570	10,119,536
CWT and input VAT	9	399,156,913	340,683,674

Estimating 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. Impairment loss amounted to ₱432.3 million in 2020. The carrying amount of goodwill amounted to ₱926.0 million as at December 31, 2021 and 2020 (see Note 15).

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 above. 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 2021, 2020 and 2019. The carrying amount of property and equipment amounted to ₱23.5 million as at December 31, 2021 (₱83.5 million as at December 31, 2020) (see Note 13). The carrying amount of ROU assets amounted to ₱6.7 million as at December 31, 2021 (₱10.1 million as at December 31, 2020) (see Note 24).

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

Recognized deferred tax assets amounted to ₱39.0 million as at December 31, 2021 and (₱116.1 million as at December 31, 2020) (see Note 22). Unrecognized deferred tax assets amounted to ₱191.5 million as at December 31, 2021 (₱145.0 million as at December 31, 2020) (see Note 22).

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

Estimating Useful Life of Gaming License. The useful life of the Group's gaming license recognized as "Intangible asset" account in the consolidated statement of financial position is estimated based on the period over which the asset is expected to be available for use. The estimated useful life of intangible asset is reviewed periodically and updated if expectations differ from previous estimates. The gaming license runs concurrent with Philippine Amusement and Gaming Corporation's (PAGCOR) congressional franchise which is set to expire in 2033, renewable for another 25 years by the Philippine Congress.

In 2021 and 2020, there were no changes in the estimated useful life of gaming license. The carrying amount of the gaming license as at December 31, 2021 amounted to ₱8,714.2 million (₱8,952.7 million as at December 31, 2020) (see Note 10).

Determining Retirement Liability. The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for retirement include the discount rates and rate of future salary increase.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligation. In determining the appropriate discount rate, the Group considers in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. Other key assumptions for retirement liability are based in part of current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement liability. Retirement liability amounted to ₱30.9 million as at December 31, 2021 (₱59.3 million as at December 31, 2020) (see Note 17).

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

The Group's lease liabilities amounted to ₱6.9 million as at December 31, 2021 (₱11.6 million as at December 31, 2020) (see Note 24).

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.

4. Interest in Joint Operation

On September 7, 2021, Pinoylotto, a joint venture corporation owned by POSC, PGMC and ILTS, was incorporated with the SEC. PinoyLotto was awarded the five years lease of the customized PCSO Lottery System, also known as '2021 PLS Project'.

The Group's interest in PinoyLotto was considered as joint operation. Financial information of PinoyLotto and the Group's share of the assets, liabilities, and pre-operating expenses as at and for the year ended December 31, 2021 are as follows:

	PinoyLotto	Share in Joint Operation
Cash	₱5,377,271	₱2,688,635
Other current assets	262,591	131,296
Trade and other payable	(3,425)	(1,713)
Pre-operating expenses	97,263,563	48,631,781

5. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	₱290,393,844	₱454,534,110
Cash equivalents	1,370,540,350	1,763,777,415
	₱1,660,934,194	₱2,218,311,525

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

Details of interest income follow:

	Note	2021	2020	2019
Notes receivable	7	₱112,356,539	₱166,344,251	₱214,129,362
Cash in banks and cash equivalents		17,156,822	46,029,153	57,127,782
Contract asset	28	6,113,042	5,590,388	8,600,002
		₱135,626,403	₱217,963,792	₱279,857,146

6. Investment Held for Trading

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

Movements in this account are as follows:

	Note	2021	2020
Balance at beginning of the year		₱84,260,926	₱140,456,581
Mark-to-market loss	21	(23,622,906)	(6,195,655)
Additions	11	12,415,625	–
Disposals		–	(50,000,000)
Balance at end of year		₱73,053,645	₱84,260,926

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

Dividend income earned from investments held for trading amounted nil in 2021 (₱2.4 million and ₱4.7 million in 2020 and 2019, respectively).

7. Notes Receivable

Notes receivable amounting to ₱3,705.9 million as at December 31, 2021 and 2020 are unsecured and bear interest at rates ranging from 2.91% to 3.16% in 2021 (4.11% to 5.06% and 4.80% to 6.38% in 2020 and 2019, respectively), (see Note 23).

Interest income from notes receivable recognized in the consolidated statement of comprehensive income amounted to ₱112.4 million in 2021 (₱166.3 million and ₱214.1 million in 2020 and 2019, respectively) (see Notes 5 and 23).

8. Receivables

This account consists of:

	2021	2020
Loan assets	₱422,341,815	₱422,341,815
Trade receivables	169,522,215	468,516,351
Nontrade receivables	113,677,613	113,677,613
Advances to:		
Consultant	104,000,000	–
Officers and employees	1,867,609	1,291,113
Other receivables	9,894,304	6,441,135
	821,303,556	1,012,268,027
Less: allowance for impairment losses	543,515,942	543,515,942
	₱277,787,614	₱468,752,085

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

Loan assets pertain to the Parent Company's receivable from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") and Legend International Resort H.K. Limited ("LIR-HK") amounting to ₱422.3 million as a result of the compensation to parties who were in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares (see Note 28). The loan assets were fully provided with allowance as at December 31, 2021 and 2020.

Nontrade receivables pertain to advances to LCC Group (see Note 14). The management assessed that there may be delayed payments from LCC Group due to the impact of COVID 19 pandemic to its operations and since the balances pertain to long outstanding advances, the management assessed that provision is necessary.

Advances to consultant are noninterest-bearing and are subject to liquidation but are for refund to the Group in the absence of the required output.

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

Movements in allowance for impairment losses are as follows:

	Note	2021	2020
Balance at beginning of year		₱543,515,942	₱429,838,329
Provision for impairment loss	20	—	113,677,613
Balance at end of year		₱543,515,942	₱543,515,942

9. Other Assets

Other Current Assets

This account consists of:

	Note	2021	2020
CWT		₱157,999,009	₱ 128,032,336
Spare parts and supplies - at cost		61,013,735	62,150,636
Guaranteed deposits	28	14,500,000	—
Prepaid expenses		12,094,403	69,113,193
Input VAT		1,196,209	96,231
Advances to contractors and suppliers		—	2,186,791
Others		—	25,280
		246,803,356	261,604,467
Less: Allowance for probable loss		32,673,528	43,597,018
		₱214,129,828	₱218,007,449

Other Noncurrent Assets

This account consists of:

	Note	2021	2020
CWT		₱239,961,695	₱212,555,107
Advances to contractors		139,738,757	139,739,757
Refundable deposits		3,706,928	5,953,851
Guaranteed deposits	28	—	14,500,000
Software development		—	11,136,364
Others		918,001	—
		₱384,325,381	₱383,885,079

Movements of allowance for probable loss are as follows:

	2021		
	Spare parts and supplies	Input VAT	Total
Balance at the beginning of the year	₱43,534,148	₱62,870	₱43,597,018
Reversal	(10,860,620)	(62,870)	(10,923,490)
Balance at the end of the year	₱32,673,528	₱—	₱32,673,528

	2020			
	Spare parts and supplies	CWT	Input VAT	Total
Balance at the beginning of the year	₱—	₱—	₱62,870	₱62,870
Provision for probable losses (see Note 20)	43,534,148	471,222	—	44,005,370
Write-off	—	(471,222)	—	(471,222)
Balance at the end of the year	₱43,534,148	₱—	₱62,870	₱43,597,018

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

Guaranteed deposits pertain to cash bonds held in escrow account as part of the agreement with PCSO (see Note 28).

Advances to contractors and suppliers will be applied in future billings. Advances to contractors that are considered noncurrent are expected to be refunded within two years.

Software development represents payments for the creation and development of new gaming solutions to enable selling of lottery tickets through different channels and enhance existing lottery system efficiencies in response to the changing economic conditions of the environment.

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

10. Intangible Asset

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

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

Movements in intangible asset are as follows:

	2021	2020
Cost		
Balance at beginning and end of year	₱10,843,215,811	₱10,843,215,811
Accumulated Amortization		
Balance at beginning of year	1,890,561,292	1,652,088,808
Amortization	238,472,484	238,472,484
Balance at end of year	2,129,033,776	1,890,561,292
	₱8,714,182,035	₱8,952,654,519

The unamortized life of the license as at December 31, 2021 is 36.5 years (37.5 years as at December 31, 2020).

11. Financial Assets at Fair Value through Other Comprehensive Income

This account pertains to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2021 and 2020, consisting of the following:

	Note	2021	2020
Quoted shares:			
Black Spade Acquisition, Inc. (BSA)		₱490,207,738	₱—
Belle-common shares	23	226,978,226	284,972,730
Golf club shares		3,900,000	2,400,000
		721,085,964	287,372,730
Unquoted shares:			
Others		81,100	81,100
		₱721,167,064	₱287,453,830

The movements of financial assets at FVOCI in 2021 and 2020 are as follows:

	2021	2020
Cost		
Balance at beginning of year	₱890,518,604	₱890,518,604
Addition	484,209,375	—
Balance at end of year	1,374,727,979	890,518,604
Cumulative unrealized mark-to-market losses on financial assets at FVOCI		
Balance at beginning of year	(603,064,774)	(556,002,573)
Mark-to-market loss	(50,496,141)	(47,062,201)
Balance at end of year	(653,560,915)	(603,064,774)
	₱721,167,064	₱287,453,830

Investment in BSA with a total acquisition cost of ₱496.6 million pertains to 1,000,000 units of BSA which is composed of 1,000,000 common shares and 500,000 share warrants. Each whole warrant entitles the holder to purchase one Class A ordinary share at a price of \$11.50 per share. Share warrants amounting to ₱12.4 million as at December 31, 2021 were classified under “Investment held for Trading” account (see Note 6).

Dividend income earned from financial assets at FVOCI amounted to ₱20.0 million in 2020 and 2019.

The investment in common shares of Belle and BSA 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.

12. Investment Properties

Investment properties pertain to parcels of land amounting to ₱285.5 million classified as investment property as at December 31, 2021 and 2020.

The fair value of the investment property amounted to ₱295.2 million as at February 8, 2019, which was estimated using market approach, as determined by an independent appraiser. The value of the land was based on the sales and listings of comparable properties registered within the vicinity and within Level 3 fair value hierarchy.

While fair values of the investment properties were not determined as at December 31, 2021 and 2020, management believes that there were no conditions present as at the reporting dates that would significantly reduce the fair values of the investment properties from what was previously determined.

13. Property and Equipment

The movements in this account follow:

	2021				
	Lottery Equipment	Leasehold Improvement	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱814,177,341	₱31,175,485	₱40,378,748	₱54,492,467	₱940,224,041
Additions	10,795,642	330,601	979,330	116,250	12,221,823
Disposals	(297,333,427)	(15,347,421)	(1,978,868)	(16,987,309)	(331,647,025)
Balance at end of year	527,639,556	16,158,665	39,379,210	37,621,408	620,798,839
Accumulated Depreciation and Amortization					
Balance at beginning of year	750,318,986	27,813,803	37,520,299	41,065,240	856,718,328
Depreciation and amortization (see Notes 19 and 20)	61,349,677	1,457,961	2,343,221	5,520,990	70,671,849
Disposals	(296,498,683)	(15,347,420)	(1,978,868)	(16,249,308)	(330,074,279)
Balance at end of year	515,169,980	13,924,344	37,884,652	30,336,922	597,315,898
Carrying Amount	₱12,469,576	₱2,234,321	₱1,494,558	₱7,284,486	₱23,482,941

	2020				
	Lottery Equipment	Leasehold Improvement	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱742,769,119	₱102,167,530	₱202,041,348	₱77,325,214	₱1,124,303,211
Additions	89,370,392	211,114	1,130,182	127,500	90,839,188
Disposals	(17,962,170)	(3,007,325)	(4,047,891)	(8,249,364)	(33,266,750)
Disposal of subsidiaries	—	(68,195,834)	(158,744,891)	(14,710,883)	(241,651,608)
Balance at end of year	814,177,341	31,175,485	40,378,748	54,492,467	940,224,041
Accumulated Depreciation and Amortization					
Balance at beginning of year	696,805,262	93,203,302	175,151,756	51,710,381	1,016,870,701
Depreciation and amortization	71,475,894	2,321,112	8,400,464	7,550,467	89,747,937
Disposals	(17,962,170)	(3,007,325)	(4,047,891)	(7,436,592)	(32,453,978)
Disposal of subsidiaries	—	(64,703,286)	(141,984,030)	(10,759,016)	(217,446,332)
Balance at end of year	750,318,986	27,813,803	37,520,299	41,065,240	856,718,328
Carrying Amount	₱63,858,355	₱3,361,682	₱2,858,449	₱13,427,227	₱83,505,713

Depreciation and amortization consist of the following:

	Note	2021	2020	2019
Property and equipment		₱70,671,849	₱89,747,937	₱173,240,631
ROU assets	24	10,899,532	23,729,153	62,708,209
		₱81,571,381	₱113,477,090	₱235,948,840

Depreciation and amortization are allocated as follows:

	Note	2021	2020	2019
Cost of services	19	₱71,070,686	₱97,892,775	₱184,639,676
General and administrative expenses	20	10,500,695	15,584,315	51,309,164
		₱81,571,381	₱113,477,090	₱235,948,840

14. Sale of Subsidiaries

On February 6, 2020, POSC's BOD approved the sale of Lucky Circle Corporation (LCC), the Group's Distribution and Retail Activities segment, to focus its resources on its principal business of providing modern and efficient online gaming facilities and equipment to its customers. LCC operates and/or manages several outlets throughout the Philippines which sell products of the PCSO, including lotto, keno and instant scratch tickets. LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Group's reportable segment.

On February 13, 2020, POSC has concluded the sale of all of the POSC's equity interest in LCC, equivalent to ₱127.0 million shares for ₱1.082 per share to a third party for a total consideration of ₱137.4 million. Gain from the disposal of the net assets of LCC group in 2020 amounting to ₱70.3 million was recognized under "Other income (charges)" (see Note 21).

15. Goodwill

Goodwill acquired from the business combination as at December 31, 2021 and 2020 consists of:

POSC	₱1,717,643,956
FRI	110,933,996
	1,828,577,952
Less: allowance for impairment loss	902,570,204
	₱926,007,748

Movements in the allowance for impairment loss are as follows:

	Note	2021	2020
Balance at beginning of year		₱902,570,204	₱473,962,613
Impairment loss	20	—	432,290,373
Disposal of subsidiaries	14	—	(3,682,782)
Balance at end of year		₱902,570,204	₱902,570,204

The goodwill from the acquisitions has been subjected to the annual impairment review in 2021 and 2020. The recoverable amounts of the operations have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years.

POSC

Discount Rate. Discount rate reflects management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 5.08% was used in 2021 (8.80% in 2020), based on the Weighted Average Cost of Capital (WACC) of POSC.

Revenue Growth Rate, Long-Term Growth Rate and Terminal Values. No growth rate was applied in the 5-year cash flow projections in 2021 (5% to 87% in 2020), considering the contract of PinoyLotto with PCSO and historical performance of POSC.

In 2020, the long-term growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 5%. The long-term growth rate used in the normalization of free cash flows represents the expected growth rate of the economy at the end of the 5th year and onwards, with reference to growth rates compiled by industry specialist. Management assessed that an increase in pre-tax discount rate by 1% or decrease in revenue growth rate by 1% would result to additional impairment.

FRI

The recoverable amount of goodwill from the acquisition of FRI by TGTI was determined based on value-in-use calculations using actual past results and observable market data such as growth rates, operating margins, among others. With the recent change in FRI's exclusivity arrangement with its principal, the carrying amount of the goodwill and cash generating unit to which goodwill relates to materially exceed its recoverable amount. Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates, operating margins achievable in the relevant industry. The expected cash flows are discounted by applying a suitable WACC. As at December 31, 2021 and 2020, goodwill in FRI was fully provided with provision for impairment.

LCC subsidiaries

In 2019, goodwill in LCC was fully provided with allowance for impairment. In 2020, the goodwill in LCC was included in the net assets derecognized as a result of disposal of LCC (see Note 14).

16. Trade Payables and Other Current Liabilities

This account consists of:

	2021	2020
Trade payables	₱45,795,389	₱80,208,348
Unearned income	320,241,477	486,046,818
Accrued expenses and other payables	210,606,710	484,453,060
Accrued professional, service and management fees	18,779,116	28,358,274
Software and license fees payable	18,240,074	38,592,855
Statutory payables	10,738,001	4,450,619
Communication, rental and utilities	6,166,044	24,566,120
Others	18,029,421	17,848,536
	₱648,596,232	₱1,164,524,630

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

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

Accrued expenses and other payables mainly represent provisions. Other than provisions, accruals are usually payable within 30 days term upon receipt of billing. The Group regularly provides provisions for its usual potential liabilities. Provisions represent estimated probable losses. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Group's position. In 2021, reversal of provisions amounted to ₱281.3 million (₱756.1 million in 2020) (see Note 21).

Accrued professional, service and management fees, statutory payables, and communication, rental and utilities are normally settled within the next financial year.

Software and license fees payable are for consultancy services on gaming operations and the supply of computer hardware and operating system software for online lottery system (see Note 28). These are normally settled within the next financial year.

Statutory payables mainly pertain to statutory contributions, withholding taxes, VAT payable and deferred output VAT and other liabilities to the government agencies, which are payable within the next financial year.

17. Retirement Benefits

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in the retirement liability of the Group in 2021 and 2020 are as follows:

	2021		
	Fair value of plan assets	Present value of Defined Benefit Obligation	Net Retirement Liability
Balance at beginning of year	₱64,259,827	(₱123,550,599)	(₱59,290,772)
Net retirement income (costs) in profit or loss:			
Current service cost	–	(13,601,070)	(13,601,070)
Past service cost	–	4,138,954	4,138,954
Net interest	2,255,130	(4,855,377)	(2,600,247)
	2,255,130	(14,317,493)	(12,062,363)
Benefits paid	(19,430,421)	19,430,421	–
Contribution	5,000,000	–	5,000,000
Remeasurement gain recognized in OCI:			
Actuarial changes due to experience adjustment	–	19,998,356	19,998,356
Actuarial changes arising from changes in financial assumptions	–	9,232,318	9,232,318
Actuarial changes arising from changes demographic assumptions	–	5,020,792	5,020,792
Actual return excluding amount included in net interest cost	1,207,338	–	1,207,338
	1,207,338	34,251,466	35,458,804
Balance at end of year	₱53,291,874	(₱84,186,205)	(₱30,894,331)

	2020		
	Fair value of plan assets	Present value of Defined Benefit Obligation	Net Retirement Liability
Balance at beginning of year	₱98,915,237	(₱137,554,219)	(₱38,638,982)
Net retirement income (costs) in profit or loss:			
Current service cost	–	(12,424,104)	(12,424,104)
Net interest	3,501,669	(5,928,181)	(2,426,512)
	3,501,669	(18,352,285)	(14,850,616)
Benefits paid	(4,975,993)	6,785,636	1,809,643
Disposal of subsidiaries	(32,764,424)	20,011,015	(12,753,409)
Remeasurement gain recognized in OCI:			
Actuarial changes arising from changes in financial assumptions	–	(17,716,460)	(17,716,460)
Actuarial changes due to experience adjustment	–	16,894,421	16,894,421
Actual return excluding amount included in net interest cost	(3,909,818)	–	(3,909,818)
Disposal of a subsidiary	3,165,259	6,381,293	9,546,552
Effect of asset ceiling	327,897	–	327,897
	(416,662)	5,559,254	5,142,592
Balance at end of year	₱64,259,827	(₱123,550,599)	(₱59,290,772)

Movements in retirement benefit reserve consist of the following:

	2021		
	Retirement benefits reserve	Deferred Tax (see Note 22)	Total
Balance at beginning of year	₱20,821,760	₱5,804,204	₱15,017,556
Remeasurement loss	(35,458,804)	(11,219,273)	(25,253,640)
Effect of change in tax rate	–	1,294,560	(1,014,109)
Balance at end of year	(₱14,637,044)	(₱4,120,509)	(₱11,250,193)

	2020		
	Retirement benefits reserve	Deferred Tax (see Note 22)	Total
Balance at beginning of year	26,123,682	7,506,312	18,617,370
Sale of subsidiaries	(9,546,552)	(3,023,296)	-6,523,256
Remeasurement gain	4,244,630	1,321,188	2,923,442
Balance at end of year	₱20,821,760	₱5,804,204	₱15,017,556

The latest actuarial valuation of the Group is as at December 31, 2021.

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

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

	2021	2020
Cash and cash equivalents	₱29,361	₱19,847
Debt instruments-government bonds	31,280,723	25,196,150
Debt instruments-other bonds	2,092,934	3,772,126
Unit investment trust funds	19,230,112	37,324,296
Others	658,744	(2,052,592)
	₱53,291,874	₱64,259,827

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

	2021	2020
Discount rate	5.05% - 5.19%	3.95%-7.62%
Rate of compensation increase	6.00%-8.00%	6.00%-8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020 assuming all other assumptions were held constant:

	2021		2020	
	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱9,153,062)	+100	(₱15,177,057)
	-100	10,984,943	-100	17,876,101
Salary increase rate	+100	10,909,242	+100	18,787,393
	-100	(9,284,240)	-100	(14,838,551)

The average duration of the defined benefit obligation is 8.4 years to 24.33 years in 2021.

The maturity analysis (10-year projection) of the undiscounted benefit payments follows:

	2021	2020
Less than 1 year	₱8,112,891	₱24,780,257
More than 1 year to 5 years	9,395,115	8,475,747
More than 5 years to 10 years	53,234,856	42,675,019

18. Equity

Preferred Stock

As at December 31, 2021 and 2020, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. Under the provision of the Group's articles of incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

Common Stock

Common stock as at December 31, 2021 and 2020 consists of the following:

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

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

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

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

In 1995, 25,000,000 primary shares of the Parent Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Parent Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Parent Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares with the same par value.

On March 10, 1997, the stockholders approved the increase in the Parent Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Parent Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008 (see Note 28).

On March 28, 2006, the SEC approved the reduction of the Parent Company's authorized capital stock by 1,870,000,000 shares to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 28).

On June 24, 2008, the SEC formally approved the Parent Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 28).

On July 9, 2009, the SEC approved the Parent Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 28).

As discussed in Note 28, on April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the remaining 1,000,000,000 shares to fully implement the Memorandum of Agreement (MOA) rescinding the Swap Agreement with Metroplex and LIR-HK.

On May 29, 2014, the SEC approved the PLC's application for equity restructuring which included the following:

- Reduction in par value per share in par value per share from ₱16,130.0 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with the par value of ₱1.00 per share, to ₱4,032.5 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with a par value of ₱0.25 per share.
- Application of the resulting additional paid-in capital amounting to ₱2,614.5 million to partially wipe out the Parent Company's deficit of ₱3,543.4 million as at December 31, 2013.

On July 18, 2014, PLC's BOD and stockholders unanimously approved the amendment to the articles of incorporation for the increase in authorized capital stock from ₱4,032,500,000, divided into 10,130,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share, to ₱10,907,500,000, divided into 37,630,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share. The application for the increase in authorized capital stock was approved by the SEC on September 5, 2014.

Additional Paid-in Capital

Additional paid-in capital as at December 31, 2021 and 2020 consists of the following:

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

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

Treasury Stocks

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

As at December 31, 2021 and 2020, 410,379,000 shares have been bought back by the Parent Company with a cost of ₱220.4 million. In 2020, the Parent Company bought back 382,000,000 shares with a cost of ₱191.0 million.

Parent Company Common Shares Held by a Subsidiary

POSC holds common shares of the Parent Company totaling 377,143,000 shares as at December 31, 2021 and 2020 with a cost of ₱509.6 million as at December 31, 2021 and 2020. These are presented as "Cost of Parent Company common shares held by a subsidiary" and is treated as a reduction in equity. Related other reserve amounted to ₱254.3 million as at December 31, 2021 and 2020.

Retained Earnings

On April 14, 2021, the Parent Company's BOD approved the declaration of cash dividends of ₱0.04075 per share amounting to approximately ₱1,272.1 million to shareholders of record as at April 28, 2021. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱15.4 million.

On February 21, 2020, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at March 6, 2020. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱18.9 million.

On February 22, 2019, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,587.5 million to shareholders of record as at March 8, 2019. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱18.9 million.

The consolidated retained earnings as at December 31, 2021 and 2020 includes the accumulated earnings of the subsidiaries which are not currently available for dividend declaration unless declared by the subsidiaries of the Parent Company. The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱2,687.5 million as at December 31, 2021 (₱2,604.9 million as at December 31, 2020).

19. Cost of Services

This account consists of:

	Note	2021	2020	2019
Amortization of intangible asset	10	₱238,472,484	₱238,472,484	₱238,472,484
Online lottery system expenses		179,543,228	225,685,647	285,445,503
Depreciation and amortization	13	71,070,686	97,892,775	184,639,676
Communication		59,064,228	74,763,898	120,030,518
Software and license fees		54,498,348	40,565,718	136,317,928
Payroll and related expenses		11,919,159	35,630,729	138,274,529
Rental, utilities and supplies		10,027,692	27,990,035	117,461,065
Others		8,141,497	1,367,772	4,038,614
		₱632,737,322	₱742,369,058	₱1,224,680,317

20. General and Administrative Expenses

This account consists of:

	Note	2021	2020	2019
Transportation and travel		₱83,235,532	₱89,630,415	₱83,502,861
Outside services		67,772,459	70,101,954	158,370,084
Salaries, wages and benefits		63,431,441	74,107,138	136,935,936
Pre-operating expenses	4	48,630,295	—	—
Taxes and licenses		22,463,644	23,229,561	38,047,179
Professional, service and management fees		12,648,620	15,093,380	31,690,978
Depreciation and amortization	13	10,500,695	15,584,315	51,309,164
Communication		3,919,796	4,558,347	5,007,231
Rental and utilities		3,602,109	9,584,270	26,172,052
Insurance		2,892,686	4,056,583	8,442,836
Repairs and maintenance		2,174,642	1,688,333	6,956,373
Representation and entertainment		1,533,387	5,116,544	11,135,287
Placement and listing fee		1,419,490	1,844,432	2,027,292
Marketing, advertising and promotion		96,000	229,029	1,563,541
Provision for impairment loss on:				
Goodwill	15	—	432,290,373	363,028,617
Receivable and contract asset	8, 28	—	139,677,613	2,147,391
ROU assets	24	—	9,324,857	—
Probable loss on other current assets	9	—	44,005,570	127
Miscellaneous		6,851,129	15,359,549	35,157,660
		₱331,171,925	₱955,482,263	₱961,494,609

21. Other Income (Charges)

This account consists of:

	Note	2021	2020	2019
Reversal of provisions	16	₱281,316,859	₱756,115,335	₱—
Reversal of allowance for impairment of contract asset	28	26,000,000	—	—
Mark-to-market loss on investments held for trading	6	(23,622,906)	(6,195,655)	(15,248,311)
Foreign exchange gain (loss)		745,079	(949,730)	(1,180,826)
Gain on sale of property and equipment		175,500	15,850	839,812
Gain from disposal of net assets of subsidiaries	14	—	70,338,145	—
Gain on termination of lease	24	—	1,165,723	—
Others		1,835,400	849,503	(17,299,658)
		₱286,449,932	₱821,339,171	(₱32,888,983)

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

22. Income Taxes

Current income tax expense pertains to RCIT.

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

	2021	2020
Items recognized in profit or loss		
NOLCO	₱32,966,294	₱97,329,599
Accrued license fee income	(17,579,771)	(33,661,813)
Retirement liability	8,136,166	258,854
Unamortized past service costs	2,271,666	11,786,821
Unrealized foreign exchange loss	(204,491)	173,635
Excess payment over lease related expenses	(70,700)	–
Accrued expenses	–	783,525
Prepayments	–	(60,266)
	25,519,164	76,610,355
Items recognized in other comprehensive income		
Cumulative remeasurement gains (losses) on retirement liability	(4,120,509)	5,804,204
Net deferred tax assets	₱21,398,655	₱82,414,559

Unrecognized deferred tax assets pertain to the following:

	2021	2020
Allowance for impairment losses on receivables	₱106,922,735	₱128,307,281
NOLCO	84,583,966	16,209,959
Excess MCIT over RCIT	–	515,299
	₱191,506,701	₱145,032,539

The foregoing deferred tax assets were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.

As at December 31, 2020, the carryforward benefits of MCIT incurred in 2018 amounting to ₱1.5 million can be claimed as deduction from RCIT due until December 31, 2021. In 2021, MCIT was expired.

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

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

Year Incurred	Beginning Balance	Incurred	Applied	Expired	Ending Balance	Valid Until
2021	P-	P53,848,887	P-	P-	P53,848,887	2026
2020	187,338,965	-	-	-	187,338,965	2025
2019	190,988,252	-	40,341,904	-	150,646,348	2022
2018	137,977	-	-	137,977	-	2021
	P378,465,194	P53,848,887	P40,341,904	P137,977	P391,834,200	

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

	2021	2020	2019
Income tax at statutory income tax rate	P296,040,438	P103,488,629	P612,662,161
Income tax effects of:			
Income not subject to income tax	(373,605,131)	(204,561,845)	(900,322,367)
Nondeductible expenses	61,268,235	84,546,809	242,185,157
Change in unrecognized deferred tax assets	69,194,594	2,881,247	3,157,036
Effect in beginning balance due to change in tax rate	12,608,916	-	-
Income subjected to final tax	(4,289,206)	(13,808,746)	(17,138,335)
Expired NOLCO	34,494	29,380	39,690
Reversal of deferred tax assets	-	24,367,842	
	P61,252,340	(P3,056,684)	(P59,416,658)

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or RA No. 11534 was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the corporate income tax rate from 30% to 20% and minimum corporate income tax rate from 2% to 1% starting July 1, 2020. In 2021, the Group recognized the impact of reduction in tax rate amounting to P12.6 million in deferred tax expense.

The effect of the reduction of tax rates were applied in the 2021 deferred tax expense, as required by PAS 12, *Income Taxes*. Details of adjustments are as follows:

Deferred tax expense	P37,525,417
Effect of change in tax rate	12,608,916
Adjusted deferred tax expense	P50,134,333

23. Related Party Transactions and Balances

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

Transactions with Related Parties

In the ordinary course of business, the Group has transactions with related parties which consist mainly of extension or availment of advances and service and management fees. The outstanding balances at year-end are due on demand. There have been no guarantees provided or received for any related party receivables or payables and settlements occur in cash.

				Transactions	Outstanding	
Related Party	Note	Nature of Transactions	Year	for the Year	Balance of Assets (Liabilities)	Terms and Conditions
Parent Company	7	Notes receivable	2021	P=	₱3,705,925,000	Unsecured and bearing interest rates ranging 2.91% to 3.16% in 2021 (4.11% to 5.06% and 4.80% to 6.38% in 2020 and 2019, respectively)
			2020	–	3,705,925,000	
			2019	–	3,705,925,000	
	11	Financial assets at FVOCI	2021	–	226,978,226	
			2020	–	284,972,730	
			2019	–	331,634,931	
	7	Interest income	2021	–	112,356,539	Unsecured and noninterest-bearing, 30 days
			2020	–	166,344,251	
			2019	–	214,129,362	
	20	Management and service fee	2021	54,000,000	–	Unsecured and noninterest-bearing, 30 days
2020			54,000,000	–		
2019			54,000,000	–		
Affiliate	24	Rent	2021	–	–	Unsecured and noninterest-bearing, 30 days
			2020	4,500,000	–	
			2019	18,000,000	–	

As at December 31, 2021 and 2020, PLC has Service Agreement with Belle wherein the latter shall provide services to support the operations of the casino license from PAGCOR. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Management and service fees amounting to P54.0 million in 2021, 2020 and 2019 were presented as part of "Outside services" under general and administrative expenses in the consolidated statements of comprehensive income.

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

	2021	2020	2019
Short-term employee benefits	P35,999,293	P32,503,805	P46,432,466
Retirement benefits costs	2,395,949	3,581,139	3,567,771
	P38,395,242	P36,084,944	P50,000,237

24. Lease

Group as Lessor

POSC leases online lotto equipment and accessories to PCSO on a month-to-month basis effective August 1, 2020 but not to exceed one year as provided in the 2020 Amended ELA (see Note 28). In 2021, the ELA was extended until July 31, 2022. Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals. Equipment rental income amounted to ₱390.8 million in 2021 (₱245.9 million and ₱427.9 million in 2020 and 2019, respectively) (see Note 28).

TGTI leases "Online KENO" equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. In 2021, the ELA was extended on a month-to-month basis not exceeding 1 year, commencing from April 1, 2021 and not exceeding April 1, 2022. Rental payment by PCSO is based on certain percentage of gross amount of "Online KENO" games from the operation of all PCSO's. Equipment rental income amounted to ₱35.5 million in 2021 (₱47.2 million and ₱253.6 million in 2020 and 2019, respectively) (see Note 28).

Group as Lessee

The Group leases office space, and warehouses. The leases typically run for a period of 2-5 years, with an option to renew the lease after date. Amounts recognized in the consolidated statements of comprehensive income follow:

	Note	2021	2020	2019
Amortization on ROU assets	13	₱10,899,532	₱23,729,153	₱62,708,209
Interest expense on lease liabilities		642,417	2,442,430	9,525,989
Impairment loss of ROU assets	20	—	9,324,857	—
Rent expense		14,851,199	22,988,476	89,024,069
Gain on termination of lease	21	—	(1,165,723)	—
		₱26,393,148	₱57,319,193	₱161,258,267

In 2020, PLC and SM Arena Complex Corporation, an affiliate, agreed to terminate the original term of the lease of corporate suites. Gain on termination of the lease recognized under "Other income (expense)" account amounted to ₱1.2 million (see Note 21).

Interest expense on lease liabilities is recognized under "Finance cost" account in the consolidated statements of comprehensive income. In 2020, finance cost also includes interest on fully paid loan amounting to ₱4.4 million. The unsecured loan amounting to 150.0 million was availed in 2019 and was fully paid in 2020.

Rent expense in 2021, 2020 and 2019 pertains to low-value asset leases on storage and short-term leases on warehouses.

The movements in the ROU assets are presented below:

	Note	2021	2020
Balance at beginning of year		₱10,119,536	₱73,225,966
Amortization	12	(10,899,532)	(23,729,153)
Addition		8,926,056	14,788,800
Pre-termination		(1,473,490)	(18,784,300)
Derecognition from disposal of subsidiaries		—	(26,056,920)
Provision for impairment	20	—	(9,324,857)
Balance at end of year		₱6,672,570	₱10,119,536

The movements in the lease liabilities are presented below:

	2021	2020
Balance at beginning of year	₱11,605,367	₱91,607,328
Payments	(12,827,398)	(50,208,626)
Addition	8,926,056	14,788,800
Pre-termination	(1,473,490)	(19,950,023)
Interest expense	642,417	2,442,430
Sale of subsidiaries	—	(27,074,542)
	6,872,952	11,605,367
Current portion	4,886,938	7,676,824
Noncurrent portion	₱1,986,014	₱3,928,543

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

	2021	2020
Within one year	₱5,124,015	₱7,063,070
After one year but not more than five years	2,012,156	4,992,336
	₱7,136,171	₱12,055,406

25. Basic/Diluted Earnings per Common Share

As at December 31, 2021, 2020 and 2019, the basic/diluted earnings per share were computed as follows:

	2021	2020	2019
Earnings attributable to Equity holders of the Parent (a)	₱1,193,902,616	₱517,573,391	₱2,261,962,747
Number of issued common shares at beginning of year	31,627,310,000	31,627,310,000	31,627,310,000
Number of parent company common shares held by a subsidiary at beginning of year	(377,143,000)	(377,143,000)	(377,143,000)
Weighted average number of treasury stocks	(410,379,000)	(378,545,667)	(28,379,000)
Weighted average number of issued common shares - basic, at end of year (b)	30,839,788,000	30,871,621,333	31,221,788,000
Basic/diluted EPS (a/b)	₱0.0387	₱0.0168	₱0.0724

26. Financial Instruments

Financial Risk Management Objectives and Policies

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

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

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

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

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

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

*Excluding cash on hand.

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

	2020						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalent*	₱2,205,051,264	₱—	₱—	₱—	₱—	₱—	₱2,205,051,264
Receivables	214,136,749	111,443,085	143,172,251	—	—	543,515,942	1,012,268,027
Notes receivable	3,705,925,000	—	—	—	—	—	3,705,925,000
Contract asset	86,205,643	—	—	—	—	26,000,000	112,205,643
Advances to contractors**	139,739,757	—	—	—	—	—	139,739,757
Refundable deposit**	5,953,851	—	—	—	—	—	5,953,851
Guarantee bonds**	14,500,000	—	—	—	—	—	14,500,000
	₱6,371,512,264	₱111,443,085	₱143,172,251	₱—	₱—	₱569,515,942	₱7,195,643,542

*Excluding cash on hand.

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

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

Credit Quality of Financial Assets

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

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

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

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

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

	2021			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalent*	₱1,660,389,063	₱-	₱-	₱1,660,389,063
Receivables	277,787,614	-	543,515,942	821,303,556
Notes receivable	3,705,925,000	-	-	3,705,925,000
Contract asset	44,319,085	-	26,000,000	70,319,085
Advances to contractors**	139,738,757	-	-	139,738,757
Refundable deposit**	3,706,928	-	-	3,706,928
Guarantee bonds**	14,500,000	-	-	14,500,000
Gross Carrying Amount	₱5,846,366,447	₱-	₱569,515,942	₱6,415,882,389

*Excluding cash on hand.

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

	2020			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalent*	₱2,205,051,264	₱-	₱-	₱2,205,051,264
Receivables	468,752,085	-	543,515,942	1,012,268,027
Notes receivable	3,705,925,000	-	-	3,705,925,000
Contract asset	86,205,643	-	26,000,000	112,205,643
Advances to contractors**	139,739,757	-	-	139,739,757
Refundable deposit**	5,953,851	-	-	5,953,851
Guarantee bonds**	14,500,000	-	-	14,500,000
Gross Carrying Amount	₱6,626,127,600	₱-	₱569,515,942	₱7,195,643,542

*Excluding cash on hand.

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

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

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

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

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2021 and 2020 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	2021	2020
Impact in profit or loss		
5%	₱3,652,682	₱4,213,046
(5%)	(3,652,682)	(4,213,046)
Impact in comprehensive income		
1%	7,211,671	2,873,726
(1%)	(7,211,671)	(2,873,726)

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

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

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

* Excluding statutory liabilities, provisions and unearned income

**Based on undiscounted payments

	2020				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade and other current liabilities*	₱124,477,689	₱—	₱112,196,669	₱—	₱236,674,358
Lease liabilities**	—	—	7,063,070	4,992,336	12,055,406
	₱124,477,689	₱—	₱119,259,739	₱4,992,336	₱248,729,764

* Excluding statutory liabilities, provisions and unearned income

**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.

As at December 31, 2021 and 2020, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2021	2020
Cash	₱10,679,109	₱19,636,348
Software license fee payable*	733,127	17,207,061
Foreign currency-denominated financial assets (liabilities)	₱9,945,982	₱2,429,287

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

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱51.09 to US\$1.0 and ₱48.02 to US\$1.0, as at December 31, 2021 and 2020, respectively.

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

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2021 and 2020. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2021		2020	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate	5%	(5%)	5%	(5%)
Effect on income before income tax	₱1,338,810	(₱1,338,810)	₱4,213,046	(₱4,213,046)

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2021 and 2020.

The Group considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱16,130.8 million as at December 31, 2021 (₱16,220.1 million as at December 31, 2020).

Fair Value of Assets and Financial Liabilities

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

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalent	₱1,660,934,194	₱1,660,934,194	₱2,218,311,525	₱2,218,311,525
Receivables	277,787,614	277,787,614	468,752,085	468,752,085
Notes receivable	3,705,925,000	3,705,925,000	3,705,925,000	3,705,925,000
Contract asset	70,319,085	70,319,085	86,205,643	86,205,643
Advances to contractors*	139,738,757	139,738,757	139,739,757	139,739,757
Refundable deposit*	3,706,928	3,706,928	5,953,851	5,953,851
Guarantee bonds*	14,500,000	14,500,000	14,500,000	14,500,000
At FVPL				
Investment held for trading	73,053,645	73,053,645	84,260,926	84,260,926
At FVOCI				
Financial assets at FVOCI	721,167,064	721,167,064	287,453,830	287,453,830
	₱6,667,132,287	₱6,667,132,287	₱7,011,102,617	₱7,011,102,617

Financial Liabilities

At amortized cost:

Trade and other current liabilities**	₱325,484,791	₱325,484,791	₱238,136,053	₱238,136,053
Lease liabilities	6,872,952	6,872,952	11,605,367	11,605,367
	₱332,357,743	₱332,357,743	₱249,741,420	₱249,741,420

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

** Excluding statutory liabilities, provisions and unearned income

The Group has no financial liabilities measured at fair value as at December 31, 2021 and 2020. There were no transfers between fair value measurements in 2021 and 2020.

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

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

Refundable Deposit and Guarantee bonds. The carrying value of refundable deposits and guaranteed bonds approximates fair value as at December 31, 2021 and 2020 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

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

Lease Liabilities. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used are 5.25% to 6.50% in 2021 and 2020.

27. Segment Information

The primary segment reporting format is presented based on business segments in which the Group's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

As at December 31, 2021 and 2020, the Group is organized into five business segments, namely: investment holding, real estate, public amusement and recreation, gaming business and lottery equipment, leasing and others.

	2021						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery Equipment, Leasing and Others	Eliminations/ Adjustments	Consolidated
Earnings Information							
Revenue:							
External	P=	P=	P=	P1,300,291,468	P426,345,611	P=	P1,726,637,079
Internal	1,310,000,000	—	—	—	—	(1,310,000,000)	—
Cost and expenses, Excluding							
Depreciation and amortization	(67,881,097)	(10,602)	(1,303,346)	(113,171,225)	(395,672,297)	—	(578,038,567)
Interest income	123,651,297	—	94	5,739,835	122,135	—	129,513,361
Finance cost	—	—	—	—	(748,897)	—	(748,897)
Dividend income	—	—	—	—	15,368,577	(15,368,577)	—
Depreciation and amortization	(3,408)	—	—	(16,577)	(148,369,578)	(238,472,484)	(386,862,047)
Other income	—	—	—	281,316,859	12,343,963	—	293,660,822
Provision for income tax	(11,118,009)	—	—	—	(50,134,332)	—	(61,252,341)
Net income (loss) For the year	1,354,648,783	(10,602)	(1,303,252)	1,474,160,360	(140,744,818)	(1,563,841,061)	1,122,909,410
Other Information							
Investments held for trading and financial assets at FVOCI	140,964,275	—	490,207,738	—	252,166,540	(162,171,490)	721,167,063
Total assets	18,571,506,860	753,908	505,050,728	1,966,091,492	855,156,901	(4,813,663,677)	17,084,896,212
Total liabilities	1,561,602,974	260,458,760	470,686,149	493,606,318	135,857,937	(2,235,848,623)	686,363,515
Goodwill	—	—	—	—	926,007,748	—	926,007,748
Earnings before income taxes, depreciation and amortization (EBITDA)	—	—	—	—	—	—	1,279,103,240

	2020						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery Equipment, Leasing and Others	Eliminations/ Adjustments	Consolidated
Earnings Information							
Revenue:							
External	P=	P=	P=	P635,217,388	P328,438,121	P=	P963,655,509
Internal	2,920,000,000	-	-	-	-	(2,920,000,000)	-
Cost and expenses, excluding depreciation and amortization	(1,157,078,322)	(20,601)	(20,666)	(114,473,282)	(729,765,305)	1,087,746,802	(913,611,374)
Interest income	179,744,580	1,309	-	31,934,376	6,283,526	-	217,963,791
Finance cost	(444,693)	-	-	-	(6,355,790)	-	(6,800,483)
Dividend income	11,998,526	-	-	-	10,354,560	-	22,353,086
Depreciation and amortization	(4,147,003)	-	-	(2,787)	(109,327,300)	(238,472,484)	(351,949,574)
Other income	1,165,723	-	-	756,115,335	64,058,113	-	821,339,171
Impairment loss on Goodwill	(432,290,373)	-	-	-	-	-	(432,290,373)
Provision for income tax	(28,076,028)	-	-	-	29,296,321	1,836,391	3,056,684
Net income (loss) for the year	1,490,872,410	(19,292)	(20,666)	1,308,791,031	(407,017,754)	(2,068,889,290)	323,716,438
Other Information							
Investments held for trading and financial assets at FVOCI	173,460,099	-	-	-	366,083,291	(167,828,634)	371,714,756
Total assets	18,747,446,771	761,922	29,679,524	2,246,079,455	1,103,404,040	(4,334,357,648)	17,793,014,064
Total liabilities	1,789,442,296	260,412,138	10,055	936,449,227	240,263,487	(1,991,150,288)	1,235,426,915
Capital expenditure	-	-	-	-	90,839,188	-	90,839,188
Goodwill	-	-	-	-	926,007,748	-	926,007,748
Earnings before interest taxes, depreciation and amortization (EBITDA)	-	-	-	-	-	-	551,188,125

28. Significant Contracts and Commitments

Operating Agreement with Melco

On March 13, 2013, Belle, together with PLAI, entered into an Operating Agreement with MPHIL Holdings No. 2 Corporation, MPHIL Holdings No. 1 Corporation and Melco. Under the terms of the Operating Agreement, Melco was appointed as the sole and exclusive operator and manager of the casino development project. The Operating Agreement shall be in full force and effect for the period of the PAGCOR License, unless terminated earlier in accordance with the agreements among the parties.

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

	2021	2020	2019
Gaming revenue share - gross	P2,040,109,900	P1,017,666,745	P5,954,695,862
Less PAGCOR license fee paid by Melco	739,818,432	382,449,357	2,978,329,390
Gaming revenue share - net	P1,300,291,468	P635,217,388	P2,976,366,472

Share Swap Agreement

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

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

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

b. PLC shall surrender the LIR-HK shares back to Metroplex.

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

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

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

In 2007, PLC acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of PLC held by Metroplex for a total consideration of ₱81.6 million (see Note 8). Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 PLC shares was filed with the SEC after obtaining stockholders' approval.

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation (see Note 18).

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling (see Note 18). The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA.

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

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

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

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

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2014. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively.

Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the said Shares (see Notes 8 and 18).

Agreements with PCSO

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

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

Pursuant to the amended ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2021 and 2020, the total cash bond, included under “Other current assets” or “Other noncurrent assets” in the consolidated statement of financial position, amounted to ₱12.0 million.

On July 31, 2019, the ELA was amended to extend the term from August 1, 2019 to July 31, 2020. The said extension was intended for PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO.

On September 9, 2020, the term of the ELA was extended on a month-to-month basis effective August 1, 2020 but not to exceed one year, commensurate to the necessity and immediacy to complete the bidding process of the new lottery system. POSC undertakes not to pull-out the lottery terminals until after the 7th month after the expiration of the ELA.

In 2021, the term of the ELA was month-to-month basis not exceeding one year, commencing from April 1, 2021 and not exceeding July 31, 2022.

The rental fee, presented as "Equipment rental" in the consolidated statement of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO's Luzon and VISMIN operations. The number of installed lotto terminals totaled 3,129 and 3,370 as at December 31, 2021 and 2020. POSC's rental income amounted to ₱390.8 in 2021 (₱245.9 million and ₱427.9 million in 2020 and 2019, respectively) (see Note 24).

TGTI. TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's Online KENO games. This covers PCSO's online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the "Online KENO" terminals. The ELA may be extended and/or renewed upon the mutual consent of the parties.

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

On December 11, 2020, the ELA was amended to extend the term for six months, effective October 1, 2020 until March 31, 2021. The amendment also required TGTI to post a cash bond and performance security bond with an aggregate amount of ₱2.5 million. The cash bond is included under "Other current assets" or "Other noncurrent assets" in the consolidated statements of financial position (see Note 10).

In 2021, the ELA was extended on a month-to-month basis not exceeding 1 year, commencing from April 1, 2021 and not exceeding April 1, 2022.

The number of installed online KENO terminals totaled 569 and 1,180 as at December 31, 2021 and 2020, respectively. TGTI's revenue from equipment rental amounted to ₱35.5 million in 2021 (₱47.2 million and ₱253.6 million in 2020 and 2019, respectively) (see Note 24).

Brand and Trademark Agreement with PMLC

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting

January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC.

Due to the suspension of PCSO games on July 27, 2019 for two months and on March 17, 2020 for four and a half months, PMLC was not able to supply and distribute instant scratch tickets to its customers. The management expects delay on the payment for those months, this, the management assessed that the accrued license fee income equivalent to those months with no operations may not be recoverable. Impairment losses amounting to ₱26.0 million were recognized in 2020 and subsequently reversed in 2021 (see Note 9).

Accreted interest income amounted to ₱6.1 million in 2021 (₱5.6 million and ₱8.6 million in 2020 and 2019, respectively) (see Note 5). Contract asset was recognized for the earned consideration but not yet collected. The carrying value of contract assets are as follows:

	Note	2021	2020
Contract asset		₱70,319,085	₱112,205,643
Less allowance for impairment losses	21	—	(26,000,000)
		70,319,085	86,205,643
Current portion		(70,319,085)	39,903,188
Balance at end of year		₱—	₱46,302,455

Contracts with Scientific Games and Intralot and Management Agreement

Scientific Games. As at December 31, 2021 and 2020, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect.

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

Intralot. As at December 31, 2021 and 2020, POSC and TGTI have contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The Contract shall continue as long as POSC's and TGTI's ELA with PCSO are in effect.

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

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

Software and license fee recognized amounted to amounted to ₱54.5 million in 2021 (₱40.6 million and ₱136.3 million in 2020 and 2019, respectively) (see Note 19). Software and license fees payable amounted to ₱18.2 million as at December 31 2021 (₱38.6 million as at December 31, 2020) (see Note 16).

29. Supplemental Schedule of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	1/1/2021	Additions (Reversals)	Finance Costs	Cash Flows	12/31/2021
Lease liabilities	₱11,605,367	₱7,452,566	₱642,417	(₱12,827,398)	₱6,872,952
Dividends payables	–	1,256,721,361	–	(1,256,721,361)	–
Total liabilities from financing activities	₱11,605,367	₱1,264,173,927	₱642,417	(₱1,269,548,759)	₱6,872,952

	1/1/2020	Additions(Reversals)	FinanceCosts	CashFlows	12/31/2020
Lease liabilities	₱91,607,328	(₱32,235,765)	₱2,442,430	(₱50,208,626)	₱11,605,367
Dividends payables	–	1,549,390,949	–	(1,549,390,949)	–
Treasury stock	(29,430,080)	–	–	(191,000,000)	(220,430,080)
Loans payables	150,000,000	–	–	(150,000,000)	–
Interest payables	–	–	4,358,053	(4,358,053)	–
Total liabilities from financing activities	₱212,177,248	₱1,517,155,184	₱6,800,483	(₱1,944,957,628)	(₱208,824,713)

	1/1/2019	Additions(Reversals)	FinanceCosts	CashFlows	12/31/2019
Lease liabilities	₱143,194,992	₱17,371,992	₱9,525,989	(₱78,485,646)	₱91,607,327
Dividends payables	–	1,568,582,629	–	(1,568,582,629)	–
Loans payables	–	–	–	150,000,000	150,000,000
Total liabilities from financing activities	₱143,194,992	₱1,585,954,621	₱9,525,989	(₱1,497,068,275)	₱241,607,327



REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Premium Leisure Corp. and Subsidiaries
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, 1300 Pasay City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Premium Leisure Corp. and Subsidiaries (the Group) as at and for the year ended December 31, 2021 and have issued our report thereon dated February 24, 2022. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Group's management.

These supplementary schedules include the following:

- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2021 and 2020
- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2021
- Schedules required by Annex 68-J as at December 31, 2021
- Conglomerate Map as at December 31, 2021

These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 (with comparative figures for 2020 and 2019) and no material exceptions were noted.

These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila

PREMIUM LEISURE CORP. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2021 and 2020

Ratio	Formula	2021	2020
Current Ratio	Total Current Assets divided by Total Current Liabilities		
	Total Current Assets	₱6,002,149,366	₱6,735,160,173
	Divide by: Total Current Liabilities	653,483,170	1,172,207,600
	Current Ratio	9.18	5.75
Acid Test Ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		
	Total Current Assets	6,002,149,366	6,735,160,173
	Less: Inventories	-	-
	Land held for future development	-	-
	Other Current Assets	214,129,828	218,007,449
	Quick Assets	5,788,019,538	6,517,152,724
	Divide by: Total Current Liabilities	653,483,170	1,172,207,600
	Acid Test Ratio	8.86	5.56
Debt-to-Equity Ratio	Total Interest-Bearing debt divided by Total Equity		
	Total interest-bearing debt	-	-
	Total Equity	16,398,532,697	16,557,587,149
	Debt to Equity Ratio	-	-
Asset-to-Equity Ratio	Total Assets divided by Total Equity		
	Total Assets	17,084,896,212	17,793,014,064
	Total Equity	16,398,532,697	16,557,587,149
	Asset to Equity Ratio	1.04	1.07
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes divided by Total Interest Expense		
	Net Income Before Income Tax	1,184,161,750	320,659,754
	Less: Interest income	-	-
	Add: Interest Expense	748,897	6,800,483
	Earnings Before Interest and Taxes	1,184,910,647	327,460,237
	Divide by: Interest Expense	748,897	6,800,483
	Interest Rate Coverage Ratio	1,582.21	48.15

Ratio	Formula	2021	2020
Return on Equity	Net Income divided by Average Total Equity		
	Net Income	₱1,122,909,410	₱323,716,438
	Average Total Equity	16,478,059,923	17,287,655,598
	Return on Equity	6.81%	1.87%
Return on Assets	Net Income divided by Average Total Assets		
	Net Income	1,122,909,410	323,716,438
	Average Total Assets	17,438,955,138	18,861,968,210
	Return on Assets	6.44%	1.72%
Solvency Ratio	Net Income Before Non-Cash Expenses divided by Total Liabilities		
	Net Income	1,122,909,410	323,716,438
	Add: Non-Cash Expenses	356,882,872	821,649,776
	Net Income Before Non-Cash Expenses	1,479,792,282	1,145,366,214
	Total Liabilities	686,363,515	1,235,426,915
	Solvency Ratio	2.16	0.93
Net Profit Margin	Net Income divided by Total Revenue		
	Net Income	1,122,909,410	323,716,438
	Total Revenue	1,726,637,079	963,655,509
	Net Profit Margin	65.03%	33.59%

PREMIUM LEISURE CORP. AND SUBSIDIARIES

**PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Retained earnings available for dividend distribution	₱2,825,377,476
Net income during the year closed to retained earnings	1,354,648,783
Less: Dividend declarations during the year	(1,272,089,938)
Treasury stocks	(220,430,080)
Total retained earnings available for dividend declaration	₱2,687,506,241

PREMIUM LEISURE CORP. AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6
PART II OF REVISED SRC RULE 68
DECEMBER 31, 2021

Table of Contents

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>2</u>
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>2</u>
D	Long-Term Debt	<u>2</u>
E	Indebtedness to Related Parties	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>2</u>

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Financial Assets at Amortized Costs				
Cash and cash equivalents	₱1,660,934,194	₱1,660,934,194	N/A	₱17,156,822
Receivables	277,787,614	277,787,614	N/A	—
Notes receivable	3,705,925,000	3,705,925,000	N/A	112,356,539
Contract asset	70,319,085	70,319,085	N/A	6,113,042
Advances to contractors	139,738,757	139,738,757	N/A	—
Guarantee bonds	14,500,000	14,500,000	N/A	—
Refundable deposits	3,706,928	3,706,928	N/A	—
	5,872,911,578	5,872,911,578		135,626,403
Financial assets at fair value through profit or loss				
APC Goup, Inc.	45,821,000	10,080,620	10,080,620	—
Leisure and Resorts World Corp.	10,724,792	15,979,940	15,979,940	—
Vantage Equities, Inc.	43,376,750	35,568,935	35,568,935	—
Share warrants	500,000	11,424,150	11,424,150	—
		73,053,645	73,053,645	—
Financial assets at fair value through other comprehensive income				
Black Spade Acquisition, Inc.	1,000,000	490,207,738	490,207,738	—
Belle Corporation	166,650,719	226,978,226	226,978,226	—
Tagaytay Highlands International Golf Club	2	2,000,000	2,000,000	—
Tagaytay Midlands Golf Club	2	1,900,000	1,900,000	—
Asian Petroleum		11,100	—	—
PLDT		70,000	—	—
		721,167,064		—
		₱6,667,132,287		₱141,216,791

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at end of period
Advances to officers and employees	P1,291,113	P1,503,800	(P927,304)	P—	P1,867,609	P—	P1,867,609

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

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Allowance for Doubtful Accounts	Current	Not Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	P6,824,938	P—	P—	P—	P—	P6,824,938	P6,824,938
Premium Leisure Corp. (Parent)	1,629,679,524	—	(226,679,524)	—	—	1,403,000,000	1,403,000,000
	P1,636,504,462	P—	(P226,679,524)	P—	P—	P1,409,824,938	P1,409,824,938

Schedule D. Long-term debt

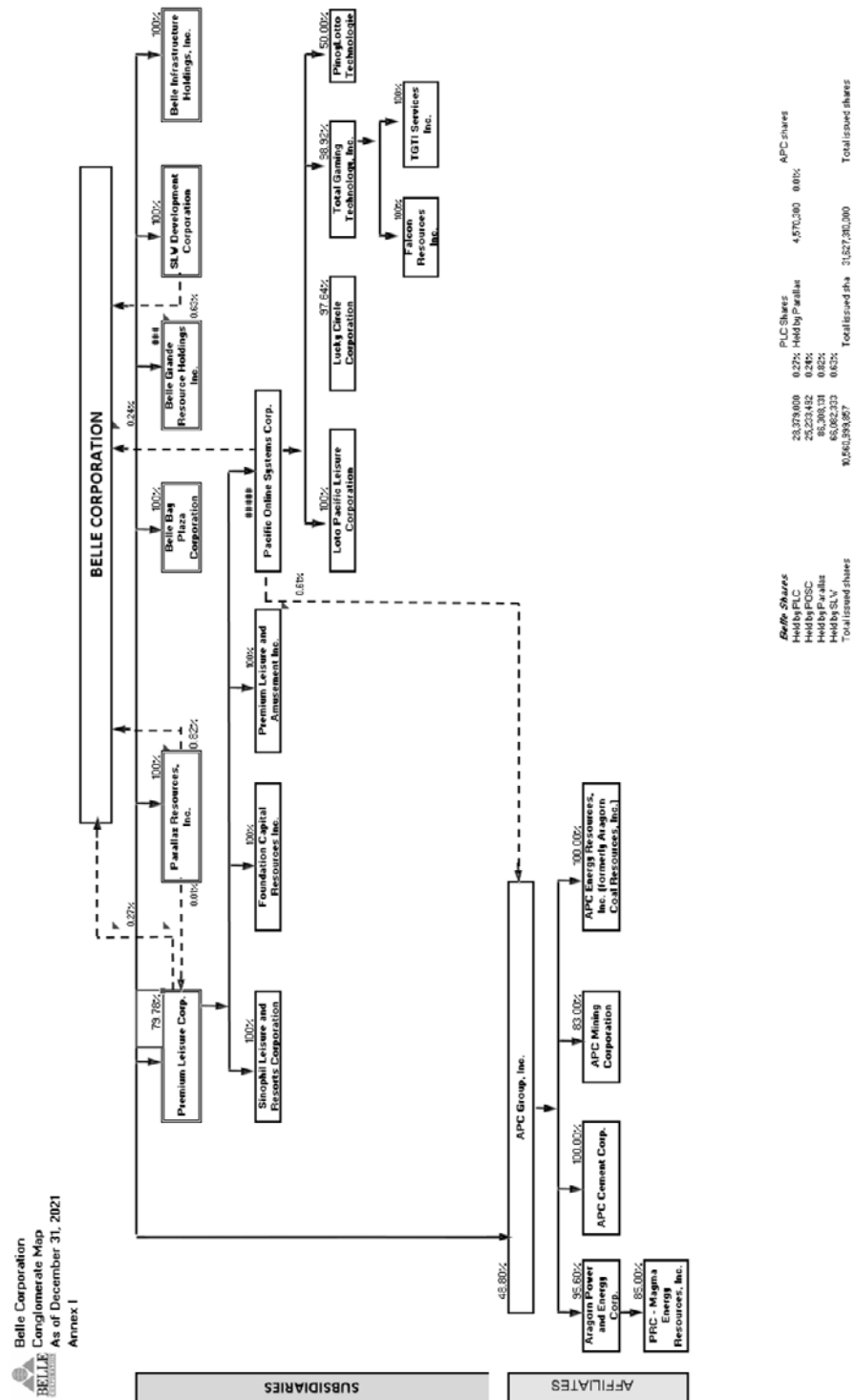
Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
---------------------------------------	--------------------------------	---	--

NONE

Schedule G. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,216,931,000	—	24,904,904,324	44,439,004	6,267,587,672
Preferred Stock	6,000,000,000	—	—	—	—	—

PREMIUM LEISURE CORP. AND SUBSIDIARIES **Map of the Relationship of the Companies within the Group** **December 31, 2021**



Premium Leisure Corp.

Sustainability Reporting Template

Contextual Information

Company Details	
Name of Organization	Premium Leisure Corp. ("PLC" or the "Corporation")
Location of Headquarters	5 th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila
Location of Operations	PLC's principal address is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila. As an investments holding company, the Corporation is invested in companies operating and located in the Philippines. Among its subsidiaries is PremiumLeisure and Amusement, Inc. ("PLAI"), which holds office at 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	Within PLC and PLAI
Business Model, including Primary Activities, Brands, Products, and Services	Premium Leisure Corp., formerly Sinophil Corporation, ("PLC" or the "Corporation"), incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") as Sinophil Exploration Co., Inc. on November 26, 1993, was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved PLC's application for a change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. On September 5, 2014, the SEC approved the change in PLC's primary purpose to that of engagement and/or investment in gaming-related businesses. PLC, a publicly-listed company traded in the Philippine Stock Exchange ("PSE"), is 79.78% (direct and indirect) owned by Belle Corporation ("Belle") and the rest by the public as of December 31, 2021. PLC and its subsidiaries have an investment portfolio consisting of investment holding, gaming business and lottery equipment leasing, distribution and others. Meanwhile, PLAI, a fully owned subsidiary of PLC, is a grantee by the Philippine Amusement and Gaming Corporation of a license to operate integrated resorts, including casinos, within

	PAGCOR's Entertainment City in Paranaque City, Metro Manila. Through its partnership with Melco Resorts and Entertainment (Philippines) Corporation, a leading developer, owner and operator of casino gaming and entertainment resort facilities in Asia, PLAI has an interest in the development of City of Dreams Manila, an integrated entertainment and gaming complex located at the PAGCOR Entertainment City, and from where PLAI receives its share in gaming revenues. Pacific Online Systems Corporation ("Pacific Online"), PLC's subsidiary, leases online betting equipment to the Philippine Charity Sweepstakes Office for their lottery operations.
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Mr. Armin Antonio B. Raquel Santos, President and Chief Executive Officer of the Corporation

Materiality Process

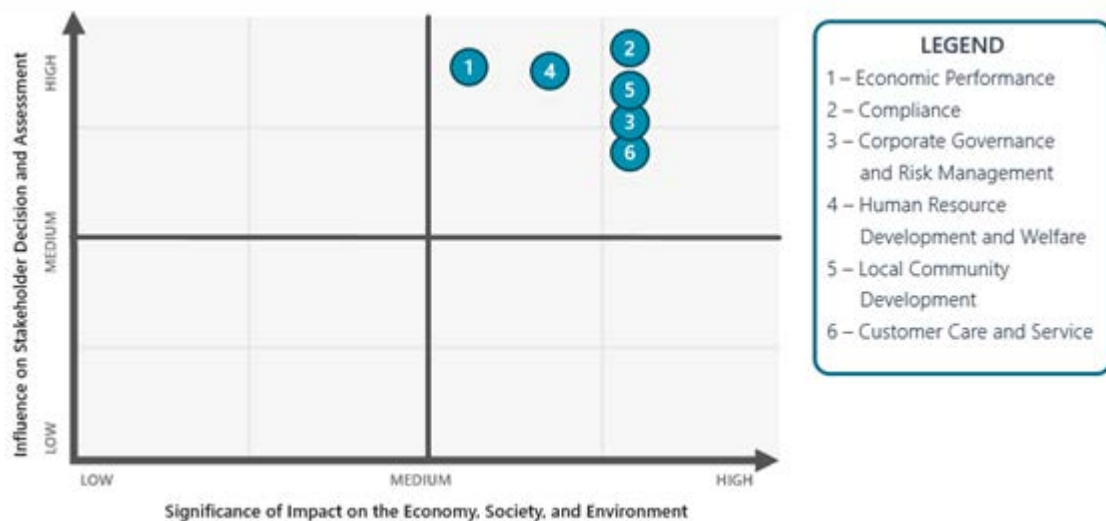
Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

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

Materiality Process

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

Materiality Matrix



ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,429,682,601	PhP
Direct economic value distributed:	1,508,071,102	PhP
a. Operating costs	163,955,776	PhP
b. Employee wages and benefits	17,116,531	PhP
c. Payments to suppliers, other operating costs	-	PhP
d. Dividends given to stockholders and interest payments to loan providers	1,288,812,883	PhP
e. Taxes given to government	38,185,912	PhP
f. Investments to community (e.g. donations, CSR) (as a co-licensee, 2% of the gaming revenue share is allotted for social development fund)	-	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations and supply chain of the organization	Employees, investors / shareholders, suppliers, business partners, host communities, local government units	PLC endeavors to deliver and sustain direct economic impact despite business disruptions and uncertainties brought forward by the pandemic. It generates and distributes economic value to various stakeholders in its primary business operations and supply chain. The Corporation recognizes the importance of sustainability to its businesses. To be able to uphold its sustainability programs, the Corporation, through its parent company, Belle, has adopted a global standard guiding principle aligned to the United Nations Global Compact to ensure proper implementation of current practices and to seek for further enhancements. Led by its Board of Directors and Management, the Corporation regularly engages with its stakeholders in order to safeguard their interests.

		In alignment with Belle and other co-subsidiaries, and as part of the SM Group of Companies, the Corporation anchored its sustainable development strategy to the seventeen (17) Sustainable Development Goals of the United Nations. Having a strategic and diverse portfolio of businesses that delivers stable and reliable economic returns is a manifestation of PLC's approach to doing business and sustainability.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Competition Risk As Entertainment City Manila expands and accommodates more tourist arrivals and players, the increase in competition poses a risk to the Corporation especially as it obtains gaming share revenue, through PLAI, from City of Dreams Manila, whose operations may be affected by the increase of players in the market. Aside from Entertainment City Manila, new developments are also expected in other parts of Metro Manila as well as in other cities such as Cebu.	Employees, host community members, investors/shareholders, suppliers, business partners, and customers/clients	Despite increased competition, growth in the number of players in the gaming industry is a boon to the Philippines' ability to attract more foreign and domestic players to Entertainment City Manila, thereby further enhancing the Philippine gaming industry's growth prospects and making it more robust. The Corporation also monitors its performance and of its competitors. PLC also remains up-to-date on market trends.
Credit Risk Credit risk is the risk that the Corporation will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Corporation's financial assets, which are composed of cash and cash equivalents, trade	Employees, host community members, investors/shareholders, suppliers, business partners, and customers/clients	High grade financial assets pertain to receivables from related parties or customers that consistently pay on or before the maturity date, while medium grade includes those financial assets being collected on due dates with an effort of collection. The Corporation assessed its cash in bank and cash equivalents as high grade since this is deposited with reputable banks.

receivables and others, financial assets at FVOCI and AFS financial assets.		
Liquidity Risk Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities, which are settled by paying cash or other financial assets.	Employees, host community members, investors/shareholders, suppliers/business partners, and customers/clients	PLC seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Corporation closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. To cover its financing requirements, the Corporation uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs. PLC maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends.
Equity Price Risk Equity price risk is the risk that the fair value of quoted investment held for trading, AFS financial assets, and financial assets at fair value through other comprehensive income decrease as the result of changes in the value of individual stocks. The Corporation's exposure to equity price risk is primarily due to the Corporation's quoted investments held for trading, AFS financial assets and financial assets at FVOCI.	Employees, host community members, investors/shareholders, suppliers, business partners, and customers/clients	The Corporation monitors 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.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Increase of PLC's shareholder value for investors and partners	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	The Corporation is committed to looking for various opportunities for growth through profitable and sustainable investments, which will can help improve the economic value it generates and distributes to its stakeholders.

Climate-related risks and opportunities¹

- Not material to the Corporation

Governance	Strategy	Risk Management	Metrics and Targets
Not material			
Recommended Disclosures			
Not material			

Procurement Practices

Proportion of spending on local suppliers

- Not material to the Corporation

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

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

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

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure		Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to		100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to		100	%
Percentage of directors and management that have received anti-corruption training		100	%
Percentage of employees that have received anti-corruption training		100	%
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach	
Established anti-corruption policies, standards, and practices due to information dissemination campaigns	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	The Board has been identifying areas for continuing education on corporate governance topics, which covers anti-corruption. To keep the Board and key officers well informed of good governance practices and standards, regular annual education programs are conducted in coordination with SM Investments Corporation (SMIC) and training providers duly accredited by the Securities and Exchange Commission (SEC), while employees and business partners are being informed of the Corporation's governance-related policies and practices upon on-boarding and timely updates. The Corporation also has an existing policy on whistle-blowing. Furthermore, the Ethics Committee (Management level) was formed to receive reports on questionable activities, unethical conduct, fraud or malpractice in strictest confidence without the fear of retaliation. Composed of the Heads of Human Resources, Internal Audit and Governance Departments, they will	

		collectively evaluate, and conduct an immediate investigation, as necessary. https://www.premiumleisurecorp.com/governance-plc/corporate-policies
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Corporation will be put in a disadvantageous position due to conflict of interests, which could trigger loss of trust and integrity issues.	Employees, suppliers, business partners	Guided by the principles of good governance, the Corporation constantly reviews its policies on anti-corruption, amends them as necessary, and cascades to all concerned thereafter.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To maintain and increase stakeholders' trust and confidence to the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of the leading corporations for its good governance practices.	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	PLC upholds its commitment to the enhancement of stakeholder value by continuously seeking enhancements on the Corporation's policies, processes, and procedures, especially on corporate governance https://www.premiumleisurecorp.com/governance-plc/corporate-policies , particularly on anti-corruption.

Incidents of Corruption

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations and supply chain caused by the	Employees, host community members, suppliers, business	The Board has been identifying areas of continuing education on corporate governance topics, which cover anti-

organization and through its business relationship	partners, customers/clients, and investors/shareholders	corruption. To keep the Board and key officers well informed of good governance practices and standards, regular annual education programs are conducted in coordination with SMIC and training providers duly accredited by the SEC, while employees and business partners are regularly informed of the Corporation's governance-related policies and practices upon onboarding and timely updates. The Corporation also has an existing policy on whistle-blowing. Furthermore, the Ethics Committee (Management level) was formed to receive reports on questionable activities, unethical conduct fraud or malpractice in strictest confidence without the fear of retaliation. Composed of the Heads of Human Resources, Internal Audit and Governance Departments, they will collectively evaluate and conduct an immediate investigation, as necessary.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Corporation will be put in a disadvantageous position due to conflict of interests, which could trigger loss of trust and integrity issues.	Employees, suppliers, business partners	Guided by the principles of good governance, the Corporation constantly reviews, amends as necessary, and communicates to all concerned its policies on anti-corruption.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To maintain and increase stakeholders' trust and confidence in the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of the leading corporations for its good governance practices.	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	PLC upholds its commitment to the enhancement of stakeholder value by continuously seeking for improvements on the Corporation's policies, processes, and procedures, particularly on corporate governance (https://www.premiumleisurecorp.com/governance-plc/corporate-policies), and anti-corruption.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

- Not material to the Corporation

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

Reduction of energy consumption

- Not material to the Corporation

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

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

Water consumption within the organization

- Not material

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

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

Materials used by the organization

- Not material to the Corporation

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

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

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

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

- Not material to the Corporation

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

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

² International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

- Not material to the Corporation

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

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

Air pollutants

- Not material

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

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

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

Solid and Hazardous Wastes

Solid Waste

- Not material to the Corporation

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

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

Hazardous Waste

- Not material to the Corporation

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

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

Effluents

- Not material to the Corporation

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

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

Environmental compliance

Non-compliance with Environmental Laws and Regulations

- Not material to the Corporation

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

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

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ³	6	#
a. Number of female employees	4	#
b. Number of male employees	2	#
Attrition rate ⁴	-	rate (%)
Ratio of lowest paid employee against minimum wage	Not available	ratio

Employee benefits

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
--	----------------------------

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

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

Primary business operations caused by the organization – Having an average of 6.6 years of retention among the employees	PLC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Corporation also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. PLC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community. The Corporation also exerts its best effort to maintain a climate conducive to work and provides a substantial level of job security, benefits and personal rewards for their employees. The performance evaluation system has been designed and established to provide a common and equitable basis for evaluating the performance of individual employees. It also implements policies on promotions and salary adjustments in support of PLC/PLAI's aim to empower and fulfill the career aspirations of employees.
What are the Risk/s Identified?	Management Approach
One of the risks identified is the possibility of higher attrition rate, which could hamper the operations and consequently affect the delivery of services. Aside from incurring costs due to onboarding and training provided, time spent for training could have been allotted to business operations.	All our employees are treated fairly by providing opportunities for career development based on merit, regardless of gender, age. All officers and employees are selected, engaged, and compensated based on qualifications and performance. They are treated fairly and accorded respect and dignity. Their individual and collective rights are not violated. Opportunities for career advancement are provided based on clear performance and qualifications criteria. PLC also provides continuous learning and development opportunities to improve and increase their level of competency, efficiency and general well-being, leading to professional growth.
What are the Opportunity/ies Identified?	Management Approach
Talent motivation and retention, and assurance of internal pay equity	The Corporation constantly explores human resource developments and enhancements, particularly on employment, benefits and other prerequisites.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees*	6	
a. Female employees	2	Hours
b. Male employees	4	Hours
Average training hours provided to employees**		
a. Female employees	2	hours/employee
b. Male employees	2	hours/employee

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

	approach to ensure learning and development of employees.
--	---

What are the Risk/s Identified?	Management Approach
Time spent for training, which consume resources and result in opportunity cost	All our employees are treated fairly by providing opportunities for career development based on merit, regardless of gender and age. All officers and employees are selected, engaged, and compensated based on qualifications and performance. They are treated fairly and accorded respect and dignity. Their individual and collective rights are not violated. Opportunities for career advancement are provided based on clear performance and qualifications criteria. PLC also provides continuous learning and development opportunities to improve and increase their level of competency, efficiency and general well-being leading to professional growth.
What are the Opportunity/ies Identified?	Management Approach
Acquiring and implementing leading edge career advancement programs and succession plans	The Corporation constantly explores human resource trends and opportunities, particularly on employee training and development.

Labor-Management Relations

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization and through the business relationship – effective cooperation between the management and labor workforce	PLC maintains open lines of communication among its directors and management, and among its management and its personnel.

	It is also a goal and part of the mission of the Corporation to enhance the positive atmosphere and goodwill and the maintenance of a productive work environment conducive to high performance and harmonious employer-employee relationship.
What are the Risk/s Identified?	Management Approach
Disagreements between management and employees leading to disruption of operations/suspension of services	The Corporation values the importance of its employees. It espouses leadership by example and establishes and continues to review its Code of Business Conduct and Ethics to serve as a guide for employee discipline and the grounds for disciplinary actions. In order to create an environment where concerns are freely communicated, the Ethics Committee composed of the Heads of HRD, Internal Audit and Governance was formed. The Committee is tasked to hear grievances and accept whistle-blowing reports, evaluate and investigate, determine their authenticity, and recommend the sanctions as applicable for approval by the Board as endorsed by the Corporate Governance Committee.
What are the Opportunity/ies Identified?	Management Approach
A clear and systematic cascade of directions to achieve the Corporation's goals	Preserve communication mechanisms and channels, and maintain labor peace

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	67	%
% of male workers in the workforce	33	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – Variety of equally treated individuals	The Corporation provides equal opportunities for its employees, regardless of age, gender, or creed

with diverse approach and viewpoints to realize a common goal	and adopted policies (https://www.premiumleisurecorp.com/governance-plc/corporate-policies) which promote and observe diversity and equality throughout the Corporation. PLC encourages respect among its employees by setting policies and codes that support diversity in the workplace. It adheres to relevant labor standards that support vulnerable sectors of the community such as RA 9710, RA 9262, and etc.
What are the Risk/s Identified?	Management Approach
Discrimination in the workplace	Regardless of the location of operations and markets served of PLC – from the hiring and promotion of employees to selection of suppliers and contractors – the Corporation decides on the basis of merit and value to shareholders and does not discriminate on the basis of race, ethnicity, religion, or gender. All board members, officers, and employees are prohibited from practicing any form of discrimination or harassment in the workplace. This obligation to refrain from such behaviors extends to contractors, vendors, suppliers, or visitors, to the extent that their conduct affects the work environment. (https://www.premiumleisurecorp.com/governance-plc/code-ethics)
What are the Opportunity/ies Identified?	Management Approach
Capturing different perspectives and ideas, with equal appreciation, with the intention of achieving the Corporation's goals	Interminable improvement of the Corporation's policies on governance, particularly on diversity and equality

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	13,355*	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	3	#

* Full year

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

Labor Laws and Human Rights

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

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

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

		governance), which contain best corporate governance practices and standards, and applicable laws, rules and regulations. This covers forced and child labor, and human rights.
--	--	--

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

Supply Chain Management

- Not material to the Corporation

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

Do you consider the following sustainability topics when accrediting suppliers?

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

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

Relationship with Community

Significant Impacts on Local Communities

- Not material to the Corporation

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

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

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

Certificates	Quantity	Units
FPIC process is still undergoing	Not material	#
CP secured	Not material	#

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

Customer Management

Customer Satisfaction

- Not material for the Corporation

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

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

Health and Safety

- Not material to the Corporation

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

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

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

Marketing and labelling

- Not material to the Corporation

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

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

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

Customer privacy

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

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

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

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

Data Security

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

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

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

Compliance

Non-compliance with Laws and Regulations

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

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

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

Local Community Development

Disclosure	Quantity	Units
Number of direct beneficiaries of corporate social responsibility initiative/s	2,926	#
Number of communities benefitted from corporate social responsibility initiative/s*	1	#

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

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

	enhancing the quality of life for its host communities.
--	---

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Please refer to the Business Model, including Primary Activities, Brands, Products, and Services, under Contextual Information of this Report	SDG 1: No Poverty PhP38,185,912 million taxes paid in 2021; and In partnership with Belle Kaagapay, the activities participated in by the Corporation promoted the spirit of volunteerism among the employees. In 2021, the efforts were directed toward environmental protection such as water and power conservation, tree-planting activities and recycling initiatives. In the same year, assistance came in the form of full college scholarships to deserving students. Recycling efforts and operational efficiency were also continued.	None has been identified so far.	PLC regularly pays taxes that help provide sustainable growth. The Corporation maintains a partnership with Melco Resorts and Entertainment (Philippines), Inc., manager-operator of City of Dreams Manila, from where it derives its share in the gaming revenues.

	SDG 8: Decent Work and Economic Growth	Insufficient opportunities for the vulnerable sector	The Corporation targets growth in accordance with national conditions, and full and productive employment for all women and men, including young and disabled people, with equal pay for work and value. The Corporation prioritizes the welfare of its employees, recognizes its top performers and provides a safe and healthy working environment. It also aspires to be an employer of choice by providing benefits, career growth, training and work-life balance, engagement programs, among others. Through its parent company's corporate social responsibility arm, Belle Kaagapay, the Corporation participates in various activities such as recycling initiatives, livelihood programs, and tree planting activities that help improve the lives of its host communities. The Corporation also developed various policies (please refer to the following links) to implement and ensure that overall employee and other stakeholders' welfare and interests are being valued.
--	--	--	---

			www.premiumleisurecorp.com/corporate-governance/governance-plc/manual-corporate-governance ; www.premiumleisurecorp.com/governance-plc/code-ethics ; and www.premiumleisurecorp.com/governance-plc/corporate-policies
--	--	--	--

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

Your BIR AFS eSubmission uploads were received

plai_1@yahoo.co.../Inbox



eafs@bir.gov.ph <eafs@bir.gov.ph>
To: plai_1@yahoo.com
Cc: plai_1@yahoo.com

15 Mar at 2:11 pm

Hi PREMIUM LEISURE CORP,

Valid files

- EAFS003457827TCRTY122021-01.pdf
- EAFS003457827AFSTY122021.pdf
- EAFS003457827ITRTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-MZ1SMXNN07KJ596B8MNSVM4ST0RT4SQYP**Submission Date/Time: **Mar 15, 2022 01:55 PM**Company TIN: **003-457-827**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

=====
DISCLAIMER
=====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.



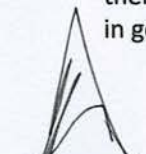
**P R E M I U M
LEISURE CORP.**

**"STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN"**

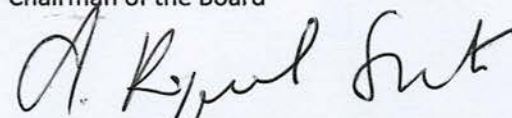
The Management of **Premium Leisure Corp** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

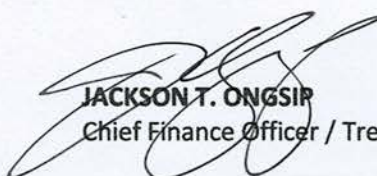
- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



WILLY N. OCIER
Chairman of the Board



ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer



JACKSON T. ONGSIP
Chief Finance Officer / Treasurer

Signed this 24th day of February 2022

MAKATI CITY
SUBSCRIBED AND SWORN to before me this 28 day of FEB 2022 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

ARMIN ANTONIO B. RAQUEL SANTOS

JACKSON T. ONGSIP

DOC NO: : 12
PAGE NO. : 4
BOOK NO. : 29
SERIES OF : 2022.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-19 / Until 12-31-23
Roll No. 45790 / IBP Life No. 04897 / 07-03-03
PTR-O.R. No. 8852510 / 01-03-22 / Makati City
MCLE No. VI-0016565 / 01-14-19
G/F Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Separate Financial Statements

Opinion

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

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

Basis for Opinion

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

Other Matter

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

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

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



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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information on taxes and licenses in Note 20 to separate financial statements are presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements and in our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila



P R E M I U M
LEISURE CORP.

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

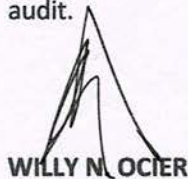
The management of **Premium Leisure Corp** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated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

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

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

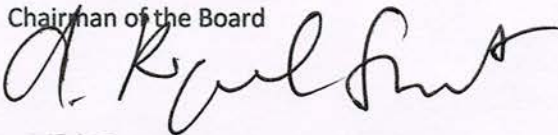
The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

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



WILLY N. OCIER

Chairman of the Board



ARMIN ANTONIO B. RAQUEL SANTOS

President and Chief Executive Officer



JACKSON T. ONGSIP

Chief Finance Officer / Treasurer

Signed this 24th day of February 2022

FEB 28 2022

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2022 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

ARMIN ANTONIO B. RAQUEL SANTOS

JACKSON T. ONGSIP

DOC NO. : 14
PAGE NO. : 4
BOOK NO. : 29
SERIES OF : 2022.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-19 / Until 12-31-23
Roll No. 45790 / IBP Life No. 04897 / 07-03-03
PTR-O.R. No. 8852510 / 01-03-22 / Makati City
MCLE No. VI-0016565 / 01-14-19
G/F Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City



INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Other Matter

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

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

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



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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila

PREMIUM LEISURE CORP.

SEPARATE STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(With Comparative Figures for 2020)

	Note	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱1,353,339,342	₱1,975,692,662
Receivables	5	834,450	793,369
Notes receivables		3,705,925,000	3,705,925,000
Creditable withholding taxes and deferred input value-added tax		59,145,929	51,131,082
Total Current Assets		5,119,244,721	5,733,542,113
Noncurrent Assets			
Investment properties	7	285,510,452	285,510,452
Financial assets at fair value through other comprehensive income (FVOCI)	8	140,964,275	173,460,100
Investments in and advances to subsidiaries	9	12,888,357,985	12,417,024,926
Advances to contractor	5	139,738,757	139,738,757
Property and equipment		3,408	6,815
Total Noncurrent Assets		13,454,574,877	13,015,741,050
		₱18,573,819,598	₱18,749,283,163
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other liabilities	10	₱54,240,252	₱55,371,289
Due to related parties	14	1,412,862,723	1,639,571,007
Total Current Liabilities		1,467,102,975	1,694,942,296
Noncurrent Liability			
Subscription payable	9	94,500,000	94,500,000
Total Liabilities		1,561,602,975	1,789,442,296
EQUITY			
Capital stock	11	7,906,827,500	7,906,827,500
Additional paid-in capital	11	6,941,634,391	6,941,634,391
Treasury stocks	11	(220,430,080)	(220,430,080)
Other reserves		(526,064,247)	(493,568,422)
Retained earnings		2,910,249,059	2,825,377,478
Total Equity		17,012,216,623	16,959,840,867
		₱18,573,819,598	₱18,749,283,163

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures for 2020)

	Note	2021	2020
INCOME			
Dividend income	8, 9	₱1,310,000,000	₱2,931,998,526
Interest income	4	123,651,297	179,744,580
		1,433,651,297	3,111,743,106
GENERAL AND ADMINISTRATIVE EXPENSES	12	(67,884,506)	(1,161,225,327)
INTEREST EXPENSE ON LEASE LIABILITIES	15	—	(444,693)
PRE-TERMINATION GAIN ON LEASES	15	—	1,165,723
INCOME BEFORE INCOME TAX		1,365,766,791	1,951,238,809
PROVISION FOR INCOME TAX	13		
Current		8,805,272	27,752,798
Deferred		—	323,230
		8,805,272	28,076,028
NET INCOME		1,356,961,519	1,923,162,781
OTHER COMPREHENSIVE LOSS			
<i>Not to be reclassified to profit or loss in the subsequent periods</i>			
Unrealized valuation loss on financial assets at FVOCI	8	(32,495,825)	(28,396,561)
TOTAL COMPREHENSIVE INCOME		₱1,324,465,694	₱1,894,766,220
Basic/Diluted Earnings Per Common Share	19	₱0.043469	₱0.061544

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.
SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures for 2020)

		Years Ended December 31	
	Note	2021	2020
CAPITAL STOCK			
Balance at beginning and end of year	11	₱7,906,827,500	₱7,906,827,500
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of year	11	6,941,634,391	6,941,634,391
TREASURY STOCKS			
	11		
Balance at beginning of year		(220,430,080)	(29,430,080)
Additions		—	(191,000,000)
Balance at end of year		(220,430,080)	(220,430,080)
OTHER RESERVES			
Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI			
	8		
Balance at beginning of year		(493,568,422)	(465,171,861)
Unrealized valuation loss on financial assets at FVOCI		(32,495,825)	(28,396,561)
Balance at end of year		(526,064,247)	(493,568,422)
RETAINED EARNINGS			
Balance at beginning of year		2,825,377,478	2,470,553,310
Net income		1,356,961,519	1,923,162,781
Dividend	11	(1,272,089,938)	(1,568,338,613)
Balance at end of year		2,910,249,059	2,825,377,478
		₱17,012,216,623	₱16,959,840,867

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures for 2020)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱1,365,766,791	₱1,951,238,809
Adjustment for:			
Dividend income	8, 9	(1,310,000,000)	(2,931,998,526)
Interest income	6	(123,651,297)	(179,744,580)
Depreciation of property and equipment	12	3,407	3,408
Provision for impairment on investment in a subsidiary	9	—	1,087,746,805
Amortization of right-of-use asset	15	—	4,143,596
Pre-termination gain on leases	15	—	(1,165,723)
Interest expense on lease liabilities	15	—	444,693
Operating loss before working capital changes		(67,881,099)	(69,331,518)
Decrease (increase) in:			
Receivables		(42,081)	1,035,943
Creditable withholding taxes and deferred input value-added tax		(16,820,119)	(24,998,222)
Decrease in accrued expenses and other liabilities		(1,130,037)	(296,760)
Net cash used for operations		(85,873,336)	(93,590,557)
Interest received		123,651,297	179,744,580
Net cash generated from operating activities		37,777,961	86,154,023
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		1,310,000,000	2,931,998,526
Increase in investment in and advances to subsidiaries		(471,333,059)	—
Advances to contractor		—	(139,738,757)
Net cash provided by investing activities		838,666,941	2,792,259,769
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	11	(1,272,089,938)	(1,568,338,613)
Payment of due to related parties		(226,708,284)	(250,094,597)
Acquisition of treasury stocks	11	—	(191,000,000)
Payment of lease liabilities	15	—	(4,500,000)
Cash used in financing activities		(1,498,798,222)	(2,013,933,210)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		(622,353,320)	864,480,582
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		1,975,692,662	1,111,212,080
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	4	₱1,353,339,342	₱1,975,692,662

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.
NOTES TO SEPARATE FINANCIAL STATEMENTS
(With Comparative Information for 2020)

1. Reporting Entity

Corporate Information

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

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.78% (directly and indirectly) owned by Belle Corporation ("Belle" or the "Parent Company") and the rest by the public as at December 31, 2021 and 2020.

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

The separate financial statements as at and for the year ended December 31, 2021 (with comparative figures for 2020) were approved and authorized for issuance by the Board of Directors (BOD) on February 24, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

The separate financial statements are presented in Philippine Peso, the Company's functional currency.

The separate financial statements of the Company have been prepared on a historical cost basis, except for financial assets measured at fair value through other comprehensive income (FVOCI).

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Notes 7, *Investment Properties*, 8, *Financial Assets at FVOCI* and 16, *Financial Instruments*.

Adoption of Amendment to PFRS

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

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, *Leases – Corona Virus Disease (COVID)-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

The adoption of the amendment to PFRS did not have any material effect on the separate financial statements of the Company. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amendments to PFRS Issued But Not Yet Effective

Relevant amendments to PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after April 1, 2021 -

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding

COVID-19 related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to apply the previous amendment.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Provisions, Contingent liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - o Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
 - o Amendments to PFRS 16, *Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

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

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities

where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

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

Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is classified as current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

The Company classifies all other liabilities as noncurrent.

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

Financial Instruments

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

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

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

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

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

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

As at December 31, 2021 and 2020, the Company does not have financial assets and liabilities at FVPL.

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.

Classified under this category are the Company's cash and cash equivalents, receivables, notes receivables, advances to subsidiaries and advances to contractor.

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

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

Classified under this category are the Company's investments in quoted and unquoted equity securities.

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

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

Classified under this category are the Company's accrued expenses and other current liabilities (excluding withholding taxes payable) and due to related parties.

Impairment of Financial Assets at Amortized Cost

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Creditable Withholding Tax (CWT)

CWT represents the amount withheld by the Company'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.

Value-added Tax (VAT)

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

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

The net amount of tax payable to the taxation authority is included as part of "Accrued expenses and other liabilities" account in the separate statement of financial position.

Deferred VAT represents input VAT on purchases of applicable services that are still outstanding at financial reporting date.

Investment Properties

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

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

Investment property is derecognized when either 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.

Investments in Subsidiaries

Investments in subsidiaries are accounted for using the cost method. A subsidiary is an entity controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

An assessment of the carrying amount of the investment is performed when there is an indication that the investment has been impaired.

Impairment of Nonfinancial Assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation 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. 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 Stocks. Own equity instruments which are reacquired (treasury stocks) are recognized at cost and deducted from equity. No gain or loss is recognized in the separate statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury stocks are nullified for the Company and no dividends are allocated to them.

Other Reserves. Other reserves comprise of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other reserves of the Company pertains to cumulative unrealized valuation losses on financial assets at FVOCI.

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

Revenue Recognition

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

The Company has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

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

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

Other Income. Revenue is recognized when earned.

Expense Recognition

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

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

Leases - Company as a Lessee

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

At the commencement date, the Company 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, in which case the lease payments associated with those leases are recognized as an expense in profit or loss on a straight-line basis. 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 Company 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 Company 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 Company 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 Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the ROU assets are depreciated over the shorter of the lease terms or the useful lives of the underlying assets.

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

Lease payments included in the measurement of a lease liability 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 Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability 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 liability 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 liability is 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 liability is 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.

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.

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

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

Related Parties and Transactions

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Earnings per Share (EPS)

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

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

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

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 separate financial statements.

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

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

The fair value of the Company's financial assets and liabilities are disclosed in Note 16.

Estimates and Assumptions

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

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

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

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

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

No provision for impairment losses was recognized in 2021 and 2020. The carrying amount of financial assets at amortized cost as at December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Cash and cash equivalents	4	₱1,353,339,342	₱1,975,692,662
Receivables	5	834,450	793,369
Notes receivable	6	3,705,925,000	3,705,925,000
Advances to contractor	5	139,738,757	139,738,757
		₱5,199,837,549	₱5,822,149,788

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

The carrying amount of nonfinancial assets as at December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Investments in subsidiaries	9	₱12,880,836,782	₱12,410,199,989
Investment properties	7	285,510,452	285,510,452
CWT and deferred input VAT		59,145,929	51,131,082
Property and equipment		3,408	6,815
		₱13,225,496,571	₱12,746,848,338

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

Unrecognized deferred tax assets amounted to ₱106.9 million as at December 31, 2021 (₱128.3 million as at December 31, 2020) (see Note 13).

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

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	₱51,995,999	₱235,486,203
Cash equivalents	1,301,343,343	1,740,206,459
	₱1,353,339,342	₱1,975,692,662

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

Details of interest income follow:

	Note	2021	2020
Notes receivable	6	₱112,356,539	₱166,344,251
Cash in banks and cash equivalents		11,294,758	13,400,329
		₱123,651,297	₱179,744,580

5. Receivables and Advances to Contractor

Receivables

This account consists of:

	Note	2021	2020
Loan assets	17	₱422,341,815	₱422,341,815
Other receivables		6,183,573	6,142,492
		428,525,388	428,484,307
Less: allowance for impairment losses		427,690,938	427,690,938
		₱834,450	₱793,369

Loan assets pertain to the Company's receivable from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") and Legend International Resort H.K. Limited ("LIR-HK") amounting to ₱422.3 million as a result of the compensation to parties who were in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares (see Note 17). The loan assets were fully provided with allowance as at December 31, 2021 and 2020.

Advances to Contractor

Advances to contractor, amounting to ₱139.7 million as at December 31, 2021 and 2020, are noninterest-bearing and are subject to liquidation but shall be refunded to the Company in the absence of the required output. Advances to contractor are considered noncurrent since these are expected to be refunded or liquidated within two years.

6. Notes Receivable

Notes receivable amounting to ₱3,705.9 million as at December 31, 2021 and 2020 are unsecured, payable on demand and bear interest at rates ranging from 2.91% to 3.16% in 2021 (4.11% to 5.06% in 2020) (see Note 14).

Interest income from notes receivable recognized in the separate statement of comprehensive income amounted to ₱112.4 million in 2021 (₱166.3 in 2020) (see Notes 4).

7. Investment Properties

Investment properties pertain to parcels of land amounting to ₱285.5 million as at December 31, 2021 and 2020.

The fair value of the investment property amounted to ₱295.2 million as at February 8, 2019, which was estimated using market approach, as determined by an independent appraiser. The value of the land was based on the sales and listings of comparable properties registered within the vicinity and within Level 3 fair value hierarchy.

While fair values of the investment properties were not determined as at December 31, 2021 and 2020, management believes that there were no conditions present as at the reporting dates that would significantly change the fair values of the investment properties from what was previously determined.

8. Financial Assets at Fair Value through Other Comprehensive Income

This account pertains to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2021 and 2020, consisting of the following:

	2021	2020
Quoted shares:		
Belle-common shares	₱136,983,175	₱170,979,000
Golf club shares	3,900,000	2,400,000
	140,883,175	173,379,000
Unquoted shares	81,100	81,100
	₱140,964,275	₱173,460,100

The movements of financial assets at FVOCI in 2021 and 2020 are as follows:

	2021	2020
Cost		
Balance at beginning and end of year	₱667,028,522	₱667,028,522
Cumulative unrealized valuation		
losses on financial assets at FVOCI		
Balance at beginning of year	(493,568,422)	(465,171,861)
Unrealized valuation loss	(32,495,825)	(28,396,561)
Balance at end of year	(526,064,247)	(493,568,422)
	₱140,964,275	₱173,460,100

Dividend income earned from financial assets at FVOCI amounted to ₱12.0 million in 2020.

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.

9. Investments in and Advances to Subsidiaries

As at December 31, 2021 and 2020, the Company has investments in the following subsidiaries, all incorporated in the Philippines, which are accounted for under the cost method of accounting:

Subsidiaries	Percentage of Ownership	
	2021	2020
PremiumLeisure Amusement, Inc. (PLAI)	100.0	100.0
Sinophil Leisure and Resorts Corporation (SLRC)	100.0	100.0
Foundation Capital Resources Inc. (FCRI)	100.0	100.0
Pacific Online Systems Corporation (POSC) and Subsidiaries	50.1	50.1

Investments in and advances to subsidiaries consist of:

Subsidiaries	Note	2021	2020
Acquisition cost:			
PLAI		₱10,847,820,000	₱10,847,820,000
POSC		2,525,126,794	2,525,126,794
SLRC		595,636,793	125,000,000
FCRI		1,021,458	1,021,458
		13,969,605,045	13,498,968,252
Less: allowance for impairment loss in POSC and FCRI		(1,088,768,263)	(1,088,768,263)
		12,880,836,782	12,410,199,989
Advances to subsidiaries	14		
FCRI		266,970,765	266,970,765
PLAI		696,266	—
		267,667,031	266,970,765
Less allowance for impairment loss		(260,145,828)	(260,145,828)
		7,521,203	6,824,937
		₱12,888,357,985	₱12,417,024,926

The movement in the allowance for impairment of investment in subsidiaries is as follows:

	Note	2021	2020
Balance at beginning of year		₱1,088,768,263	₱1,021,458
Provision for impairment loss	12	—	1,087,746,805
Balance at end of year		₱1,088,768,263	₱1,088,768,263

Investment in PLAI. PLAI is a grantee by the Philippine Amusement and Gaming Corporation ("PAGCOR") of a license to operate integrated resorts, including casinos in the vicinity of Entertainment City. PLAI's license runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033, renewable for another 25 years by the Philippine Congress.

Dividend income received from PLAI amounted to ₱1,310.0 million in 2021 (₱2,920.0 million in 2020).

In 2021 and 2020, the Company performed impairment testing of its investment in PLAI.

The recoverable amount of investment in PLAI as at December 31, 2021 and 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period.

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

Discount Rate. Discount rate reflects management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 5.1% was used 2021 (12.6% was used in 2020).

Revenue Growth Rate and Long-Term Growth Rate. An annual increase in revenue ranging from 4% to 56% per annum were applied in the 5-year cash flow projections in 2021 (4% to 103% in 2020). The long-term growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 4% in 2021 and 2020. The long-term growth rate used in the normalization of free cash flows represents the expected growth rate of the economy at the end of the 5th year and onwards, with reference to growth rates compiled by industry specialists.

In 2021 and 2020, no provision for impairment losses of investment in PLAI was recognized.

Investment in POSC. POSC is engaged in the development, design and management of online computer systems, terminals and software for the gaming industry. POSC's stocks are listed in the PSE.

In 2021 and 2020, the Company performed impairment testing of its investment in POSC.

The recoverable amount of investment in POSC as at December 31, 2021 and 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period.

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

Discount Rate. Discount rate reflects management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 5.08% was used in 2021 based on the weighted average cost of capital of POSC (8.80% in 2020).

Revenue Growth Rate and Long-Term Growth Rate. No growth rate was applied in the 5-year cash flow projections in 2021 (5% to 87% in 2020), considering the contract of PinoyLotto Technologies Corp., a subsidiary of POSC, with PCSO and historical performance of POSC.

In 2021, no provision for impairment losses of investment in POSC was recognized. In 2020, the Company recognized impairment of its investment in POSC amounting to ₱1,087.8 million (see Note 12).

Investment in SLRC. SLRC is a non-operating amusement, entertainment and recreation company. Subscription payable amounting to ₱93.8 million remains outstanding as at December 31, 2021 and 2020.

Investment in FCRI. FCRI is an investment holding company. The Company's investment in FCRI has been fully impaired as at December 31, 2021 and 2020. Subscription payable amounting to ₱750,000 remains outstanding as at December 31, 2021 and 2020.

10. Accrued Expenses and Other Current Liabilities

This account consists of:

	2021	2020
Accrued expenses	₱44,673,504	₱45,107,418
Nontrade payables	9,439,674	9,667,278
Withholding taxes payables	127,074	596,593
	₱54,240,252	₱55,371,289

Accrued expenses represent mainly accrual for lease of corporate suites, service and management fees, professional fees, and other general and administrative expenses. These are payable on demand.

Nontrade payables are noninterest-bearing and are normally settled within the next financial year.

Withholding taxes and other payables, which include other payable to suppliers in the normal course of business, are normally settled within the next financial year.

11. Equity

Preferred Stock

As at December 31, 2021 and 2020, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. Under the provision of the Company's articles of incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

Common Stock

Common stock as at December 31, 2021 and 2020 consists of the following:

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

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

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

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

In 1995, 25,000,000 primary shares of the Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares with the same par value.

On March 10, 1997, the stockholders approved the increase in the Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008 (see Note 17).

On March 28, 2006, the SEC approved the reduction of the Company's authorized capital stock by 1,870,000,000 shares to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 17).

On June 24, 2008, the SEC formally approved the Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 17).

On July 9, 2009, the SEC approved the Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 17).

As discussed in Note 17, on April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the remaining 1,000,000,000 shares to fully implement the Memorandum of Agreement (MOA) rescinding the Swap Agreement with Metroplex and LIR-HK.

On May 29, 2014, the SEC approved the PLC's application for equity restructuring which included the following:

- Reduction in par value per share from ₱16,130.0 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with the par value of ₱1.00 per share, to ₱4,032.5 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with a par value of ₱0.25 per share.
- Application of the resulting additional paid-in capital amounting to ₱2,614.5 million to partially wipe out the Company's deficit of ₱3,543.4 million as at December 31, 2013.

On July 18, 2014, PLC's BOD and stockholders unanimously approved the amendment to the articles of incorporation for the increase in authorized capital stock from ₱4,032.5 million divided into 10,130,000,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share, to ₱10,907.5 million divided into 37,630,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share. The application for the increase in authorized capital stock was approved by the SEC on September 5, 2014.

Additional Paid-in Capital

Additional paid-in capital amounted to ₱6,941.6 million as at December 31, 2021 and 2020.

Treasury Stock

The BOD has authorized the buy-back of the Company's common shares to enhance the shareholder value. The Company is authorized to repurchase up to ₱500.0 million worth of common shares. On March 19, 2018, the Company commenced its share buyback program. As at December 31, 2021 and 2020, 410,379,000 shares have been bought back by the Company with a cost of ₱220.4 million. In 2020, the Company bought back 382,000,000 shares with a cost of ₱191.0 million.

Retained Earnings

On April 14, 2021, the Company's BOD approved the declaration of cash dividends of ₱0.04075 per share amounting to approximately ₱1,272.1 million to shareholders of record as at April 28, 2021 (see Note 18).

On February 21, 2020, the Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at March 6, 2020 (see Note 18).

12. General and Administrative Expenses

This account consists of:

	Note	2021	2020
Outside services		₱56,616,635	₱56,251,459
Director's fee		5,803,942	5,370,000
Taxes and licenses		2,766,181	3,549,587
Professional and management fee		880,000	1,651,000
Payroll and related expenses		586,339	609,732
Transportation and travel		372,050	500,806
Insurance		275,322	524,582
Entertainment and recreation		253,963	251,289
Marketing, advertising and promotion		96,000	83,561
Depreciation of property and equipment		3,408	3,408
Provision for impairment on investment in a subsidiary	9	—	1,087,746,805
Amortization of ROU assets	15	—	4,143,596
Commission		—	286,500
Miscellaneous		230,666	253,002
		₱67,884,506	₱1,161,225,327

13. Income Taxes

Current income tax expense pertains to RCIT.

Deferred tax assets on impairment loss on receivable amounting to ₱106.9 million as at December 31, 2021 (₱128.3 million as at December 31, 2020), were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carry forward benefits of these assets can be utilized in the future.

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

	2021	2020
Income tax at statutory income tax rate	₱341,441,698	₱585,371,643
Income tax effects of:		
Dividend income subjected to final tax	(327,500,000)	(879,599,558)
Interest income subjected to final tax	(2,823,690)	(4,020,099)
Effect in beginning balance due to change in tax rate	(2,312,736)	—
Provision for impairment on investment in a subsidiary	—	326,324,042
	₱8,805,272	₱28,076,028

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) was approved and signed into law by the country's President. Under the CREATE, RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, MCIT was changed from 2% to 1% of gross income for a period of three years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020.

The passage of CREATE to law is considered a non-adjusting subsequent event for financial reporting. Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are at 30% and 2% for RCIT and MCIT, respectively.

The effect of the reduction of tax rates were applied in the 2021 current income tax expense. Details of adjustments are as follows:

Current income tax expense	₱11,118,008
Effect of change in tax rate	(2,312,736)
Adjusted current income tax expense	₱8,805,272

14. Related Party Transactions

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and subsidiaries. Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

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

Transactions with Related Parties

In the ordinary course of business, the Company has transactions with its subsidiaries and other related parties which mainly consist of extension or availment of noninterest-bearing working capital advances. There have been no guarantees provided or received for any related party receivables or payables and settlements normally occur in cash. The amounts included in these transactions are as follows:

Related Party	Note	Nature of Transactions	Year	Transactions for the Year	Outstanding Balance of Assets (Liabilities)	Terms and Conditions
Parent Company	6	Notes receivable	2021	₱-	₱3,705,925,000	Unsecured and bearing interest rates ranging from 2.91% to 3.16% in 2021 (4.11% to 5.06% in 2020); due on demand
			2020	-	3,705,925,000	
	8	Financial assets at FVOCI	2021	-	136,983,175	
			2020	-	170,979,000	
		Reimbursable charges	2021	-	(3,294,517)	Unsecured and noninterest-bearing, on demand
			2020	-	(3,315,957)	
	6	Interest income	2021	112,356,539	-	Unsecured and noninterest-bearing, 30 days
			2020	166,344,251	-	
		Management and service fee	2021	54,000,000	-	Unsecured and noninterest-bearing, 30 days
			2020	54,000,000	-	
	6	Dividend income	2021	-	-	Unsecured and noninterest-bearing
			2020	11,998,526	-	
Subsidiaries		Advances	2021	(226,708,284)	(1,409,568,206)	Unsecured and noninterest-bearing, on demand
			2020	15,611	(1,636,255,051)	
	9	Advances to subsidiaries	2021	-	266,970,765	Unsecured and noninterest-bearing, on demand
			2020	-	266,970,765	
		Reimbursable charges	2021	696,265	696,265	Unsecured and noninterest-bearing, on demand
			2020	-	-	
Affiliate	15	Rent	2021	-	-	
			2020	4,500,000	-	
	15	Interest expense	2021	-	-	
			2020	444,093	-	
Key management personnel		Salaries	2021	586,339	-	
			2020	586,339	-	

As at December 31, 2021 and 2020, PLC has Service Agreement with Belle wherein the latter shall provide services to support the operations of the casino license from Philippine Amusement and Gaming Corporation. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Management and service fees amounting to ₱54.0 million in 2021 and 2020 were presented as part of “Outside services” under general and administrative expenses in the separate statements of comprehensive income.

15. Leases

In 2020, PLC and SM Arena Complex Corporation agreed to terminate the original term of the lease of arena suites. Gain on termination of the lease recognized in the separate statement of comprehensive income amounted to ₱1.2 million.

ROU assets

Movements in ROU assets in 2020 follows:

	Note	
Cost		
Balance at beginning of year		₱39,502,279
Pre-termination		(39,502,279)
Balance at end of year		–
Accumulated Amortization		
Balance at beginning of year		16,574,383
Pre-termination		(20,717,979)
Amortization	13	4,143,596
Balance at end of year		–
		₱–

Lease liabilities

Movements in lease liabilities in 2020 follows:

	Note	
Balance at beginning of year		₱24,005,330
Pre-termination		(19,950,023)
Payments	13	(4,500,000)
Interest expense		444,693
Balance at end of year		₱–

16. Financial Instruments

Financial Risk Management Objectives and Policies

The financial instruments mainly comprise cash and cash equivalents, receivables, notes receivables advances to subsidiaries, advances to contractor, financial assets at FVOCI, accrued expenses and other current liabilities (excluding withholding taxes payable) and due to related parties. The main purpose of these financial instruments is to finance the Company’s projects and operations.

It is the policy that no trading of financial instruments should be undertaken by the Company. 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 Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Company'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 Company's exposure to bad debts is not significant. The Company does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents, receivables, notes receivables advances to subsidiaries and advances to contractor, the Company'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 Company's aging analysis of financial assets.

	2021						Total
	Neither Past Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	
Cash and cash equivalent*	₱1,353,329,343	₱—	₱—	₱—	₱—	₱—	₱1,353,329,343
Receivables	834,450	—	—	—	—	427,690,938	428,525,388
Notes receivable	3,705,925,000	—	—	—	—	—	3,705,925,000
Advances to contractor	139,738,757	—	—	—	—	—	139,738,757
Advances to subsidiaries	7,521,203	—	—	—	—	260,145,827	267,667,030
	₱5,207,348,753	₱—	₱—	₱—	₱—	₱687,836,765	₱5,895,185,518

*Excluding cash on hand.

	2020						Total
	Neither Past Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	
Cash and cash equivalent*	₱1,963,134,533	₱—	₱—	₱—	₱—	₱—	₱1,963,134,533
Receivables	793,369	—	—	—	—	427,690,938	428,484,307
Notes receivable	3,705,925,000	—	—	—	—	—	3,705,925,000
Advances to contractor	139,738,757	—	—	—	—	—	139,738,757
Advances to subsidiaries	6,824,937	—	—	—	—	260,145,828	266,970,765
	₱5,816,416,596	₱—	₱—	₱—	₱—	₱687,836,766	₱6,504,253,362

*Excluding cash on hand.

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

Credit Quality of Financial Assets

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

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

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

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

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

	2021			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalent*	₱1,353,329,343	₱-	₱-	₱1,353,329,343
Receivables**	834,450	-	427,690,938	428,525,388
Notes receivable	3,705,925,000	-	-	3,705,925,000
Advances to contractor	139,738,757	-	-	139,738,757
Advances to subsidiaries	-	7,521,203	260,145,828	267,667,031
Gross Carrying Amount	₱5,199,827,550	₱7,521,203	₱687,836,766	₱5,895,185,519

*Excluding cash on hand.

**Subject to lifetime ECL based on simplified approach

	2020			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalent*	₱1,963,134,533	₱-	₱-	₱1,963,134,533
Receivables	793,369	-	427,690,938	428,484,307
Notes receivable	3,705,925,000	-	-	3,705,925,000
Advances to contractor	139,738,757	-	-	139,738,757
Advances to subsidiaries	-	6,824,937	260,145,828	266,970,765
Gross Carrying Amount	₱5,809,591,659	₱6,824,937	₱687,836,766	₱6,504,253,362

*Excluding cash on hand.

**Subject to lifetime ECL based on simplified approach

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

Cash in banks are deposited with the top ten banks in the Philippines; hence, considered high grade. Quoted financial assets at FVOCI are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's 2021 and 2020 separate total comprehensive income before income tax:

	2021		2020	
	Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	1%	(1%)	1%	(1%)
Effect on equity	₱1,408,832	(₱1,408,832)	₱1,733,790	(₱1,733,790)

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

The Company considers obtaining borrowings as the need arises.

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

2021				
	On Demand	1-60 Days	Over 60 days but less than 1 year	Over 1 year
Accrued expenses and other liabilities*	P-	P53,563,124	P-	P-
Due to related parties	1,412,862,723	-	-	-
	P1,412,862,723	P53,563,124	P-	P-
				P1,466,425,847

*Excluding withholding taxes payable

2020				
	On Demand	1-60 Days	Over 60 days but less than 1 year	Over 1 year
Accrued expenses and other current liabilities*	P-	P53,897,888	P-	P-
Due to related parties	1,639,571,007	-	-	-
	P1,639,571,007	P53,897,888	P-	P-
				P1,693,468,895

*Excluding withholding taxes payable

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2021 and 2020.

The Company considers the total equity as its capital amounting to P17,012.2 million as at December 31, 2021 (P16,959.8 million as at December 31, 2020).

Fair Value of Assets and Financial Liabilities

The Company has no financial liabilities measured at fair value as at December 31, 2021 and 2020.

There were no transfers between fair value measurements in 2021 and 2020.

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

Cash and Cash Equivalents, Receivables, Notes Receivables, Due to Related Parties, Accrued Expenses and Other Liabilities (excluding Withholding taxes Payable). 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.

Advances to Subsidiaries and Contractor. The carrying value of advances to subsidiaries and contractor approximates fair value as at December 31, 2021 and 2020 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

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

17. Significant Contracts and Commitments

Share Swap Agreement

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

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

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

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

On February 18, 2002, PLC's stockholders approved the cancellation of 3,870,000,000 shares held by Metroplex. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings. PLC again presented to its stockholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were already delivered by Metroplex. On June 3, 2005, the stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved PLC's application for the capital reduction and cancellation of the 1,870,000,000 PLC shares (see Note 11). The application to delist the said shares was also approved by the PSE.

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

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

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled (see Note 11). As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation (see Note 11).

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

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

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

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

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

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2014. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively.

Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the said Shares (see Notes 7 and 11).

18. Changes in Liabilities Arising from Financing Activities

The movement in the Company's liabilities arising from financing activities in 2021 is as follows:

	Dividends Payable	Due to Related Parties	Total
Additions	₱1,272,089,938	₱1,639,571,007	₱2,911,660,945
Cash payments	(1,272,089,938)	(226,708,284)	(1,498,798,222)
Balances at end of year	₱—	₱1,412,862,723	₱1,412,862,723

The movement in the Company's liabilities arising from financing activities in 2020 is as follows:

	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balance at beginning of year	₱—	₱24,005,330	₱1,889,665,604	₱1,913,670,934
Additions	1,568,338,613	—	—	1,568,338,613
Payments	(1,568,338,613)	(4,500,000)	(250,094,597)	(1,822,933,210)
Others	—	(19,505,330)	—	(19,505,330)
Balances at end of year	₱—	₱—	₱1,639,571,007	₱1,639,571,007

19. Basic/Diluted Earnings Per Share

As at December 31, 2021 and 2020, basic/diluted earnings per share were computed as follows:

	2021	2020
Company's net income (a)	₱1,356,961,519	₱1,923,162,781
Weighted average common shares, beginning	31,627,310,000	31,627,310,000
Weighted average number of treasury stocks acquired during the year	(410,379,000)	(378,545,665)
Weighted average common shares, end (b)	31,216,931,000	31,248,764,335
Earnings per common share (a/b)	₱0.043469	₱0.061544



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

The Stockholders and the Board of Directors
Premium Leisure Corp.
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, 1300 Pasay City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Premium Leisure Corp. (the Company) as at and for the year ended December 31, 2021, and have issued our report thereon dated February 24, 2022. Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic separate financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic separate financial statements or to the basic separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022
Makati City, Metro Manila

PREMIUM LEISURE CORP.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Retained earnings available for dividend distribution as at beginning of year	₱2,825,377,476
Net income during the year closed to retained earnings	1,356,961,519
Less: Dividend declarations during the year	(1,272,089,938)
Treasury stocks	(220,430,080)
Total retained earnings available for dividend declaration as at end of year	₱2,689,818,977
