PREMIUM
LEISURE CORP.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

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

The management of **Premium Leisure Corp. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

WILLY N. OCIER
Chairman of the Board

ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer

JACKSON T. ONGSIP
Chief Finance Officer / Treasurer

Signed this 14th day of April 2021

APR 1 4 2021

MAKATI CITY

SUBSCRIBED AND SWORN to before me this ____ day of ________2021 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		November 18, 2021	Manila
ARMIN ANTONIO B. RAQUEL SANTOS		January 9, 2022	Manila
JACKSON T. ONGSIP		January 24, 2030	Manila

DOC NO. : 296

PAGE NO. : 60

BOOK NO. : 101

SERIES OF : 2021.

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No.8531012. Jan. 4, 2021 until Dec. 31 2021 Makati City
Roll No. 45790, IBP, Lifetime N. 04897
MCLE No.VI-0016565 / Jan. 14, 2019
G/F Fedman Suites 199 Salcedo Street
Legaspi Village, Makati City

C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

C O M P A N Y N A M E

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)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	S E C	N / A

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

Company's Email Address	Company's Telephone Number	Mobile Number
plc@premiumleisurecorp.com	662-8888	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
359	Any day in May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Jackson T. Ongsip	plc@premiumleisurecorp.com	662-8888	0917-5578203

CONTACT PERSON's ADDRESS

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

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Premium Leisure Corp. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Recoverability of Goodwill in Pacific Online Systems Corporation (POSC)

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2020, goodwill arising from the acquisition of POSC amounted to ₱926.0 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate, discount rate and the long-term growth rate.

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

Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0943-AR-3 (Group A),
March 14, 2019, valid until March 13, 2022
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-078-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534224, January 4, 2021, Makati City

April 14, 2021

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 30)	**₱2,218,311,525**	₱3,537,075,479
Investments held for trading (Notes 8 and 30)	**84,260,926**	140,456,581
Receivables (Notes 9, 27 and 30)	**468,752,085**	337,535,176
Notes receivable (Notes 10, 27 and 30)	**3,705,925,000**	3,705,925,000
Contract assets - current portion (Notes 30 and 32)	**39,903,188**	40,510,763
Other current assets (Note 11)	**218,007,449**	268,546,967
Total Current Assets	**6,735,160,173**	8,030,049,966
Noncurrent Assets		
Intangible asset (Note 12)	**8,952,654,519**	9,191,127,003
Financial assets at fair value through other comprehensive income (Notes 13, 27 and 30)	**287,453,830**	334,516,031
Property and equipment (Note 14)	**83,505,713**	107,432,510
Investment property (Note 15)	**285,510,452**	285,510,452
Goodwill (Notes 16 and 17)	**926,007,748**	1,358,298,121
Deferred tax assets - net (Note 26)	**82,414,559**	52,824,625
Retirement asset (Note 20)	**–**	10,311,588
Right-of-use assets (Note 28)	**10,119,536**	73,225,966
Contract assets - net of current portion (Notes 30 and 32)	**46,302,455**	89,612,359
Other noncurrent assets (Notes 11, 30 and 32)	**383,885,079**	398,013,734
Total Noncurrent Assets	**11,057,853,891**	11,900,872,389
TOTAL ASSETS	**₱17,793,014,064**	₱19,930,922,355
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 18, 20 and 30)	**₱1,164,524,630**	₱1,618,365,470
Loans payable (Notes 19 and 30)	**–**	150,000,000
Lease liabilities - current portion (Notes 28 and 30)	**7,676,824**	75,030,683
Income tax payable	**6,146**	4,274,940
Total Current Liabilities	**1,172,207,600**	1,847,671,093
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 28 and 30)	**3,928,543**	16,576,645
Retirement liability (Note 20)	**59,290,772**	48,950,570
Total Noncurrent Liabilities	**63,219,315**	65,527,215
Total Liabilities	**1,235,426,915**	1,913,198,308

(Forward)

	December 31	
	2020	2019
Equity Attributable to the Equity Holders of the Parent (Notes 21 and 29)		
Capital stock	**₱7,906,827,500**	₱7,906,827,500
Additional paid-in capital	**7,238,721,924**	7,238,721,924
Treasury shares	**(220,430,080)**	(29,430,080)
Cost of Parent Company shares held by a subsidiary	**(509,597,055)**	(509,597,055)
Other reserves	**(824,553,084)**	(788,608,550)
Retained earnings	**2,629,106,978**	3,660,924,536
Total Equity Attributable to Equity Holders of the Parent	**16,220,076,183**	17,478,838,275
Non-controlling Interests (Note 16)	**337,510,966**	538,885,772
Total Equity	**16,557,587,149**	18,017,724,047
TOTAL LIABILITIES AND EQUITY	**₱17,793,014,064**	₱19,930,922,355

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Gaming revenue share - net (Notes 22 and 32)	**₱635,217,388**	₱2,976,366,472	₱3,211,856,964
Equipment rental (Notes 28 and 32)	**293,104,496**	681,483,757	1,448,317,610
Commission and distribution income (Note 32)	**35,333,625**	308,381,639	487,626,385
	963,655,509	3,966,231,868	5,147,800,959
COST AND EXPENSES			
Cost of services (Note 23)	**503,896,574**	986,207,833	1,297,488,594
General and administrative expenses (Note 24)	**955,482,263**	961,494,609	1,532,830,606
Amortization of intangible asset (Note 12)	**238,472,484**	238,472,484	238,472,484
	1,697,851,321	2,186,174,926	3,068,791,684
OTHER INCOME (EXPENSES)			
Interest income (Notes 7, 10 and 32)	**217,963,792**	279,857,146	157,453,311
Dividend income (Notes 8 and 13)	**22,353,086**	24,708,086	24,952,521
Finance costs (Notes 19 and 28)	**(6,800,483)**	(9,525,989)	(6,187,352)
Other income (expense) - net (Note 25)	**821,339,171**	(32,888,983)	235,430,085
	1,054,855,566	262,150,260	411,648,565
INCOME BEFORE INCOME TAX	**320,659,754**	2,042,207,202	2,490,657,840
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)			
Current	**28,076,028**	22,422,019	133,572,412
Deferred	**(31,132,712)**	(81,838,677)	47,432,314
	(3,056,684)	(59,416,658)	181,004,726
NET INCOME	**₱323,716,438**	₱2,101,623,860	₱2,309,653,114
Net Income Attributable to:			
Equity holders of the parent	**₱517,573,391**	₱2,261,962,747	₱2,157,768,639
Non-controlling interests	**(193,856,953)**	(160,338,887)	151,884,475
	₱323,716,438	₱2,101,623,860	₱2,309,653,114
Basic/Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent (Note 29)	**₱0.016765**	₱0.072448	₱0.069080

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
NET INCOME	**₱323,716,438**	₱2,101,623,860	₱2,309,653,114
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Marked-to-market losses on financial assets at fair value through other comprehensive income (Note 13)	**(47,062,201)**	(53,228,230)	(261,173,629)
Remeasurement gain (loss) on net retirement benefits - net of tax (Note 20)	**3,599,814**	(18,152,998)	12,297,225
	(43,462,387)	(71,381,228)	(248,876,404)
TOTAL COMPREHENSIVE INCOME	**₱280,254,051**	₱2,030,242,632	₱2,060,776,710
Total Comprehensive Income Attributable to:			
Equity holders of the parent	**₱481,628,857**	₱2,210,284,612	₱1,954,907,883
Non-controlling interests	**(201,374,806)**	(180,041,980)	105,868,827
	₱280,254,051	₱2,030,242,632	₱2,060,776,710

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

					Other Reserves							
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Treasury Shares (Note 21)	Cost of Parent Company Shares Held by a Subsidiary (Note 21)	Cumulative Unrealized Mark-to-Market Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 13)	Remeasurement Losses on Defined Benefit Obligation (Note 20)	Other Reserves	Retained Earnings (Note 21)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests (Note 2)	Total
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	–	–	–	–	–	–	–	517,573,391	517,573,391	(193,856,953)	323,716,438
Other comprehensive (income) loss:											
Remeasurement gain on net retirement benefits - net of tax	–	–	–	–	–	1,803,512	–	–	1,803,512	1,796,302	3,599,814
Marked-to-market loss on financial assets at fair value through other comprehensive income	–	–	–	–	(37,748,046)	–	–	–	(37,748,046)	(9,314,155)	(47,062,201)
Total comprehensive income	–	–	–	–	(37,748,046)	1,803,512	–	517,573,391	481,628,857	(201,374,806)	280,254,051
Cash dividends (Note 21)	–	–	–	–	–	–	–	(1,549,390,949)	(1,549,390,949)	–	(1,549,390,949)
Purchase of treasury shares	–	–	(191,000,000)	–	–	–	–		(191,000,000)	–	(191,000,000)
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

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

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

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱320,659,754**	₱2,042,207,202	₱2,490,657,840
Adjustments for:			
Gain from reversal of provisions (Notes 18 and 25)	**(756,115,335)**	–	–
Impairment loss on goodwill (Notes 17 and 24)	**432,290,373**	363,028,617	110,933,996
Amortization of intangible asset (Note 12)	**238,472,484**	238,472,484	238,472,484
Interest income (Notes 7, 10 and 32)	**(217,963,792)**	(279,857,146)	(157,453,311)
Depreciation and amortization of property and equipment and right-of-use assets (Notes 14 and 28)	**113,477,090**	235,948,840	223,271,046
Gain on disposal of:			
Net assets of subsidiaries (Notes 16 and 25)	**(70,338,145)**	–	–
Property and equipment (Note 25)	**(15,850)**	(839,812)	(1,038,518)
Investments held for trading (Note 25)	**–**	–	(1,548,225)
Dividend income (Notes 8 and 13)	**(22,353,086)**	(24,708,086)	(24,952,521)
Provision for impairment loss on right-of-use assets (Notes 24 and 28)	**9,324,857**	–	–
Marked-to-market loss of investments held for trading (Notes 8 and 25)	**6,195,655**	15,248,311	11,903,085
Finance costs (Notes 19 and 28)	**6,800,483**	9,525,989	6,187,352
Gain on termination of leases (Notes 25 and 28)	**(1,165,723)**	–	–
Foreign exchange loss (Note 25)	**238,218**	1,180,826	845,519
Operating income before working capital changes	**59,506,983**	2,600,207,225	2,897,278,747
Decrease (increase) in:			
Receivables	**(165,298,306)**	2,382,904	351,483,786
Contract assets	**49,507,867**	46,492,534	(168,015,654)
Other current assets	**(32,845,615)**	34,786,133	(114,758,361)
Increase (decrease) in:			
Trade payables and other current liabilities	**438,940,774**	80,889,069	84,982,687
Retirement liability	**14,850,616**	13,580,187	12,661,865
Installment payable	**–**	–	3,761,219
Cash generated from operations	**364,662,319**	2,778,338,052	3,067,394,289
Income taxes paid	**(1,895,478)**	(13,924,734)	(152,262,768)
Retirement benefits paid (Note 20)	**(1,809,643)**	–	–
Interest received	**217,963,792**	282,074,609	155,890,287
Net cash provided by operating activities	**578,920,990**	3,046,487,927	3,071,021,808
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property and equipment (Note 14)	**(90,839,188)**	(29,546,701)	(45,682,606)
Financial assets at fair value through other comprehensive income (Note 13)	**–**	–	(320,000)
Dividends received	**22,353,086**	24,708,086	24,952,521
Decrease (increase) in:			
Other noncurrent assets	**(9,097,146)**	(322,509,314)	3,803,486
Notes receivable	**–**	–	(2,100,000,000)
Proceeds from disposal of:			
Investments held for trading (Note 8)	**50,000,000**	–	12,423,090
Net assets of subsidiaries, net of cash disposed (Note 16)	**74,027,310**	–	–
Property and equipment	**828,622**	991,675	1,610,461
Net cash used in investing activities	**47,272,684**	(326,356,254)	(2,103,213,048)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (Note 35)	**(₱1,549,390,949)**	(₱1,568,582,629)	(₱1,490,549,616)
Acquisition of treasury shares (Note 21)	**(191,000,000)**	–	(29,430,080)
Proceeds from (payment of) loan (Note 35)	**(150,000,000)**	150,000,000	–
Payment of lease liabilities (Notes 28 and 35)	**(50,208,626)**	(78,485,646)	–
Interest paid on loans payable (Notes 19 and 35)	**(4,358,053)**	–	–
Purchase of treasury shares by a subsidiary	**–**	–	(16,606,788)
Additional cost of parent company shares held by a subsidiary (Note 21)	**–**	–	(34,170,020)
Decrease in obligations under finance lease	**–**	–	(45,675,862)
Net cash used in financing activities	**(1,944,957,628)**	(1,497,068,275)	(1,616,432,366)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,318,763,954)**	1,223,063,398	(648,623,606)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,537,075,479**	2,314,012,081	2,962,635,687
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱2,218,311,525**	₱3,537,075,479	₱2,314,012,081

See accompanying Notes to Consolidated Financial Statements.

1. **General Information**

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

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.79% and 79.00% (direct and indirect) owned by Belle Corporation ("Belle" or "Ultimate Parent Company") and the rest by the public as at December 31, 2020 and 2019, respectively.

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			
	2020		2019	
	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
Lucky Circle Corporation (LCC) [(b)]	**–**	**–**	–	100.00
Athena Ventures, Inc.[(b)]	**–**	**–**	–	100.00
Avery Integrated Hub, Inc.[(b)]	**–**	**–**	–	100.00
Circle 8 Gaming Ventures, Inc.[(b)]	**–**	**–**	–	100.00
Luckydeal Leisure, Inc.[(b)]	**–**	**–**	–	100.00
Luckyfortune Business Ventures, Inc.[(b)]	**–**	**–**	–	100.00

	Percentage of Ownership			
	2020		2019	
	Direct	**Indirect**	Direct	Indirect
Luckypick Leisure Club Corp. [(b)]	**–**	**–**	–	100.00
Luckyventures Leisure Corp. [(b)]	**–**	**–**	–	100.00
Lucky Games Entertainment Ventures Inc. [(b)]	**–**	**–**	–	100.00
Orbis Valley Corporation [(b)]	**–**	**–**	–	100.00
Total Gaming Technologies, Inc. (TGTI)	**–**	**98.92**	–	98.92
Falcon Resources, Inc. (FRI)	**–**	**100.00**	–	100.00
TGTI Services, Inc.	**–**	**100.00**	–	100.00

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.
[(a)] *Non-operating*
[(b)] *Sold on February 13, 2020 (see Note 16).*

Authorization for the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on April 14, 2021.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation
The Company's consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2020 and 2019 (see Note 1). Control is achieved when the Company 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. Specifically, the Company controls an investee if, and only if, the Company has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

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

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

Material Partly-owned Subsidiary
The non-controlling interests of POSC are material to the Company. NCI is 49.9% as at December 31, 2020 and 2019.

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

Summarized Consolidated Statements of Financial Position

	2020	2019
Total current assets	**₱543,642,892**	₱864,695,033
Total noncurrent assets	**559,761,148**	858,445,984
Total current liabilities	**(186,366,143)**	(360,318,424)
Total noncurrent liabilities	**(53,897,344)**	(49,403,241)
Total equity	**₱863,140,553**	₱1,313,419,352
Attributable to:		
Equity holders of the Parent	**₱860,675,862**	₱1,308,075,909
Non-controlling interests	**2,464,691**	5,343,443
Total	**₱863,140,553**	₱1,313,419,352

Summarized Consolidated Statements of Comprehensive Income

	2020	2019
Revenues	**₱328,438,121**	₱989,865,396
Costs and expenses	**(839,346,652)**	(1,370,091,622)
Other income (expense) – net	**100,224,694**	(15,161,445)
Loss before income tax	**(410,683,837)**	(395,387,671)
Benefit from income tax	**29,296,321**	74,415,297
Net loss	**(381,387,516)**	(320,972,374)
Other comprehensive loss	**(68,891,287)**	(126,228,049)
Total comprehensive loss	**(₱450,278,803)**	(₱447,200,423)
Attributable to:		
Equity holders of the Parent	**(₱447,668,007)**	(₱445,639,067)
Non-controlling interests	**(2,610,796)**	(1,561,356)
Total	**(₱450,278,803)**	(₱447,200,423)

Summarized Cash Flow Information

	2020	2019
Operating	**₱18,099,931**	(₱275,108,818)
Investing	**126,704,277**	3,112,421
Financing	**(193,177,979)**	37,911,899
Net decrease in cash and cash equivalents	**(₱48,373,771)**	(₱234,084,498)

There are no dividends paid to non-controlling interests in 2020 and 2019.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Company adopted the amendments beginning January 1, 2020. In 2020, the Company received rent concession (i.e., rent reduction) on one of its right-of-use office space. The rent reduction amounting to ₱0.3 million was accounted for as a variable lease and recognized as a reduction to rent expense (see Notes 24 and 28).

4. **Future Changes in Accounting Policies**

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, *Financial Instruments: Disclosure*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and 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 the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other's behalf. An entity applies the amendment 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 amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments 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 amendment. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have an impact on the Company.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company.

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

5. **Summary of Significant Accounting Policies**

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

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

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

The Company classifies all other liabilities as noncurrent.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value. Cash in bank and short-term deposits earn interest at the prevailing bank deposit rates.

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

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

<u>"Day 1" Difference</u>
When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Initial Recognition and Subsequent Measurement of Financial Assets. Financial assets are classified as financial assets measured at amortized cost, fair value through profit or loss (FVTPL) and FVOCI.

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

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

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

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

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

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

The Company has no financial assets classified as FVOCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2020 and 2019.

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

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

  Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments as defined by PFRS 9. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  As at December 31, 2020 and 2019, the Company's investments held for trading are classified as financial assets at FVTPL. The Company has no derivatives designated as hedging instruments as at December 31, 2020 and 2019.

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

  Financial assets at amortized cost are classified as current assets when the Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

  As at December 31, 2020 and 2019, this category includes the Company's cash and cash equivalents, receivables, notes receivables, refundable deposits and guarantee deposits (presented as part of "other noncurrent assets").

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

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

  The Company elected to classify irrevocably certain equity investments under this category. As at December 31, 2020 and 2019, this category includes the Company's investments in shares of stock.

Derecognition of Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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

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

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

Financial Liabilities

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

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

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

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

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

As at December 31, 2020 and 2019, the Company has no financial liabilities at FVTPL.

Financial Liabilities at Amortized Cost (Loans and Borrowing).
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the profit or loss.

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

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

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

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

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

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

Intangible Asset
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, 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 income in the expense category consistent with the function of intangible assets.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

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

Property and Equipment

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

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

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

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

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

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

Investment Properties

The Company applied cost model in measuring its investment properties.

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

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

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

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

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

Business Combinations
Business combinations are accounted for using the acquisition method except for business combinations under common control in which accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree either at fair value or the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of income.

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

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

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

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

Goodwill

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units, or group of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and

- is not larger than an operating segment or determined in accordance with PFRS 8, *Operating Segment*.

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets (excluding Goodwill)
The Company assesses at each reporting date whether there is an indication that the right-of-use assets, intangible asset and property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's CGU's fair value less cost to dispose and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. Any impairment loss is recognized in profit or loss in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

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

Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital. The additional paid-in capital also includes the excess of the cost of the business combination under common control over the net carrying amounts of the assets and liabilities of the acquired companies.

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

Treasury shares and Cost of Parent Company Shares Held by a Subsidiary
The Company's own reacquired equity instruments are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in other reserves.

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

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

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

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Except for the "Commission income", the Company has concluded that it is acting as principal in all of its revenue arrangements since it is the principal obligor in all the revenue arrangements because it typically controls the services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Gaming Revenue Share. Revenue representing monthly payments from Melco Resorts Leisure (PHP) Corporation (Melco) based on the performance of gaming operations of City of Dreams Manila integrated resort and casino is recognized when earned pursuant to the Operating Agreement and is measured at the fair value of the consideration received, net of Philippine Amusement and Gaming Corporation (PAGCOR) license fee.

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

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

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

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

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

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

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

Costs and Expenses Recognition

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

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

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

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

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

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

Right-of-use assets are subject to impairment.

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

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

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

- *Lease Modification (As Lessee)*. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

  A lessee shall account for a lease modification as a separate lease if both:

  - The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
  - The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification a lessee shall:

- Allocate the consideration in the modified contract;
- Determine the lease term of the modified lease; and
- Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:

  - Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to partial or full termination of the lease.
  - Making corresponding adjustment to the right-of-use asset for all other lease modifications.

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of Covid-19 pandemic is a lease modification and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and,
- There is no substantive change to other terms and conditions of the lease.

Rent concession from lessors were accounted for as negative variable lease payments in profit or loss.

Company as Lessor. Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease Modification (As Lessor). Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

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

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

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

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

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

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

Company as Lessor. Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Past service costs are recognized in the profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs.

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

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

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

Foreign Currency-denominated Transactions and Translation

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

Taxes

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

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

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

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

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

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

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

Earnings per Share
Basic earnings per share is computed by dividing net profit for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

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

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

Business Segments
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, investment property and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include investments and advances.

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

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

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

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

6. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

The Company has determined POSC as a subsidiary with material non-controlling interests in 2020 and 2019.

*Determination of lease term of contracts with renewal options – Company as a lessee (Starting January 1, 2019 (Upon adoption of PFRS 16))***.** The Company has several lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The Company did not include the renewal period as part of the lease term of its various lease arrangements since the Company assessed that its renewal option is not enforceable.

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

Revenue from equipment rental amounted to ₱293.1 million, ₱681.5 million and ₱1,448.3 million in 2020, 2019 and 2018, respectively (see Note 28).

Operating Lease - as a Lessee (Prior to January 1, 2019 - Prior to Adoption of PFRS 16). The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

Rent expense amounted to ₱126.6 million in 2018 (see Note 28).

Finance Lease - as a Lessee (Prior to January 1, 2019 - Prior to Adoption of PFRS 16). POSC entered into various finance lease agreements covering certain lottery equipment. POSC determined that it bears substantially all the risks and rewards incidental to the ownership of the said properties under finance lease agreements.

Estimates and Assumptions

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

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

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

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

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

The Company recognized provision for ECL amounting to ₱139.7 million, ₱2.1 million and nil in 2020, 2019 and 2018, respectively (see Notes 9, 24 and 32). Allowance for doubtful accounts amounted to ₱569.5 million and ₱429.8 million as at December 31, 2020 and 2019, respectively. The aggregate carrying values of receivables, notes receivables and contract assets amounted to ₱4,260.9 million and ₱4,173.6 million as at December 31, 2020 and 2019, respectively (see Notes 9, 10 and 32).

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

Provision for impairment loss on right-of-use asset amounted to ₱9.3 million in 2020 (see Note 24). No provision for impairment loss in 2019 and 2018.

The carrying values of nonfinancial assets (excluding goodwill) as at December 31, 2020 and 2019 are as follows:

	2020	2019
Intangible asset (see Note 12)	**₱8,952,654,519**	₱9,191,127,003
Investment property (see Note 15)	**285,510,452**	285,510,452
Property and equipment (see Note 14)	**83,505,713**	107,432,510
Right-of-use assets (see Note 28)	**10,119,536**	73,225,966

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 ₱116.1 million and ₱104.1 million as at December 31, 2020 and 2019, respectively. Unrecognized deferred tax assets amounted to ₱143.3 million and ₱140.4 million as at December 31, 2020 and 2019, respectively (see Note 26).

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

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

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

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

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

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

In 2020 and 2019, there were no changes in the estimated useful life of gaming license. The carrying value of the gaming license as at December 31, 2020 and 2019 amounted to ₱8,952.7 million and ₱9,191.1 million, respectively (see Note 12).

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

The key assumptions used in the value in use calculations include discount rate, revenue growth rate and long-term growth rate. Impairment loss amounted to ₱432.3 million and ₱363.0 million in 2020 and 2019, respectively. The carrying values of goodwill amounted to ₱926.0 million and ₱1,358.3 million as at December 31, 2020 and 2019, respectively (see Note 17).

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

Retirement expense charged to profit and loss amounted to ₱14.9 million, ₱20.1 million and ₱13.7 million in 2020, 2019 and 2018, respectively. Remeasurement gain (loss) on retirement benefits amounted to ₱5.1 million, (₱25.9 million) and ₱17.6 million in 2020, 2019 and 2018, respectively. The carrying values of retirement asset amounted to nil and ₱10.3 million as at December 31, 2020 and 2019, respectively. The carrying values of retirement liability amounted to ₱59.3 million and ₱49.0 million as at December 31, 2020 and 2019, respectively (see Note 20).

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

The Company's lease liabilities amounted to ₱11.6 million and ₱91.6 million as at December 31, 2020 and 2019, respectively (see Note 28).

Evaluation of Contingencies. The Company recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel (see Notes 18 and 33).

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱454,534,110**	₱704,732,546
Cash equivalents	**1,763,777,415**	2,832,342,933
	₱2,218,311,525	₱3,537,075,479

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

Interest income earned from cash in banks and cash equivalents amounted to ₱46.1 million, ₱57.1 million and ₱36.2 million in 2020, 2019 and 2018, respectively.

8. Investments Held for Trading

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

Movements in this account are as follows:

	2020	2019
Balance at beginning of year	**₱140,456,581**	₱155,704,892
Disposals	**(50,000,000)**	–
Marked-to-market-loss (see Note 25)	**(6,195,655)**	(15,248,311)
Balance at end of year	**₱84,260,926**	₱140,456,581

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

Mark-to-market loss in 2020, 2019 and 2018 amounting to ₱6.2 million, ₱15.2 million and ₱11.9 million, respectively, were recognized in "Other income (expense) - net" account in the consolidated statements of income (see Note 25).

Realized gain from sale of investments held for trading amounted to nil in 2020 and 2019 and ₱1.5 million in 2018 (see Note 25).

Dividend income realized from investments held for trading amounted ₱2.4 million, ₱4.7 million and ₱5.0 million in 2020, 2019 and 2018, respectively.

9. Receivables

This account consists of:

	2020	2019
Trade receivables	**₱468,516,351**	₱332,479,558
Loan assets (see Note 32)	**422,341,815**	422,341,815
Advances to LCC	**113,677,613**	–
Advances to officers and employees	**1,291,113**	4,575,259
Other receivables	**6,441,135**	7,976,873
	1,012,268,027	767,373,505
Less allowance for doubtful accounts	**543,515,942**	429,838,329
	₱468,752,085	₱337,535,176

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

Loan assets pertain to the Parent Company's receivable from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") and Legend International Resort H.K. Limited ("LIR-HK") amounting to ₱422.3 million as a result of the compensation to parties who were in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares (see Note 32). The loan assets were fully provided with allowance as at December 31, 2020 and 2019.

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

Movement in allowance for doubtful accounts is as follows:

	2020	2019
Balance at beginning of year	**₱429,838,329**	₱427,690,938
Provision for impairment loss (see Note 24)	**113,677,613**	2,147,391
Balance at end of year	**₱543,515,942**	₱429,838,329

10. Notes Receivable

Notes receivable, unsecured and bearing interest rates ranging from 4.11% to 5.06% in 2020 and 4.80% to 6.38% in 2019, amounted to ₱3,705.9 million as at December 31, 2020 and 2019 (see Note 27).

Interest income from notes receivable recognized in the consolidated statement of income amounted to ₱166.3 million, ₱214.1 million and ₱108.7 million in 2020, 2019 and 2018, respectively (see Note 27).

11. **Other Current Assets and Other Noncurrent Assets**

Other Current Assets
This account consists of:

	2020	2019
Creditable withholding taxes (CWT)	**₱128,032,336**	₱151,493,307
Prepaid expenses	**69,113,193**	72,178,205
Spare parts and supplies - at cost	**62,150,636**	37,430,911
Advances to contractors and suppliers	**2,186,791**	2,249,254
Input VAT	**96,231**	5,232,880
Others	**25,280**	25,280
	261,604,467	268,609,837
Less allowance for probable loss on input VAT and spare parts and supplies	**43,597,018**	62,870
	₱218,007,449	₱268,546,967

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

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

Movement of allowance for probable loss on spare parts and supplies and input VAT are as follows:

December 31, 2020

	Spare parts and supplies	CWT	Input VAT	Total
Balance at beginning of year	₱–	₱–	₱62,870	₱62,870
Provision for probable losses (see Note 24)	43,534,148	471,422	–	44,005,570
Write-off	–	(471,422)	–	(471,422)
Balance at end of year	₱43,534,148	₱–	₱62,870	₱43,597,018

Creditable withholding taxes can be applied as tax credits against future income tax payable. In 2020, the Company written off CWT amounting to ₱0.5 million.

December 31, 2019

	2019
Balance at beginning of year	₱62,743
Provision for probable losses (see Note 24)	127
Balance at end of year	₱62,870

Other Noncurrent Assets
This account consists of:

	2020	2019
Creditable withholding taxes	**₱212,555,107**	₱197,338,032
Advances to contractors	**139,739,757**	–
Guaranteed deposits (see Note 32)	**14,500,000**	12,000,000
Software development	**11,136,364**	104,545,455
Refundable deposits	**5,953,851**	35,424,154
Prepaid service and maintenance	**–**	40,227,273
Others	**–**	8,478,820
	₱383,885,079	₱398,013,734

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

Advances to contractors are advances to a contractor that are expected to be refunded within two years.

Guaranteed deposits pertain to cash bonds held in escrow account as part of the agreement with PCSO (see Note 32).

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.

Prepaid service and maintenance pertain to advance payment for technical and training support service.

12. Intangible Asset

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

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

Movements in intangible asset are as follows:

	2020	2019
Cost		
Balance at beginning and end of year	**₱10,843,215,811**	₱10,843,215,811
Accumulated Amortization		
Balance at beginning of year	**1,652,088,808**	1,413,616,324
Amortization	**238,472,484**	238,472,484
Balance at end of year	**1,890,561,292**	1,652,088,808
	₱8,952,654,519	₱9,191,127,003

The unamortized life of the license as at December 31, 2020 and 2019 is 37.5 years and 38.5 years, respectively.

13. Financial Assets at Fair Value Through Other Comprehensive Income

This account pertains to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2020 and 2019, consisting of the following:

	2020	2019
Quoted shares:		
Belle - common shares (see Note 27)	**₱284,972,730**	₱331,634,931
Golf club shares	**2,400,000**	2,800,000
	287,372,730	334,434,931
Unquoted shares:		
Others	**81,100**	81,100
	₱287,453,830	₱334,516,031

The movements of financial assets at FVOCI in 2020 and 2019 are as follows:

	2020	2019
Cost		
Balance at beginning and end of year	**₱890,518,604**	₱890,518,604
Cumulative unrealized mark-to-market loss on financial assets at FVOCI		
Balance at beginning of year	**(556,002,573)**	(502,774,343)
Unrealized mark-to-market loss during the year	**(47,062,201)**	(53,228,230)
Balance at end of year	**(603,064,774)**	(556,002,573)
	₱287,453,830	₱334,516,031

Dividend income earned from financial assets at FVOCI amounted to ₱20.0 million in 2020, 2019 and 2018.

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

14. Property and Equipment

The movements in this account follow:

	2020				
	Lottery Equipment	**Leasehold Improvements**	**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 (see Note 16)	**–**	**(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**

(Forward)

	2020				
	Lottery Equipment	**Leasehold Improvements**	**Office Equipment, Furniture and Fixtures**	**Transportation Equipment**	**Total**
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 (see Notes 23 and 24)	**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 (see Note 16)	**–**	**(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**
Net Book Value	**₱63,858,355**	**₱3,361,682**	**₱2,858,449**	**₱13,427,227**	**₱83,505,713**

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

15. Investment Property

These accounts pertain to parcels of land amounting to ₱285.5 million classified as investment property as at December 31, 2020 and 2019.

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, 2020 and 2019, 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.

16. Business Combination

On February 6, 2020, POSC's BOD approved the sale of LCC for POSC 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 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 ₱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 (expense) - net" (see Note 25).

17. **Goodwill**

Goodwill acquired from the business combination as at December 31, 2020 and 2019 consists of:

	2020	2019
POSC	**₱1,717,643,956**	₱1,717,643,956
FRI	**110,933,996**	110,933,996
LCC subsidiaries	**–**	3,682,782
	1,828,577,952	1,832,260,734
Less: allowance for impairment	**902,570,204**	473,962,613
	₱926,007,748	₱1,358,298,121

Movements in this account are as follow:

	2020	2019
Balance at beginning of year	**₱1,358,298,121**	₱1,721,326,738
Impairment loss (see Note 24)	**(432,290,373)**	(363,028,617)
Balance at end of year	**₱926,007,748**	₱1,358,298,121

Movements in the allowance for impairment loss is as follows:

	2020	2019
Balance at beginning of year	**₱473,962,613**	₱110,933,996
Impairment loss during the year (see Note 24)	**432,290,373**	363,028,617
Disposal of subsidiaries (see Note 16)	**(3,682,782)**	–
Balance at end of year	**₱902,570,204**	₱473,962,613

The goodwill from the acquisitions have been subjected to the annual impairment review in 2020 and 2019. The recoverable amounts of the operations have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years.

In 2020, the Company recognized impairment of its goodwill in POSC amounting to ₱432.3 million and derecognized goodwill in LCC subsidiaries as a result of its disposal (see Notes 16 and 24).

In 2019, the Company recognized impairment of its goodwill in POSC and LCC subsidiaries amounting to ₱359.3 million and ₱3.7 million, respectively. The Company recognized impairment of its goodwill in FRI in 2018 amounting to ₱110.9 million (see Note 24).

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

POSC

Discount Rate. Discount rate reflects management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 8.80% and 8.45% was used in 2020 and 2019, respectively, based on the Weighted Average Cost of Capital (WACC) of POSC.

Revenue Growth Rate, Long-Term Growth Rate and Terminal Values. An annual increase in revenue ranging from 5% to 87% and 3% to 8% per annum were applied in the 5-year cash flow projections in 2020 and 2019, respectively, based on historical performance of POSC. The long-term growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 5% and 4% in 2020 and 2019, respectively. The long-term growth rate used in the normalization of free cash flows represents the expected growth rate of the economy at the end of the 5th year and onwards, with reference to growth rates compiled by industry specialist.

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

FRI
The recoverable amount of goodwill from the acquisition of FRI by TGTI was determined based on value-in-use calculations using actual past results and observable market data such as growth rates, operating margins, among others.

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

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates, operating margins achievable in the relevant industry. The expected cash flows are discounted by applying a suitable WACC. The pre-tax discount rate applied to cash flow projections is 9.4% in 2018. In 2018, goodwill in FRI was fully provided with provision for impairment.

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

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates and operating margins achievable in the relevant industry. In 2018, the expected cash flows are discounted by applying a suitable WACC. The discount rate and long-term growth rate applied to pretax cash flow projections was 10.2% and 3.0%, respectively, for the terminal growth rate in 2018. In 2019, goodwill in LCC was fully provided with provision for impairment. In 2020, the goodwill in LCC was included in the net assets derecognized as a result of disposal of LCC (see Note 17).

18. Trade Payables and Other Current Liabilities

This account consists of:

	2020	2019
Trade payables	**₱80,208,348**	₱75,397,172
Accrued expenses and other payables	**484,453,060**	1,244,486,435
Unearned income	**486,046,818**	212,652,281
Professional, service and management fees (see Note 27)	**28,358,274**	25,181,600
Communication, rental and utilities	**24,566,120**	17,666,835
Consultancy, software and license fees payable	**38,592,855**	17,207,061
Withholding taxes payable	**2,988,924**	5,478,560
Others (see Note 27)	**19,310,231**	20,295,526
	₱1,164,524,630	₱1,618,365,470

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

Accrued expenses and other payables mainly represent provisions. Other than provisions, accruals are usually payable within 30 days term upon receipt of billing. The Company regularly provides provisions for its usual potential liabilities. Provisions represents estimated probable losses. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Company's position. In 2020, reversal of provisions amounting to ₱756.1 million was recognized in "Other income (expense) - net" account in the consolidated statement of income (see Note 25).

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

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

Consultancy, software and license fees payable are for consultancy services on gaming operations and the supply of computer hardware and operating system software for online lottery system (see Note 32). These are normally settled within the next financial year.

19. Loans Payable

On December 18, 2019**,** POSC availed an unsecured ₱150.0 million loan from a local bank with an interest rate of 5.25% per annum payable in equal monthly installment for a period of one (1) year. The loan was fully paid as of December 31, 2020.

In 2020, interest expense from loans payable amounting to ₱4.4 million was recognized as part of "Finance charges" account in the consolidated statement of income.

20. **Retirement Benefits**

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

Changes in the retirement benefits of the Company in 2020 are as follows:

	Fair Value of Plan Assets	**Present Value of Defined Benefit Obligation**	**Retirement Benefits**
At January 1, 2020	**₱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 (see Note 16)	**(32,764,424)**	**20,011,015**	**(12,753,409)**
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	**–**	**16,894,421**	**16,894,421**
Actuarial changes arising from changes in financial assumptions	**–**	**(17,716,460)**	**(17,716,460)**
Actual return excluding amount included in net interest cost	**(3,909,818)**	**–**	**(3,909,818)**
Effect of asset ceiling	**327,897**	**–**	**327,897**
Disposal of a subsidiary (see Note 16)	**3,165,259**	**6,381,293**	**9,546,552**
	(416,662)	**5,559,254**	**5,142,592**
At December 31, 2020	**₱64,259,827**	**(₱123,550,599)**	**(₱59,290,772)**

Changes in the retirement benefits of the Company in 2019 are as follows:

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
At January 1, 2019	₱80,768,327	(₱79,894,267)	₱874,060
Net retirement income (costs) in profit or loss:			
Current service cost	–	(11,099,386)	(11,099,386)
Past service cost	–	(9,357,392)	(9,357,392)
Net interest	6,658,849	(6,282,258)	376,591
	6,658,849	(26,739,036)	(20,080,187)

(Forward)

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
Contributions	₱6,500,000	₱–	₱6,500,000
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	–	681,139	681,139
Actuarial changes arising from changes in financial assumptions	–	(33,150,515)	(33,150,515)
Actual return excluding amount included in net interest cost	(293,111)	–	(293,111)
Actuarial changes due to changes in demographic assumptions	–	1,548,460	1,548,460
Effect of asset ceiling	5,281,172	–	5,281,172
	4,988,061	(30,920,916)	(25,932,855)
At December 31, 2019	₱98,915,237	(₱137,554,219)	(₱38,638,982)

The retirement benefits are presented in the consolidated statement of financial position as at December 31, 2020 and 2019 are as follows:

	2020	2019
Retirement asset	**₱–**	₱10,311,588
Retirement liability	**(59,290,772)**	(48,950,570)
Net retirement liability	**(₱59,290,772)**	(₱38,638,982)

The latest actuarial valuation of the Company is as at December 31, 2020.

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

	2020	2019
Cash and cash equivalents	**₱19,847**	₱6,462,731
Debt instruments - government bonds	**25,196,150**	49,620,862
Debt instruments - other bonds	**3,772,126**	2,994,707
Unit investment trust funds	**37,324,296**	38,169,995
Others	**(2,052,592)**	1,666,942
	₱64,259,827	₱98,915,237

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

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

	2020	2019
Discount rate	**3.95%-7.62%**	5.10 %-7.62%
Rate of compensation increase	**6.00%-8.00%**	5.00%-8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020 and 2019 assuming if all other assumptions were held constant:

	2020		2019	
	Increase (Decrease)	**Increase (Decrease) in Defined Benefit Obligation**	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	**1.00%**	**(₱15,177,057)**	1.00%	(₱15,318,357)
	(1.00%)	**17,876,101**	(1.00%)	18,829,785
Salary increase rate	**1.00%**	**18,787,393**	1.00%	18,267,320
	(1.00%)	**(14,838,551)**	(1.00%)	(15,201,197)

The average duration of the defined benefit obligation is 9.9 years to 14.9 years in 2020.

The maturity analysis of the undiscounted benefit payments follows:

	2020	2019
Less than 1 year	**₱24,780,257**	₱28,318,747
More than 1 year to 5 years	**8,475,747**	10,979,223
More than 5 years to 10 years	**42,675,019**	54,506,564

21. **Equity**

Preferred Stock

As at December 31, 2020 and 2019, 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, 2020 and 2019 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

(Forward)

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
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
Total – Common stock	**37,630,000,000**	**31,627,310,000**	
Preferred stock			
1997	6,000,000,000	–	₱1.00*
Total – Preferred stock	**6,000,000,000**	–	

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

In 1995, 25,000,000 primary shares of the Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares with the same par value.

On March 10, 1997, the stockholders approved the increase in the Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Parent Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008 (see Note 32).

On March 28, 2006, the SEC approved the reduction of the Company's authorized capital stock by 1,870,000,000 shares to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 32).

On June 24, 2008, the SEC formally approved the Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 32).

On July 9, 2009, the SEC approved the Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 32).

As discussed in Note 32, on April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the remaining 1,000,000,000 shares to fully implement the 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 10,130,000,000,000 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, 2020 and 2019 consists of the following:

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

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

Treasury Shares
The BOD has authorized the buy-back of the Company's common shares to enhance the shareholder value. The Company is authorized to repurchase up to ₱500.0 million worth of common shares. On March 19, 2018, the Company commenced its share buyback program. As at December 31, 2020 and 2019, 410,379,000 and 28,379,000 shares have been bought back by the Company with a cost of ₱191.0 million and ₱29.4 million, respectively. This is presented as "Treasury shares" and are treated as a reduction in equity. The carrying value of treasury shares as of December 31, 2020 and 2019 amounted to ₱220.4 million and ₱29.4 million, respectively.

Parent Company Shares Held by a Subsidiary
POSC holds common shares of the Parent Company totaling 377,143,000 shares as at December 31, 2020 and 2019 with a cost of ₱509.6 million as at December 31, 2020 and 2019. These are presented as "Cost of Parent Company shares held by a subsidiary" and are treated as a reduction in equity.

Retained Earnings
On February 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.

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

The consolidated retained earnings as at December 31, 2020 and 2019 includes the earnings of the subsidiaries which are not currently available for dividend declaration unless declared by the subsidiaries of the Parent Company. The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱2,604.9 million and ₱2,441.1 million as at December 31, 2020 and 2019, respectively.

22. Gaming Revenue Share

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

	2020	2019	2018
Gaming revenue share - gross	**₱1,017,666,745**	₱5,954,695,862	₱7,551,166,234
Less PAGCOR license fee paid by Melco	**382,449,357**	2,978,329,390	4,339,309,270
Gaming revenue share - net (see Note 31)	**₱635,217,388**	₱2,976,366,472	₱3,211,856,964

23. Cost of Services

This account consists of:

	2020	2019	2018
Online lottery system expenses	**₱225,685,647**	₱285,445,503	₱237,205,391
Depreciation and amortization (see Notes 14 and 28)	**97,892,775**	184,639,676	199,846,955
Communication	**74,763,898**	120,030,518	112,113,845
Software and license fees (see Notes 28 and 32)	**40,565,718**	136,317,928	195,747,032
Payroll and related expenses	**35,630,729**	138,274,529	157,827,139
Rental and utilities (see Note 28)	**19,979,826**	79,467,734	159,011,768
Operating supplies	**8,010,209**	37,993,331	150,145,617
Consultancy fees (see Note 32)	**–**	–	75,987,317
Others	**1,367,772**	4,038,614	9,603,530
	₱503,896,574	₱986,207,833	₱1,297,488,594

24. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Impairment loss on goodwill (see Note 17)	**₱432,290,373**	₱363,028,617	₱110,933,996
Provision for doubtful accounts (see Notes 9 and 32)	**139,677,613**	2,147,391	–
Transportation and travel	**89,630,415**	83,502,861	77,390,533
Salaries, wages and benefits	**74,107,138**	136,935,936	140,133,637
Outside services (see Note 27)	**70,101,954**	158,370,084	60,275,106
Provision for probable loss on spare parts and supplies, CWT and input VAT (see Note 11)	**44,005,570**	127	127
Taxes and licenses	**23,229,561**	38,047,179	43,579,008
Depreciation and amortization (see Notes 14 and 28)	**15,584,315**	51,309,164	23,424,091
Professional, service and management fees (see Notes 27 and 32)	**15,093,380**	31,690,978	29,226,287
Rental and utilities (see Note 28)	**9,584,270**	26,172,052	25,616,335
Provision for impairment loss on right-of-use assets (see Note 28)	**9,324,857**	–	–
Representation and entertainment	**5,116,544**	11,135,287	35,268,666
Communication	**4,558,347**	5,007,231	12,963,789
Insurance	**4,056,583**	8,442,836	803,164
Placement and listing fee	**1,844,432**	2,027,292	2,075,678
Repairs and maintenance	**1,688,333**	6,956,373	19,976,689
Marketing, advertising and promotion (see Note 27)	**229,029**	1,563,541	16,779,397
Termination cost (see Note 32)	**–**	–	327,614,359
Miscellaneous (see Note 18)	**15,359,549**	35,157,660	606,769,744
	₱955,482,263	₱961,494,609	₱1,532,830,606

Miscellaneous expense includes regular provisions of the Company (see Note 18).

25. Other Income (Expense) - net

This account consists of:

	2020	2019	2018
Gain from reversal of provisions (see Note 18)	**₱756,115,335**	₱–	₱–
Gain from disposal of net assets of subsidiaries (see Note 16)	**70,338,145**	–	–
Marked-to-market loss on investments held for trading (see Note 8)	**(6,195,655)**	(15,248,311)	(11,903,085)
Gain on termination of lease (see Note 28)	**1,165,723**	–	–
Foreign exchange loss	**(949,730)**	(1,180,826)	(845,519)
Gain on sale of property and equipment	**15,850**	839,812	1,038,518
Gain on sale of investments held for trading (see Note 8)	**–**	–	1,548,225
Brand and trademark income (see Note 32)	**–**	–	203,459,171
Other income (expense) – net	**849,503**	(17,299,658)	42,132,775
	₱821,339,171	(₱32,888,983)	₱235,430,085

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

26. Income Taxes

The components of income tax expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Current income tax	**₱28,076,028**	₱22,422,019	₱133,572,412
Deferred income tax relating to origination and reversal of temporary difference	**(31,132,712)**	(81,838,677)	47,432,314
	(₱3,056,684)	(₱59,416,658)	₱181,004,726

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

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

	2020	2019
Deferred tax assets:		
NOLCO	**₱97,300,220**	₱71,861,151
Unamortized past service costs	**11,786,820**	11,988,761
Retirement liability	**6,002,792**	7,506,311
Accrued expenses	**812,905**	1,067,844
Unrealized foreign exchange gain	**173,635**	322,060
Right-of-use assets	–	7,201,599
Allowance for doubtful accounts on receivables	–	4,186,152
	116,076,372	104,133,878
Deferred tax liabilities:		
Contract asset	**33,661,813**	40,984,696
Lease liabilities	–	6,878,369
Retirement asset	–	2,730,737
Others	–	715,451
	33,661,813	51,309,253
Deferred tax assets – net	**₱82,414,559**	₱52,824,625

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

	2020	2019
Allowance for doubtful accounts on receivables	**₱427,690,938**	₱427,690,938
Allowance for deferred oil exploration and development costs	**18,377,841**	18,377,841
Excess MCIT over regular corporate income tax	**1,503,015**	1,503,015
NOLCO	**26,652,823**	17,048,667
	₱474,224,617	₱464,620,461

Deferred tax assets amounting to ₱143.3 million and ₱140.4 million as at December 31, 2020 and 2019, respectively, were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.

As of December 31, 2020 and 2019, 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.

The movements in MCIT follow:

	2020	2019
MCIT:		
Balance at beginning of year	**₱1,503,015**	₱2,830,747
Application	–	(671,126)
Expirations	–	(656,606)
Balance at end of year	**₱1,503,015**	₱1,503,015

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only.

As of December 31, 2020, the Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment period	Amount	NOLCO expired	NOLCO reversed	NOLCO unapplied
2017	2018-2020	₱29,380	(₱29,380)	₱–	₱–
2018	2019-2021	8,705,228	–	–	8,705,228
2019	2020-2022	247,851,219	–	(59,878,723)	187,972,496
		₱256,585,827	(₱29,380)	(₱59,878,723)	₱196,677,724

As of December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment period	Amount	NOLCO expired	NOLCO reversed	NOLCO unapplied
2020	2021-2025	₱154,309,166	₱–	₱–	₱154,309,166

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

	2020	2019	2018
Income tax computed at statutory tax rate	**₱103,488,629**	₱612,662,161	₱747,197,352
Income tax effect of:			
Income not subject to income tax	**(204,561,845)**	(900,322,367)	(908,018,484)
Nondeductible expenses	**83,492,911**	243,018,136	338,235,727
Reversal of deferred tax assets	**24,367,842**	–	–
Interest income subject to final tax	**(13,854,624)**	(17,138,335)	(2,450,189)
Change in unrecognized deferred tax assets	**2,881,247**	3,157,036	1,511,904
Expired NOLCO	**29,380**	39,690	91,885
Others	**1,099,776**	(832,979)	4,436,531
	(₱3,056,684)	(₱59,416,658)	₱181,004,726

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate is reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and higher creditable withholding taxes as of December 31, 2020, amounting to ₱25.8 million and ₱338.3 million, respectively, or a reduction of ₱2.3 million and an increase of ₱2.3 million, respectively. The reduced and increased amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱13.7 million and ₱12.8 million, respectively. These reductions will be recognized in the 2021 financial statements.

27. Related Party Disclosures

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and subsidiaries. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

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

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

Transactions with Related Parties

In the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of 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.

The amounts included in these transactions are as follows:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance Assets (Liabilities)	Terms	Condition
Belle	Parent	Share in expenses (see Note 18)	**2020**	**₱76,666**	**(₱4,514,211)**	Noninterest-bearing, on demand	Unsecured
			2019	270,054	(4,590,877)		
			2018	668,842	(4,320,823)		
		Notes receivable (see Note 10)	**2020**	–	**3,705,925,000**	4.11% to 6.38% interest-bearing, due on demand	Unsecured, no impairment
			2019	–	3,705,925,000		
			2018	2,100,000,000	3,705,925,000		
		Financial assets at FVOCI (see Note 13)	**2020**	–	**284,972,730**	Noninterest-bearing	Unsecured, no impairment
			2019	–	331,634,931		
			2018	320,000	384,963,161		
		Interest income (see Note 10)	**2020**	**166,344,251**	–	Noninterest-bearing, 30 days	Unsecured, no impairment
			2019	214,129,362	–		
			2018	108,707,037	2,217,463		
		Service and management fee (see Note 24)	**2020**	**54,000,000**	–	Noninterest-bearing, 30 days	Unsecured
			2019	54,000,000	–		
			2018	54,000,000	(9,900,000)		
		Others	**2020**	–	–	Noninterest-bearing, due on demand	Unsecured, no impairment
			2019	–	–		
			2018	–	5,443,618		
Belle Grande	Affiliate	Service fees (see Note 24)	**2020**	–	–	Noninterest-bearing, 30 days	Unsecured
			2019	–	–		
			2018	327,614,359	–		
SM Arena Complex Corporation	Affiliate	Others (see Notes 24 and 28)	**2020**	**4,500,000**	–	Noninterest-bearing, 30 days	Unsecured
			2019	18,000,000	–		
			2018	18,900,000	(4,950,000)		
SM Prime Holdings, Inc.	Affiliate	Rental expense (see Note 23)	**2020**	–	–	Noninterest-bearing, 30 days	Unsecured
			2019	–	–		
			2018	27,208,158	–		

On September 15, 2014, PLAI and Belle entered into a Service Agreement wherein the latter shall provide services to support the operations of the casino license from PAGCOR. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Effective January 1, 2018, PLAI transferred its Service Agreement with Belle to the Parent Company. Management and service fees amounting to ₱54.0 million in 2020, 2019 and 2018 were presented as part of "Outside services" under general and administrative expenses in the consolidated statements of income (see Note 24).

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

	2020	2019	2018
Short-term employee benefits	**₱32,503,805**	₱46,432,466	₱42,714,891
Retirement benefits costs	**3,581,139**	3,567,771	3,881,441
	₱36,084,944	₱50,000,237	₱46,596,332

28. Leases

Starting January 1, 2019 - Upon adoption of PFRS 16

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

The Company also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases. Rent expense on short-term lease amounted to ₱23.0 million and ₱89.0 million for 2020 and 2019, respectively (see Notes 23 and 24).

In 2020, rent concession (i.e., rent reduction) on one of the Company's right-of-use office space amounting to ₱0.3 million was recognized as variable lease, adjusted against rent expense (see Note 24).

In 2020, PLC and SM Arena Complex Corporation agreed to terminate the original term of the lease of corporate suites. Gain on termination of the lease recognized under "Other income (expense) - net" account amounted to ₱1.2 million (see Note 25).

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

	Right-of-use Corporate Suites	**Right-of-use Equipment**	**Right-of-use Office and Warehouse**	**Right-of-use Total**
Cost				
At January 1, 2020	**₱39,502,279**	**₱163,499,020**	**₱87,806,627**	**₱290,807,926**
Additions	**–**	**–**	**14,788,800**	**14,788,800**
Termination of lease	**(39,502,279)**	**–**	**–**	**(39,502,279)**
Derecognition from disposal of subsidiaries (see Note 16)	**–**	**–**	**(47,805,452)**	**(47,805,452)**
At December 31, 2020	**–**	**163,499,020**	**54,789,975**	**218,288,995**
Accumulated Depreciation and Amortization and Impairment loss				
At January 1, 2020	**16,574,383**	**163,499,020**	**37,508,557**	**217,581,960**
Depreciation (see Notes 23 and 24)	**4,143,596**	**–**	**19,585,557**	**23,729,153**
Impairment loss (see Note 24)	**–**	**–**	**9,324,857**	**9,324,857**
Termination of lease	**(20,717,979)**	**–**	**–**	**(20,717,979)**
Derecognition from disposal of subsidiaries (see Note 16)	**–**	**–**	**(21,748,532)**	**(21,748,532)**
At December 31, 2020	**–**	**163,499,020**	**44,670,439**	**208,169,459**
Net Book Value	**₱–**	**₱–**	**₱10,119,536**	**₱10,119,536**

	Right-of-use Corporate Suites	Right-of-use Equipment	Right-of-use Office and Warehouse	Right-of-use Total
Cost				
At January 1, 2019	₱39,502,279	₱163,499,020	₱70,434,635	₱273,435,934
Additions	–	–	17,371,992	17,371,992
At December 31, 2019	39,502,279	163,499,020	87,806,627	290,807,926
Accumulated Depreciation and Amortization				
At January 1, 2019	–	154,873,751	–	154,873,751
Depreciation (see Notes 23 and 24)	16,574,383	8,625,269	37,508,557	62,708,209
At December 31, 2019	16,574,383	163,499,020	37,508,557	217,581,960
Net Book Value	₱22,927,896	₱–	₱50,298,070	₱73,225,966

The following are the amounts recognized in the consolidated statements of income:

	2020	2019
Depreciation expense of right-of-use assets (see Note 23 and 24)	**₱23,729,153**	₱62,708,209
Interest expense on lease liabilities	**2,442,430**	9,525,989
Expenses relating to short-term leases (see Notes 23 and 24)	**22,988,476**	89,024,069
Impairment loss of right-of-use assets (see Note 24)	**9,324,857**	–
Gain on termination of lease (see Note 25)	**(1,165,723)**	–
Total amount recognized in consolidated statements of income	**₱57,319,193**	₱161,258,267

Lease Liabilities
The rollforward analysis of lease liabilities follows:

	2020	2019
At January 1	**₱91,607,328**	₱143,194,993
Additions	**14,788,800**	17,371,992
Interest expense	**2,442,430**	9,525,989
Payments	**(50,208,626)**	(78,485,646)
Derecognition from disposal of subsidiaries (see Note 16)	**(27,074,542)**	–
Termination of lease	**(19,950,023)**	–
As at December 31	**₱11,605,367**	₱91,607,328

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

	2020	2019
1 year	**₱7,063,070**	₱76,353,121
more than 1 years to 2 years	**4,992,336**	16,748,884

As Lessor. POSC leases online lotto equipment and accessories to PCSO for a period of 1 year until July 31, 2020 as provided in the 2019 Amended ELA (see Note 32). The ELA was renewed for another year starting August 1, 2020 to July 31, 2021. Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱245.9 million and ₱427.9 million in 2020 and 2019, respectively.

Future minimum rental income as at December 31, 2020 and 2019 for the remaining lease term of one year is ₱68.8 million and ₱82.2 million, respectively.

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 2020, the ELA was extended until March 31, 2021. Rental payment by PCSO is based on certain percentage of gross amount of "Online KENO" games from the operation of all PCSO's terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statements of income amounted to ₱47.2 million and ₱253.6 million in 2020 and 2019, respectively.

Future minimum rental income as at December 31, 2020 for the remaining lease term of three months is ₱11.8 million.

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

a. Finance Lease

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

   Payment to Scientific Games is based on a pre-agreed percentage of POSC's revenue from PCSO's conduct of online lottery games running under the system provided by Scientific Games. Payment to Intralot is based on pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations or a fixed amount of US$110 per terminal per month, whichever is higher. Payments to Scientific Games and Intralot include the non-lease elements which are presented as "Software and license fees" under "Cost and expenses" in the consolidated statements of income (see Note 23). The interest component of the payments recognized as "Finance costs" account in the consolidated statement of income amounted to ₱6.2 million in 2018.

   Payment to Intralot is based on a percentage of the gross receipts of PCSO from its "Online KENO" game or a fixed amount of US$60 per terminal per month, whichever is higher.

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

b. Operating Lease

   As Lessor
   Rental payments is based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱788.6 million in 2018.

   TGTI leases "Online KENO" equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. Rental payment by PCSO is based on certain percentage of gross amount of "Online KENO" games from the operation of all PCSO's terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱659.7 million in 2018.

As Lessee

a. POSC leases certain office spaces for periods of one to three years up to 2019. The lease agreements provide for minimum rental commitments with annual rental escalation rate of 5% to 10%. Rent expense recognized in the consolidated statement of income amounted to ₱18.6 million in 2018.

b. LotoPac, LCC and FRI lease certain properties that are renewed annually at the option of both companies. Rent expense recognized in the consolidated statement of income amounted to ₱97.4 million in 2018, respectively.

c. TGTI entered into lease contracts with the following: (1) Keewswen Development Corp. for the lease of its office space for a period of five years which commenced on February 1, 2011 expired on January 31, 2016 which was renewed for a period of two years which commenced on February 1, 2016 to January 31, 2018, (2) MBH Trading & Manufacturing Corporation for the lease of its warehouse for a period of seven years commencing on August 1, 2010 and expired on July 31, 2017 which was also renewed up to July 2020, and (3) George W.G Angel for a parking space for a period of one year, renewable upon mutual consent of the parties. Rent expense recognized in the consolidated statement of income amounted to ₱10.6 million in 2018.

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

29. Basic/Diluted Earnings Per Common Share

As at December 31, 2020, 2019 and 2018, basic/diluted earnings per share were computed as follows:

	2020	2019	2018
Net income attributable to the equity holders of the Parent (a)	**₱517,573,391**	₱2,261,962,747	₱2,157,768,639
Weighted average common shares, beginning	**31,627,310,000**	31,627,310,000	31,627,310,000
Number of parent company common shares held by subsidiaries	**(377,143,000)**	(377,143,000)	(371,880,036)
Weighted average number of treasury shares	**(378,545,667)**	(28,379,000)	(19,849,526)
Weighted average common shares, end (b)	**30,871,621,333**	31,221,788,000	31,235,580,438
Earnings per common share (a/b)	**₱0.016765**	₱0.072448	₱0.069080

30. Financial Assets and Financial Liabilities

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

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

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

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

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

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

2020

	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Impaired	Total
Cash and cash equivalents*	**₱2,205,051,264**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,205,051,264**
Investment held for trading	**84,260,926**	–	–	–	–	–	**84,260,926**
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**
Financial assets at FVOCI	**287,453,830**	–	–	–	–	–	**287,453,830**
Advances to contractors**	**139,739,757**	–	–	–	–	–	**139,739,757**
Guaranteed deposits**	**14,500,000**	–	–	–	–	–	**14,500,000**
Refundable deposits**	**5,953,851**	–	–	–	–	–	**5,953,851**
	₱6,657,021,377	**₱111,443,085**	**₱143,172,251**	**₱–**	**₱–**	**₱543,515,942**	**₱7,455,152,655**

**Excluding cash on hand amounting to ₱13.3 million.*
***Included as part of "Other noncurrent assets" account in the consolidated statements of financial position*

2019

	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Impaired	Total
Cash and cash equivalents*	₱3,522,420,729	₱–	₱–	₱–	₱–	₱–	₱3,522,420,729
Investment held for trading	140,456,581	–	–	–	–	–	140,456,581
Receivables	337,535,176	–	–	–	–	429,838,329	767,373,505
Notes receivable	3,705,925,000	–	–	–	–	–	3,705,925,000
Financial assets at FVOCI	334,516,031	–	–	–	–	–	334,516,031
Guaranteed deposits**	12,000,000	–	–	–	–	–	12,000,000
Refundable deposits**	35,424,154	–	–	–	–	–	35,424,154
	₱8,088,277,671	₱–	₱–	₱–	₱–	₱429,838,329	₱8,518,116,000

**Excluding cash on hand amounting to ₱14.7 million.*
***Included as part of "Other noncurrent assets" account in the consolidated statements of financial position*

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

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

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

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

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

	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 equivalents*	**₱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**
Advances to contractors**	**139,739,757**	**–**	**–**	**139,739,757**
Guaranteed deposits**	**14,500,000**	**–**	**–**	**14,500,000**
Refundable deposits**	**5,953,851**	**–**	**–**	**5,953,851**
Financial assets at FVTPL	**84,260,926**	**–**	**–**	**84,260,926**
Financial assets at FVOCI	**287,453,830**	**–**	**–**	**287,453,830**
Gross Carrying Amount	**₱6,911,636,713**	**₱–**	**₱543,515,942**	**₱7,455,152,655**

**Excluding cash on hand amounting to ₱13.3 million.*
***Included as part of "Other noncurrent assets" account in the consolidated statements of financial position*

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

**Excluding cash on hand amounting to ₱14.7 million.*
***Included as part of "Other noncurrent assets" account in the consolidated statements of financial position*

Liquidity Risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.

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

The Company maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends. Liquidity risk is minimal as at December 31, 2020 and 2019 as the total current assets can cover the total current liabilities as they fall due.

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

	2020				
	On Demand	**1 to 60 Days**	**Over 60 Days but less than 1 year**	**Over 1 year**	**Total**
Financial Assets					
Cash and cash equivalents	**₱2,218,311,525**	**₱–**	**₱–**	**₱–**	**₱2,218,311,525**
Investments held for trading	**84,260,926**	**–**	**–**	**–**	**84,260,926**
Receivables	**798,131,278**	**214,136,749**	**–**	**–**	**1,012,268,027**
Notes receivable	**3,705,925,000**	**–**	**–**	**–**	**3,705,925,000**
Financial assets at FVOCI	**–**	**–**	**–**	**287,453,830**	**287,453,830**
Advances to contractors	**–**	**–**	**–**	**139,739,757**	**139,739,757**
Refundable deposits[(a)]	**–**	**–**	**–**	**5,953,851**	**5,953,851**
Guaranteed deposits[(a)]	**–**	**–**	**–**	**14,500,000**	**14,500,000**
Contract Assets					
Contract asset[(b)]	**–**	**8,000,000**	**40,000,000**	**48,000,000**	**96,000,000**
	₱6,806,628,729	**₱222,136,749**	**₱40,000,000**	**₱495,647,438**	**₱7,564,412,916**

(a) Included as part of "Other noncurrent assets" account in the consolidated statements of financial position
(b) Based on undiscounted payments

	2020				
	On Demand	**1 to 60 Days**	**Over 60 Days but less than 1 year**	**Over 1 year**	**Total**
Financial Liabilities					
Trade payables and other current liabilities[(a)]	**₱12,106,426**	**₱113,832,958**	**₱112,196,669**	**₱–**	**₱238,136,053**
Lease liabilities[(b)]	**–**	**–**	**7,063,070**	**4,992,336**	**12,055,406**
	₱12,106,426	**₱113,832,958**	**₱119,259,739**	**₱4,992,336**	**₱250,191,459**

(a) Excluding statutory liabilities, provisions and unearned income
(b) Based on undiscounted payments

	2019				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
Financial Assets					
Cash and cash equivalents	₱3,537,075,479	₱–	₱–	₱–	₱3,537,075,479
Investments held for trading	140,456,581	–	–	–	140,456,581
Receivables	429,838,329	337,535,176	–	–	767,373,505
Notes receivable	3,705,925,000	–	–	–	3,705,925,000
Financial assets at FVOCI	–	–	–	334,516,031	334,516,031
Refundable deposits[(a)]	–	–	–	35,424,154	35,424,154
Guaranteed deposits[(a)]	–	–	–	12,000,000	12,000,000
Contract Assets					
Contract asset[(b)]	–	8,000,000	40,000,000	96,000,000	144,000,000
	₱7,813,295,389	₱345,535,176	₱40,000,000	₱477,940,185	₱8,676,770,750

(a) Included as part of "Other noncurrent assets" account in the consolidated statements of financial position
(b) Based on undiscounted payments

	2019				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
Financial Liabilities					
Trade payables and other current liabilities[(a)]	₱8,618,459	₱110,388,602	₱81,250,756	₱–	₱200,257,817
Loans payable	–	37,500,000	112,500,000	–	150,000,000
Lease liabilities[(b)]	–	–	76,353,121	16,748,884	93,102,005
	₱8,618,459	₱147,888,602	₱270,103,877	₱16,748,884	₱443,359,822

(a) Excluding statutory liabilities, provisions and unearned income
(b) Based on undiscounted payments

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

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

Financial assets at FVOCI

	2020		2019	
	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	**₱2,873,726**	**(₱2,873,726)**	₱3,344,349	(₱3,344,349)

Investments held for trading

	2020		2019	
	Increase in Equity Price	**Decrease in Equity Price**	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	**5%**	**(5%)**	5%	(5%)
Effect on profit or loss	**4,213,046**	**(4,213,046)**	₱7,022,829	(₱7,022,829)

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

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used was ₱48.00 and ₱50.64 to US$1, the Php to US$ exchange rates as at December 31, 2020 and 2019, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Php-US$ exchange rates, with all other variables held constant, of the Company's consolidated income before income tax in 2020. There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase (Decrease) in US$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity
2020	**5%**	**(₱3,033,372)**	**(₱2,123,361)**
	(5%)	**3,033,372**	**2,123,361**
2019	5%	(₱1,728,296)	(₱1,209,807)
	(5%)	1,728,296	1,209,807

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2020 and 2019.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱16,220.1 million and ₱17,478.8 million as at December 31, 2020 and 2019, respectively.

Fair Value of Financial Assets and Financial Liabilities

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

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

The fair values of investments held for trading and financial assets at FVOCI that are quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date.

The fair values of lease liabilities and advances to contractors in 2020 and 2019 were calculated using Bloomberg Valuation Service (PHP BVAL) rates plus 0.95% and 0.012% to 0.95% spread, respectively.

The carrying value of guaranteed deposits and refundable deposits approximates fair value as at December 31, 2020 and 2019 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's assets and liabilities, other than those with carrying amounts that are reasonable approximation of fair value, as at December 31, 2020 and 2019:

	2020				
	Date of Valuation	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets					
Assets measured at fair value:					
Investments held for trading	**December 31, 2020**	**₱84,260,926**	**₱–**	**₱–**	**₱84,260,926**
Financial assets at FVOCI	**December 31, 2020**	**284,972,730**	**2,400,000**	**81,100**	**287,453,830**
Asset for which fair value is disclosed -					
Advances to contractors	**December 31, 2020**	**–**	**–**	**134,587,697**	**134,587,697**
Liabilities					
Liabilities for which fair value is disclosed -					
Lease liabilities	**December 31, 2020**	**–**	**–**	**11,854,750**	**11,854,750**

	2019				
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets					
Assets measured at fair value:					
Investments held for trading	December 31, 2019	₱140,456,581	₱–	₱–	₱140,456,581
Financial assets at FVOCI	December 31, 2019	331,634,931	2,800,000	81,100	334,516,031
Liabilities					
Liabilities for which fair value is disclosed -					
Lease liabilities	December 31, 2019	–	–	90,557,014	90,557,014

There were no transfers between fair value measurements in 2020 and 2019.

31. **Segment Information**

The primary segment reporting format is presented based on business segments in which the Company's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

As at December 31, 2020 and 2019, the Company is organized into five business segments, namely: investment holding, real estate, public amusement recreation, gaming business and lottery equipment leasing, distribution and others.

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

	2020						
	Investment Holding	**Real Estate**	**Public Amusement and Recreation**	**Gaming Business**	**Lottery equipment leasing, distribution and others**	**Eliminations/ Adjustments**	**Consolidated**
Earnings Information							
Revenue:							
External	**₱–**	**₱–**	**₱–**	**₱635,217,388**	**₱328,438,121**	**₱–**	**₱963,655,509**
Internal	**2,938,947,664**					**(2,938,947,664)**	**–**
Cost and expenses, excluding impairment loss on goodwill, depreciation and amortization	**(1,157,078,323)**	**(20,601)**	**(20,667)**	**(114,473,282)**	**(729,765,305)**	**1,087,746,804**	**(913,611,374)**
Interest income	**179,744,580**	**1,309**	**–**	**31,934,377**	**6,283,526**	**–**	**217,963,792**
Finance charges	**(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	**1,509,820,073**	**(19,292)**	**(20,667)**	**1,308,791,031**	**(407,017,754)**	**(2,087,836,953)**	**323,716,438**
Other information							
Investments held for trading and Financial assets at FVOCI	**173,460,100**	**–**	**–**	**–**	**366,083,291**	**(167,828,635)**	**371,714,756**
Total assets	**18,747,446,772**	**761,922**	**29,679,524**	**2,246,079,454**	**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**

	2019						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
Earnings Information							
Revenue:							
External	₱–	₱–	₱–	₱2,976,366,472	₱989,865,396	₱–	₱3,966,231,868
Internal	1,468,947,664	–	–	–	–	(1,468,947,664)	–
Cost and expenses, excluding impairment loss on goodwill, depreciation and amortization	(145,053,371)	(16,997)	(14,243)	(52,902,194)	(1,150,738,180)	–	(1,348,724,985)
Interest income	225,696,122	1,551	–	44,009,957	10,149,516	–	279,857,146
Finance charges	(2,503,051)	–	–	–	(7,022,938)	–	(9,525,989)
Dividend income	11,998,526	–	–	–	12,709,560	–	24,708,086
Depreciation and amortization	(16,577,474)	–	–	(17,924)	(219,353,441)	(238,472,484)	(474,421,324)
Other income (loss)	–	–	–	10,000	(49,945,249)	17,046,266	(32,888,983)
Impairment loss on goodwill	(359,345,835)	–	–	–	(3,682,782)	–	(363,028,617)
Provision for income tax	(14,675,409)	–	–	–	74,415,297	(323,230)	59,416,658
Net income (loss) for the year	1,168,487,172	(15,445)	(14,243)	2,967,466,311	(343,602,821)	(1,690,697,113)	2,101,623,860
Other information							
Investments held for trading and Financial assets at FVOCI	201,856,661	–	–	–	488,087,461	(214,971,510)	474,972,612
Total assets	18,886,415,855	774,394	29,695,135	4,341,232,443	1,723,141,011	(5,050,336,483)	19,930,922,355
Total liabilities	2,063,838,988	260,405,318	5,000	1,420,393,246	409,721,657	(2,241,165,901)	1,913,198,308
Capital expenditure	–	–	–	–	29,546,701	–	29,546,701
Goodwill	–	–	–	–	1,358,298,121	–	1,358,298,121
Earnings before interest taxes, depreciation and amortization (EBITDA)	–	–	–	–	–	–	2,559,043,498

	2018						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
Earnings Information							
Revenue:							
External	₱–	₱–	₱–	₱3,211,856,964	₱1,935,943,995	₱–	₱5,147,800,959
Internal	1,634,568,242	–	–	–	16,128,450	(1,650,696,692)	–
Cost and expenses, excluding impairment loss on goodwill, depreciation and amortization	(106,463,099)	(11,808)	(10,141)	(998,341,000)	(1,391,288,110)	–	(2,496,114,158)
Interest income	115,028,840	1,577	–	28,391,280	14,031,614	–	157,453,311
Finance charges	–	–	–	–	(6,187,352)	–	(6,187,352)
Dividend income	11,998,526	–	–	–	12,953,995	–	24,952,521
Depreciation and amortization	(6,852)	–	–	(64,113)	(223,200,081)	(238,472,484)	(461,743,530)
Other income	–	–	–	–	235,430,085	–	235,430,085
Impairment loss on goodwill	–	–	–	–	(110,933,996)	–	(110,933,996)
Provision for income tax	(2,174,141)	–	–	–	(178,830,585)	–	(181,004,726)
Net income (loss) for the year	1,652,951,516	(10,231)	(10,141)	2,241,843,131	304,048,015	(1,889,169,176)	2,309,653,114
Other information							
Investments held for trading and Financial assets at FVOCI	233,752,731	–	–	–	611,410,822	(301,714,400)	543,449,153
Total assets	19,091,936,495	787,224	29,704,378	2,607,727,905	2,111,943,509	(4,652,310,423)	19,189,789,088
Total liabilities	2,158,818,606	260,402,703	–	1,204,355,019	351,323,731	(2,341,175,015)	1,633,725,044
Capital expenditure	–	–	–	–	45,682,606	–	45,682,606
Goodwill	–	–	–	–	1,721,326,738	–	1,721,326,738
Earnings before interest taxes, depreciation and amortization (EBITDA)	–	–	–	–	–	–	2,723,158,637

Disaggregated Revenue Information

Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended December 31, 2020 and 2019:

	2020		
Type of Service	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
Gaming revenue share – net	**₱635,217,388**	**₱–**	**₱635,217,388**
Commission and distribution income	**–**	**35,333,625**	**35,333,625**
Total revenue from contracts with customers	**₱635,217,388**	**₱35,333,625**	**₱670,551,013**

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

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

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

	2020		
Type of Service	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
External customer	**₱635,217,388**	**₱328,438,121**	**₱963,655,509**
Equipment rental (presented separately from revenues from contract with customers)	**–**	**(293,104,496)**	**(293,104,496)**
Total revenue from contracts with customers	**₱635,217,388**	**₱35,333,625**	**₱670,551,013**

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

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

Revenue from gaming business segment amounting to ₱635.2 million, ₱2,976.4 million and ₱3,211.9 million in 2020, 2019 and 2018, respectively, are solely collectible from Melco and revenue from lottery equipment leasing, distribution and others business segment amounting to ₱328.4 million, ₱989.9 million and ₱1,935.9 million in 2020, 2019 and 2018, respectively, are solely collectible from PCSO.

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

	2020	2019	2018
Net Profit for the Year			
Total profit for reportable segments	**₱2,411,553,391**	₱3,792,320,973	₱4,198,822,290
Elimination for intercompany profits	**(2,087,836,953)**	(1,690,697,113)	(1,889,169,176)
Consolidated net profit	**₱323,716,438**	₱2,101,623,860	₱2,309,653,114
Assets			
Total assets for reportable segments	**₱17,421,299,308**	₱19,455,949,743	₱18,646,339,935
Investments and advances	**371,714,756**	474,972,612	543,449,153
Consolidated assets	**₱17,793,014,064**	₱19,930,922,355	₱19,189,789,088

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

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

32. Significant Contracts and Commitments

Investment Commitment with PAGCOR

The Company and its casino operator is required to have an "Investment Commitment" based on PAGCOR guidelines of US$1.0 billion, of which US$650.0 million shall be invested upon the opening of the casino and the other US$350.0 million shall be invested within a period of three (3) years from the commencement of the casino operations. The Investment Commitment should comprise of the value of land used for the projects and the construction costs of various facilities and infrastructure within the site of the project. In 2015, the Company and its co-licensees have complied with the Investment Commitment and were granted with regular casino license.

The other salient provisions of the License are: (i) creation of an escrow account of at least US$100.0 million to be used exclusively for the project, with a maintaining balance of US$50.0 million; (ii) issuance of performance bond of US$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US$100.0 million to guarantee the payment to PAGCOR of all fees payable under the license granted. In May 2013, the Escrow was terminated as Melco deposited its own Escrow Fund to replace that of the Company.

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

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

Pursuant to this agreement, PLAI shares from the performance of the casino gaming operations. Gaming revenue share in 2020, 2019, and 2018 amounted to ₱635.2 million, ₱2,976.4 million and ₱3,211.9 million, respectively (see Notes 22 and 31).

Advisory Services by AB Leisure Global, Inc. (ABLGI) and Belle Grande
ABLGI agreed to act in an advisory capacity to Belle and PLAI subject to certain limitations for a consideration equivalent to a percentage of PLAI's income from gaming revenue share.

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

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

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 9). Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 PLC shares was filed with the SEC after obtaining stockholders' approval.

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation (see Note 21).

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling (see Note 33). The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA.

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

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

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

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

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2014. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively.

Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the said Shares (see Notes 9 and 21).

Equipment Lease Agreement (ELA) between POSC and PCSO

ELA. POSC has an ELA with PCSO for the lease of not less than 800 lotto terminals, which includes central computer, communications equipment and the right to use the application software and manuals for the central computer system and draw equipment of PCSO for its Visayas-Mindanao (VISMIN) operations for a period of eight years from April 1, 2005 to March 31, 2013.

2012 Amended ELA. On May 22, 2012, the ELA was amended to include the lease of lotto terminals in some of PCSO's lottery operations in Luzon which resulted in the reduction of fees. The amendment also includes supplying betting slips and ticket paper rolls to PCSO, incorporating maintenance and repair services as part of the fees, and giving PSCO an option to purchase the equipment related to its VISMIN operations at the end of the lease period for ₱15.0 million.

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

2015 Amended ELA. On July 15, 2015, the POSC and PCSO further amended some provisions of the ELA which extended it from August 1, 2015 to July 31, 2018. The amendment also required POSC to deposit an additional ₱5.0 million cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The additional cash bond is included under "Other noncurrent assets" in the consolidated statements of financial position.

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

2019 Amended ELA. On August 1, 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.

2020 Amended ELA. 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 (1) 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.

The PCSO announced that a bidding for its customized PCSO Lottery System, also known as the "2021 PLS Project", will be conducted during the early part of 2021. POSC has expressed its readiness to participate in the said bidding.

The rental fee, presented as "Equipment rental" in the consolidated statements of income, is based on a percentage of gross sales of lotto tickets from PCSO's VISMIN and Luzon operations or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. The number of installed lotto terminals totaled 3,370 and 3,785 as at December 31, 2020 and 2019, respectively. POSC's revenue from equipment rental amounted to ₱249.5 million, ₱427.9 million and ₱788.6 million in 2020, 2019 and 2018, respectively

Instant Scratch Tickets. On March 25, 2009, POSC entered into a non-exclusive MOA with PCSO for the printing, distribution and sale of scratch tickets effective December 1, 2009 until December 1, 2016. The share of PCSO is guaranteed for every 500 million tickets sold for a period of seven years from the date of the MOA's effectivity. The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. In 2018, POSC received a certification from PCSO for the release of the cash bond.

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

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

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

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

In 2018, POSC received a certification from the PCSO stating the fulfillment of POSC's obligation under the MOA and thereby clearing POSC of any accountability thereunder. PCSO certified that POSC is entitled to the release of the ₱10.0 million cash bond. In 2019, the ₱10.0 million cash bond was collected.

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. Thus, in 2018, POSC recognized revenue on the use of the brand and trademark amounting to ₱203.5 million (see Note 25). Interest income earned in 2020, 2019 and 2018 amounted to ₱5.6 million, ₱8.6 million and ₱12.5 million, respectively.

Contract asset was recognized for the earned consideration but not yet collected. The carrying value of contract assets are as follows:

	2020	2019
Contract asset	**₱112,205,643**	₱130,123,122
Less allowance for doubtful accounts	**26,000,000**	–
	86,205,643	130,123,122
Current portion	**39,903,188**	40,510,763
	₱46,302,455	₱89,612,359

Movement of allowance for doubtful accounts in 2020 is as follows:

	2020
Balance at beginning of year	₱–
Provision for impairment loss (see Note 24)	26,000,000
Balance at end of year	₱26,000,000

TGTI Equipment Rental
TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's "Online KENO" games. The lease is for a period of ten (10) years commencing on October 1, 2010, the date of actual operation of at least 150 "Online KENO" outlets to September 30, 2020. This covers PCSO's online KENO lottery operations. The lease includes online KENO equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of income, is based on a percentage of the gross sales of the "Online KENO" terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. The ELA may be extended and/or renewed upon the mutual consent of the parties. TGTI's revenue from equipment rental amounted to ₱47.2 million, ₱253.6 million and ₱659.7 million in 2020, 2019 and 2018, respectively.

On July 15, 2008, TGTI and PCSO agreed on some amendments to the ELA. Under the terms of the Amended ELA, TGTI shall provide the services of telecommunications integrator and procure paper supplies for the "Online KENO" operations of PCSO in Luzon and VISMIN areas. In consideration for such services, PCSO shall pay additional fee based on a certain percentage of the gross sales from all "Online KENO" terminals in operation in Luzon and VISMIN areas computed by PCSO and payable bi-weekly. As at December 31, 2020 and 2019, there are 1,180 and 1,833 "Online KENO" terminals in operation, respectively.

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

On December 11, 2020, the ELA was amended to extend the term for six (6) months, effective October 1, 2020 until March 31, 2021. The amendment also required TGTI to post a cash bond and performance security bond with aggregate amount of ₱2.5 million. The cash bond in included under "Other noncurrent assets" in the consolidated statements of financial position.

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

a. Consultancy Agreements

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

b. Scientific Games

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

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

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

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

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

c. Intralot

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

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

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

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

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

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

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

ii) TGTI has a contract with Intralot effective until September 30, 2020 for the supply of online lottery system (lottery equipment) accounted for as a finance lease. TGTI is being charged a certain percentage of equipment rental from the revenue from PCSO. On July 15, 2008, the Lease Contract between TGTI and Intralot was modified such that instead of receiving monthly remuneration calculated on a percentage basis of the gross receipts of TGTI from its ELA, Intralot now receive monthly remuneration calculated on a percentage basis of the gross receipts of PCSO from its "Online KENO" games. On March 22, 2011, the contract was further amended for Intralot to supply additional online keno terminals to TGTI and reduced the percentage charged by Intralot to TGTI or US$60.00 per terminal per month on an average basis, whichever is higher. TGTI also undertakes a letter of guarantee amounting to ₱20.0 million not later than March 28, 2011 in order for TGTI to secure the payment of Intralot's remuneration. The said guarantee deposit is recognized under "Other noncurrent assets" account in the consolidated statements of financial position.

d. Management Agreement

POSC and TGTI entered into a Management Agreement with AB Gaming and Leisure Exponent Specialist, Inc. for the latter to provide investment and management counsel and to act as manager and overseer of its operations. In consideration of the Manager's services, POSC shall pay a monthly fee of ₱0.1 million and an amount equivalent to ten percent (10%) of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA) while TGTI will pay a certain percentage of its EBITDA.

Software and license fee recognized as part of "Cost of services" arising from Scientific Games contract and Intralot contracts above amounted to ₱40.6 million, ₱136.3 million and ₱195.7 million in 2020, 2019 and 2018, respectively (see Note 23).

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

33. **Contingencies**

a) The Parent Company is a party to a civil case filed by Metroplex before the Court of Appeals (CA) to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Note 32). On July 17, 2013, CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the Supreme Court on September 4, 2014. As at April 14, 2021, the Supreme Court has yet to resolve this petition. However, as discussed in Note 32, the cancellation of the Swap Agreement was implemented following the Parent Company's filing with the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

b) The management is assessing the possible impact of the on-going litigation between Philippine Gaming Management Corporation (PGMC) and PCSO that, if resolved in favor of PGMC, would have the effect of cancelling the existing terminals currently operating in Luzon, as leased by POSC to PCSO. The main issue in the case before the RTC-Makati involves the claim by PGMC that the 2012 ELA conferred on it the exclusive right to install or operate equipment for online lottery operations in Luzon. On September 5, 2012, a Writ of Preliminary Injunction (Injunction) was issued by Branch 143 of the Regional Trial Court of Makati. The Injunction orders PCSO to refrain from: 1) implementing, enforcing or exercising any right arising from the 2012 ELA between the POSC and PCSO, 2) ordering PCSO to refrain from allowing POSC, or any third party, to install or operate any equipment, computer or terminal relating to online lottery operations in Luzon, and 3) committing any act that in any way violates or otherwise interferes with the ELA between PGMC and PCSO. POSC filed a case with the Supreme Court to nullify the Injunction. PCSO also filed a case with the Court of Appeals likewise questioning the Injunction. On July 17, 2013, the Supreme Court decided that the case brought by POSC be consolidated with the case between PGMC and PCSO in the Court of Appeals, thus making the POSC a party to the case before the Court of Appeals.

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

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

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

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

34. Events after the Reporting Period

On April 14, 2021, the Company's BOD approved the declaration of cash dividends of ₱0.04075 per share amounting to approximately ₱1,288.8 million to shareholders of record as at April 28, 2021. Payments will be made on May 12, 2021.

35. Supplemental Disclosure of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	January 1, 2020	**Additions (reversals)**	**Finance costs**	**Cash flows**	**December 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)**	**–**
Loans payables	**150,000,000**	**–**	**–**	**(150,000,000)**	**–**
Interest payable	**–**	**–**	**4,358,053**	**(4,358,053)**	**–**
Total liabilities from financing activities	**₱241,607,328**	**₱1,517,155,184**	**₱6,800,483**	**(₱1,753,957,628)**	**₱11,605,367**

	January 1, 2019	Additions	Finance costs	Cash flows	December 31, 2019
Lease liabilities	₱143,194,993	₱17,371,992	₱9,525,989	(₱78,485,646)	₱91,607,328
Dividends payables	–	1,568,582,629	–	(1,568,582,629)	–
Loans payables	–	–	–	150,000,000	150,000,000
Total liabilities from financing activities	₱143,194,993	₱1,585,954,621	₱9,525,989	(₱1,497,068,275)	₱241,607,328

Finance costs pertains to accretion of lease liabilities and obligations under finance lease in 2020 and 2019, respectively.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Premium Leisure Corp. and its subsidiaries (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated April 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0943-AR-3 (Group A),
March 14, 2019, valid until March 13, 2022
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-078-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534224, January 4, 2021, Makati City

April 14, 2021

SGV
Building a better
working world

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Premium Leisure Corp. and its subsidiaries (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
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April 14, 2021

PREMIUM LEISURE CORP. AND SUBSIDIARIES
Index to the Consolidated Financial Statements and
Supplementary Schedules
December 31, 2020

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

SCHEDULE I

PREMIUM LEISURE CORP.
Reconciliation of Retained Earnings
Available for Dividend Declaration
As at December 31, 2020

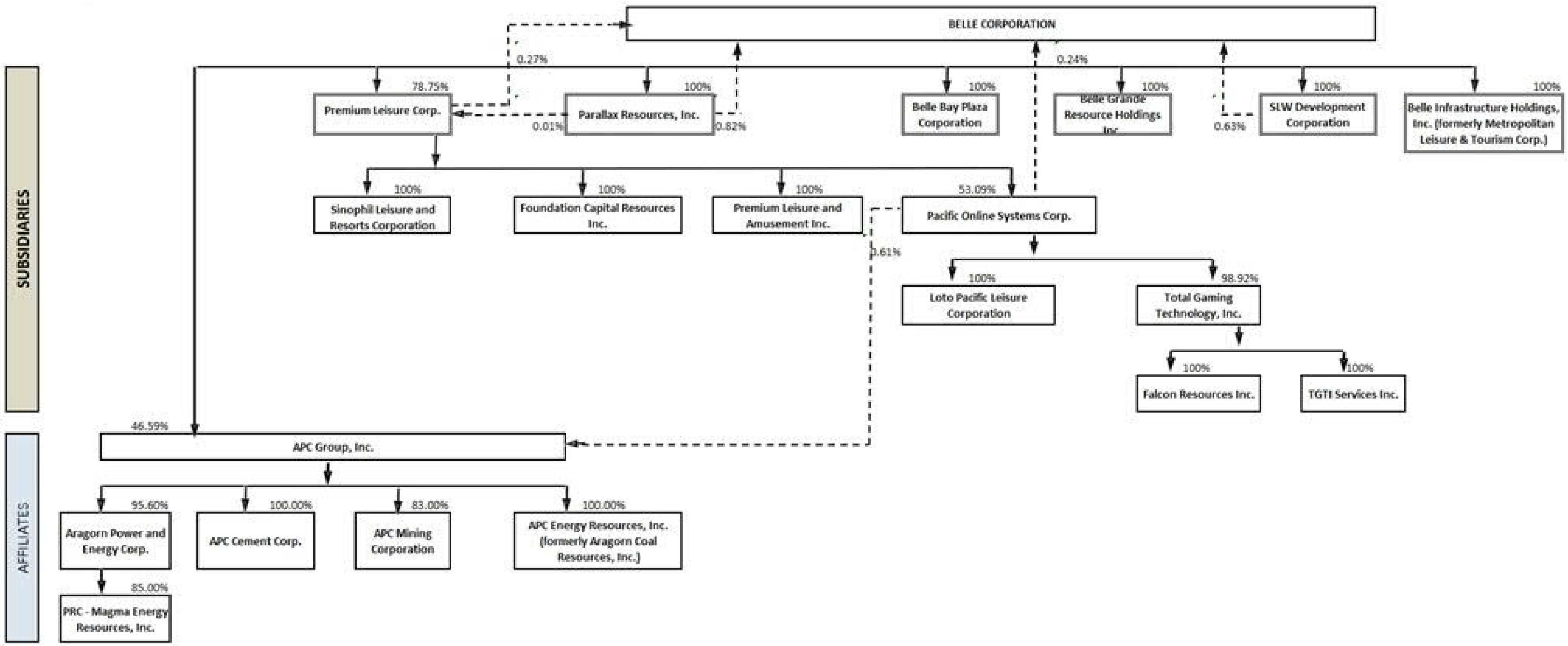
Unappropriated retained earnings available for dividend distribution, at December 31, 2019	₱2,470,553,310
Net income during the year closed to retained earnings	1,923,162,781
Less: Dividend declarations during the year	(1,568,338,613)
Treasury shares	(220,430,080)
Total retained earnings as at December 31, 2020 available for dividend declaration	₱2,604,947,398

SCHEDULE II

PREMIUM LEISURE CORP. AND SUBSIDIARIES

Map of the Relationship of the Companies within the Group

December 31, 2020



PREMIUM LEISURE CORP. AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 7D, Part II
Under Revised SRC Rule 68
December 31, 2020

Schedule A. Financial Assets

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Financial assets at amortized cost				
Cash and cash equivalents	₱2,218,311,525	₱2,218,311,525	N/A	₱46,029,153
Notes receivable	3,705,925,000	3,705,925,000	N/A	166,344,251
Receivables	468,752,085	468,752,085	N/A	–
Advances to contractors	139,739,757	139,739,757	N/A	–
Guaranteed deposits	14,500,000	14,500,000	N/A	–
Refundable deposits	5,953,851	5,953,851	N/A	–
	₱6,553,182,218	₱6,553,182,218		₱212,373,404
Financial assets at fair value through profit or loss				
APC Group, Inc.	45,821,000	₱18,557,505	₱18,557,505	–
Leisure & Resorts World Corp.	10,724,792	20,591,601	20,591,601	–
Vantage Equities, Inc.	43,376,750	45,111,820	45,111,820	–
		₱84,260,926		–
Financial assets at fair value through other comprehensive income				
Belle Corporation	166,650,719	₱284,972,730	₱284,972,730	–
Tagaytay Highlands International Golf Club	2	1,300,000	1,300,000	–
Tagaytay Midlands Golf Club	2	1,100,000	1,100,000	–
Asian Petroleum		11,100		–
PLDT		70,000		–
		₱287,453,830		–
		₱6,924,896,974		**₱212,373,404**

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
Advances to officers and employees	₱4,575,259	₱–	(₱3,284,146)	₱–	₱1,291,113	₱–	₱1,291,113

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Allowance for doubtful accounts	Current	Non Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	₱6,824,938	₱–	₱–	₱–	₱–	₱6,824,938	₱6,824,938
Pacific Online Systems Corporation (Subsidiary)	–	–	–	–	–	–	–
PremiumLeisure and Amusement, Inc. (Subsidiary)	–	–	–	–	–	–	–
Premium Leisure Corp. (Parent)	1,879,695,135	30,000,000	(280,015,611)	–	–	1,629,679,524	1,629,679,524

Schedule D. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet"
Obligations under finance lease	₱–	₱–	₱–

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

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

Schedule F. Guarantees of Securities of Other Issuers

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

Schedule G. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,216,931,000	–	24,904,904,324	41,409,007	6,270,617,669
Preferred stock	6,000,000,000	–	–	–	–	–

PREMIUM LEISURE CORP. AND SUBSIDIARIES
Components of Financial Soundness Indicators
December 31, 2020

Ratio	Formula		2020	2019
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		**5.75**	4.35
	Total Current Assets	₱6,735,160,173		
	Divide by: Total Current Liabilities	1,172,207,600		
	Current Ratio	5.75		
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		**5.56**	4.20
	Quick Assets	₱6,517,152,724		
	Divided by: Total Current Liabilities	1,172,207,600		
	Current Ratio	5.56		
Solvency Ratio	**Net Income add Non-cash Expenses divide by Total Liabilities**		**0.95**	1.54
	Net Income	₱323,716,438		
	Add: Non-cash expenses	844,004,247		
		1,167,720,685		
	Divided by: Total Liabilities	1,235,426,915		
		0.95		
Debt-to-Equity Ratio	**Total Interest-Bearing Debt divided by Total Stockholder's Equity**		–	0.008
	Total interest-bearing debt	₱–		
	Divided by: Total stockholder's equity	16,557,587,149		
	Debt-to-Equity Ratio	–		
Asset-to-Equity Ratio	**Total Assets divided by Total Stockholder's Equity**		**1.07**	1.11
	Total Assets	₱17,793,014,064		
	Divided by: Total Stockholder's Equity	16,557,587,149		
	Asset-to-Equity Ratio	**1.07**		
Interest Rate Coverage Ratio	**Earnings Before Interest and Taxes divided by Total Interest Expense**		**48.15**	215.38
	Earnings Before Interest and Taxes	₱327,460,237		
	Divided by: Interest Expense	6,800,483		
		48.15		

Return on Equity	**Net Income divided by Average Total Stockholder's Equity**	**1.87%**	11.82%
	Net Income ₱323,716,438		
	Divided by: Average Total Stockholders 17,287,655,598		
	Return on Equity 1.87%		
Return on Assets	**Net Income divided by Average Total Assets**	**1.72%**	10.74%
	Net Income ₱323,716,438		
	Divided by: Average Total Assets 18,861,968,210		
	Return on Assets 1.72%		
Net Profit Margin	**Net Income divided by Total Revenue**	**33.59%**	52.99%
	Net Income ₱323,716,438		
	Divided by: Total Revenue 963,655,509		
	33.59%		