

From: [Philippine Stock Exchange](#)
To:
Subject: Annual Report
Date: Monday, April 15, 2024 7:36:46 AM

Dear Sir/Madam:

Your disclosure was approved as Company Report. Details are as follows:

Company Name: Premium Leisure Corp.
Reference Number: 0012028-2024
Date and Time: Monday, April 15, 2024 07:36 AM
Template Name: Annual Report
Report Number: CR02204-2024

Best Regards,
PSE EDGE

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The Philippine Stock Exchange, Inc., 6th to 10th Floors, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, Philippines 1634

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
Dec 31, 2023
2. SEC Identification Number
AS093-009289
3. BIR Tax Identification No.
003-457-827
4. Exact name of issuer as specified in its charter
Premium Leisure Corp.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
5th Floor, Tower A, Two E-com Center, Palm Coast Avenue, Mall of Asia Complex,
Pasay City
Postal Code
1300
8. Issuer's telephone number, including area code
02-86628888
9. Former name or former address, and former fiscal year, if changed since last report
N.A.
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

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

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

Yes No

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

Yes No

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

Php 3.95 Billion

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

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

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

n/a

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

n/a

(c) Any prospectus filed pursuant to SRC Rule 8.1

n/a

and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



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

**Premium Leisure Corp.
PLC**

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

For the fiscal year ended	Dec 31, 2023
Currency	PHP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2023	Dec 31, 2022
Current Assets	4,993,163,137	5,987,327,952
Total Assets	18,320,750,293	16,985,905,538
Current Liabilities	844,510,462	730,587,574
Total Liabilities	1,272,497,962	816,521,728
Retained Earnings/(Deficit)	2,957,045,719	2,094,797,559
Stockholders' Equity	17,048,252,331	16,169,383,810
Stockholders' Equity - Parent	16,587,481,660	15,803,011,997
Book Value Per Share	0.54	0.51

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2023	Dec 31, 2022
Gross Revenue	2,940,888,530	2,079,896,638
Gross Expense	978,839,957	942,608,625
Non-Operating Income	513,572,995	153,964,366
Non-Operating Expense	17,903,206	220,505
Income/(Loss) Before Tax	2,457,718,362	1,291,031,874
Income Tax Expense	133,799,458	35,084,426

Net Income/(Loss) After Tax	2,323,918,904	1,255,947,448
Net Income/(Loss) Attributable to Parent Equity Holder	2,185,274,122	1,159,554,790
Earnings/(Loss) Per Share (Basic)	0.07	0.03
Earnings/(Loss) Per Share (Diluted)	0.07	0.03

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2023	Dec 31, 2022
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	5.91	8.2
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	5.55	7.9
; ; Solvency Ratio	Total Assets / Total Liabilities	14.4	20.8
Financial Leverage Ratios			
; ; Debt Ratio	Total Debt/Total Assets	0.02	0
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.02	0
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	124	5,187.2
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.07	1.05
Profitability Ratios			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.82	0.76
; ; Net Profit Margin	Net Profit / Sales	0.79	0.6
; ; Return on Assets	Net Income / Total Assets	0.13	0.07
; ; Return on Equity	Net Income / Total Stockholders' Equity	0.14	0.08
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	8.88	12.63

Other Relevant Information

n/a

Filed on behalf by:

Name	Esperanza Bagsit
Designation	Senior Manager

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the year ended: **December 31, 2023**
2. SEC Identification Number: **AS93-009289**
3. BIR Tax Identification No.: **003-457-827**
4. Exact name of registrant as specified in its charter: **PREMIUM LEISURE CORP.**
5. Province, Country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines
6. (SEC Use Only)
Industry Classification Code
7. Address of Principal Office:
5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila

Postal Code: 1300
8. Issuer's telephone number, including area code: **(632) 8662-8888**
9. Former name, former address, and former fiscal year, if changed since last report
Former name: **N/A**
10. Securities registered pursuant to Sections 4 and 8 of the SRC

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

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

Yes No
13. Aggregate market value of the voting stock held by non-affiliates: **₱3,948,573,933.99 as of December 31, 2023**. Aggregate market value was computed by multiplying voting stock held by non-affiliates (6,267,577,673 shares) with the stock's closing price of **₱0.63** per share on December 29, 2023 (last trading date prior to December 31, 2023).

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Corporate Information

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

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.78% (direct and indirect) owned by Belle Corporation (“Belle” or “Ultimate Parent Company”) and the rest by the public as at December 31, 2023 and 2022.

PLC and its subsidiaries (collectively referred to as “the Company”) have investment portfolio consisting of investment holding, gaming business, lottery equipment leasing 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			
	2023		2022	
	Direct	Indirect	Direct	Indirect
Gaming Business				
PremiumLeisure and Amusement, Inc. (PLAI)	100.00	–	100.00	–
Real Estate				
Foundation Capital Resources, Inc. (FCRI) ^(a)	100.00	–	100.00	–
Public Amusement and Recreation				
Sinophil Leisure and Resorts Corporation (SLRC) ^(a)	100.00	–	100.00	–
Lottery Equipment Leasing, Distribution and Others				
Pacific Online Systems Corporation (POSC)	50.10	–	50.10	–
Loto Pacific Leisure Corporation (LotoPac)	–	100.00	–	100.00
Total Gaming Technologies, Inc. (TGTI)	–	98.92	–	98.92
Falcon Resources, Inc. (FRI)	–	100.00	–	100.00
Futurelab Interactive Corp.	50.00	50.00	50.00	50.00
PinoyLotto Technologies Corp. (PinoyLotto)	–	50.00	–	–

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

^(a) Non-operating

Material acquisitions of investments

The Company has invested in various companies as follows:

1. 100% Equity Investment in PLAI

PLAI is a co-grantee, together with Belle and other SM consortium members (under CA/License Reg. No. 08-003), by the Philippine Amusement and Gaming Corporation (“PAGCOR”) of a Certificate of Affiliation and Provisional License (the “Provisional License”) to operate an integrated casino resort complex in the approved site located in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City (“PAGCOR Entertainment City”), which site was originally referred to as “Belle Grande”. On April 29, 2015, PAGCOR granted the Regular Gaming License (“License”) to the consortium. his regular

casino license has the same terms and conditions as the Provisional License, as applicable, and runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, and renewable for another 25 years, by the Philippine Congress. PLAI was the special purpose entity authorized by PAGCOR to perform the casino operations for the consortium.

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

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

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

Fees payable to PLAI

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

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

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

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

City of Dreams Manila integrated resort opened to the public in December 2014, and had its grand opening on February 2015. The resort complex is located on a land area of around 6.2 hectares in the gateway of the Entertainment City. It is composed of hotel, retail and dining areas with an allotment of around 380 mass and VIP gaming tables, 2,260 slot machines and 1,130 electronic gaming tables. As of January 31, 2023, City of Dreams Manila boasts of 241 gaming tables, 1,951 slot machines and 346 electronic gaming tables in operation. With approximately 22,507 square meters of gaming gross floor area and around 20,000 square meters of retail and restaurant facilities and various entertainment options, City of Dreams Manila is one of the main players in the Philippine gaming industry. Total gross floor area of the entire complex is at 310,565 square meters.

The City of Dreams Manila features top hotel brands with approximately 940 hotel rooms. Nuwa has 254 luxurious rooms, while Hyatt, managed by Hyatt International Corporation, holds 365 rooms. Asia's first Nobu Hotel, meanwhile, owns 321 rooms.

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

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

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

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

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

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

As of December 31, 2023, PLC has 50.1% ownership in POSC issued shares, with a total of 448,560,806 shares.

3. Acquisition of Falcon Resources, Inc.

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

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

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

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

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

5. Acquisition of Futurelab Interactive Corp. (FIC)

FIC was incorporated on April 4, 2016 primarily to acquire, establish, own, hold, lease, except financial leasing, sell, conduct, operate and manage amusement, recreational, and gaming equipment facilities, and enterprises of any kind and nature, as well as places for exhibitions, recreation, gaming, amusement and leisure for the general public, and to acquire, hold and operate any and all privileges, rights, franchises and concessions.

6. PinoyLotto Technologies Corp. (PinoyLotto) Joint Operation

On September 7, 2021, PinoyLotto, a jointly-controlled entity owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated with the SEC. PinoyLotto was awarded the five years lease of the customized PCSO Lottery System, also known as '2021 PLS Project'. Pinoylotto successfully launched the PLS on October 1, 2023.

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

Bankruptcy, Receivership or Similar Proceedings

None for any of the companies above.

Revenues

The following are the major revenue and income items in 2023 and 2022:

Year ended December 31 (Php)	2023		2022	
	Amount	% to total	Amount	% to total
Gaming revenue share	2,339,334,874	80%	1,560,845,412	75%
Equipment rental	599,221,040	20%	519,051,226	25%
Commission income	2,332,616	0%	-	0%
Total	2,940,888,530	100%	2,079,896,638	100%

There were no revenues contributed by foreign sales in the last three years.

Products

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

1. PLAI is a grantee by PAGCOR of Certificate of Affiliations and Provisional License to operate integrated resorts, including casinos, in the vicinity of PAGCOR Entertainment City. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, renewable for another 25 years, by the Philippine Congress.
2. POSC has an Equipment Lease Agreements (ELA) with the Philippine Charity Sweepstakes Office (PCSO) for the lease of lotto terminals. Since July 31, 2019, this ELA has been extended 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. In 2023, the ELA was extended until September 30, 2023 and was no longer renewed.

POSC had over 3,700 lottery terminals installed nationwide. All online lottery terminals located in PCSO authorized retail outlets are continuously connected to the PCSO's central computer system that enables real time recording and monitoring of lottery sales and validation of winning tickets.

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

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

3. On September 2, 2021, PCSO awarded the Pinoylotto Technologies Corp. the 2021 PLS Project, with a total contract price of P5.80 billion. This project involves a five-year fixed lease for a customized lottery system designed to operate nationwide. PinoyLotto initiated its commercial operations on October 1, 2023, and installed 6,500 terminals across the country.

Distribution Methods of the Products or Services

As PLC's gaming business is conducted through its subsidiary, the holding company oversees the distribution methods as outlined below:

1. PLAI is a co-licensee in City of Dreams Manila, the integrated resort and casino project within the PAGCOR Entertainment City, and has a share in the revenues of this project. City of Dreams Manila is built in partnership with MCE Leisure, a wholly owned indirect subsidiary of Melco Resorts and Entertainment (Philippines) Corporation.
2. POSC leases lottery equipment to PCSO and ensures the installation of terminals in PCSO authorized retail outlets nationwide. The company maintains continuous connection to PCSO's central computer system for real-time recording and monitoring of lottery sales.
3. Pinoylotto provides lottery terminals across the country as part of the customized lottery system. The company also supports the maintenance of hardware and software to avoid any interruptions in lottery operations.

Status of Publicly-Announced New Product or Service

After the 14-month period specified in the terms of reference, Pinoylotto Technologies Corp. successfully initiated its commercial operations on October 1, 2023, following the award of the 2021 PLS Project by the PCSO valued at P5.80 billion. This project entails a five-year fixed lease for a tailor-made lottery system designed to operate nationwide. PinoyLotto installed 6,500 terminals across the country to kickstart its operations.

Customers and Market Profile

POSC, a subsidiary in which PLC holds a 50.10% stake based on issued shares, serves PCSO as its primary customer. It maintains an ELA with PCSO, effective until September 30, 2023. POSC sources technology from leading global suppliers of integrated gaming systems and leases the necessary equipment to PCSO for online lottery operations in the Visayas-Mindanao (VisMin) regions.

Starting October 1, 2023, Pinoylotto, a joint operation in which POSC holds a 50% ownership, began its five-year fixed lease operation with PCSO, providing software support and online lottery equipment service. With 6,500 terminals now operational nationwide, Pinoylotto has achieved an average monthly net sales figure of P3.6 billion.

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

Sources and Availability of Raw Materials and Names of Principal Supplier

Not Applicable.

Competition

Gaming business: City of Dreams Manila is competing against casinos operated by PAGCOR and the other licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. (“Travelers”), Solaire Resort and Casino of Bloomberry Resorts Corporation, and Okada Manila. Bloomberry’s casino project, Solaire North, in Quezon City is also set to open late in May of this year. Moreover, Travelers has broken ground on its planned Resorts World Westside project in PAGCOR City, which is expected to open in first quarter of 2025.

Lottery equipment leasing, distribution and retail business: POSC expects the aggressive push for Small Town Lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas to continue to provide competition to its online lotto revenues. This mostly affects the VisMin region due to the popularity of the digit games, which are very similar to STL games. With the removal of the legal impediment for the Company to provide lotto equipment in Luzon, the Company was able to expand its operations in Luzon, where the additional revenues offset the lost sales in VisMin due to STL.

Employees

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

Risks

Economic and Political Conditions

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

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

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

Changes to the Philippine Laws and Regulations

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

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

Competition Risk

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

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

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

Risk relating to the Corporation and its subsidiaries

a. Dependence on Suppliers

POSC's lottery operations is anchored on a two-system network. The Corporation has existing contracts, each distinct and entered into separately, with two global leaders in the lottery industry, namely Scientific Games Corporation and Intralot, for the supply of computer supported lottery

gaming systems. In the event that the contracts, whether collectively or individually, are terminated or suspended, operations and business of the Corporation may be impaired.

b. Business Interruption Risk

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

Data Privacy

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

Information Technology

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

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

COVID-19

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

In 2020, with Metro Manila placed on community quarantine and the rising number of cases in the country, the Company has experienced a slowdown in gaming revenues as the Philippine Amusement and Gaming Company suspended all casino operations on March 16, 2020. The casinos have since then been allowed to operate and resume operations. Health and social distancing protocols were also required to be implemented.

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

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

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

The Company has an Enterprise Risk Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Company. The ERMC has the

responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the Risk Oversight Committee on any risk concerns.

Transactions with and/or Dependence on Related Parties

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

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

PAGCOR license

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

Agreements with PCSO

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

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

Pursuant to the amended ELA, POSC was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2023 and 2022, the total cash bond, included under "Other current assets" in the consolidated statements of financial position, amounted to P91.0 million and P14.5 million, respectively.

Since July 31, 2019, the ELA has been extended 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 until September 30, 2023 when the ELA was terminated.

The rental fee, presented as "Equipment rental" in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO's Luzon and VisMin operations. The number of installed lotto terminals totaled 3,716 as at September 30, 2023 and 3,605 as at December 31, 2022, respectively. POSC's rental income amounted to P469.8 million, P512.7 million and P390.8 million in 2023, 2022 and 2021, respectively. The rental fee also includes Pinoylotto's revenue from equipment rental amounting to P129.5 million in 2023.

On August 30, 2023, POSC was granted a one-year trial period subject to renewal to provide a web-based betting platform for PCSO. Under the arrangement, POSC will be acting as PCSO's exclusive agent and generates commissions based on a certain percentage of revenues. This was launched in December 15, 2023. The related commission income amounted to P2.3 million in 2023.

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's Online KENO games. This covers PCSO's online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the "Online KENO" terminals. The minimum price per keno bet was reduced from P12 to P10, inclusive of documentary stamp tax.

The ELA required TGTI to post a cash bond and performance security bond with an aggregate amount of P2.5 million as at December 31, 2022. The cash bond is included under "Other current assets" in the consolidated statements of financial position.

The ELA concluded and was not renewed in April 2022.

The number of installed online KENO terminals totaled 57 and 569 as at December 31, 2022 and 2021, respectively. TGTI's revenue from equipment rental nil, P6.3 million and P35.6 million in 2023, 2022 and 2021, respectively.

Brand and Trademark Agreement with Powerball Gaming and Entertainment Corporation (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 P4.0 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 was no other performance obligation to be provided to PMLC.

Due to the suspension of PCSO games on July 27, 2019 for two months and on March 17, 2020 for four and a half months, the PMLC was not able to supply and distribute the instant scratch tickets to its customers.

POSC has entered a new contract with Diamond Powerwinners for Trademark Assignment with a total fee of P30.0 million (inclusive of VAT). The contract terms are for 10 months starting November 2023 to August 2024.

Accreted interest income amounted to P3.7 million and P6.1 million in 2022 and 2021, respectively. Accrued license fee income amounted to P4.0 million and P70.3 million as at December 31, 2022 and 2021, respectively.

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

a. Scientific Games

As at December 31, 2022 and 2021, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect. The contract has been extended until September 30, 2023 and was no longer renewed.

b. Intralot

As at December 31, 2022 and 2021, POSC and TGTI have contracts with Intralot Inc., a company domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The Contract shall continue as long as POSC's and TGTI's ELA with PCSO are in effect. The contract has been extended, with POSC extending until September 30, 2023 and TGTI extending until March 31, 2022. These contracts were no longer extended, thereafter.

c. Management Agreement

POSC and TGTI entered into Management Agreements with AB Gaming and Leisure Exponent Specialist, Inc. ("Manager") for the latter to provide investment and management counsel and to act as manager and overseer of its operations. In consideration of the Manager's services, POSC shall pay a monthly fee and an amount equivalent to a certain percentage of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA). The agreements were terminated in 2021.

Government Approvals/Regulations

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

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

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

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

Effect of existing or probable governmental regulations on the business.

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

Amount Spent on Research and Development Activities and Compliance with Environmental Laws

None.

Costs and Effects of Compliance w/ Environmental Laws

None.

Item 2. Properties

The real estate property of the company is booked as noncurrent asset investment properties. This pertains to an undeveloped land in the City of Tanauan, Province of Batangas, amounting to Php285.5 million. There is no lease income from these properties, and they are not subject to mortgage, lien and encumbrances.

The Company has real estate property recorded Right-of-use (ROU) assets. In November 2023, Sinophil Leisure and Resorts Corporation, PLC's subsidiary entered into a sublease agreement with Global Gateway Development Corporation for the lease of land. The lease term is 62 years. Rent was paid upon execution of the sublease agreement amounting to P2.7 billion.

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

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

POSC's leased properties for business offices, data center and logistics facilities, were reduced to 1,622 sqm for the year ended December 31, 2022 from the previous 2,588 sqm by year end 2021. About 20% of these properties are located in Luzon, and 80% in Visayas and Mindanao. Majority of the properties in Luzon are found in Metro Manila while those in Visayas and Mindanao are in Cebu based on area of coverage. The logistics centers' areas are about 772 sqm in total, with 586 sqm in Cebu and 186 sqm in various hubs in Visayas and Mindanao areas. Lease terms for most office and warehouse spaces range from month-to-month basis up to one (1) year. All lease agreements have provisions for renewal subject to terms and conditions mutually agreed upon by all parties concerned. The lease agreements provide for minimum rental commitment with annual rental escalation rates at around 5%. One (1) warehouse unit located in Metro Manila was terminated in 2021. Total lease payments for 2022 amounted to P12.6 million.

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

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

Pinoylotto has acquired assets for data centers and terminals, as well as network components. Additionally, the company has leased warehouse properties in Luzon, Visayas, and Mindanao. These include a command center and call center with physical security and monitoring systems. These properties are not mortgaged nor are there any liens and encumbrances that limit ownership or usage of the same.

Moreover, based on the current operations, PLC has no plans to acquire any property in the next twelve (12) months.

Item 3. Legal Proceedings

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

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

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

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

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Stock Prices

2023	High	Low
First Quarter	0.590	0.465
Second Quarter	0.570	0.460
Third Quarter	0.660	0.520
Fourth Quarter	0.630	0.560
2022	High	Low
First Quarter	0.465	0.420
Second Quarter	0.485	0.395
Third Quarter	0.460	0.395
Fourth Quarter	0.475	0.425

As of **December 31, 2023**, Premium Leisure Corp. market capitalization on **31,216,931,000** outstanding shares in the PSE amounted to **₱19,666,666,530.00** based on the closing price as of December 29, 2023 (last trading date prior to December 31, 2023) at **₱0.63** per share.

Security Holders

The number of shareholders of record as of **December 31, 2023** was **362**. Common shares outstanding as of **December 31, 2023** are **31,216,931,000**.

Top 20 shareholders as of December 31, 2023:

	STOCKHOLDER'S NAME	TOTAL	NATIONALITY	PERCENTAGE
1	BELLE CORPORATION	24,904,904,324	FILIPINO	78.745
2	PCD NOMINEE CORP. (FILIPINO)	5,826,537,461	FILIPINO	18.422
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	228,038,273	OTHERS	0.721
4	SMART CORPORATION	156,310,000	FILIPINO	0.494
5	F.YAP SECURITIES, INC.	110,000,000	FILIPINO	0.348
6	SYNTRIX HOLDINGS, INC.	103,040,000	FILIPINO	0.326
7	HARLEY T. SY	61,000,000	FILIPINO	0.193
8	F.YAP SECURITIES, INC.	57,000,000	FILIPINO	0.180
9	SM INVESTMENTS CORPORATION	26,161,000	FILIPINO	0.083
10	WILLY NG OCIER AND/OR GERALDINE ESCOLAR YU	22,000,000	FILIPINO	0.070
11	WILLY NG OCIER	17,888,000	FILIPINO	0.057
12	PARKORAM DEVELOPMENT LIMITED	14,264,119	OTHERS	0.045
13	MARTIN HARLEY PE SY	12,000,000	FILIPINO	0.038
14	MATTHEW HARLEY PE SY	12,000,000	FILIPINO	0.038
15	SAMANTHA MORI PE SY	12,000,000	FILIPINO	0.038
16	OSCAR S. CU ITF ANTHONY CU	10,430,000	FILIPINO	0.033
17	OSCAR S. CU	9,070,000	FILIPINO	0.029
18	REGINA CAPITAL DEVELOPMENT CORP.	7,900,000	FILIPINO	0.025
19	PARALLAX RESOURCES, INC.	4,570,300	FILIPINO	0.014
20	WILLIAM T. GABALDON	2,000,000	FILIPINO	0.006

Dividend Policy

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

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

Dividend Payments

In accordance with the policy on Dividends, the Company pays dividends to shareholders within thirty (30) days from date of declaration. Below table shows dividends declared and paid since year 2016:

YEAR	2023	2022	2021	2020	2019	2018	2017	2016
Declaration Date	02/28/2023	04/28/2022	04/14/2021	02/21/2020	02/22/2019	02/23/2018	02/23/2017	02/23/2016
Amount per share	₱0.05024	₱0.05024	₱0.04075	₱0.05024	₱0.05024	₱0.04391	₱0.0281	₱0.0215
Total Dividends	₱1,588.8 M	₱1,588.8 M	₱1,272.1 M	₱1,588.8 M	₱1,588.8 M	₱1,388.8 M	₱888.0 M	₱680.0 M
Record Date	03/15/2023	05/16/2022	04/28/2021	03/06/2020	03/08/2019	03/09/2018	03/10/2017	03/10/2016
Payment Date by	03/28/2023	05/26/2022	05/12/2021	03/20/2020	03/22/2019	03/23/2018	03/23/2017	03/23/2016

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

Recent Sales of Unregistered Securities

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

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

Analysis of Results of Operations and Financial Condition – 2023 compared to 2022

Consolidated Income Statement

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2023	2022	Increase (Decrease) Amount	%	2023 %	2022 %
REVENUE						
Gaming revenue share	2,339,334,874	1,560,845,412	778,489,462	50%	80%	75%
Equipment rental	599,221,040	519,051,226	80,169,814	15%	20%	25%
Commission and distribution income	2,332,616	-	2,332,616	100%	0%	0%
	2,940,888,530	2,079,896,638	860,991,892	41%	100%	100%
COST AND EXPENSES						
Cost of services	528,440,721	503,646,918	24,793,803	5%	18%	24%
General and administrative expenses	450,399,236	438,961,707	11,437,529	3%	15%	21%
	978,839,957	942,608,625	36,231,332	4%	33%	45%
OTHER INCOME (EXPENSES)						
Interest income	254,011,944	147,434,493	106,577,451	72%	9%	7%
Finance cost	(17,903,207)	(220,505)	(17,682,702)	8019%	-1%	0%
Dividend income	5,999,263	-	5,999,263	100%	0%	0%
Others - net	253,561,788	6,529,873	247,031,915	3783%	9%	0%
	495,669,789	153,743,861	341,925,927	222%	17%	7%
INCOME BEFORE INCOME TAX	2,457,718,362	1,291,031,874	1,166,686,487	90%	84%	62%
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	133,538,442	14,627,225	118,911,217	813%	5%	1%
Deferred	261,016	20,457,201	(20,196,185)	-99%	0%	1%
	133,799,458	35,084,426	98,715,032	281%	5%	2%
NET INCOME	2,323,918,904	1,255,947,448	1,067,971,455	85%	79%	60%
Net Income Attributable to:						
Equity holders of the parent	2,185,274,122	1,159,554,790	1,025,719,332	88%	74%	56%
Non-controlling interests	138,644,782	96,392,658	42,252,124	44%	5%	5%
	2,323,918,904	1,255,947,448	1,067,971,456	85%	79%	60%

PLC recognized Php2,940.9 million consolidated revenues for the year 2023, up by Php861.0 million or 41% from the same period last year.

The improvement in Premium Leisure Corp.’s revenues is mainly brought about by the more robust economic activities in 2023 due to the improvement in the COVID-19 situation in the country. Because of this, PLAI gaming revenue share has increased from Php1,560.8 million to Php2,339.3 million (50%), and Pacific Online Systems Corporation’s (POSC) equipment lease rental income increased from Php519.1 million to Php599.2 million (15%) versus the revenues reported in 2022.

Costs and expenses increased by Php36.2 million or 4% for the period from Php942.7 million to Php978.8 million driven by the increased in revenues.

Other income increased from Php153.7 million to Php495.7 million (222%) due to higher interest rates charged to its Notes receivable and gain on the disposal of its investment in BSAQ shares and warrants.

The combination of better revenues to and a tighter control over costs resulted in PLC recognizing Php2,324.0 million net income for 2023, increasing by 85% from its net income of Php1,256.0 million in 2022.

Operating EBITDA (proxy for cash flow) for the year is at Php2,248.7 million increased by Php839.2 million (60%) from Php1,409.5 million in 2022.

Consolidated Income Statement

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2023	2022	Increase (Decrease)		2023	2022
			Amount	%	%	%
NET INCOME	2,323,918,904	1,255,947,448	1,067,971,456	85%	79%	60%
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Items that will not be reclassified to profit or loss:</i>						
Unrealized valuation gain (loss) on financial assets at FVOCI	153,203,945	54,225,946	98,977,999	183%	5%	3%
Remeasurement gain (loss) on net retirement benefits - net of tax	(9,233,066)	8,655,955	(17,889,021)	-207%	0%	0%
	143,970,879	62,881,901	81,088,978	129%	5%	3%
TOTAL COMPREHENSIVE INCOME (LOSS)	2,467,889,783	1,318,829,349	1,149,060,434	87%	84%	63%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the parent	2,333,860,610	1,220,228,226	1,113,632,384	91%	79%	59%
Non-controlling interests	134,029,173	98,601,123	35,428,050	36%	5%	5%
	2,467,889,783	1,318,829,349	1,149,060,434	87%	84%	63%

PLC's other comprehensive income (loss) pertains to the unrealized gains (losses) arising from changes in market value of its financial assets at FVOCI and remeasurement of retirement benefits. PLC recognized net other comprehensive income amounting to Php144.0 million for 2023 as a result of higher share prices of its financial asset investments. As such, PLC recognized total comprehensive income amounting to Php2,467.9 million (of which, Php2,333.9 million is attributable to parent shareholders) in 2023.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2023.

Consolidated Statements of Financial Position

(Amounts in Peso except percentages)	December 31		Horizontal Analysis		Vertical Analysis	
	2023	2022	Increase (Decrease) Amount	%	2023 %	2022 %
ASSETS						
Current Assets						
Cash and cash equivalents	2,000,178,939	1,778,570,078	221,608,861	12%	11%	10%
Investments held for trading	100,012,769	72,682,452	27,330,317	38%	1%	0%
Notes receivable	2,100,000,000	3,705,925,000	(1,605,925,000)	-43%	11%	22%
Receivables	486,283,555	212,568,231	273,715,324	129%	3%	1%
Other current assets	306,687,874	217,582,191	89,105,683	41%	2%	1%
Total Current Assets	4,993,163,137	5,987,327,952	(994,164,815)	-17%	27%	35%
Noncurrent Assets						
Financial assets at fair value through OCI	129,666,731	686,731,218	(557,064,487)	-81%	1%	4%
Property and equipment	706,342,434	2,103,394	704,239,040	33481%	4%	0%
Right of use assets	2,655,189,953	1,815,399	2,653,374,554	146159%	14%	0%
Investment properties	285,510,452	285,510,452	(0)	0%	2%	2%
Intangible asset	8,237,237,067	8,475,709,551	(238,472,484)	-3%	45%	50%
Goodwill	926,007,748	926,007,748	0	0%	5%	5%
Net deferred tax assets	3,248,780	-	3,248,780	100%	0%	0%
Other noncurrent assets	384,383,991	620,699,824	(236,315,833)	-38%	2%	4%
Total Noncurrent Assets	13,327,587,156	10,998,577,586	2,329,009,570	21%	73%	65%
TOTAL ASSETS	18,320,750,293	16,985,905,538	1,334,844,755	8%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables and other current liabilities	785,392,630	728,696,132	56,696,498	8%	4%	4%
Loans payable - current portion	58,823,529	-	58,823,529	100%	0%	0%
Lease liabilities - current portion	294,303	1,891,442	(1,597,139)	-84%	0%	0%
Total Current Liabilities	844,510,462	730,587,574	113,922,888	16%	5%	4%
Noncurrent Liabilities						
Loans payable - net of current portion	411,764,706	67,500,000	344,264,706	510%	2%	0%
Lease liabilities - net of current portion	208,495	-	208,495	100%	0%	0%
Net retirement liability	16,014,299	17,903,002	(1,888,703)	-11%	0%	0%
Net deferred tax liability	-	531,152	(531,152)	-100%	0%	0%
Total Noncurrent Liabilities	427,987,500	85,934,154	342,053,346	398%	3%	1%
Total Liabilities	1,272,497,962	816,521,728	455,976,234	56%	7%	5%
Equity Attr to the Equity Holders of the Parent						
Capital stock	7,906,827,500	7,906,827,500	(0)	0%	43%	47%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	40%	43%
Treasury stocks	(220,430,080)	(220,430,080)	(0)	0%	-1%	-1%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other equity reserves	(785,086,348)	(707,307,851)	(77,778,497)	11%	-4%	-4%
Retained earnings	2,957,045,719	2,094,797,559	862,248,160	41%	16%	12%
Total Equity Attr to Equity Holders of the Parent	16,587,481,660	15,803,011,997	784,469,663	5%	90%	93%
Non-controlling Interests						
Total Equity	17,048,252,331	16,169,383,810	878,868,521	5%	93%	95%
TOTAL LIABILITIES AND EQUITY	18,320,750,293	16,985,905,538	1,334,844,755	8%	100%	100%

As at December 31, 2023, PLC's total assets amounted to Php18,320.8 million higher by Php1,334.8 million (8%) compared to its total assets of Php16,985.9 million as at December 31, 2022. Key movements in balance sheet items are as follows:

Cash and cash equivalents

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

Cash and cash equivalents increased by 12% (Php221.7 million) to Php2,000.2 million in 2023 mainly because of the higher revenues earned coupled with better collections during the year, offset by the declaration and payment of cash dividends amounting to approximately P1,549.4 million in the first quarter of 2023 and disbursements made during the period.

Investments held for trading

Investments held for trading increased by Php27.3 million (38%) mainly due to the mark-to-market gains on share price value of the investments of the Company.

Notes receivable

Notes receivable of the Company pertains to interest-bearing notes receivable from its parent company.

Notes receivable decreased by Php1,605.9 million (43%) to Php2,100.0 million because of the collection made during the period.

Receivables

Receivables include trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as other receivables. The Company recorded net increase in receivables by Php273.7 million (129%).

Other current assets

Other current assets are composed of creditable withholding taxes, guarantee deposits, input VAT, spare parts and supplies and prepayments. Other current assets increased by Php89.1 million (41%) to Php306.7 million due to additional cash bond as guarantee deposit as part of the agreement with PCSO.

Intangible Asset

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

Investment Property

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

Financial assets at fair value through OCI

This account pertains to the Company's investments in equity securities classified as financial assets at FVOCI. This pertains mostly to share in Belle Corporation and club shares. The net decrease in this account is due mainly to the sale of Black Spade Acquisition, Inc. shares and warrants during the year.

Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. The significant increase of Php704.2 million from Php2.1 million in 2022 to Php706.3 million in 2023 is mainly from capitalization of assets acquired by Pinoylotto.

Right of Use Assets

Right of Use Asset of the Company includes the land leased amortized over 62 years.

Goodwill

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

Other noncurrent assets

Other noncurrent assets pertain mostly to noncurrent creditable withholding taxes, advances to contractors and others. The decrease of Php236.3 million (38%) from Php620.7 million to Php384.4 million was due to the application of the down payments made by Pinoylotto to its suppliers for the purchase of lottery equipment previously recorded as advances to suppliers to Property and equipment.

Total Liabilities

Total liabilities increased by Php456.0 million or 56% as at December 31, 2023 from total liabilities of Php816.5 million as at December 31, 2022. The increase is mainly due to the loans payable drawdown by Pinoylotto during 2023 to fund the purchases of its lottery equipment, half of which (Php470.6 million) was taken up in the books of the Company and the general provisions made during the year.

Equity

Stockholders' equity increased by Php878.9 million as of December 31, 2023 from Php16,169.4 million as of December 31, 2022 to Php17,048.3 million as of December 31, 2023. The increase was the net income recognized for the period and gain on sale of its Investment in BSAQ shares offset by the declaration and payment of dividends during the 1st quarter of the year.

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

Ratio	Manner in which the financial ratios are computed	Dec 31, 2023	Dec 31, 2022
Current ratio	Current assets divided by current liabilities	5.91	8.20
Quick ratio	(Current assets less invty - prepayments) / Current liabilities	5.55	7.90
Solvency ratio	Net income before non-cash expenses/ Total liabilities	2.14	2.11
Asset to equity	Total assets divided by total equity	1.07	1.05
Debt to equity	Interest bearing debt divided by total equity	2.76%	0.42%
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	124.09	5,187.27
Debt ratio	Total debt / total assets	0.07	0.05
Return on assets	Net income (loss) divided by average total assets during the period	13.16%	7.37%
Return on equity	Net income (loss) divided by average total equity during the period	13.99%	7.71%

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

- a) Net income increased by 85% in 2023, accounting for the increase in return on assets and equity versus the same period in 2022.
- b) The Company posted healthy current, quick and solvency ratios.
- c) There is a significant decrease in Interest rate coverage ratio due to increase in EBITDA and increase in finance charges in 2023.

As at December 31, 2023, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligations that is material to the Company, including any default or acceleration of an obligation;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended December 31, 2023 and December 31, 2022, except those mentioned in the preceding.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

2024 PLAN OF OPERATIONS

As the Philippine economy continues its recovery from the Covid-19 pandemic, the Company is actively positioning itself to seize opportunities within the dynamic gaming and entertainment industry. PLC remains steadfast in its dedication to seeking avenues for growth through strategic and profitable investments, with a primary focus on enhancing shareholder value for our partners and investors.

In line with this strategic approach, the Company maintains a commitment to prudent financial management practices, ensuring the preservation of our strong financial position. Additionally, PLC continue to partner with its parent Company's corporate social responsibility arm, Belle Kaagapay. Together, we aim to make meaningful contributions to the well-being and prosperity of our host communities, enriching the quality of life for all.

Analysis of Results of Operations and Financial Condition – 2022 compared to 2021

Consolidated Income Statement

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2022	2021	Increase (Decrease) Amount	%	2022 %	2021 %
REVENUE						
Gaming revenue share	1,560,845,412	1,300,291,468	260,553,944	20%	75%	75%
Equipment rental	519,051,226	426,345,611	92,705,615	22%	25%	25%
	2,079,896,638	1,726,637,079	353,259,559	20%	100%	100%
COST AND EXPENSES						
Cost of services	503,646,918	632,737,322	(129,090,404)	-20%	24%	37%
General and administrative expenses	438,961,707	331,171,925	107,789,782	33%	21%	19%
	942,608,625	963,909,247	(21,300,622)	-2%	45%	56%
OTHER INCOME (EXPENSES)						
Interest income	147,434,493	135,626,403	11,808,090	9%	7%	8%
Finance charges	(220,505)	(642,417)	421,912	-66%	0%	0%
Other expense - net	6,529,873	286,449,932	(279,920,059)	-98%	0%	17%
	153,743,861	421,433,918	(267,690,057)	-64%	7%	24%
INCOME BEFORE INCOME TAX	1,291,031,874	1,184,161,750	106,870,124	9%	62%	69%
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	14,627,225	11,118,008	3,509,217	32%	1%	1%
Deferred	20,457,201	50,134,332	(29,677,131)	-59%	1%	3%
	35,084,426	61,252,340	(26,167,914)	-43%	2%	4%
NET INCOME	1,255,947,448	1,122,909,410	133,038,038	12%	60%	65%
Net Income Attributable to:						
Equity holders of the parent	1,159,554,790	1,193,902,616	(34,347,826)	-3%	56%	69%
Non-controlling interests	96,392,658	(70,993,206)	167,385,864	-236%	5%	-4%
	1,255,947,448	1,122,909,410	133,038,038	12%	60%	65%

PLC recognized Php2,079.9 million consolidated revenues for the year 2022, up by Php353.3 million or 20% from the same period last year.

The improvement in Premium Leisure Corp.'s revenues is mainly brought about by the more robust economic activities in 2022 due to the improvement in the COVID-19 situation in the country. Because of this, PLAI gaming revenue share has increased from Php1,300.3 million to Php1,560.8 million (20%), and Pacific Online Systems Corporation's (POSC) equipment lease rental income increased from Php426.3 million to Php519.1 million (22%) versus the revenues reported in 2021, despite the termination of KENO operations effective April 1, 2022.

Costs and expenses decreased by Php21.3 million or 2% for the period from Php963.9 million to Php942.6 million because of the cost efficiency measures implemented by the Company in light of the continuing effects of the Covid-19 pandemic. Some of the expenses that declined include the following: depreciation and amortization, communication, online lottery systems expenses, and rental, utilities and supplies.

The combination of better revenues to and a tighter control over costs resulted in PLC recognizing Php1,256.0 million net income for 2022, increasing by 12% from its net income of Php1,123.0 million in 2021.

Operating EBITDA (proxy for cash flow) for the year is at Php1,409.5 million increased by Php 260.1 million (23%) from Php 1,149.4 million in 2021.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2022	2021	Increase (Decrease)		2022	2021
			Amount	%	%	%
<i>(Amounts in Peso except percentages)</i>						
NET INCOME	1,255,947,448	1,122,909,410	133,038,038	12%	60%	65%
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Marked-to-market losses on financial assets at fair value through OCI	54,225,946	(50,496,141)	104,722,087	-207%	3%	-3%
Remeasurement gain (loss) on net retirement benefits - net of tax	8,655,955	25,253,640	(16,597,685)	-66%	0%	1%
	62,881,901	(25,242,501)	88,124,402	-349%	3%	-1%
TOTAL COMPREHENSIVE INCOME (LOSS)	1,318,829,349	1,097,666,909	221,162,440	20%	63%	64%
Total Comprehensive Income (Loss) Attributable to:						
Equity holders of the parent	1,220,228,226	1,167,407,185	52,821,041	5%	59%	68%
Non-controlling interests	98,601,123	(69,740,276)	168,341,399	-241%	5%	-4%
	1,318,829,349	1,097,666,909	221,162,440	20%	63%	64%

PLC's other comprehensive income (loss) pertains to the unrealized gains (losses) arising from changes in market value of its financial assets at FVOCI and remeasurement of retirement benefits. PLC recognized net other comprehensive income amounting to Php62.9 million for 2022 as a result of higher share prices of its financial asset investments. As such, PLC recognized total comprehensive income amounting to Php1,318.8 million (of which, Php1,220.2 million is attributable to parent shareholders) in 2022.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2022.

Consolidated Statements of Financial Position

(Amounts in Peso except percentages)	December 31		Horizontal Analysis		Vertical Analysis	
	2022	2021	Increase (Decrease) Amount	%	2022 %	2021 %
ASSETS						
Current Assets						
Cash and cash equivalents	1,778,570,078	1,660,934,194	117,635,884	7%	10%	10%
Investments held for trading	72,682,452	73,053,645	(371,193)	-1%	0%	0%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	22%	22%
Receivables	212,568,231	277,787,614	(65,219,383)	-23%	1%	2%
Contract assets	4,000,000	70,319,085	(66,319,085)	-94%	0%	0%
Other current assets	213,582,191	214,129,828	(547,637)	0%	1%	1%
Total Current Assets	5,987,327,952	6,002,149,366	(14,821,414)	0%	35%	35%
Noncurrent Assets						
Intangible asset	8,475,709,551	8,714,182,035	(238,472,484)	-3%	50%	51%
Financial assets at fair value through OCI	686,731,218	721,167,064	(34,435,846)	-5%	4%	4%
Investment properties	285,510,452	285,510,452	-	0%	2%	2%
Goodwill	926,007,748	926,007,748	-	0%	5%	5%
Property and equipment	2,103,394	23,482,941	(21,379,547)	-91%	0%	0%
Deferred tax assets	-	21,398,655	(21,398,655)	-100%	0%	0%
Right of use assets	1,815,399	6,672,570	(4,857,171)	-73%	0%	0%
Other noncurrent assets	620,699,824	384,325,381	236,374,443	62%	4%	2%
Total Noncurrent Assets	10,998,577,586	11,082,746,846	(84,169,260)	-1%	65%	65%
TOTAL ASSETS	16,985,905,538	17,084,896,212	(98,990,674)	-1%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables and other current liabilities	728,696,132	648,596,232	80,099,900	12%	4%	4%
Lease liabilities - current portion	1,891,442	4,886,938	(2,995,496)	-61%	0%	0%
Total Current Liabilities	730,587,574	653,483,170	77,104,404	12%	4%	4%
Noncurrent Liabilities						
Lease liabilities - net of current portion	-	1,986,014	(1,986,014)	-100%	1%	0%
Loans payable	67,500,000	-	67,500,000	100%	1%	0%
Deferred tax liability	531,152	-	531,152	100%	1%	0%
Retirement liability	17,903,002	30,894,331	(12,991,329)	-42%	0%	0%
Total Noncurrent Liabilities	85,934,154	32,880,345	53,053,809	161%	2%	0%
Total Liabilities	816,521,728	686,363,515	130,158,213	19%	5%	4%
Equity Attr to the Equity Holders of the Parent						
Capital stock	7,906,827,500	7,906,827,500	-	0%	47%	46%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	43%	42%
Treasury stocks	(220,430,080)	(220,430,080)	-	0%	-1%	-1%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(707,307,851)	(851,048,515)	143,740,664	-17%	-4%	-5%
Retained earnings	2,094,797,559	2,566,288,233	(471,490,674)	-18%	12%	15%
Total Equity Attr to Equity Holders of the Parent	15,803,011,997	16,130,762,007	(327,750,010)	-2%	92%	94%
Non-controlling Interests	366,371,813	267,770,690	98,601,123	37%	2%	2%
Total Equity	16,169,383,810	16,398,532,697	(229,148,887)	-1%	95%	96%
TOTAL LIABILITIES AND EQUITY	16,985,905,538	17,084,896,212	(98,990,674)	-1%	100%	100%

As at December 31, 2022, PLC's total assets amounted to Php16,985.9 million, lower by Php99.0 million (1%) compared to the total assets of Php 17,084.9 million as at December 31, 2021. Key movements in balance sheet items are as follows:

Cash and cash equivalents

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

Cash and cash equivalents increased by 7% (Php117.6 million) to Php 1,778.6 million in 2022 mainly because of the higher revenues earned coupled with better collections during the year, offset by the declaration and payment of cash dividends amounting to approximately P1,588.8 million in the second quarter of 2022 and disbursements made during the period.

Trade and other receivables

Trade and other receivables include trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as other receivables. The Company recorded net decrease in trade and other receivables by ₱65.2 million (23%).

Investments held for trading

Investments held for trading decreased slightly by Php371.2 thousand (1%) mainly due to the mark-to-market loss on share price value of the investments of the Company.

Intangible Asset

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

Investment Properties

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

Financial assets at fair value through OCI

This account pertains to the Company's investments in equity securities classified as financial assets at FVOCI. This pertains mostly to share in Belle Corporation, Black Spade Acquisition, Inc. and club shares. The net decrease in this account is due mainly to the sale of Belle Corporation shares during the year, offset by the increase in fair value of the shares at year end.

Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. The decrease of Php21.4 million (91%) in the account compared to balances at December 31, 2021 is due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

Goodwill

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

Total Liabilities

Total liabilities increased by Php130.2 million or 19% as at December 31, 2022 from total liabilities of Php686.4 million as at December 31, 2021. The increase is mainly due to the loans payable drawdown of the Pinoylotto during 2022 to fund the purchases of its lottery equipment, half of which (Php67.5 million) was taken up in the books of the Company and the general provisions made during the year.

Equity

Stockholders' equity decreased by Php229.1 million as of December 31, 2022 from Php16,398.5 million as of December 31, 2021 to Php16,169.4 million as of December 31, 2022. The decrease was due mainly to the declaration and payment of dividends during the 2nd quarter of the year, offset in part by the net income recognized for the period.

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

Ratio	Manner in which the financial ratios are computed	Dec 31, 2022	Dec 31, 2021
Current ratio	Current assets divided by current liabilities	8.20	9.18
Quick ratio	(Current assets less invty - prepayments) / Current liabilities	7.90	8.86
Solvency ratio	Net income before non-cash expenses/ Total liabilities	2.11	2.16
Asset to equity	Total assets divided by total equity	1.05	1.04
Debt to equity	Interest bearing debt divided by total equity	0.42%	-
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	5,187.27	1,633.17
Debt ratio	Total debt / total assets	0.01	0.04
Return on assets	Net income (loss) divided by average total assets during the period	7.37%	6.44%
Return on equity	Net income (loss) divided by average total equity during the period	7.71%	6.81%

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

Net income increased by 12% in 2022, accounting for the increase in return on assets and equity versus the same period in 2021.

There is a significant increase in Interest rate coverage ratio due to increase in EBITDA and decrease in finance charges in 2022.

As at December 31, 2022, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company for the periods ended December 31, 2022 and December 31, 2021, except those mentioned in the preceding.

2023 PLAN OF OPERATIONS

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

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

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

(Amounts in Peso except percentages)

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

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

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

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

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

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

(Amounts in Peso except percentages)

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

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

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

Consolidated Statements of Financial Position

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

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

Cash and cash equivalents

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

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

Trade and other receivables

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

Investments held for trading

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

Intangible Asset

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

Investment Properties

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

Financial assets at fair value through OCI

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

Property and equipment

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

Goodwill

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

Total Liabilities

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

Equity

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

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

Ratio	Manner in which the financial ratios are computed	Dec 31, 2021	Dec 31, 2020
Current ratio	Current assets divided by current liabilities	9.18	5.75
Quick ratio	(Current assets less invty - prepayments) / Current liabilities	8.86	5.56
Solvency ratio	Net income before non-cash expenses/ Total liabilities	2.16	0.93
Asset to equity	Total assets divided by total equity	1.04	1.07
Debt to equity	Interest bearing debt divided by total equity	-	-
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	1,633.17	48.15
Debt ratio	Total debt / total assets	0.04	0.07
Return on assets	Net income (loss) divided by average total assets during the period	6.44%	1.72%
Return on equity	Net income (loss) divided by average total equity during the period	6.81%	1.87%

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

- a) Net income increased by 247% in 2021, accounting for the increase in return on assets and equity versus the same period in 2020.
- b) Current, quick and solvency ratios increased due to decrease in current liabilities by Php518.7 million (44%).
- c) There is a significant increase in Interest rate coverage ratio due to increase in EBITDA and decrease in finance charges in 2021.

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

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

2022 PLAN OF OPERATIONS

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

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

Financial Risk Management Objectives and Policies and Capital Management

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

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

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

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

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

	2023							Total
	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days			
Cash and cash equivalent*	₱1,999,771,875	₱-	₱-	₱-	₱-	₱-	₱1,999,771,875	
Notes receivable	2,100,000,000	-	-	-	-	-	2,100,000,000	
Receivables	486,283,555	-	-	-	-	543,515,942	1,029,799,497	
Guarantee deposits**	91,201,415	-	-	-	-	-	91,201,415	
Advances to contractors***	139,738,757	-	-	-	-	-	139,738,757	
Refundable deposits**	3,036,529	-	-	-	-	-	3,036,529	
	₱4,819,830,716	₱-	₱-	₱-	₱-	₱543,515,942	5,363,346,658	

*Excluding cash on hand.

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

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

	2022							Total
	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days			
Cash and cash equivalent*	₱1,778,068,579	₱-	₱-	₱-	₱-	₱-	₱1,778,068,579	
Notes receivable	3,705,925,000	-	-	-	-	-	3,705,925,000	
Receivables	212,568,231	-	-	-	-	543,515,942	756,084,173	
Contract asset**	4,000,000	-	-	-	-	-	4,000,000	
Guarantee deposits**	14,500,000	-	-	-	-	-	14,500,000	
Advances to contractors**	139,738,757	-	-	-	-	-	139,738,757	
Refundable deposit**	2,769,769	-	-	-	-	-	2,769,769	
	₱5,857,570,336	₱-	₱-	₱-	₱-	₱543,515,942	₱6,401,086,278	

*Excluding cash on hand.

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

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

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

Credit Quality of Financial Assets

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

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

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

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

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

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

*Excluding cash on hand.

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

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

	2022			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
High Grade				
Cash and cash equivalent*	₱1,778,068,579	₱-	₱-	₱1,778,068,579
Notes receivable	3,705,925,000	-	-	3,705,925,000
Receivables	212,568,231	-	-	212,568,231
Contract asset**	4,000,000	-	-	4,000,000
Guarantee deposits**	14,500,000	-	-	14,500,000
Advances to contractors**	139,738,757	-	-	139,738,757
Refundable deposit**	2,769,769	-	-	2,769,769
Substandard Grade				
Receivables	-	-	543,515,942	543,515,942
Gross Carrying Amount	₱5,857,570,336	₱-	₱543,515,942	₱6,401,086,278

*Excluding cash on hand.

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

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

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

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

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

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2023 and 2022 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	2023	2022
Impact in profit or loss		
5%	₱5,000,638	₱3,634,123
(5%)	(₱5,000,638)	(3,634,123)
Impact in comprehensive income		
1%	1,296,667	6,867,312
(1%)	(1,296,667)	(6,867,312)

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

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

2023	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	₱314,614,496	₱-	₱-	₱58,832,186	₱373,446,682
Loans payable	58,823,529	-	-	411,764,706	470,588,235
Lease liabilities**	373,960	-	-	305,745	679,705
	₱373,811,985	₱-	₱-	₱470,805,387	844,714,622

* Excluding provisions, unearned income and statutory payables

** Based on undiscounted payables

2022	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	₱98,733,852	₱-	₱-	₱58,832,186	₱157,566,038
Loans payable	-	-	-	67,500,000	67,500,000
Lease liabilities	1,149,804	766,536	-	-	1,916,340
	₱99,883,656	₱766,536	₱-	₱126,332,186	₱226,982,378

* Excluding provisions, unearned income and statutory payables

** Based on undiscounted payables

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

As at December 31, 2023 and 2022, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2023	2022
Cash	₱56,693,402	₱109,435,082
Software license fee payable*	(8,865,861)	(46,733,405)
Foreign currency-denominated financial assets (liabilities)	₱47,827,541	₱62,701,677

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

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱55.57 to US\$1.0 and ₱55.76 to US\$1.0, as at December 31, 2023 and 2022, respectively.

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

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2023 and 2022. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2023		2022	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate	3%	(3%)	5%	(5%)
Effect on income before income tax	₱2,748,044	(2,748,044)	₱3,135,084	(₱3,135,084)

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

Capital Management

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

The Group manages its capital structure and adjusts it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2023 and 2022.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to P16,587.5 million as at December 31, 2023 (P15,803.0 million as at December 31, 2022).

Fair Value of Assets and Financial Liabilities

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

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At FVL:				
Investment held for trading	₱100,012,769	₱100,012,769	₱72,682,452	₱72,682,452
At FVOCI				
Financial assets at FVOCI	129,666,731	129,666,731	686,731,218	686,731,218
	₱229,675,500	₱229,675,500	₱759,413,670	₱759,413,670
Financial Liabilities				
Loans payable	₱470,588,235	₱342,989,978	₱67,500,000	₱66,538,186

The Group has no financial liabilities measured at fair value as at December 31, 2023 and 2022. There were no transfers between fair value measurements in 2023 and 2022.

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

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

Refundable Deposit and Guarantee deposits. The carrying value of refundable deposit and guaranteed bonds approximates fair value as at December 31, 2023 and 2022 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of Financial Assets at FVPL and financial assets at FVOCI in quoted equity shares are based on quoted prices in the PSE or those shares whose

prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Other Required Disclosures

- A.) The attached financial reports were prepared in accordance with accounting standards generally accepted in the Philippines.
- B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the period.
- C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current period.
- D.) Except as disclosed in the MD&A, there were no other issuance, repurchases and repayments of debt and equity securities.
- E.) There were no material events that occurred subsequent to December 31, 2023 and up to the date of this report that need disclosure herein.
- F.) There were no changes in the composition of the Company during the period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations, except for the accounting for the PinoyLotto Technologies Corporation as a joint operation as discussed above.
- G.) There were no changes in contingent liabilities or contingent assets since December 31, 2023, as of the date of this report.
- H.) There exist no material contingencies and other material events or transactions affecting the current period.

Key Variables and other Qualitative and Quantitative Factors

The Company expects no material commitments for capital expenditures and expected funds in 2023. To the best of the Company's knowledge, aside from what has already been mentioned in the preceding, there are no known trends, events or uncertainties that will have a material impact on sales; no significant elements of income or loss that did not arise from continuing operations aside from those disclosed in the Notes to the Audited Financial Statements; and no seasonal aspects with material effect on results of operations.

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

Information on Independent Accountant and Other Related Matters

a. External Audit Fees

a.1. Audit and Audit-Related Fees

The aggregate fees paid by the Corporation for professional services (excluding Value Added Tax) rendered by the external auditor for the audit of financial statements for the years ended 31 December 2023 and 2022 are as follows:

	(₱000's omitted)
2023	₱995.0
2022	670.0

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

b. Tax Fees

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

c. All Other Fees

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

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

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

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

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

Item 7. Financial Statements

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

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

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

Independent Public Accountants, External Audit Fees and Services

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

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

Based on the code of ethics adapted by the SEC through the revised SRC Rule 68, the engagement partners for audit of the Company's financials are changed at least every five (5) years, as follows:

<u>Year/s</u>	<u>Partner-in-Charge</u>
1. 2007-2009	Mr. Juanito A. Fullecido
2. 2010-2011	Mr. Roel E. Lucas
3. 2012-2013	Ms. Clairma T. Mangangey
4. 2014	Ms. Marydith C. Miguel
5. 2015-2020	Ms. Belinda T. Beng Hui
6. 2021-2023	Ms. Belinda B. Fernando

The Audit Committee composed of Mr. Laurito E. Serrano, Atty. Maria Grace Tan, Messrs. Roberto V. Antonio and Exequiel P. Villacorta recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Board of Directors or the Executive Committee approves the audit fees as recommended by the Management.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

(1) Directors and Executive Officers

The names and ages of all the incumbent Directors, elected on April 24, 2023 during the Annual Stockholders' Meeting and who are to serve for a term of one (1) year until their successor shall have been duly elected and qualified, and the Executive Officers are as follows:

Name	Citizenship	Age	Position	Period Served
Willy N. Ocier	Filipino	66	Chairman of the Board; Executive Director	June 25, 1999 - present
Armin Antonio B. Raquel Santos	Filipino	55	President and Chief Executive Officer; Executive Director	July 01, 2017 – present
Laurito E. Serrano	Filipino	62	Independent Director	April 24, 2023 – April
Exequiel P. Villacorta, Jr.	Filipino	77	Non-Executive Director	July 18, 2014 – present
Maria Gracia P. Tan	Filipino	66	Independent Director	June 25, 2021 – present
Roberto V. Antonio	Filipino	60	Independent Director	August 24, 2022 – present
Jerry C. Tiu	Filipino	65	Independent Director	June 25, 2021 – present
Dioville M. Villarias	Filipino	34	Chief Finance Officer and Treasurer	August 22, 2023 – present
Elmer B. Serrano	Filipino	55	Corporate Secretary	April 27, 2015 – present
Arthur A. Sy	Filipino	53	Assistant Corporate Secretary	July 19, 2011 – present
Phil Ivan A. Chan	Filipino	40	Assistant Corporate Secretary	May 11, 2015 – present
Anna Josefina G. Esteban	Filipino	55	Chief Audit Executive	September 11, 2018 – present
Michelle Angeli T. Hernandez	Filipino	51	Chief Risk Officer Compliance Officer	June 25, 2021 – present April 28, 2022 – present

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

Willy N. Ocier

Chairman, Executive Director

Date of first appointment – June 1999

Chairman, Executive Committee

Mr. Ocier, 67, Filipino, is an Executive Director and Chairman of Premium Leisure Corp. He is also the Chairman and Director of Belle Corporation, APC Group, Inc., Pacific Online Systems Corporation, Total Gaming and Technologies, Inc. and PremiumLeisure and Amusement, Inc. and Vice Chairman of Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., Vice Chairman of Tagaytay Highlands International Golf Club, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., He is a Director of DigiPlus Interactive Corporation (formerly Leisure and Resorts World Corporation). He also sits as a Director to the following unaffiliated corporations, IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation.

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

Armin Antonio B. Raquel Santos

Executive Director, President and Chief Executive Officer

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

Date of first appointment as officer – July 2014

Member, Compensation and Remuneration Committee

Member, Executive Committee

Mr. Raquel Santos, 56, Filipino, is the Executive Director and the President and Chief Executive Officer of Premium Leisure Corp. (PLC). He is the President and Chief Executive Officer of PLC's subsidiary, PremiumLeisure and Amusement, Inc. He is also a Director of Belle Corporation, Pacific Online Systems Corporation, Pinoy Lotto Technologies Corporation, Sagittarius Mines, Inc., Tagaytay Highlands International Golf Club, Inc., Manila Golf and Country Club, and member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation. Formerly, he was Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II and First Philippine Electric Company. He was also former Governor of the Board of Investments (BOI), served as Assistant Secretary with the Department of Trade and Industry (DTI), Vice Chairman and CEO of Philippine Retirement Authority (PRA), Executive Vice President of Philippine International Trading Corporation (PITC), and Deputy Administrator of Subic Bay Metropolitan Authority (SBMA). His experience includes stints with multinational companies; Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York.

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

Exequiel P. Villacorta, Jr

Non-Executive Director

Date of first appointment – July 2014

Member, Audit Committee

Member, Risk Oversight Committee

Member, Executive Committee

Mr. Villacorta, 78, Filipino, is a Non-Executive Director of Premium Leisure Corp. He was a Director of BDO Leasing and Finance, Inc., Equitable PCI Bank, EBC Insurance Brokerage, and Maxicare Healthcare Corporation. He was the former Chairman of EBC Strategic Holdings Corporation, EBC Investments (now BDO Strategic Holdings), Jardine Equitable Finance Corporation, Strategic Property Holdings, PCIB Properties, Equitable Data Center, and PCI Automation Center. He was a past President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of the Private Development Corporation of the Philippines. He was Senior Adviser and BSP Controller of Equitable PCI Bank and PBCom, and Adviser to the Board of PCI Capital Corporation.

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

Maria Gracia M. Pulido Tan

Independent Director

Date of first election – June 2021

Chairperson, Risk Oversight Committee

Member, Corporate Governance Committee

Member, Audit Committee

Atty. Tan, 68, Filipino, is an independent director of the Company. She is likewise an independent director of Belle Corporation and Pacific Online Systems Corporation. She is the former Chairperson of the Commission on Audit, Undersecretary of Finance and Commissioner of the Presidential Commission on Good Government. She is currently a Trustee of the International Budget Partnership, an international NGO based in Washington DC, USA. She is also a member of the Tax Faculty of the Philippine Judicial Academy. She is a director of several Philippine corporations, a tax consultant and legal adviser of some private clients, and an accredited Arbitrator of the Construction Industry Arbitration Commission, Philippines and Philippine Dispute Resolution Center, Inc, Philippines.

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

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

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

Roberto V. Antonio

Independent Director

Date of first election – August 24, 2022

Chairman, Corporate Governance Committee

Member, Audit Committee

Member, Risk Oversight Committee

Member, Related Party Transactions Committee

Mr. Antonio, 61, Filipino, is an independent director of the Company. He is also an Independent Director of Pacific Online Systems Corporation and the Development Bank of the Philippines. He is currently the President of Kalimera, Inc., RVA and Sons, Inc., RVA International Trading Corporation, and La Salle Greenhills Foundation. He is also the Vice Chairman of Right Eight Security Agency, Inc. He also serves as a Consultant for Mustang Holdings, Inc. and Board Member of the La Salle Greenhills Alumni. Mr. Antonio served as one of the Department of Tourism's Undersecretaries from 1998-2000 and Senior Consultant from 2004-2010.

He graduated from De La Salle University with a degree in Economics major in Marketing Management in 1984. He obtained his Juris Doctor (candidate) at the Ateneo De Manila University Law School in 1989. He finished his Masters in Business Economics at the University of Asia and the Pacific in 1997.

Jerry C. Tiu

Independent Director

Date of first election – June 2021

Chairman, Related Party Transactions Committee

Member, Compensation and Remuneration Committee

Member, Risk Oversight Committee

Mr. Tiu, 66, Filipino, is an independent director of Premium Leisure Corp. He is likewise an Independent Director of APC Group, Inc. He is a director and the President of Tagaytay Highlands Community Condominium Association, Inc., Tagaytay Midlands Community Homeowners' Association, Inc., and Greenlands Community Homeowners' Association, Inc. He is also the President of the following companies: Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., and The Spa & Lodge at Tagaytay Highlands, Inc. He is a former Director of the Manila Polo Club.

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

Laurito E. Serrano

Independent Director

Date of first election – April 2023

Chairman, Audit Committee

Member, Corporate Governance Committee and Related Party Transactions Committee

Mr. Serrano, 62, Filipino, is currently the Lead Independent Director of Pacific Online Systems Corporation. Mr. Serrano concurrently serves as Independent Director of Rizal Commercial Banking Corporation, 2GO Group Inc., Axelum Resources Corp., and Anglo-Philippine Holdings, Inc. He is also a director in privately-held MRT Development Corporation. As independent director in listed entities, Mr. Serrano serves as chairman or member

of such companies' audit, compliance, and risk committees. Mr. Serrano is a former partner of the Corporate Finance Consulting Group of SGV & Co.

He is a Philippine Certified Public Accountant and has a Master's degree in Business Administration from the Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance in a broad range of clients and industry sectors.

Other Executive Officers

Carlo R. Climaco

Mr. Climaco, 46, Filipino, is the Vice President for Operations and Regulatory of both Premium Leisure Corp. and its subsidiary PremiumLeisure and Amusement, Inc. He concurrently handles the Integrated Resorts business unit of Belle Corporation. He was previously connected with the Compliance Monitoring and Enforcement Department of the Philippine Gaming Corporation.

He has a Bachelor of Arts degree in Humanities from the Ateneo de Manila University, and Bachelor of Laws degree from the Philippine Law School.

Dioville M. Villarias

Ms. Villarias, 34, Filipino, is the Chief Finance Officer and Treasurer of the Company. She is a CFO APAC Regional Awardee with 11 years of experience in general accounting and financial reporting including financial audits of financial institutions. She was previously connected with UBS Securities Philippines, Inc. and UBS Investments Philippines, Inc. as Head of Finance and CFO.

She is a Certified Public Accountant. She earned her Bachelor of Science in Accountancy from the University of the Philippines Visayas-Tacloban College in 2011, and completed her Master's in Business Administration at De La Salle University.

Elmer B. Serrano

Atty. Elmer B. Serrano, 56, Filipino, is the Corporate Secretary of the Company. Mr. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner and founder of the law firm SERRANO LAW. Mr. Serrano has been awarded "Asia Best Lawyer" by the International Financial Law Review (IFLR), "Leading Lawyer-Highly Regarded" by IFLR 1000, and named "Leading Individual" by the Legal 500 Asia Pacific.

Mr. Serrano is the Chairman of Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.), a director of EEI Corporation and DFNN Inc., and an independent director of Philippine Telegraph and Telephone Corporation and Benguet Corporation. He is also a director of 2GO Group, Inc. He is also the Corporate Information Officer of BDO Unibank, Inc. and serves as the corporate secretary of bank's subsidiaries and affiliates.

Mr. Serrano is also the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO Unibank, Inc., and of DFNN Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines, the Philippine Payments Management, Inc. and the PDS Group of Companies.

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

Arthur A. Sy

Atty. Sy, 54, Filipino, is the Assistant Corporate Secretary of Premium Leisure Corp. He is the Senior Vice President for Legal Department and Assistant Corporate Secretary at SM Investments Corporation. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation and 2GO Group, Inc. Further, he is currently the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. Sy holds a Juris Doctor degree from the Ateneo de Manila University, School of Law.

Phil Ivan A. Chan

Atty. Chan, 41, Filipino, is the Assistant Corporate Secretary of Premium Leisure Corp. He is a co-founder of Serrano Law. He was previously a partner at Martinez Vergara Gonzalez & Serrano. In 2023, Atty. Chan was recognized as “Rising Star Partner” by IFLR1000. Most recently, Atty. Chan was recognized by the Legal 500 Asia Pacific as “Next Generation Partner” for Corporate and M&A in its Legal 500 Asia 2024 Rankings.

Atty. Chan holds a degree of B.S. Legal Management from Ateneo de Manila University and a Juris Doctor degree from Ateneo Law School.

Anna Josefina G. Esteban

Ms. Esteban, 56, Filipino, is the Chief Audit Executive of the following publicly listed companies: (i) Premium Leisure Corp.; (ii) Belle Corporation; (iii) Pacific Online Systems Corporation; and (iv) APC Group, Inc. Prior to joining the Belle Group, she served as Treasurer and Chief Finance Officer of Miriam (formerly Maryknoll) College Foundation, Inc. and worked at the Asian Development Bank for 18 years as Senior Officer at the Office of the Treasurer, Office of the Auditor General and Operations Evaluation Office. Earlier on, she was the Head of the Finance Systems and Audit Unit of Magnolia Nestle Corporation (a joint venture of San Miguel Corporation and Nestle S.A.). She was an auditor and management consultant at Carlos J. Valdes & Co. and was an accounting/finance professor at the College of St. Benilde and the Graduate School of Business of De La Salle University (DLSU). Ms. Esteban is a Certified Public Accountant, Certified Information Systems Auditor and Certified Data Privacy Auditor. She earned her Bachelor of Science degree in Accounting at the College of the Holy Spirit, Manila and her Master in Business Administration (with distinction) at DLSU.

Michelle Angeli T. Hernandez

Ms. Hernandez, 52, Filipino, is the Compliance Officer and Chief Risk Officer of the Company. She is also the Vice President for Governance, Compliance Officer and Chief Risk Officer of Belle Corporation in which capacity she is mainly responsible for developing, implementing and managing various strategies, processes and policies related to Corporate Governance, Enterprise Risk Management and Corporate Affairs for the Company and its subsidiaries, Likewise, she is the Compliance Officer of Pacific Online Systems Corporation and the Chief Risk Officer of APC Group, Inc. She has a bachelor’s degree in Tourism (Cum Laude) from the University of Sto. Tomas.

(2) Significant Employees

The Company has no employee who is not an executive officer but is expected to make a significant contribution to the business.

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

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

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

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

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

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

Legal proceedings that the Company, its major subsidiaries and associates or any of their properties are subject to will not potentially affect their operations and financial capabilities.

(5) Disagreement with Director

No director has resigned nor declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the latter's operations, policies, or practices.

Item 10. Compensation of Directors and Executive Officers

Summary of Annual Compensation

Name and Principal Position	Year	Salary/ Per Diem Allowance	Bonus	Other Annual Compensation	Total Annual Compensation
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Willy N. Ocier, Chairman of the Board and Executive Director Armin Antonio B. Raquel Santos, President & CEO Carlo R. Climaco, VP for Operations Dioville M. Villarias, Chief Financial Officer Anna Josefina G. Esteban, Chief Audit Executive					
President and 4 most highly compensated executive officers	2024*	14,273,030	–	464,528	14,737,558
	2023	13,193,030	–	464,528	13,657,558
	2022	13,437,934	–	110,295	13,548,229
All other officers and directors as a Group (Unnamed)	2024*	10,855,200	–	–	10,855,200
	2023	10,855,200	–	–	10,855,200
	2022	7,211,871	–	–	7,211,871

*estimates

Other annual compensation pertains to leave conversion and other employee benefits. Except as provided above, there are no other officers of the Company receiving compensation.

Per Diem for Meetings Attended by Directors

Each member of the Board of Directors received the following as Directors for the year 2023. The amounts represent their per diem for the meetings attended and all other responsibilities undertaken for the Company.

PREMIUM LEISURE CORP. Director's Fee For the month of Year 2023

	Total
ID Maria Gracia Tan	1,656,000
ID Roberto Antonio	1,656,000
ID Jerry Tiu	1,656,000
ID Laurito Serrano*	1,249,200
ID Juan Victor S. Tanjuatco**	432,000
NID Exequiel P. Villacorta Jr	1,656,000
NID Willy N. Ocier	1,275,000
NID Armin Antonio B. Raquel Santos	1,275,000
Total	10,855,200

*start April 2023

**up to April 2023

Except for reasonable per diems, directors, as such, shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before income tax of the Company during the preceding year.

Below is the summary of Board meetings held/attended by each director during 2023:

BOARD OF DIRECTORS	17-Jan-23	05-Feb-23	23-Mar-23	24-Apr-23	28-Apr-23	24-May-23	27-Jun-23	15-Aug-23	30-Sep-23	26-Oct-23	7-Dec-23	Attendance
Willy N. Ocier												100%
Armin Antonio B. Raquel Santos												100%
Carlo R. Climaco												100%
Dioville M. Villarias												100%
Anna Josefina G. Esteban												100%
Willy N. Ocier												100%
Armin Antonio B. Raquel Santos												100%
Carlo R. Climaco												100%
Dioville M. Villarias												100%
Anna Josefina G. Esteban												100%

The Board Committees met in 2023 as shown below:

Summary of Premium Leisure Corp.'s Audit Committee Meetings in 2023				
Audit Committee	22-Feb-23	21-Apr-23	26-Jul-23	25-Oct-23
Chairman (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Serrano, Laurito E.	Serrano, Laurito E.
Member (ID)	Bautista, Jaime J.	Antonio, Roberto V.	Antonio, Roberto V.	Antonio, Roberto V.
Member (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tan, Maria Gracia P.	Tan, Maria Gracia P.
Member	Villacorta, Exequiel P. Jr.			

Summary of Premium Leisure Corp.'s Corporate Governance Committee Meetings in 2023			
Corporate Governance Committee	22-Feb-23	25-Oct-23	5-Dec-23
Chairman (ID)	Tanjuatco, Juan Victor S.	Antonio, Roberto V.	Antonio, Roberto V.
Member (ID)	Antonio, Roberto V.	Serrano, Laurito E.	Serrano, Laurito E.
Member (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.

Summary of Premium Leisure Corp.'s Related Party Transactions Committee Meetings in 2023		
Related Party Transactions Committee	22-Feb-23	25-Oct-23
Chairman (ID)	Tiu, Jerry C.	Tiu, Jerry C.
Member (ID)	Antonio, Roberto V.	Antonio, Roberto V.
Member (ID)	Tanjuatco, Juan Victor S.	Serrano, Laurito E.

Summary of Premium Leisure Corp.'s Risk Oversight Committee Meetings in 2023		
Risk Oversight Committee	22-Feb-23	25-Oct-23
Chairman (ID)	Antonio, Roberto V.	Tan, Maria Gracia M. Pulido
Member (ID)	Tan, Maria Gracia P.	Antonio, Roberto V.
Member (ID)	Tiu, Jerry C.	Tiu, Jerry C.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.

Summary of Premium Leisure Corp.'s Compensation and Remuneration Committee Meetings in 2023		
Compensation and Remuneration Committee	22-Feb-23	5-Dec-2023
Chairman (ID)	Tanjuatco, Juan Victor S.	Tiu, Jerry C.
Member	Raquel Santos, Armin Antonio B.	Raquel Santos, Armin Antonio B.
Member (ID)	Tiu, Jerry C.	Serrano, Laurito E.

Employment Contracts and Termination of Employment and Change in Control Arrangements

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

Warrants and Options Outstanding

There are no outstanding warrants or options held by directors and officers of the Company. There are also no actions to be taken regarding election, any compensatory plan, contract, or arrangement, any bonus or profit-sharing, change in pension/retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The persons or groups identified in the table below are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of **December 31, 2023**:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares	Percent of ownership
Common	Belle Corporation (Belle) * 5th Floor Tower A, Two E-Com Center, Palm Coast Ave., Mall of Asia Complex, Pasay City, Metro Manila, Philippines (a)	Belle Corporation	Filipino	24,904,904,324	79.78
Common	PCD Nominee Corp. (Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City (b)	<i>(please see footnote)</i>	Filipino	5,826,537,461	18.422

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

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

As of December 31, 2023, the participant of PCD who owns more than 5% of the Company's outstanding capital is BDO Securities Corporation with 2,474,267,080 shares or 7.93% ownership.

As of December 31, 2023, 245,711,643 Common Shares of the Company are owned by non-Filipinos, constituting 0.79% of the Company's outstanding capital stock.

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of December 31, 2023:

Title of Class	Name of Beneficial Owner	Amount* and Nature of Beneficial Ownership	Citizenship	Percent
Common	Willy N. Ocier	39,888,001 Direct	Filipino	0.13%
Common	Exequiel P. Villacorta, Jr.	500,001 Direct	Filipino	0%
Common	Armin Antonio B. Raquel Santos	11,000 Direct	Filipino	0%
Common	Maria Gracia M. Pulido Tan	10,001 Direct	Filipino	0%
Common	Roberto V. Antonio	10,000 Direct	Filipino	0%
Common	Jerry C. Tiu	4,000,000 Direct**	Filipino	0.01%
Common	Laurito E. Serrano	10,000	Filipino	0%
Common	Arthur A. Sy	20,000 Direct	Filipino	0%

Title of Class	Name of Beneficial Owner	Amount* and Nature of Beneficial Ownership	Citizenship	Percent
Common	Carlo R. Climaco	0	Filipino	0%
Common	Dioville M. Villarias	0	Filipino	0%
Common	Elmer B. Serrano	0	Filipino	0%
Common	Phil Ivan A. Chan	0	Filipino	0%
Common	Anna Josefina G. Esteban	0	Filipino	0%
Common	Michelle Angeli T. Hernandez	0	Filipino	0%

*No. reflects the number of shares beneficially owned by the Company's directors and executive officers

**Shares of Mr. Jerry C. Tiu are lodged with broker duly registered in Mr. Tiu's name

(3) Voting Trust Holders of 5% or More

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

(4) Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year. As of December 31, 2022, there are no existing or planned stock warrant offerings by PLC. There are no arrangements which may result in a change in control of the Company.

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

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

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

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

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

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

On September 7, 2021, Pinoylotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated with the SEC.

PinoyLotto was awarded the five years lease of the customized PCSO Lottery System, also known as ‘2021 PLS Project’.

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

Item 12. Certain Relationships and Related Transactions

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

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

Related party transactions amounting to 10% or higher of the Company’s consolidated total assets are subject to the approval of the BOD. Aside from these transactions and those identified in the attached Audited Financial Statements, the Company has no other significant transactions that need to be disclosed.

The related party transactions are described in Note 23 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

PLC is cognizant of the important role of adherence to good governance practices in the operations of its business, increasing shareholder value and sustaining growth. The Company’s platform of governance remains rooted in its Revised Manual on Corporate Governance and Code of Business Conduct and Ethics, which supports the principles of fairness, accountability and transparency. The Company promotes these principles to all in the organization and to all its stakeholders, and continues to keep pace with the global corporate governance best practices under the guidance of its Board of Directors (the “Board”).

The Board’s primary role is to foster the long-term success of the Company, secure its sustained competitiveness consistent with its fiduciary responsibility in a manner that ensures the best interests of the Company, its shareholders and its stakeholders.

Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director’s absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. In 2023, each of the Company’s directors have complied with the requirements.

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

BOARD OF DIRECTORS	17-Jan-23	30-Jan-23	23-Feb-23	28-Feb-23	24-Apr-23 ¹	24-Apr-23 ²	27-Jul-23	15-Aug-23	1-Sep-23	30-Sep-23	26-Oct-23	16-Nov-23	7-Dec-23	% Attendance
Ocier, Willy N.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Raquel Santos, Armin Antonio B.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Pulido Tan, Maria Gracia M.	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓	92%
Tanquiatco, Juan Victor S. ³	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
Tiu, Jerry C.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Villacorta, Exequiel P. Jr.	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓	92%
Antonio, Roberto V.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Serrano, Laurito E. ⁴	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	✓	100%

¹ - end of term on April 24, 2023

² - elected on April 24, 2023

³ - Annual Shareholders’ Meeting

⁴ - Organizational Meeting

The Board of Directors during its meeting in October 2023 approved the scheduling of the 2024 Board and Committee Meetings in adherence to good governance practices.

Board Performance Evaluation

The Company, through its Corporate Governance Committee, conducts annual performance evaluations of the Board, its individual members and Board Committees to ensure optimum Board performance. The evaluation seeks to assess the effectiveness and collective performance of the Board through a self-assessment. In this evaluation process, directors identify areas for improvement, such as:

1. The timeliness and integrity of information given to them;
2. Directors' access to management, the Corporate Secretary and Board Advisors, and
3. Other forms of assistance as needed.

The detailed Board Evaluation Form can be found in the Company's website. Directors are asked to rate the performance of the collective Board, the Board Committees, themselves as directors, the Company's Chairman of the Board, the Chief Executive Officer, and key officers.

Criteria for Board and Management Ratings are as follows:

1. Collective Board Rating – relates to:
 - Board Composition – relates to how the Board members assess the Board as a whole based on their balance/diversity, knowledge/competencies, qualifications/background and experience.
 - Board Efficiency and Importance – relates to how the Board members assess the Board's overall performance, oversight over Management's activities, discussions on short and long term goals, business strategies and plans, risk, and regulation, follow up of business plan, strategy, objective and budget, promotion of good governance principles, policies and mechanisms, and promotion of continuing education and/or training
 - Board Meetings and Participation – relates to how Board members assess frequency of Board meetings, if they were given chance to fully and positively participate, were provided quality materials and sufficient time for study, provided easy and timely access to information or inputs and whether there is efficient use of the time allocated for each meeting
2. Board Committees Rating – relates to how the Committee members and Management rate the performance of the following Committees for the past year:
 - Executive Committee
 - Audit Committee
 - Risk Oversight Committee
 - Corporate Governance Committee
 - Related Party Transaction Committee
 - Compensation and Remuneration Committee
3. Individual Directors' Self-rating – relates to how the Directors assess their independence, participation and expertise
4. Officers Rating – relates to how well the Chairman of the Board and the President/CEO demonstrates leadership, integrity, diligence and adherence to corporate governance principles and practices as well as the assessment of the following key officers for their over-all performance:
 - Chief Risk Officer
 - Compliance Officer
 - Chief Audit Executive

The Board reviews the results of this evaluation and agrees on clear action plans to address any issues raised. In line with governance best practices, the Company also ensures that board evaluations shall be facilitated by a third-party independent assessor every three (3) years reckoned from January 1, 2017 (effectivity date of the 2016 Code of Corporate Governance for Publicly Listed Companies).

The annual Board performance evaluation for 2023 was conducted in February 2024. The results of the evaluation, which found the Board to be functioning well to its mandate, were discussed and presented to the Board through the Corporate Governance Committee.

Continuing Education Programs

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

Names				Date	Training Provider	Topics
Ocler	Willy	N.	Chairman	October 16, 2023, Monday	Institute of Corporate Directors	Global Economic and Geopolitical Outlook / Business Trends and Insights / Generative A.I. and Cybersecurity
Raquel Santos	Armin Antonio	B.	President, CEO			
Tan	Maria Gracia	P.	Independent Director			
Serrano	Laurito	E.	Lead Independent Director			
Antonio	Roberto	V.	Independent Director			
Tiu	Jerry	C.	Independent Director			

Manual on Corporate Governance

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

The Company undertakes every effort possible to create awareness throughout the entire organization by keeping abreast with the promulgations from the Securities and Exchange Commission, the Philippine Stock Exchange and other government agencies. The Board of Directors discussed and approved the Company’s Revised Manual of Corporate Governance on October 28, 2021.

The Company conducts regular monitoring of its and its directors and officers’ compliance with the Manual of Corporate Governance. The Company submits every year its Integrated Annual Corporate Governance Report, which shows that it has complied with the recommendations under the Code of Corporate Governance for Publicly-Listed Companies.

In 2023, there are no significant deviations and in general, the Company has fully complied with the provisions and requirements of the Corporate Governance Manual.

The Company also keeps itself abreast of relevant regulatory issuances and requirements and global best practices and familiarizes itself with updates and trends even before they are required by local regulations. This is part of the continuing efforts and plans to improve corporate governance of PLC.

Board Committees

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

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

On April 24, 2017, the Nomination Committee was merged with the Corporate Governance Committee.

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

Below is the attendance of the members of the Board Committees for 2023.

Summary of Premium Leisure Corp.'s Audit Committee Meetings in 2023				
Audit Committee	22-Feb-23	21-Apr-23	26-Jul-23	25-Oct-23
Chairman (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Serrano, Laurito E.	Serrano, Laurito E.
Member (ID)	Bautista, Jaime J.	Antonio, Roberto V.	Antonio, Roberto V.	Antonio, Roberto V.
Member (ID)	Tanjuatco, Juan Victor S.	Tanjuatco, Juan Victor S.	Tan, Maria Gracia P.	Tan, Maria Gracia P.
Member	Villacorta, Exequiel P. Jr.			

Summary of Premium Leisure Corp.'s Corporate Governance Committee Meetings in 2023			
Corporate Governance Committee	22-Feb-23	25-Oct-23	5-Dec-23
Chairman (ID)	Tanjuatco, Juan Victor S.	Antonio, Roberto V.	Antonio, Roberto V.
Member (ID)	Antonio, Roberto V.	Serrano, Laurito E.	Serrano, Laurito E.
Member (ID)	Tan, Maria Gracia P.	Tan, Maria Gracia P.	Tan, Maria Gracia P.

Summary of Premium Leisure Corp.'s Related Party Transactions Committee Meetings in 2023		
Related Party Transactions Committee	22-Feb-23	25-Oct-23
Chairman (ID)	Tiu, Jerry C.	Tiu, Jerry C.
Member (ID)	Antonio, Roberto V.	Antonio, Roberto V.
Member (ID)	Tanjuatco, Juan Victor S.	Serrano, Laurito E.

Summary of Premium Leisure Corp.'s Risk Oversight Committee Meetings in 2023		
Risk Oversight Committee	22-Feb-23	25-Oct-23
Chairman (ID)	Antonio, Roberto V.	Tan, Maria Gracia M. Pulido
Member (ID)	Tan, Maria Gracia P.	Antonio, Roberto V.
Member (ID)	Tiu, Jerry C.	Tiu, Jerry C.
Member	Villacorta, Exequiel P. Jr.	Villacorta, Exequiel P. Jr.

Summary of Premium Leisure Corp.'s Compensation and Remuneration Committee Meetings in 2023		
Compensation and Remuneration Committee	22-Feb-23	5-Dec-2023
Chairman (ID)	Tanjuatco, Juan Victor S.	Tiu, Jerry C.
Member	Raquel Santos, Armin Antonio B.	Raquel Santos, Armin Antonio B.
Member (ID)	Tiu, Jerry C.	Serrano, Laurito E.

Risk Oversight Committee

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

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company's risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company's risk management system for 2023 and has found the same effective and adequate.

The Audit Committee

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2023.

Corporate Objectives

The Board establishes the corporate objectives, which are:

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

Code of Business Conduct and Ethics

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

Governance Policies

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

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

Board Diversity

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

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

PLC Board Skill Set Matrix				INDUSTRY EXPERIENCE / EXPERTISE / COMPETENCIES																			
NAME and DESIGNATION	AGE	GEN DER	EDUCATIONAL BACKGROUND	Accounting / Audit	Anti-Money Laundering	Banking	Construction	Corp Gov	Economics	Finance	Hospitality / Tourism	IT / Cyber	Insurance	Investment	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales & Mktg
Willy N. Ocier Chairman Executive Director	66	M	Bachelor of Arts in Economics				✓	✓	✓	✓	✓	✓		✓			✓			✓	✓	✓	✓
Armin Antonio B. Raquel Santos President & CEO	55	M	Bachelor of Science in Business Administration Major in Finance Master of Arts in Liberal Studies	✓	✓			✓	✓	✓	✓			✓	✓		✓		✓	✓		✓	
Ezequiel P. Villacorta, Jr. Non-Executive Director	77	M	Bachelor of Science in Business Administration Masters in Business Management	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		✓			✓		✓	
Laurito E. Serrano Independent Director	75	M	Masters in Business Administration	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓		✓		✓			✓	
Maria Gracia M. Palido Tan Lead Independent Director	67	F	Bachelor of Science in Business Administration Major in Finance Master of Arts in Liberal Studies	✓	✓	✓		✓	✓	✓			✓	✓	✓	✓	✓						✓
Roberto V. Antonio Independent Director	60	M	Bachelor in Economics major in Marketing Management Juris Doctor Candidate Masters in Business Economics	✓	✓	✓		✓	✓	✓			✓	✓	✓	✓	✓						✓
Jerry C. Tin Independent Director	65	M	Bachelor of Science-Commerce major in Marketing	✓	✓	✓		✓	✓	✓	✓			✓	✓		✓			✓		✓	✓

Directors' disclosures on self-dealing and related party transactions.

All business decisions and actions must be based on the best interests of the Company and not motivated by personal considerations or relationships which may interfere with the exercise of independent judgment. The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.

All Directors, Officers and Employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest. All Directors, Officers and Employees are required to disclose in writing to the Management, within forty-eight (48) hours, any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of Management.

Directors shall inhibit themselves from participating in any discussion, deliberation and decision-making concerning any issue or transaction where they may be conflicted.

The Company shall not extend loans to Directors and Officers unless these grants are conducted at arms-length basis and at prevailing market rates.

Directors, Officers and Employees are prohibited from buying or selling (trading) shares of stock of Belle Corp. using material non-public information and obtained by reason of position, contact within or other relationship with the Company. They are also prohibited from passing on such information to someone else who then buys or sells the Company's shares of stock.

Trading Restriction Period – Directors, Officers and Employees and covered persons mentioned above are prohibited from trading in Belle shares within the period five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results and any other material information.

This is pursuant to Section 13.2 of the PSE Disclosure Rules – “A Director or Principal Officer of an Issuer must not deal in the Issuer’s securities during the period within which a material non-public information is obtained and up to two full trading days after the price sensitive information is disclosed.”

Reporting Requirements – Directors, Officers and Employees are required to report to the Governance, Corporate Affairs and Investor Relations (GCAIR) Department all dealings in Belle shares within three (3) business days from the date of trading. All Directors and Key Officers covered by the SEC and PSE’s reporting requirements with regard to their shareholdings in the Company shall do so immediately and correctly.

Premium Leisure Corp. prohibits its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of December 31, 2023 is shown below:

Name	Number of Shares Held as of 12.31.2022	Acquisition (+)	Disposition (-)	Number of Shares Held as of 12.31.23	% of Ownership
Willy N. Ocier	39,888,001	0	0	39,888,001	0.13
Armin Antonio B. Raquel Santos	11,000	0	0	11,000	0
Maria Gracia P. Tan	10,001	0	0	10,001	0
Jerry C. Tiu	4,000,000	0	0	4,000,000	0.01
Laurito E. Serrano	10,000	0	0	10,000	0
Exequiel P. Villacorta, Jr.	500,001	0	0	500,001	0
Roberto V. Antonio	10,000	0	0	10,000	0
	44,429,003	0	0	44,429,003	0.14

Directorships of Non-Executive Directors in Other Listed Companies

In February 2018, the Board of Directors has approved the setting of a maximum limit of five (5) publicly- listed corporations, including Belle Corporation, for Non-Executive Directors to simultaneously hold at any given time.

Tenure of Independent Directors

Further, the Board has approved the setting of maximum tenure of nine (9) years with year 2012, or the commencements of their term assuming it is later than January 2012, as reckoning date. The Independent Director (ID) may serve as a Non-Executive Director after his term as an ID.

Compliance Officer

The Company, through its Compliance Officer, stresses full compliance with applicable laws and adherence to ethical practices as stated in the Code of Business Conduct and Ethics (CBCE) and the Revised Manual on Corporate Governance.

The Board established the major goals, policies, and objectives of the Company, as well as the means to monitor and evaluate the performance of Management. The Board also ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

The Company is not aware of any non-compliance with its Revised Manual on Corporate Governance, by any of its directors, officers or employees.

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

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

Investor Relations

Carlo R. Climaco
Vice President for Operations and Regulatory
Premium Leisure Corp.
5th Floor Tower A, Two E-com Center Palm Coast Avenue
Mall of Asia Complex Pasay City 1300 Philippines
Tel.No.:(632) 8662-8888
Email: carlo.climaco@premiumleisurecorp.com

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

PART V - EXHIBITS AND SCHEDULES

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

a. Exhibits on SEC Form 17-C

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

b. Reports on SEC Form 17-C

Date	Matter
4/24/2023	Results of Annual or Special Stockholders' Meeting
4/24/2023	Results of Organizational Meeting of Board of Directors
8/16/2023	Change in Directors and/or Officers Appointment of Ms. Dioville M. Villarias as the Chief Financial Officer and Treasurer of the Corporation, replacing Ms. Maria Neriza C. Banaria effective August 22, 2023.
10/27/2023	Material Information/Transactions Approval of additional equity investment in its wholly-owned subsidiary, Sinophil Leisure and Resorts Corporation (SLRC), up to Three Billion Pesos (₱3,000,000,000.00)

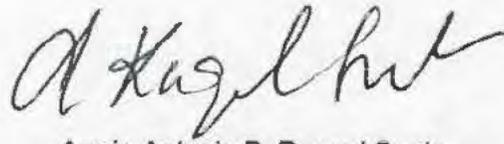
SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasay on 28th day of February 2024.

By:



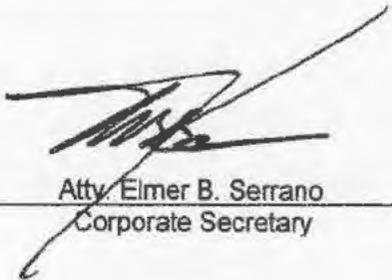
 Willy N. Ocier
 Chairman of the Board



 Armin Antonio B. Raquel Santos
 President and Chief Executive Officer



 Dioville M. Villarias
 Chief Financial Officer/ Treasurer



 Atty. Elmer B. Serrano
 Corporate Secretary

MAR 06 2024

SUBSCRIBED AND SWORN to before me this ____ th day of _____ 2024 affiants exhibiting to me their _____, as follows:

NAME	PASSPORT/ TIN No.	EXPIRATION DATE	PLACE OF ISSUE
Willy N. Ocier	[REDACTED]	[REDACTED]	Manila
Armin Antonio B. Raquel Santos	[REDACTED]	[REDACTED]	Manila
Dioville M. Villarias	[REDACTED]	[REDACTED]	NCR South
Atty. Elmer B. Serrano	[REDACTED]	[REDACTED]	

DOC NO. 266
 PAGE NO. 39
 BOOK NO. 12
 SERIES OF 104

ATTY. JOEL FERRER FLORES
 Notary Public for Makati City
 Until December 31, 2024
 Appointment No. 117 (2013-2024)
 Roll of Notaries No. 17376
 MCLE Compliance VIII No. 0001393
 Jan. 3, 2023 until Apr. 12, 2028
 PTR NO. 10073945/Jan. 2, 2024/Makati City
 IBP No. 330740/Jan. 2, 2024/Pasig City
 1107 Bataan St., Guadalupe Nueva, Makati City

PREMIUM LEISURE CORP.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

Consolidated Financial Statements	Page No.
Statement of Management's Responsibility for Financial Statements)
Report of Independent Public Accountants) see attached FS
Consolidated Balance Sheets as of December 31, 2023 and 2022)
Consolidated Statements of Income for the years ended December 31, 2023, 2022 and 2021)
Consolidated Statements of Changes in Equity for the years ended December 31, 2023, 2022 and 2021)
Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021)
Notes to Consolidated Financial Statements)

Securities Regulation Code Rule 68 Schedules

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

INDEX TO EXHIBITS

Form 11-A

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

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



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

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

The management of Premium Leisure Corp and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2023, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, for the periods December 31, 2023 and 2022 have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

WILLY M. OGIER
Chairman of the Board

ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer

DIOVILLE M. VILLARIAS
Chief Finance Officer / Treasurer

Signed this 28th day of February 2024

MAKATI CITY

FEB. 28 2024

SUBSCRIBED AND SWORN to before me this day of 2024 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

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

DOC NO. : 192
PAGE NO. : 40
BOOK NO. : 12
SERIES OF : 2024.

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll Of Attorney No. 77376
MCLE Compliance VIII No. 0001393-
Jan. 3, 2023 until Apr. 12, 2028
PTR NO. 10073945/ Jan. 2, 2024/ Makati City
IBP No. 330740/ Jan. 2, 2024/ Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Premium Leisure Corp. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended December 31, 2023, 2022 and 2021, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



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

The Group is required to assess at each reporting date the recoverability of goodwill. As at December 31, 2023, the carrying amount of goodwill arising from the acquisition of POSC amounted to ₱926.0 million. This matter is considered significant to our audit because the assessment of the recoverability of goodwill involves the exercise of significant management judgment and estimates such as determination of forecasted cash flows and discount rate. These judgment and estimates are based on assumptions that are subject to a high level of uncertainty because of the prevailing challenges in the conduct of business brought about by current economic conditions and changes in the operations and sources of cash flows of POSC.

Our audit procedures include, among others, assessing management's assessment of the recoverable amount of goodwill considering the potential impact of regulatory processes and decisions, changes in business strategies and expected market or economic conditions. We evaluated the appropriateness of the assumptions used by the Group in the impairment assessment, in particular those involving the forecasted cash flows from existing and committed contracts, discount rate and other areas to which the outcome of the impairment test is most sensitive. We also reviewed the adequacy of the Group's related disclosures in Note 2, *Summary of Material Accounting Policy Information*, Note 3, *Significant Judgments, Accounting Estimates and Assumptions* and Note 15, *Goodwill*, to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱2,000,178,939	₱1,778,570,078
Investments held for trading	6	100,012,769	72,682,452
Notes receivable	7	2,100,000,000	3,705,925,000
Receivables	8	486,283,555	212,568,231
Other current assets	9	306,687,874	217,582,191
Total Current Assets		4,993,163,137	5,987,327,952
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	11	129,666,731	686,731,218
Property and equipment	13	706,342,434	2,103,394
Right-of-use (ROU) assets	24	2,655,189,953	1,815,399
Investment properties	12	285,510,452	285,510,452
Intangible asset	10	8,237,237,067	8,475,709,551
Goodwill	15	926,007,748	926,007,748
Net deferred tax assets	22	3,248,780	–
Other noncurrent assets	9	384,383,991	620,699,824
Total Noncurrent Assets		13,327,587,156	10,998,577,586
		₱18,320,750,293	₱16,985,905,538
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	16	₱785,392,630	₱728,696,132
Loan payable - current portion	4	58,823,529	–
Lease liabilities - current portion	24	294,303	1,891,442
Total Current Liabilities		844,510,462	730,587,574
Noncurrent Liabilities			
Loan payable - net of current portion	4	411,764,706	67,500,000
Lease liabilities - net of current portion	24	208,495	–
Net retirement liability	17	16,014,299	17,903,002
Net deferred tax liability	22	–	531,152
Total Noncurrent Liabilities		427,987,500	85,934,154
Total Liabilities		1,272,497,962	816,521,728

(Forward)

		December 31	
	Note	2023	2022
Equity attributable to the Equity Holders of the			
Parent Company			
	18		
Capital stock		₱7,906,827,500	₱7,906,827,500
Additional paid-in capital		7,238,721,924	7,238,721,924
Treasury stock - at cost		(220,430,080)	(220,430,080)
Cost of Parent Company common shares held by a subsidiary		(509,597,055)	(509,597,055)
Other equity reserves		(785,086,348)	(707,307,851)
Retained earnings		2,957,045,719	2,094,797,559
		16,587,481,660	15,803,011,997
Non-controlling Interests		460,770,671	366,371,813
Total Equity		17,048,252,331	16,169,383,810
		₱18,320,750,293	₱16,985,905,538

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2023	2022	2021
REVENUE				
Gaming revenue share	28	₱2,339,334,874	₱1,560,845,412	₱1,300,291,468
Equipment rental	24	599,221,040	519,051,226	426,345,611
Commission income	28	2,332,616	–	–
		2,940,888,530	2,079,896,638	1,726,637,079
COST AND EXPENSES				
Cost of services	19	528,440,721	503,646,918	632,737,322
General and administrative	20	450,399,236	438,961,707	331,171,925
		978,839,957	942,608,625	963,909,247
OTHER INCOME (CHARGES)				
Interest income	5	254,011,944	147,434,493	135,626,403
Finance cost	4, 24	(17,903,206)	(220,505)	(642,417)
Dividend income	11	5,999,263	–	–
Others - net	21	253,561,788	6,529,873	286,449,932
		495,669,789	153,743,861	421,433,918
INCOME BEFORE INCOME TAX		2,457,718,362	1,291,031,874	1,184,161,750
PROVISION FOR INCOME TAX				
Current	22	133,538,442	14,627,225	11,118,008
Deferred		261,016	20,457,201	50,134,332
		133,799,458	35,084,426	61,252,340
NET INCOME		2,323,918,904	1,255,947,448	1,122,909,410
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that will not be reclassified to profit or loss:</i>				
Unrealized valuation gain (loss) on financial assets at FVOCI	11	153,203,945	54,225,946	(50,496,141)
Remeasurement gains (losses) on net retirement liability, net of tax	17	(9,233,066)	8,655,955	25,253,640
		143,970,879	62,881,901	(25,242,501)
TOTAL COMPREHENSIVE INCOME		₱2,467,889,783	₱1,318,829,349	₱1,097,666,909
Net income (loss) attributable to:				
Equity holders of the parent company		₱2,185,274,122	₱1,159,554,790	₱1,193,902,616
Non-controlling interests		138,644,782	96,392,658	(70,993,206)
		₱2,323,918,904	₱1,255,947,448	₱1,122,909,410
Total comprehensive income (loss) attributable to:				
Equity holders of the parent company		₱2,333,860,610	₱1,220,228,226	₱1,167,407,185
Non-controlling interests		134,029,173	98,601,123	(69,740,276)
		₱2,467,889,783	₱1,318,829,349	₱1,097,666,909
Basic/Diluted Earnings per Common Share	25	₱0.0709	₱0.0376	₱0.0387

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

Equity Attributable to the Equity Holders of the Parent Company										
	Note	Capital Stock (see Note 18)	Additional Paid-in Capital (see Note 18)	Treasury Stock (see Note 18)	Cost of Parent Company Shares Held by a Subsidiary (see Note 18)	Other Equity Reserves (see Note 18)	Retained Earnings	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests	Total
Balance at January 1, 2023		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱707,307,851)	₱2,094,797,559	₱15,803,011,997	₱366,371,813	₱16,169,383,810
Net income		-	-	-	-	-	2,185,274,122	2,185,274,122	138,644,782	2,323,918,904
Other comprehensive income (loss):										
Unrealized valuation gain on financial assets at FVOCI	11	-	-	-	-	153,203,945	-	153,203,945	-	153,203,945
Remeasurement loss on net retirement liability - net of tax	17	-	-	-	-	(4,617,457)	-	(4,617,457)	(4,615,609)	(9,233,066)
Total comprehensive income		-	-	-	-	148,586,488	2,185,274,122	2,333,860,610	134,029,173	2,467,889,783
Realized gain on sale of financial assets at FVOCI transferred to retained earnings		-	-	-	-	(226,364,985)	226,364,985	-	-	-
Cash dividends	29	-	-	-	-	-	(1,549,390,947)	(1,549,390,947)	(39,630,315)	(1,589,021,262)
Balance at December 31, 2023		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱785,086,348)	₱2,957,045,719	₱16,587,481,660	₱460,770,671	₱17,048,252,331
Equity Attributable to the Equity Holders of the Parent Company										
	Note	Capital Stock (see Note 18)	Additional Paid-in Capital (see Note 18)	Treasury Stock (see Note 18)	Cost of Parent Company Shares Held by a Subsidiary (see Note 18)	Other Equity Reserves (see Note 18)	Retained Earnings	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests	Total
Balance at January 1, 2022		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱851,048,515)	₱2,566,288,233	₱16,130,762,007	₱267,770,690	₱16,398,532,697
Net income		-	-	-	-	-	1,159,554,790	1,159,554,790	96,392,658	1,255,947,448
Other comprehensive income:										
Unrealized valuation gain on financial assets at FVOCI	11	-	-	-	-	54,225,946	-	54,225,946	-	54,225,946
Remeasurement gain on net retirement liability - net of tax	17	-	-	-	-	6,447,490	-	6,447,490	2,208,465	8,655,955
Total comprehensive income		-	-	-	-	60,673,436	1,159,554,790	1,220,228,226	98,601,123	1,318,829,349
Realized portion of the fair value reserve		-	-	-	-	87,305,366	(87,305,366)	-	-	-
Reclassification to retained earnings of retirement benefit reserve		-	-	-	-	(4,238,138)	5,650,851	1,412,713	-	1,412,713
Cash dividends	18	-	-	-	-	-	(1,549,390,949)	(1,549,390,949)	-	(1,549,390,949)
Balance at December 31, 2022		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱707,307,851)	₱2,094,797,559	₱15,803,011,997	₱366,371,813	₱16,169,383,810

	Note	Capital Stock (see Note 18)	Additional Paid-in Capital (see Note 18)	Treasury Stock (see Note 18)	Cost of Parent Company Shares Held by a Subsidiary (see Note 18)	Other Equity Reserves (see Note 18)	Retained Earnings	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests	Total
Balance at January 1, 2021		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱824,553,084)	₱2,629,106,978	₱16,220,076,183	₱337,510,966	₱16,557,587,149
Net income (loss)		-	-	-	-	-	1,193,902,616	1,193,902,616	(70,993,206)	1,122,909,410
Other comprehensive income (loss):										
Unrealized valuation loss on financial assets at FVOCI		-	-	-	-	(38,520,800)	-	(38,520,800)	(11,975,341)	(50,496,141)
Remeasurement gain on net retirement liability - net of tax		-	-	-	-	12,025,369	-	12,025,369	13,228,271	25,253,640
Total comprehensive income (loss)		-	-	-	-	(26,495,431)	1,193,902,616	1,167,407,185	(69,740,276)	1,097,666,909
Cash dividends	18	-	-	-	-	-	(1,256,721,361)	(1,256,721,361)	-	(1,256,721,361)
Balance at										
December 31, 2021		₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱851,048,515)	₱2,566,288,233	₱16,130,762,007	₱267,770,690	₱16,398,532,697

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱2,457,718,362	₱1,291,031,874	₱1,184,161,750
Adjustments for:				
Interest income	5	(254,011,944)	(147,434,493)	(135,626,403)
Amortization of intangible asset	10	238,472,484	238,472,484	238,472,484
Provisions (reversals)	16	124,685,209	187,363,193	(281,316,859)
Mark-to-market (gain) loss on investments held for trading	6	(54,078,646)	371,193	23,622,906
Depreciation and amortization	13	48,196,448	33,772,871	148,389,562
Finance costs	4,24	17,903,206	220,505	642,417
Dividend income	11	(5,999,263)	–	–
Retirement expense	17	5,370,147	8,802,230	12,062,363
Unrealized foreign exchange loss		2,351,019	170,916	511,428
Gain on disposal of:				
Investments held for trading	21	(146,545,079)	–	–
Property and equipment	13	(38,845)	(395,719)	(175,500)
Net assets of subsidiaries	14	–	(542,645)	–
Provision for (reversal of) impairment loss on:				
Other current assets	9	8,088	(32,673,528)	(10,860,620)
Contract asset	28	–	–	(26,000,000)
Operating income before working capital changes		2,434,031,186	1,579,158,881	1,153,883,528
Decrease (increase) in:				
Receivables		(273,715,324)	51,886,620	190,964,471
Other current assets		(124,329,981)	77,205,123	(4,080,340)
Other noncurrent assets		23,710,270	(29,320,112)	(440,302)
Decrease in trade payables and other current liabilities		(67,370,338)	(89,079,593)	(235,122,967)
Net cash generated from operations		1,992,325,813	1,589,850,919	1,105,204,390
Interest received		254,011,944	143,436,911	129,513,361
Retirement contributions	17	(19,569,605)	(10,000,000)	(5,000,000)
Income taxes paid		(96,811,948)	–	(10,447,746)
Retirement benefits paid	17	–	(252,285)	–
Net cash provided by operating activities		₱2,129,956,204	₱1,723,035,545	₱1,219,270,005

(Forward)

		Years Ended December 31		
	Note	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection of notes receivable		₱1,605,925,000	₱–	₱–
Proceeds from disposal of:				
Financial assets at FVOCI		710,268,432	88,661,791	–
Investments held for trading	6	173,293,408	–	–
Property and equipment		1,362,047	3,869,287	1,748,246
Acquisition of:				
Property and equipment	13, 29	(537,557,130)	(85,500)	(12,221,823)
Net assets of subsidiaries, net of cash disposed	14	–	(3,910,087)	–
Financial assets at FVOCI	11	–	–	(484,209,375)
Investments held for trading		–	–	(12,415,625)
Dividends received		5,999,263	–	–
Advances to suppliers for acquisition of property and equipment	29	–	(207,054,331)	–
Net cash provided by (used in) investing activities		1,959,291,020	(118,518,840)	(507,098,577)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of lease liabilities	24	(2,663,827,027)	(4,989,872)	(12,827,398)
Dividends paid	29	(1,589,021,262)	(1,549,390,949)	(1,256,721,361)
Proceeds from loans payable	4	500,000,000	67,500,000	–
Payments of:				
Loans payable		(96,911,765)	–	–
Interest on loans payable		(17,878,309)	–	–
Net cash used in financing activities		(3,867,638,363)	(1,486,880,821)	(1,269,548,759)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		221,608,861	117,635,884	(557,377,331)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,778,570,078	1,660,934,194	2,218,311,525
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱2,000,178,939	₱1,778,570,078	₱1,660,934,194

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2023 AND 2022, AND
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

1. General Information

Corporate Information

Premium Leisure Corp. (PLC or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993. The Parent Company was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved the change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. On September 5, 2014, the SEC approved the change in PLC's primary purpose to that of engagement and/or investment in gaming-related businesses. On July 19, 2019 the SEC approved the change in PLC's primary purpose to exclude real estate business activities.

PLC, a publicly-listed company in the Philippine Stock Exchange (PSE), is 79.78% (directly and indirectly) owned by Belle Corporation (Belle or the Ultimate Parent Company) and the rest by the public as at December 31, 2023 and 2022.

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

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

	Percentage of Ownership					
	2023		2022		2021	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Gaming Business						
PremiumLeisure and Amusement, Inc. (PLAI)	100.00	–	100.00	–	100.00	–
Real Estate						
Foundation Capital Resources, Inc. (FCRI)	100.00	–	100.00	–	100.00	–
Public Amusement and Recreation						
Sinophil Leisure and Resorts Corporation (SLRC)	100.00	–	100.00	–	100.00	–
Lottery Equipment Leasing and Other Related Services						
Pacific Online Systems Corporation (POSC)	50.10	–	50.10	–	50.10	–
Loto Pacific Leisure Corporation (LotoPac)	–	100.00	–	100.00	–	100.00
Total Gaming Technologies, Inc. (TGTI)	–	98.92	–	98.92	–	98.92
Falcon Resources, Inc. (FRI)	–	100.00	–	100.00	–	100.00
Futurelab Interactive Corp.	50.00	50.00	50.00	50.00	50.00	50.00
TGTI Services, Inc. (TGTISI) ^(a)	–	–	–	–	–	100.00
PinoyLotto Technologies Corp. (PinoyLotto)	–	50.00	–	50.00	–	50.00
<i>(a) Sold in 2022</i>						

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

PinoyLotto was awarded with the five year-lease of the customized PCSO Lottery System (PLS Project) with a contract price of ₱5,800.0 million. PinoyLotto commenced its commercial operations on October 1, 2023. 6,500 terminals have been installed and are in operation nationwide.

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

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

Approval of the Consolidated Financial Statements

The consolidated financial statements as at and for the years ended December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were endorsed by the Audit Committee to the BOD and were approved and authorized by the BOD for issuance on February 28, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

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

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

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

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

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

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

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

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

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

- Note 6 - *Investments held for Trading*
- Note 11 - *Financial Assets at Fair Value through Other Comprehensive Income*
- Note 12 - *Investment Properties*
- Note 26 - *Financial Instruments*

Adoption of Amended PFRS

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

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

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

Amended PFRS in Issue But Not Yet Effective or Adopted

Relevant amended PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements are summarized below.

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

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

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

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

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

Deferred effectivity -

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

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

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

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

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

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

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

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

There were no reclassifications of financial assets in 2023, 2022 and 2021.

As at December 31, 2023 and 2022, the Group does not have financial liabilities at FVPL and debt instruments measured at FVOCI.

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

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

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

Classified under this category are the Group’s investments in equity securities and share warrants included under “Investments held for trading” account (see Note 6).

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

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

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

Classified under this category are the Group’s cash and cash equivalents, notes receivable, receivables, contract asset, guarantee deposits (presented as part of “Other current assets”) advances to contractors and refundable deposits (presented as part of “Other noncurrent assets”) (see Notes 5, 7, 9 and 28).

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

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

Classified under this category are the Group’s investments in equity securities included under “Financial assets at FVOCI” account (see Note 11).

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

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

Classified under this category are the Group’s trade and other current liabilities (excluding provisions, unearned income and statutory payables), lease liabilities and loan payable (see Notes 4, 16 and 24).

Impairment of Financial Assets at Amortized Cost

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

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

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

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

Creditable Withholding Taxes (CWT)

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

Advances to Suppliers

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

Value-Added Tax (VAT)

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

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

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

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

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" account in the consolidated statements of financial position.

The amount of VAT on revenue not yet collected is included as part of "Statutory payables" under "Trade and other current liabilities" account in the consolidated statements of financial position.

Intangible Asset

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

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

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

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

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

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

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

Investment Properties

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

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

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

Property and Equipment

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

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

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

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

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

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

<u>Asset Type</u>	<u>Number of Years</u>
Lottery equipment	4-10 or term of lease, whichever is shorter
Leasehold improvements	4 or the term of the lease, whichever is shorter
Computer software	5
Transportation equipment	4-5
Office furniture, fixtures and equipment	3-4

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

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

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

Software Development

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

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

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

Impairment of Nonfinancial Assets (excluding Goodwill)

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

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

Equity

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

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

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

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

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

Other Equity Reserves. Other equity reserves primarily comprise of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other equity reserves of the Group mainly pertain to cumulative unrealized fair valuation losses movement of financial assets at FVOCI and, cumulative remeasurement gains of retirement benefits and other reserves.

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

NCI. NCI represents the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company.

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

Revenue Recognition

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

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

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

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

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

Equipment Rental. Revenue from lease agreements with variable lease payments is recognized based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement. For lease agreements with fixed payments and is classified as operating lease, revenue is recognized on a straight-line basis over the term of the lease.

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

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

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

Other Income. Revenue is recognized when earned.

Cost and Expense Recognition

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

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

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

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

Other Charges. Other charges are recognized when incurred.

Leases

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

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

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

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

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

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

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

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

- a) Fixed payments, including in-substance fixed payments;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) Amounts expected to be payable by the lessee under residual value guarantees; and

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

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

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

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

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

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

Employee Benefits

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

Foreign Currency-Denominated Transactions and Translations

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

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

Income Taxes

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

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

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

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

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

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

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

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

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

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

Related Parties and Transactions

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

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

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

Earnings per Share (EPS)

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

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

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

Operating Segments

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

Comparatives

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

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

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

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

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

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

Lease commitments are disclosed in Note 24.

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

Revenue from equipment rental is disclosed in Note 24.

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

The Group's financial assets and liabilities are disclosed in Note 26.

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

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

Estimates and Assumptions

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

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

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

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

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

Allowance for impairment losses aggregated to ₱543.5 million as at December 31, 2023 and 2022 (see Note 8). Provision and reversal of impairment losses are disclosed in Notes 20 and 21.

The carrying amount of financial assets as at December 31, 2023 and 2022 are as follows:

	Note	2023	2022
Cash and cash equivalents	5	₱2,000,178,939	₱1,778,570,078
Notes receivable	7	2,100,000,000	3,705,925,000
Receivables	8	486,283,555	212,568,231
Contract asset*	28	–	4,000,000
Guarantee deposits*	9	91,000,000	14,500,000
Advances to contractors**	9	139,738,757	139,738,757
Refundable deposits**	9	3,036,529	2,769,769

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

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

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

No provision for impairment loss was recognized for significant nonfinancial assets (excluding goodwill) in 2023, 2022 and 2021.

The carrying amount of significant nonfinancial assets (excluding goodwill) as at December 31, 2023 and 2022 are as follows:

	Note	2023	2022
Intangible asset	10	₱8,237,237,067	₱8,475,709,551
Right-of-use (ROU) assets	24	2,655,189,953	1,815,399
Investment properties	12	285,510,452	285,510,452

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

No impairment loss was recognized in 2023 and 2022. The carrying amount of goodwill as at December 31, 2023 and 2022 is disclosed in Note 15.

Assessing the 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.

Details of recognized and unrecognized deferred tax assets are disclosed in Note 22.

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

In 2023 and 2022, there were no changes in the estimated useful life of gaming license. The carrying amount of the gaming license as at December 31, 2023 and 2022 amounted to ₱8,237.2 million and ₱8,475.7 million, respectively (see Note 10).

Evaluating Contingencies. The Group recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel (see Note 16).

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

Material Partly-owned Subsidiary

The non-controlling interests of POSC are material to the Group. NCI is 49.9% as at December 31, 2023 and 2022.

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

	2023	2022
Total current assets	₱948,422,045	₱723,161,468
Total noncurrent assets	953,357,175	392,795,965
Total current liabilities	314,098,180	111,378,809
Total noncurrent liabilities	411,973,202	68,473,305
Total equity	1,175,707,838	936,105,319
Net income	274,864,816	191,099,513
Other comprehensive income	49,224,099	25,627,391

Interest in Joint Operation

On June 21, 2021, PinoyLotto, a joint venture corporation owned by POSC, PGMC and ILTS, was incorporated with the SEC. PinoyLotto was awarded a five-year lease of the customized PCSO Lottery System, also known as '2021 PLS Project' with a contract price of ₱5,800.0 million (see Note 1).

The five-year lease commenced on October 1, 2023.

The contractual arrangements give the joint operators direct rights to the assets and obligations for the liabilities within the normal course of business. Accordingly, the Group's interest in PinoyLotto was considered as joint operation.

Relevant financial information of PinoyLotto and the Group's share of the assets and liabilities as at December 31, 2023 and 2022, and share in revenue and expenses for the years ended December 31, 2023 and 2022 are as follows:

Share in Assets, Liabilities, Revenues, Cost, and Expenses

	2023	2022
Cash and cash equivalents	₱72,608,057	₱25,892,498
Trade and other receivables	96,666,667	–
Other current assets	29,487,751	2,289,300
Total Current Assets	198,762,475	28,181,798
Property and equipment	706,091,820	14,400
ROU asset	541,486	–
Other noncurrent assets	68,850	207,054,331
Total Noncurrent Assets	706,702,156	207,068,731
Total Assets	₱905,464,631	₱235,250,529
Trade payables and other current liabilities	(₱110,782,832)	(₱2,250)
Nontrade payable	(67,500,000)	(13,111,169)
Current portion of loan payable	(58,823,529)	–
Current portion of lease liability	(294,303)	–
Total Current Liabilities	(237,400,664)	(13,113,419)
Loan payable net of current portion	(411,764,706)	(67,500,000)
Lease liability net of current portion	(208,495)	–
Total Noncurrent Liabilities	(411,973,201)	(67,500,000)
Total Liabilities	(₱649,373,865)	(₱80,613,419)
Revenue from equipment rental	₱129,464,286	₱–
Cost of services	(52,269,770)	–
Operating expenses	(51,632,168)	(13,993,257)
Other income (charges)	(20,106,566)	14,567
Net income (loss)	₱5,455,782	(₱13,978,690)

Nontrade Payable

This pertains to advances made by the joint operators to PinoyLotto.

Loan Agreement

On October 15, 2022, PinoyLotto entered into a long-term loan agreement with a local bank for a loan facility with a maximum aggregate principal amount of ₱1.0 billion, the proceeds of which shall be used to partially finance the capital expenditure requirements of the PLS Project.

In November 2022, PinoyLotto made its first drawdown for the principal amount of ₱135.0 million. The loan has a term of five years, payable in equal quarterly installments beginning on the second year from initial drawdown up to the maturity. Annual effective interest rate on the loan is 7.96%.

In 2023, Pinoylotto made the remaining drawdowns for the principal loan amount of ₱865.0 million. The loans will all mature on November 15, 2027, payable in equal quarterly installments. The annual effective interest rate on the loans ranges from 6.54% to 6.85%.

Interest expense on loan payable which was recognized as “Finance cost” amounted to ₱17.9 million in 2023.

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

Pursuant to the terms of the loan agreement, PinoyLotto is required to comply with certain financial covenants starting June 30, 2024. PinoyLotto is also restricted from performing certain corporate acts such as declaration or payment of dividends and incurrence of additional long-term loans, among others, if doing so, will result in violation of financial ratios or event of default.

As at December 31, 2023, PinoyLotto is compliant with the loan covenants.

Capital Expenditure Commitments

In connection with the acquisition of property and equipment pursuant to the PLS Project, PinoyLotto entered into purchase, supply, implementation and maintenance support agreements in 2022. The estimated capital expenditure is ₱1.36 billion. Capitalized property and equipment as at December 31, 2023 amounted to ₱1.41 billion.

5. **Cash and Cash Equivalents**

This account consists of:

	2023	2022
Cash on hand and in banks	₱541,382,069	₱570,167,656
Cash equivalents	1,458,796,870	1,208,402,422
	₱2,000,178,939	₱1,778,570,078

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

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

Details of interest income follow:

	Note	2023	2022	2021
Notes receivable	7	₱205,583,013	₱125,333,368	₱112,356,539
Cash in banks and cash equivalents		48,428,931	18,420,210	17,156,822
Contract asset	28	-	3,680,915	6,113,042
		₱254,011,944	₱147,434,493	₱135,626,403

6. Investments Held for Trading

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

Movements in this account are as follows:

	Note	2023	2022
Balance at beginning of year		₱72,682,452	₱73,053,645
Mark-to-market gain (loss)	21	54,078,646	(371,193)
Disposals		(26,748,329)	–
Balance at end of year		₱100,012,769	₱72,682,452

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

Gain on disposal of investments held for trading amounted to ₱146.5 million in 2023. These are presented under "Other income (charges)" in the consolidated statements of comprehensive income (see Note 21).

7. Notes Receivable

Movements in this account are as follows:

	2023	2022
Balance at beginning of year	₱3,705,925,000	₱3,705,925,000
Collection	(1,605,925,000)	–
Balance at end of year	₱2,100,000,000	₱3,705,925,000

Notes receivable are unsecured, payable on demand and bear interest at rates ranging from 5.87% to 6.50%, 2.42% to 4.73% and 2.91% to 3.16% in 2023, 2022 and 2021, respectively (see Note 23).

Interest income from notes receivable recognized in the consolidated statement of comprehensive income amounted to ₱205.6 million, ₱125.3 million and ₱112.4 million in 2023, 2022 and 2021, respectively (see Notes 5 and 23).

8. Receivables

This account consists of:

	2023	2022
Trade receivables	₱329,033,920	₱81,355,232
Receivable from a Share Swap Agreement	422,341,815	422,341,815
Advances to:		
Consultant	147,500,000	127,500,000
Officers and employees	873,536	533,261
Nontrade receivables	113,677,614	113,677,614
Other receivables	16,372,612	10,676,251
	1,029,799,497	756,084,173
Less: Allowance for impairment losses	543,515,942	543,515,942
	₱486,283,555	₱212,568,231

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

The receivable from a Share Swap Agreement (the Agreement) is a receivable by the Parent Company from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") amounting to ₱422.3 million representing the cost of rescission of the Agreement involving PLC shares (see Note 18). This is fully provided with allowance for impairment loss as at December 31, 2023 and 2022.

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

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

Nontrade receivables from the Lucky Circle Corporation (LCC) Group are amounts due from former investees where the Group had set up an allowance for impairment because of the delayed payments and disposal of ownership interest in LCC Group.

In 2023, 2022 and 2021, no provision for impairment loss was recognized.

9. Other Assets

Other Current Assets

This account consists of:

	Note	2023	2022
CWT		₱188,875,669	₱194,426,901
Guarantee deposits	28	91,000,000	14,500,000
Input VAT		23,036,803	3,854,751
Prepaid expenses		3,773,451	1,396,575
Spare parts and supplies - at cost		606,075	–
Contract asset	28	–	4,000,000
		307,291,998	218,178,227
Less allowance for impairment loss		604,124	596,036
		₱306,687,874	₱217,582,191

The allowance for impairment loss represents provisions made for input VAT and CWT. Provision for impairment loss of ₱8,088 in 2023 pertains to input VAT while the provision in 2022 of ₱61,744 pertains to CWT.

Allowance for impairment loss of spare parts and supplies amounting to ₱32.7 million was reversed in 2022 when the related assets were used in operations.

Other Noncurrent Assets

This account consists of:

	Note	2023	2022
CWT		₱239,961,705	₱271,136,967
Advances to contractors		139,738,757	139,738,757
Refundable deposits	24	3,036,529	2,769,769
Advances to suppliers		–	207,054,331
Others		1,647,000	–
		₱384,383,991	₱620,699,824

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

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

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

Prepaid expenses pertain to various prepayments, including POSC’s advisory and maintenance services related to the software development contract, which will be applied in the next financial year. Software development was fully amortized with expenses amounting to ₱11.1 million and ₱66.8 million in 2022 and 2021, respectively (see Note 13).

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

10. Intangible Asset

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

The amortization of the intangible asset started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. The unamortized life of the license as at December 31, 2023 is 34.5 years.

Movements in intangible asset are as follows:

	Note	2023	2022
Cost			
Balance at beginning and end of year		₱10,843,215,811	₱10,843,215,811
Accumulated Amortization			
Balance at beginning of year		2,367,506,260	2,129,033,776
Amortization	19	238,472,484	238,472,484
Balance at end of year		2,605,978,744	2,367,506,260
Carrying Amount		₱8,237,237,067	₱8,475,709,551

11. Financial Assets at FVOCI

This account pertains to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2023 and 2022, consisting of the following:

	Note	2023	2022
Quoted Shares			
Belle-common shares	23	₱116,985,631	₱121,985,018
Golf club shares		12,600,000	6,000,000
Black Spade Acquisition, Inc. (BSA)		–	558,665,100
		129,585,631	686,650,118
Unquoted Shares			
Others		81,100	81,100
		₱129,666,731	₱686,731,218

The movements of financial assets at FVOCI in 2023 and 2022 are as follows:

	2023	2022
Cost		
Balance at beginning of year	₱1,151,237,898	₱1,374,727,979
Disposal	(483,903,447)	(223,490,081)
Balance at end of year	667,334,451	1,151,237,898
Cumulative Unrealized Valuation Gains (Losses) on Financial Assets at FVOCI		
Balance at beginning of year	(464,506,680)	(653,560,915)
Unrealized valuation gain	153,203,945	54,225,946
Disposal	(226,364,985)	134,828,289
Balance at end of year	(537,667,720)	(464,506,680)
Carrying Amount	₱129,666,731	₱686,731,218

Belle-common shares

On February 4, 2022, the Group sold its investment in its Ultimate Parent Company for a consideration of ₱88.7 million.

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

BSA

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

On April 17, 2023, SLRC assigned all its rights and obligations to the investment in common shares and share warrants to PLAI. PLAI redeemed the common shares for ₱443.4 million and sold the remaining shares for ₱266.9 million. Share warrants was sold for ₱147.4 million resulting to a gain on sale amounting to ₱146.5 million in 2023 (see Note 21).

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

12. Investment Properties

Investment properties pertain to parcels of land amounting to ₱285.5 million as at December 31, 2023 and 2022.

No rental income was earned from investment properties in 2023, 2022 and 2021.

Expenses related to investment properties amounted to ₱33,600, ₱73,744 and ₱73,754 in 2023, 2022 and 2021, respectively, which mainly pertain to real property taxes.

The fair value of the investment properties as at December 31, 2023 and 2022 amounting to ₱288.9 million and ₱295.2 million is higher than its carrying value, as determined by an independent appraiser and estimated using market approach. The value of the land was based on the sales and listings of comparable properties registered within the vicinity and within Level 3 fair value hierarchy. The Group assessed that the highest and best use of its properties does not differ from their current use.

13. Property and Equipment

The movements in this account follow:

2023						
	Leasehold Improvements	Computer Software	Transportation Equipment	Office Equipment, Furniture and Fixtures	Lottery Equipment	Total
Cost						
Balance at beginning of year	₱6,732,232	₱-	₱ 16,360,639	₱ 16,872,453	₱501,864,242	₱541,829,566
Additions	3,537,822	15,493,781	-	24,509,295	701,070,563	744,611,461
Disposals	(6,732,232)	-	(3,803,010)	-	(501,864,242)	(512,399,484)
Balance at end of year	3,537,822	15,493,781	12,557,629	41,381,748	701,070,563	774,041,543
Accumulated Depreciation and Amortization						
Balance at beginning of year	5,576,547	-	15,502,773	16,782,610	501,864,242	539,726,172
Disposals	(5,576,547)	-	(3,635,493)	-	(501,864,242)	(511,076,282)
Depreciation and amortization	176,890	780,089	580,876	2,457,831	35,053,533	39,049,219
Balance at end of year	176,890	780,089	12,448,156	19,240,441	35,053,533	67,699,109
Carrying Amount	₱3,360,932	₱14,713,692	₱109,473	₱22,141,307	₱666,017,030	₱706,342,434
2022						
	Leasehold Improvement	Transportation Equipment	Office Equipment, Furniture and Fixtures	Lottery Equipment	Total	
Cost						
Balance at beginning of year	₱16,158,665	₱37,621,408	₱39,379,210	₱527,639,556	₱620,798,839	
Disposals	(9,426,435)	(20,012,553)	(22,282,168)	(25,775,312)	(77,496,468)	
Additions	-	-	85,500	-	85,500	
Balance at end of year	6,732,230	17,608,855	17,182,542	501,864,244	543,387,871	
Accumulated Depreciation and Amortization						
Balance at beginning of year	13,924,344	30,336,922	37,884,652	515,169,980	597,315,898	
Disposals	(9,426,435)	(16,587,657)	(22,233,496)	(25,775,312)	(74,022,900)	
Depreciation and amortization	1,078,637	3,001,725	1,441,541	12,469,576	17,991,479	
Balance at end of year	5,576,546	16,750,990	17,092,697	501,864,244	541,284,477	
Carrying Amount	₱1,155,684	₱857,865	₱89,845	₱-	₱2,103,394	

The Group sold certain equipment with a carrying amount of ₱3.4 million, ₱3.5 million and ₱738,001 for a total consideration of ₱3.4 million, ₱3.9 million and ₱913,501 million in 2023, 2022 and 2021, respectively, resulting to a gain on sale amounting to ₱38,845, ₱395,719 and ₱175,500 in 2023, 2022 and 2021, respectively (see Note 21).

Depreciation and amortization consist of the following:

	Note	2023	2022	2021
Property and equipment		₱39,049,219	₱17,991,479	₱70,671,849
ROU assets	24	9,147,229	4,645,028	10,899,532
Software development	9	–	11,136,364	66,818,181
		₱48,196,448	₱33,772,871	₱148,389,562

Depreciation and amortization are allocated as follows:

	Note	2023	2022	2021
Cost of services	19	₱45,233,477	₱29,217,792	₱137,888,867
General and administrative expenses	20	2,962,971	4,555,079	10,500,695
		₱48,196,448	₱33,772,871	₱148,389,562

14. Disposal of a Subsidiary

On June 9, 2022, POSC's BOD approved the transfer of all the rights, title and interests in TGTISI's shares to a third party for a consideration of ₱1.0 million.

Total payment on the disposal of the net assets of TGTISI, net of cash disposed amounted to ₱3.9 million. Total gain on deconsolidation, which is the difference between the consideration received and the Group's share on TGTISI's net asset at the date of disposal, amounting to ₱0.5 million is presented under "Other income (charges)" account in the statements of comprehensive income (see Note 21).

15. Goodwill

As at December 31, 2023 and 2022, goodwill arising from business combination consists of:

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

Goodwill is subject to an annual impairment assessment. The recoverable amounts of the operations have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years, taking into consideration the effect of significant events on the macroeconomic factors used in developing the assumptions. No provision for impairment loss on goodwill was recognized in 2023, 2022 and 2021.

POSC

The recoverable amount of goodwill in POSC as at December 31, 2023 and 2022 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period.

Key assumptions considered are as follows:

Discount Rate. Discount rate reflects management's estimate of the risks specific to the CGU. The pre-tax discount rate of 7.42%, 9.79% and 5.08% was used in 2023, 2022 and 2021, respectively, based on the Weighted Average Cost of Capital (WACC) of POSC. Any future significant increase (decrease) in discount rate will result in lower (higher) recoverable amount.

Revenue Growth Rate, Long-Term Growth Rate and Terminal Values. No growth rate was applied in the five-year cash flow projections in 2023 and 2022 considering that the main source of cash flow will be coming from a fixed-price contract. Management assessed that contract extension/renewal is highly probable considering technical expertise and historical experience of POSC.

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. The expected cash flows are discounted by applying a suitable WACC.

With the change in FRI's exclusivity arrangement with its principal, goodwill in FRI was fully provided with allowance for impairment loss as at December 31, 2023 and 2022.

16. Trade Payables and Other Current Liabilities

This account consists of:

	2023	2022
Trade payables	₱257,384,427	₱41,878,364
Accrued expenses and other payables	496,773,499	409,914,910
Software and license fees payable	8,865,861	22,551,018
Statutory payables	2,756,500	12,387,650
Communication, rental and utilities	1,039,127	3,175,387
Unearned income	-	215,174,739
Others	18,573,216	23,614,064
	₱785,392,630	₱728,696,132

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

Accrued expenses and other payables mainly represent provisions. Other than provisions, accruals are usually payable within a 30-day term upon receipt of billing. The Group provides for probable losses. Provisions represent estimated probable losses arising in the normal course of business. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, further information are not disclosed so as not to prejudice the Group's position on the matter. In 2023 and 2022, the Group recognized provisions amounting to ₱124.7 million and ₱187.4 million, respectively (see Note 20). In 2021, reversal of provisions amounted to ₱281.3 million (see Note 21).

Software and license fees payable are for consultancy services on gaming operations and the supply of computer hardware and operating system software for online lottery system (see Note 28). These are normally settled within the next financial year.

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

Unearned income pertains to the advance payment from Melco, which will be applied as payment of PLAI's future gaming revenue share (see Note 28).

17. Retirement Plan

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

Changes in the retirement liability of the Group in 2023 and 2022 are as follows:

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

	2022		
	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Net Retirement Liability
Balance at beginning of year	₱53,291,874	(₱84,186,205)	(₱30,894,331)
Net retirement income (costs) in profit or loss:			
Current service cost	–	(7,851,272)	(7,851,272)
Net interest	3,603,090	(4,554,048)	(950,958)
	3,603,090	(12,405,320)	(8,802,230)
Contribution	10,000,000	–	10,000,000
Benefits paid	(11,384,305)	11,636,590	252,285
Remeasurement gain recognized in OCI:			
Actual return excluding amount included in net interest cost	(4,899,000)	–	(4,899,000)
Actuarial changes arising from changes in financial assumptions	–	14,900,199	14,900,199
Actuarial changes due to experience adjustment	–	1,540,075	1,540,075
	(4,899,000)	16,440,274	11,541,274
Balance at end of year	₱50,611,659	(₱68,514,661)	(₱17,903,002)

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

	2023		
	Retirement benefits reserve	Deferred Tax (see Note 22)	Total
Balance at beginning of year	₱20,527,465	₱5,593,115	₱14,934,350
Remeasurement loss	(12,310,755)	(3,077,689)	(9,233,066)
Balance at end of year	₱8,216,710	₱2,515,426	₱5,701,284

	2022		
	Retirement benefits reserve	Deferred Tax (see Note 22)	Total
Balance at beginning of year	₱14,637,044	₱4,120,509	₱10,516,535
Remeasurement gain	11,541,274	2,885,319	8,655,955
Realized remeasurement	(5,650,853)	(1,412,713)	(4,238,140)
Balance at end of year	₱20,527,465	₱5,593,115	₱14,934,350

The latest actuarial valuation of the Group is as at December 31, 2023.

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

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

	2023	2022
Cash and cash equivalents	₱651,170	₱46,707
Debt instruments-government bonds	39,659,754	21,902,515
Debt instruments-other bonds	4,317,196	3,695,652
Unit investment trust funds	18,478,902	24,318,213
Others	597,247	648,572
	₱63,704,269	₱50,611,659

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

	2023	2022
Discount rate	5.05% - 6.11%	5.05% - 7.32%
Rate of compensation increase	6.00% - 8.00%	6.00% - 8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022 assuming all other assumptions were held constant:

	2023		2022	
	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100	(₱76,572,768)	+100	(₱43,208,726)
	-100	68,623,123	-100	54,153,988
Salary increase rate	+100	77,152,897	+100	60,449,885
	-100	(67,905,939)	-100	(48,191,845)

The average duration of the defined benefit obligation is 16.35 years in 2022.

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

	2023	2022
Less than one year	₱30,247,221	₱4,728,118
More than one year to five years	9,576,101	9,685,976
More than five years to ten years	220,724,900	405,722,008

18. Equity

Preferred Stock

As at December 31, 2023 and 2022, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. Under the provision of the Group's articles of incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

Common Stock

Common stock as at December 31, 2023 and 2022 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			
August 28, 1995	100,000,000,000	1,000,000,000	₱0.01
September 30, 1996	100,000,000,000	1,000,000,000	0.01
March 10, 1997	(198,000,000,000)	—	—
March 10, 1997	12,000,000,000	8,797,310,000	1.00
March 28, 2006	(1,870,000,000)	(1,870,000,000)	1.00
June 24, 2008	(1,000,000,000)	(1,000,000,000)	1.00
July 9, 2009	(1,000,000,000)	(1,000,000,000)	1.00
September 5, 2014	27,500,000,000	24,700,000,000	0.25
	37,630,000,000	31,627,310,000	
Preferred stock			
March 10, 1997	6,000,000,000	—	₱0.25*

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

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

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

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

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares issued to Metroplex pursuant to a Share Swap Agreement (the Agreement) entered by the Parent Company with Metroplex and LIR-HK in 1997. The cancellation of the shares was due to the rescission of the Agreement in 2001. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings.

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

In 2007, the Parent Company acquired LIR-HIK's loan from a local bank which was secured by 1,000,000 PLC shares issued to Metroplex. After obtaining stockholders approval, the Parent Company applied for capital reduction and cancellation of the acquired PLC shares.

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

On July 9, 2009, the SEC approved the Parent Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares. However, since the shares are being held by a creditor of Metroplex, the Parent Company only proceeded to effect the cancellation of the remaining 1,000,000,000 shares in 2014 after compensating the party holding the shares. Correspondingly, PLC recognized a receivable from Metroplex for the cost of implementing the rescission of the Agreement and the cancellation of the covered shares (see Note 8).

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 PLC's application for equity restructuring which included the following:

- Reduction in par value per share in par value per share from ₱16,130.0 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with the par value of ₱1.00 per share, to ₱4,032.5 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with a par value of ₱0.25 per share.
- Application of the resulting additional paid-in capital amounting to ₱2,614.5 million to partially wipe out the Parent Company's deficit of ₱3,543.4 million as at December 31, 2013.

On July 18, 2014, PLC's BOD and stockholders unanimously approved the amendment to the articles of incorporation for the increase in authorized capital stock from ₱4,032,500,000, divided into 10,130,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share, to ₱10,907,500,000, divided into 37,630,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share. The application for the increase in authorized capital stock was approved by the SEC on September 5, 2014.

The Parent Company has 31,627,309,995 listed shares with 362 and 359 stockholders of record as at December 31, 2023 and 2022, respectively.

Additional Paid-in Capital

Additional paid-in capital as at December 31, 2023 and 2022 consists of the following:

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

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

Treasury Stock

The BOD authorizes the buy-back of the Parent Company's common shares when necessary to enhance the shareholder value. The Parent Company is authorized to repurchase up to ₱500.0 million worth of common shares.

As at December 31, 2023 and 2022, 410,379,000 shares have been bought back by the Parent Company with a cost of ₱220.4 million.

Parent Company Common Shares Held by a Subsidiary

POSC holds common shares of the Parent Company totaling 377,143,000 shares as at December 31, 2023 and 2022 with a cost of ₱509.6 million as at December 31, 2023 and 2022. These are presented as "Cost of Parent Company common shares held by a subsidiary" and is treated as a reduction in equity. Related other reserve amounted to ₱254.3 million as at December 31, 2023 and 2022.

Retained Earnings

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

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

On April 14, 2021, the Parent Company's BOD approved the declaration of cash dividends of ₱0.04075 per share amounting to approximately ₱1,272.1 million to shareholders of record as at April 28, 2021. Total dividends are inclusive of dividends paid to subsidiary which holds Parent Company shares amounting to ₱15.4 million.

The consolidated retained earnings as at December 31, 2023 and 2022 includes the accumulated earnings of the subsidiaries which are not currently available for dividend declaration unless declared by the subsidiaries of the Parent Company. The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱2,418.0 million and ₱2,633.0 million as at December 31, 2023 and 2022, respectively.

Other Equity Reserves

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

	2023	2022
Cumulative unrealized valuation losses on financial asset at FVOCI	(₱537,667,717)	(₱464,506,680)
Cumulative remeasurement gains on net retirement liability	6,901,066	11,518,526
Other reserves	(254,319,697)	(254,319,697)
	(₱785,086,348)	(₱707,307,851)

19. Cost of Services

This account consists of:

	Note	2023	2022	2021
Amortization of intangible asset	10	₱238,472,484	₱238,472,484	₱238,472,484
Online lottery system expenses		121,389,224	102,829,369	112,725,047
Software and license fees		65,552,554	60,508,456	54,498,348
Depreciation and amortization	13	45,233,477	29,217,792	137,888,867
Communication		35,853,495	43,522,403	59,064,228
Payroll and related expenses		13,071,218	12,207,289	11,919,159
Others		8,868,269	16,889,125	18,169,189
		₱528,440,721	₱503,646,918	₱632,737,322

20. General and Administrative Expenses

This account consists of:

	Note	2023	2022	2021
Provisions	16	₱124,685,209	₱187,363,193	₱–
Transportation and travel		76,509,531	68,096,691	83,235,532
Outside services		67,563,347	62,805,069	67,772,459
Salaries, wages and benefits		44,332,878	42,568,378	63,431,441
Professional, service and management fees		25,016,660	20,921,858	12,648,620
Taxes and licenses		22,977,685	6,563,665	22,463,644
Marketing, advertising and promotion		19,424,873	12,036,387	96,000
Communication		17,922,729	2,508,353	3,919,796
Rental and utilities		14,813,288	5,812,273	3,602,109
Pre-operating expenses		14,362,120	13,993,257	48,630,295
Representation and entertainment		4,047,244	2,473,236	1,533,387
Depreciation and amortization	13	2,962,971	4,555,079	10,500,695
Repairs and maintenance		1,598,131	1,251,808	2,174,642
Placement and listing fee		1,517,047	1,374,499	1,419,490
Insurance		736,984	2,556,769	2,892,686
Miscellaneous		11,928,539	4,081,192	6,851,129
		₱450,399,236	₱438,961,707	₱331,171,925

Provisions represent estimated probable losses arising in the normal course of business in 2023 and 2022 (see Note 16). In 2021, reversal of provisions amounted to ₱281.3 million (see Note 21).

Pre-operating expenses of PinoyLotto is as follows:

	2023	2022	2021
Taxes and licenses	₱4,360,942	₱2,740,990	₱–
Professional fees	4,255,645	6,221,510	–
Rent and utilities	3,283,261	920,890	–
Entertainment and representation	535,557	398,094	–
Bank charges	2,975	3,266,241	–
Depreciation	2,224	7,200	–
Start-up costs	–	–	48,630,295
Others	1,921,516	438,332	–
	₱14,362,120	₱13,993,257	₱48,630,295

Pre-operating expenses pertain to cost to obtain contract.

21. Other Income (Charges)

This account consists of:

	Note	2023	2022	2021
Gain on sale of investments held for trading	11	₱146,545,079	₱-	₱-
Marked-to-market gains (losses) on investments held for trading	6	54,078,646	(371,193)	(23,622,906)
Sale of trademark		26,785,714	-	-
Net claims		20,218,195	-	-
Foreign exchange gain (loss)		(2,351,019)	(1,830,662)	745,079
Gain on sale of property and equipment	13	38,845	395,719	175,500
Sale of scrap items		-	2,892,120	-
Service income		-	2,035,055	490,728
Gain from disposal of net assets of subsidiaries	14	-	542,645	-
Reversal of provisions	16	-	-	281,316,859
Reversal of allowance for impairment of contract asset	28	-	-	26,000,000
Others		8,246,328	2,866,189	1,344,672
		₱253,561,788	₱6,529,873	₱286,449,932

Others mainly consist of miscellaneous income, bank charges and seller's prize from winning tickets exceeding ₱10,000.

22. Income Taxes

Current income tax expense pertains to RCIT.

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

	2023	2022
Items recognized in profit or loss		
Retirement benefits	₱1,518,148	₱5,703,653
Unamortized past service costs	4,255,619	331,820
Unrealized foreign exchange loss	(9,561)	125,761
Accrued license fee income	-	(1,000,000)
Excess payment over lease related expenses	-	(99,271)
	5,764,206	5,061,963
Items recognized in OCI		
Cumulative remeasurement gains on retirement liability	(2,515,426)	(5,593,115)
Net deferred tax assets (liabilities)	₱3,248,780	(₱531,152)

Unrecognized deferred tax assets pertain to the following:

	2023	2022
Allowance for impairment losses on receivables	₱171,959,192	₱171,959,192
NOLCO	24,473,518	28,298,745
	₱196,432,710	₱200,257,937

The foregoing deferred tax assets were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.

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

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

Year Incurred	Beginning Balance	Incurred	Applied	Expired	Ending Balance	Valid Until
2023	₱-	₱7,680,947	₱-	₱-	₱7,680,947	2026
2022	16,436,829	-	-	-	16,436,829	2025
2021	53,848,887	-	-	-	53,848,887	2026
2020	43,704,786	-	(22,949,174)	-	20,755,612	2025
	₱113,990,502	₱7,680,947	(₱22,949,174)	₱-	₱98,722,275	

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

	2023	2022	2021
Income tax at statutory income tax rate	₱614,395,740	₱387,174,694	₱296,040,438
Income tax effects of:			
Income not subject to income tax	(589,808,774)	(383,096,549)	(373,605,131)
Nondeductible provisions and expenses	117,839,382	66,096,064	61,268,235
Taxable income recognized directly in equity	56,514,765	-	-
Effect of optional standard deduction	(36,102,627)	-	-
Marked-to-market gain on investments	(13,519,662)	-	-
Income subjected to final tax	(11,694,139)	(9,341,875)	(4,289,206)
Change in unrecognized deferred tax assets	(3,825,227)	(25,754,850)	69,194,594
Expired NOLCO	-	6,942	34,494
Effect in beginning balance due to change in tax rate	-	-	12,608,916
	₱133,799,458	₱35,084,426	61,252,340

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

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

The effect of the reduction of tax rates were applied in the 2021 deferred tax expense, as required by PAS 12, *Income Taxes*. Details of adjustments are as follows:

Deferred tax expense	₱37,525,416
Effect of change in tax rate	12,608,916
<u>Adjusted deferred tax expense</u>	<u>₱50,134,332</u>

23. Related Party Transactions and Balances

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

Transactions with Related Parties

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

Related Party	Note	Nature of Transactions	Year	Transactions for the Year	Outstanding Balance of Assets	Terms and Conditions
Ultimate Parent Company	7	Notes receivable	2023	₱-	₱2,100,000,000	Unsecured and bearing interest rates ranging 5.87% to 6.50%, 2.42% to 4.73% and 2.91% to 3.16% in 2023, 2022 and 2021, respectively
			2022	-	3,705,925,000	
			2021	-	3,705,925,000	
	11	Financial assets at FVOCI	2023	-	116,985,631	
	2022		89,995,050	121,985,018		
	7	Interest income	2023	205,583,013	-	
	2022		125,333,368	-	Unsecured and noninterest-bearing, 30 days	
20	Service fee	2021	112,356,539	-		
2023		54,000,000	-			
2022		54,000,000	-	Unsecured and noninterest-bearing, 30 days		
2021	54,000,000	-				
Affiliate		Marketing expense	2023	18,583,333	13,500,000	
			2022	13,500,000	-	Unsecured and noninterest-bearing, 30 days
			2021	-	-	

As at December 31, 2023 and 2022, PLC has a Service Agreement with Belle wherein the latter shall provide services to support the operations of the casino license from PAGCOR. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Service fees amounting to ₱54.0 million in 2023, 2022 and 2021 were presented as part of “Outside services” under general and administrative expenses in the consolidated statements of comprehensive income.

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

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

	2023	2022	2021
Short-term employee benefits	₱13,657,558	₱21,526,866	₱35,999,293
Retirement benefits costs	2,473,999	3,997,315	2,395,949
	₱16,131,557	₱25,524,181	₱38,395,242

24. Lease

Group as Lessor

POSC leases online lotto equipment and accessories to PCSO for a period of one year until July 31, 2021 as provided in the 2020 Amended ELA. In 2021, the ELA was extended until July 31, 2022. In 2022, the ELA was further extended until December 31, 2022. In 2023, the ELA has been extended until September 30, 2023. Consequently, the ELA has been terminated on September 30, 2023.

Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of POSC’s lotto terminals. Rental income amounted to ₱469.8 million, ₱512.7 million and ₱390.8 million in 2023, 2022 and 2021, respectively (see Note 28).

On October 1, 2023, PinoyLotto commenced its commercial operations for the five year-lease of the customized PCSO Lottery System with a contract price of ₱5,800.0 million. 6,500 terminals have been installed and are in operation nationwide.

Rental income amounted to ₱129.5 million in 2023 (see Note 4).

TGTI leases “Online KENO” equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. In 2021, the ELA was extended until April 1, 2022. The ELA expired and was not renewed in 2022. Rental payment by PCSO is based on certain percentage of gross amount of “Online KENO” games from the operation of all TGTI’s KENO terminals.

Rental income amounted to nil, ₱6.3 million and ₱35.6 million in 2023, 2022 and 2021, respectively (see Note 28).

Group as Lessee

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

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

Amounts recognized in the consolidated statements of comprehensive income follow:

	Note	2023	2022	2021
Rent expense		₱18,092,195	₱12,592,852	₱14,851,199
Amortization on ROU assets	13	9,147,229	4,645,028	10,899,532
Interest expense on lease liabilities		24,897	220,505	642,417
		₱27,264,321	₱17,458,385	₱26,393,148

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

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

The movements in the ROU assets are presented below:

	Note	2023	2022
Balance at beginning of year		₱1,815,399	₱6,672,570
Addition		2,662,521,783	–
Amortization	13	(9,147,229)	(4,645,028)
Modification		–	(212,143)
Balance at end of year		₱2,655,189,953	₱1,815,399

The movements in the lease liabilities are presented below:

	2023	2022
Balance at beginning of year	₱1,891,442	₱6,872,952
Payments	(2,663,827,027)	(4,989,872)
Addition	2,662,413,486	–
Interest expense	24,897	220,505
Modification	–	(212,143)
Balance at end of year	502,798	1,891,442
Current portion	294,303	1,891,442
Noncurrent portion	₱208,495	₱–

Refundable deposits amounted to ₱3.0 million and ₱2.8 million as at December 31, 2023 and 2022, respectively (see Note 9).

The future minimum lease payments within one year under noncancellable leases amounted to ₱1.9 million.

25. Basic/Diluted Earnings per Common Share

As at December 31, 2023, 2022 and 2021, the basic/diluted earnings per share were computed as follows:

	2023	2022	2021
Earnings attributable to Equity holders of the Parent (a)	₱2,185,274,122	₱1,159,554,790	₱1,193,902,616
Number of issued common shares at beginning of year	31,627,310,000	31,627,310,000	31,627,310,000
Number of Parent Company common shares held by a subsidiary at beginning of year	(377,143,000)	(377,143,000)	(377,143,000)
Weighted average number of treasury stock	(410,379,000)	(410,379,000)	(410,379,000)
Weighted average number of issued common shares - basic, at end of year (b)	30,839,788,000	30,839,788,000	30,839,788,000
Basic/diluted EPS (a/b)	₱0.0709	₱0.0376	₱0.0387

26. Financial Instruments

Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

*Excluding cash on hand.

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

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

	2022							Total
	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days			
Cash and cash equivalents*	₱1,778,068,579	₱-	₱-	₱-	₱-	₱-	₱1,778,068,579	
Notes receivable	3,705,925,000	-	-	-	-	-	3,705,925,000	
Receivables	212,568,231	-	-	-	-	543,515,942	756,084,173	
Contract asset**	4,000,000	-	-	-	-	-	4,000,000	
Guarantee deposits**	14,500,000	-	-	-	-	-	14,500,000	
Advances to contractors***	139,738,757	-	-	-	-	-	139,738,757	
Refundable deposits***	2,769,769	-	-	-	-	-	2,769,769	
	₱5,857,570,336	₱-	₱-	₱-	₱-	₱543,515,942	₱6,401,086,278	

*Excluding cash on hand.

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

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

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

Credit Quality of Financial Assets

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

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

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

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

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

	2023			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
High Grade				
Cash and cash equivalents*	P1,999,771,875	P-	P-	P1,999,771,875
Notes receivable	2,100,000,000	-	-	2,100,000,000
Receivables	486,283,555	-	-	486,283,555
Guarantee deposit**	91,000,000	-	-	91,000,000
Advances to contractors**	139,738,757	-	-	139,738,757
Refundable deposits**	3,036,529	-	-	3,036,529
Substandard Grade				
Receivables	-	-	543,515,942	543,515,942
Gross Carrying Amount	P4,819,830,716	P-	P543,515,942	P5,363,346,658

*Excluding cash on hand.

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

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

	2022			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
High Grade				
Cash and cash equivalents*	P1,778,068,579	P-	P-	P1,778,068,579
Notes receivable	3,705,925,000	-	-	3,705,925,000
Receivables	212,568,231	-	-	212,568,231
Contract asset**	4,000,000	-	-	4,000,000
Guarantee deposit**	14,500,000	-	-	14,500,000
Advances to contractors**	139,738,757	-	-	139,738,757
Refundable deposits**	2,769,769	-	-	2,769,769
Substandard Grade				
Receivables	-	-	543,515,942	543,515,942
Gross Carrying Amount	P5,857,570,336	P-	P543,515,942	P6,401,086,278

*Excluding cash on hand.

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

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

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

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

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

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

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

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

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

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2023 and 2022 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	2023	2022
Impact in profit or loss		
5%	₱5,000,638	₱3,634,123
(5%)	(5,000,638)	(3,634,123)
Impact in other comprehensive income		
1%	1,296,667	6,867,312
(1%)	(1,296,667)	(6,867,312)

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

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

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

*Excluding provisions, unearned income and statutory payables

**Based on undiscounted payments

	2022				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade and other current liabilities*	₱98,733,852	₱-	₱-	₱58,832,186	₱157,566,038
Loan payable	-	-	-	67,500,000	67,500,000
Lease liabilities**	1,149,804	766,536	-	-	1,916,340
	₱99,883,656	₱766,536	₱-	₱126,332,186	₱226,982,378

* Excluding provisions, unearned income and statutory payables

**Based on undiscounted payments

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

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

As at December 31, 2023 and 2022, foreign currency-denominated financial assets and financial liability in US dollars, translated into Philippine peso at the closing rate are as follows:

	2023		2022	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash	\$1,027,608	₱56,693,402	\$1,962,785	₱109,435,082
Software license fee payable*	(160,700)	(8,865,861)	(838,192)	(46,733,405)
Foreign currency-denominated financial assets (liabilities)	\$866,908	₱47,827,541	\$1,124,593	₱62,701,677

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

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱55.17 to US\$1.0 and ₱55.76 to US\$1.0, as at December 31, 2023 and 2022, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2023 and 2022. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2023		2022	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate	3%	(3%)	5%	(5%)
Effect on income before income tax	2,748,044	(2,748,044)	₱3,135,084	(₱3,135,084)

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2023 and 2022.

The Group considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱16,587.5 million and ₱15,803.0 million as at December 31, 2023 and 2022, respectively.

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

Fair Value of Financial Instruments

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

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At FVPL				
Investments held for trading	₱100,012,769	₱100,012,769	₱72,682,452	₱72,682,452
At FVOCI				
Financial assets at FVOCI	129,666,731	129,666,731	686,731,218	686,731,218
	₱229,679,500	₱229,679,500	₱759,413,670	₱759,413,670
Financial Liabilities				
Loan Payable	₱470,588,235	₱342,989,978	₱67,500,000	₱66,538,186

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

Loan Payable. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rate used for loan payable 5.31% in 2023 and 5.78% in 2022. The fair value measurement of loan payable is classified as Level 2.

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

	2023	2022
Financial Assets at Amortized Cost:		
Cash and cash equivalents	₱2,000,178,939	₱1,778,570,078
Notes receivable	2,100,000,000	3,705,925,000
Receivables	486,283,555	212,568,231
Contract asset*	–	4,000,000
Guarantee deposits*	91,000,000	14,500,000
Advances to contractors**	139,738,757	139,738,757
Refundable deposits**	3,036,529	2,769,770
	₱4,820,237,780	₱5,858,071,836

Financial Liabilities at Amortized Cost:

Trade and other current liabilities***	₱373,446,682	₱157,566,038
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*Presented under "Other current assets" account in the consolidated statements of financial position.

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

***Excluding provisions, unearned income and statutory payables

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

Refundable Deposits and Guarantee deposits. The carrying value of refundable deposits and guaranteed deposit approximates fair value as at December 31, 2023 and 2022 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

The Group has no financial liabilities measured at fair value as at December 31, 2023 and 2022. There were no transfers between fair value measurements in 2023 and 2022.

27. Segment Information

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

28. Significant Contracts and Commitments

Operating Agreement with Melco

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

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

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

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

	2023	2022	2021
Gaming revenue share - gross	₱3,170,196,608	₱1,973,905,543	₱2,040,109,900
Less PAGCOR license fee paid by Melco	830,861,734	413,060,131	739,818,432
Gaming revenue share - net	₱2,339,334,874	₱1,560,845,412	₱1,300,291,468

Unearned income amounted nil and ₱215.2 million as at December 31, 2023 and 2022, respectively (see Note 16).

Agreements with PCSO

POSC. The Parent Company has an ELA with the PCSO for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment of PCSO. This also includes the supply of betting slips and ticket paper rolls.

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

Pursuant to the amended ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2023 and 2022, the total cash bond, included under "Other current assets" account in the consolidated statements of financial position, amounted to ₱91.0 million and ₱14.5 million, respectively (see Note 9).

Since July 31, 2019, the ELA has been extended for PCSO to complete the bidding process for the 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 until September 30, 2023 when the ELA was terminated.

The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO’s Luzon and VISMIN operations. The number of installed lotto terminals totaled 3,716 as at September 30, 2023 and 3,605 as at December 31, 2022. The Parent Company’s rental income amounted to ₱469.8 million, ₱512.7 million and ₱390.8 million in 2023, 2022 and 2021, respectively (see Note 24).

On August 30, 2023, POSC was granted a one-year trial period subject to renewal to provide a web-based betting platform for PCSO. Under the arrangement, POSC will be acting as PCSO’s exclusive agent and generates commissions based on a certain percentage of revenues. This was launched in December 15, 2023. The related commission income amounted to ₱2.3 million in 2023.

TGTI. TGTI had an ELA with PCSO which provides for the lease of the equipment for PCSO’s Online KENO games. This covers PCSO’s online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the “Online KENO” terminals. The minimum price per keno bet was reduced from ₱12 to ₱10, inclusive of documentary stamp tax. The ELA may be extended and/or renewed upon the mutual consent of the parties.

The ELA required TGTI to post a cash bond and performance security bond with an aggregate amount of ₱2.5 million.

The ELA concluded and was not renewed in 2022.

The number of installed online KENO terminals totaled 57 and 569 as at December 31, 2022 and 2021, respectively. Pinoylotto’s revenue from equipment rental amounted to ₱129.5 million in 2023. TGTI’s revenue from equipment rental nil, ₱6.3 million and ₱35.6 million in 2023, 2022 and 2021, respectively (see Note 24).

Brand and Trademark Agreement with PMLC

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

Due to the suspension of PCSO games on July 27, 2019 for two months and on March 17, 2020 for four and a half months, the PMLC was not able to supply and distribute the instant scratch tickets to its customers because the management assessed that the contract assets equivalent to those months with no operations may not be recoverable. Allowance for impairment losses amounting to ₱26.0 million was recognized in 2020. However, management assessed this as collectible and recognized gain on reversal of allowance for impairment losses in 2021 and subsequently collected in 2022 (see Note 21).

POSC has entered a new contract with Diamond Powerwinners for Trademark Assignment with a total fee of ₱30.0 million (inclusive of VAT). The contract terms are for 10 months starting November 2023 to August 2024.

Accreted interest income amounted to ₱3.7 million and ₱6.1 million in 2022 and 2021, respectively (see Note 5). Contract asset amounted to nil and ₱4.0 million as at 2023 and 2022, respectively (see Note 9).

Contracts with Scientific Games and Intralot and Management Agreement

Scientific Games. POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract has been extended until September 30, 2023 and was no longer renewed.

Intralot. POSC and TGTI have contracts with Intralot Inc., a company subsidiary domiciled in Atlanta, Georgia, for the supply of hardware, operating system software and terminals and the required training required to operate the system. In consideration, POSC and TGTI shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operations. The contract has been extended, with POSC extending until September 30, 2023 and TGTI extending until March 31, 2022. These contracts were no longer extended, thereafter.

Software and license fee recognized amounted to ₱65.6 million, ₱60.5 million and ₱54.5 million in 2023, 2022 and 2021, respectively (see Note 19). Software and license fees payable amounted to ₱8.9 million and ₱22.6 million as at December 31, 2023 and 2022, respectively (see Note 16).

29. Supplemental Schedule of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	January 1, 2023	Additions	Finance Costs	Cash Flows	December 31, 2023
Lease liabilities	₱1,891,442	₱2,662,413,486	₱24,897	(₱2,663,827,027)	₱502,798
Dividends payables	–	1,589,021,262	–	(1,589,021,262)	–
Loans payable	67,500,000	500,000,000	17,878,309	(114,790,074)	470,588,235
Total liabilities from financing activities	₱69,391,442	₱4,711,804,433	₱17,903,206	(4,328,008,048)	₱471,091,033

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

Advances to suppliers made in 2022 amounting to ₱207.1 million was applied against acquisition of property and equipment in 2023.

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

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Premium Leisure Corp. and Subsidiaries (the Group) as at and for the years ended December 31, 2023, 2022 and 2021 and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole.

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

- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration as at December 31, 2023
- Schedules required by Annex 68-J as at December 31, 2023
- Conglomerate Map as at December 31, 2023
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2023 and 2022

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

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



The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 10072407

Issued January 2, 2024, Makati City

February 28, 2024

Makati City, Metro Manila

PREMIUM LEISURE CORP. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2023 and 2022

Ratio	Formula	2023	2022
Current Ratio	Total Current Assets divided by Total Current Liabilities		
	Total Current Assets	₱4,993,163,137	₱5,987,327,952
	Divide by: Total Current Liabilities	844,510,462	730,587,574
	Current Ratio	5.91	8.20
Acid Test Ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		
	Total Current Assets	₱4,993,163,137	₱5,987,327,952
	Other Current Assets	306,687,874	217,582,191
	Quick Assets	4,686,475,263	5,769,745,761
	Divide by: Total Current Liabilities	844,510,461	730,587,574
	Acid Test Ratio	5.55	7.90
Debt-to-Equity Ratio	Total Interest-Bearing debt divided by Total Equity		
	Total interest-bearing debt	₱470,588,235	₱67,500,000
	Total Equity	17,048,252,331	16,169,383,810
	Debt to Equity Ratio	2.76%	0.42%
Asset-to-Equity Ratio	Total Assets divided by Total Equity		
	Total Assets	₱18,320,750,293	₱16,985,905,538
	Total Equity	17,048,252,331	16,169,383,810
	Asset to Equity Ratio	1.07	1.05

Ratio	Formula	2023	2022
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes divided by Total Interest Expense		
	Net Income Before Income Tax	₱2,457,718,362	₱1,291,031,874
	Less: Interest income	(254,011,944)	(147,434,493)
	Add: Interest Expense	17,903,206	220,505
	<hr/>		
	Earnings Before Interest and Taxes	2,221,609,624	1,143,817,886
	Divide by: Interest Expense	17,903,206	220,505
	<hr/>		
	Interest Rate Coverage Ratio	124.09	5,187.27
Return on Equity	Net Income divided by Average Total Equity		
	Net Income	₱2,323,918,904	₱1,255,947,448
	Average Total Equity	16,608,818,071	16,283,958,254
	<hr/>		
Return on Equity	13.99%	7.71%	
Return on Assets	Net Income divided by Average Total Assets		
	Net Income	₱2,323,918,904	₱1,255,947,448
	Average Total Assets	17,653,327,916	17,035,400,875
	<hr/>		
Return on Assets	13.16%	7.37%	
Solvency Ratio	Net Income Before Non-Cash Expenses divided by Total Liabilities		
	Net Income	₱2,323,918,904	₱1,255,947,448
	Add: Non-Cash Expenses	416,724,288	468,781,971
	<hr/>		
	Net Income Before Non-Cash Expenses	2,740,643,192	1,724,729,419
	Total Liabilities	1,272,497,962	816,521,728
	<hr/>		
	Solvency Ratio	2.15	2.11
Net Profit Margin	Net Income divided by Total Revenue		
	Net Income	₱2,323,918,904	₱1,255,947,448
	Total Revenue	2,940,888,530	2,079,896,638
	<hr/>		
Net Profit Margin	79.02%	60.39%	

PREMIUM LEISURE CORP. AND SUBSIDIARIES

**PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Unappropriated retained earnings, beginning of reporting period, as adjusted	₱2,632,966,006
Add: Net income for the current year	1,571,453,988
Less: <u>Category B</u> : Items that are directly debited to unappropriated retained earnings	
Dividend declaration during the reporting period	(1,568,338,613)
Total retained earnings, end of the reporting period available for dividend	₱2,636,081,381

PREMIUM LEISURE CORP. AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6
PART II OF REVISED SRC RULE 68
DECEMBER 31, 2023

Table of Contents

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
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D	Intangible Assets – Other Assets	<u>2</u>
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G	Guarantees of Securities of Other Issuers	<u>N/A</u>
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Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Financial Assets at Fair Value through Profit or Loss				
APC Goup, Inc.	45,821,000	10,767,935	10,767,935	—
Digiplus Interactive Corp. (Leisure and Resorts World Corporation)	6,980,592	55,844,736	55,844,736	—
Vantage Equities, Inc.	43,376,750	33,400,098	33,400,098	—
		₱100,012,769	₱100,012,769	₱—
Financial Assets at Fair Value through Other Comprehensive Income				
Belle Corporation	—	116,985,631	116,985,631	—
Tagaytay Highlands International Golf Club, Inc.	2	6,600,000	6,600,000	—
Tagaytay Midlands Golf Club Inc.	2	6,000,000	6,000,000	—
APC Group, Inc.		11,100	—	—
PLDT Inc.		70,000	—	—
		129,666,731	129,585,631	—
		₱229,679,500	₱229,598,400	₱—

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	₱533,261	₱13,694,227	(₱13,353,952)	₱—	₱873,536	₱—	₱873,536

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

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Allowance for Doubtful Accounts	Current	Not Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	₱6,511,809	₱—	(₱8,429)	₱—	₱—	₱6,503,380	₱6,503,380
Premium Leisure Corp. (Parent)	1,403,000,000	—	(71,639,936)	—	—	1,331,360,064	2,662,720,128
	₱1,409,511,809	₱—	(71,648,365)	₱—	₱—	₱1,337,863,444	₱2,669,223,508

Schedule D. Intangible Assets – Other Assets

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Ending Balance
License	₱8,475,709,551	₱–	(₱238,472,484)	₱8,237,237,067
Goodwill	926,007,748	–	–	926,007,748

Schedule E. Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Loan Payable Unionbank of the Philippines	₱470,588,235	₱58,823,529	₱411,764,706

Schedule H. Capital Stock

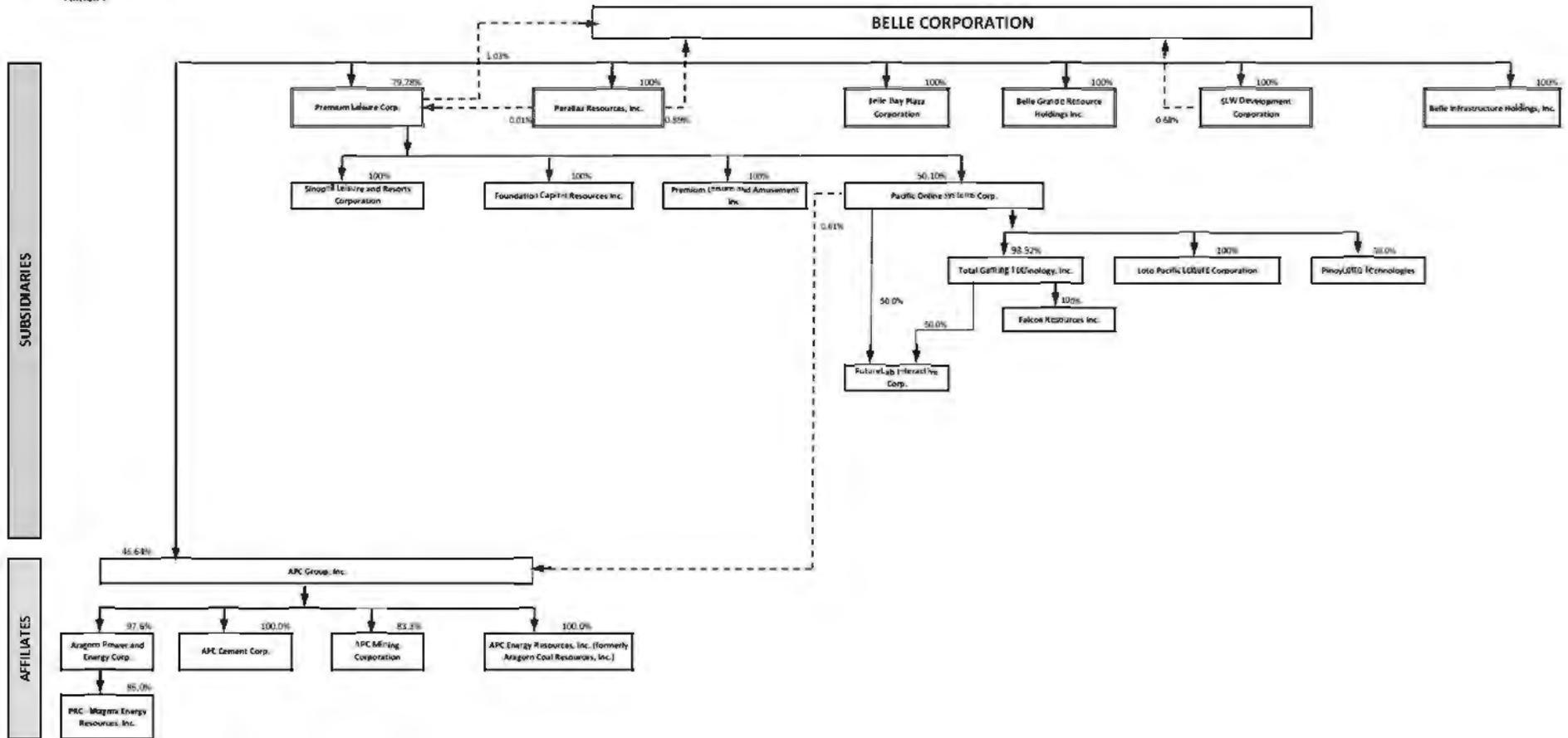
Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,216,931,000*	–	24,904,904,324	44,439,004	6,267,587,672
Preferred Stock	6,000,000,000	–	–	–	–	–

* Net of 410,379,000 treasury shares

PREMIUM LEISURE CORP. AND SUBSIDIARIES

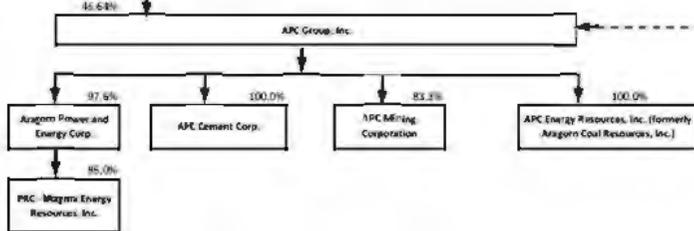
Map of the Relationship of the Companies within the Group December 31, 2023


Belle Corporation
 Conglomerate Map
 As of December 31, 2023
 Annex I



SUBSIDIARIES

AFFILIATES



Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph (eafs@bir.gov.ph)

To: plai 1@yahoo.com

Cc: plai 1@yahoo.com

Date: Thursday, April 11, 2024 at 01:27 PM GMT+8

Hi PREMIUM LEISURE CORP,

Valid files

- EAFS003457827ITRTY122023.pdf
- EAFS003457827AFSTY122023.pdf
- EAFS003457827TCRTY122023-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-MX4NXQZP0DJ7956GQPRWMTSR0P32PS3RZ**

Submission Date/Time: **Apr 11, 2024 01:27 PM**

Company TIN: **003-457-827**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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**"STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN"**

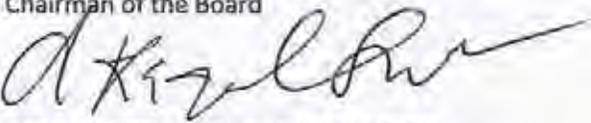
The Management of Premium Leisure Corp is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



WILLY N. OSIER
Chairman of the Board



ARMIN ANTONIO B. RAQUEL SANTOS
President and Chief Executive Officer



DIOVILLE M. VILLARIAS
Chief Finance Officer / Treasurer

Signed this 28th day of February 2024

SUBSCRIBED AND SWORN to before me this MAKATI CITY FEB 28 2024 day of 2024 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

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

DOC NO. : 195
PAGE NO. : 40
BOOK NO. : 12
SERIES OF : 2024.

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
Roll Of Attorney No. 77376
MCLE Compliance VIII No. 0001393-
Jan. 3, 2023 until Apr. 12, 2028
PTR NO. 10073945/ Jan. 2, 2024/ Makati City
IBP No. 330740/ Jan. 2, 2024/ Pasig City /
1107 Batasan St., Guadalupe Nuevo, Makati City



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

The management of **Premium Leisure Corp** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended **December 31, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

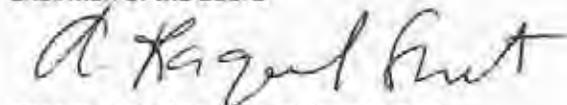
The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, for the periods December 31, 2023 and 2022 have audited the 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



DIOVILLE M. VILLARIAS

Chief Finance Officer / Treasurer

Signed this 28th day of February 2024

SUBSCRIBED AND SWORN to before me this **MAKATI CITY** **FEB 28 2024** day of 2024 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
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DIOVILLE M. VILLARIAS	[REDACTED]	[REDACTED]	NCR South

DOC NO. : 196
PAGE NO. : 41
BOOK NO. : 12
SERIES OF : 2024.

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115 (2023-2024)
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IBP No. 330740/ Jan. 2, 2024/ Pasig City /
1107 Bataan St., Guadalupe Nuevo, Makati City

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

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

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



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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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



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

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

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 10072407

Issued January 2, 2024, Makati City

February 28, 2024

Makati City, Metro Manila



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

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

We have audited the accompanying separate financial statements of Premium Leisure Corp. (the Company), as at and for the years ended December 31, 2023 and 2022, on which we have rendered our report dated February 28, 2024.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 342 stockholders owning 100 or more shares each.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 10072407

Issued January 2, 2024, Makati City

February 28, 2024
Makati City, Metro Manila

PREMIUM LEISURE CORP.
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱81,558,134	₱1,289,335,748
Receivables	5	202,039,626	452,525
Notes receivable	6	2,100,000,000	3,705,925,000
Creditable withholding taxes (CWTs)		70,740,045	66,922,718
Total Current Assets		2,454,337,805	5,062,635,991
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	7	129,666,732	128,066,117
Investments in and advances to subsidiaries	8	15,417,378,317	12,888,013,295
Investment properties	9	285,510,452	285,510,452
Advances to a contractor	5	139,738,757	139,738,757
Total Noncurrent Assets		15,972,294,258	13,441,328,621
		₱18,426,632,063	₱18,503,964,612
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other current liabilities	10	₱48,221,267	₱55,327,274
Due to related parties	14	1,336,729,314	1,411,671,846
Total Current Liabilities		1,384,950,581	1,466,999,120
Noncurrent Liability			
Subscriptions payable	8	94,500,000	94,500,000
Total Liabilities		1,479,450,581	1,561,499,120
EQUITY			
Capital stock	11	7,906,827,500	7,906,827,500
Additional paid-in capital	11	6,941,634,391	6,941,634,391
Treasury stock	11	(220,430,080)	(220,430,080)
Cumulative unrealized valuation losses on financial assets at FVOCI	7	(537,361,790)	(538,962,405)
Retained earnings	11	2,856,511,461	2,853,396,086
Total Equity		16,947,181,482	16,942,465,492
		₱18,426,632,063	₱18,503,964,612

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2023	2022
INCOME			
Dividend income	7, 8	₱1,470,855,344	₱1,470,000,000
Interest income	4	225,121,285	133,667,400
		1,695,976,629	1,603,667,400
GENERAL AND ADMINISTRATIVE EXPENSES	12	97,502,516	81,131,224
INCOME BEFORE INCOME TAX		1,598,474,113	1,522,536,176
PROVISION FOR CURRENT INCOME TAX	13	27,020,125	11,050,536
NET INCOME		1,571,453,988	1,511,485,640
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Not to be reclassified to profit or loss in the subsequent periods -</i>			
Unrealized valuation gain (loss) on financial assets at FVOCI	7	1,600,615	(12,898,158)
TOTAL COMPREHENSIVE INCOME		₱1,573,054,603	₱1,498,587,482
Basic/Diluted Earnings Per Common Share	18	₱0.05034	₱0.048419

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.
SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31	
		2023	2022
CAPITAL STOCK			
Balance at beginning and end of year	11	₱7,906,827,500	₱7,906,827,500
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of year	11	6,941,634,391	6,941,634,391
TREASURY STOCK			
Balance at beginning and end of year	11	(220,430,080)	(220,430,080)
CUMULATIVE UNREALIZED VALUATION LOSSES ON FINANCIAL ASSETS AT FVOCI			
	7		
Balance at beginning of year		(538,962,405)	(526,064,247)
Unrealized valuation gain (loss)		1,600,615	(12,898,158)
Balance at end of year		(537,361,790)	(538,962,405)
RETAINED EARNINGS			
Balance at beginning of year		2,853,396,086	2,910,249,059
Net income		1,571,453,988	1,511,485,640
Dividends declared	11	(1,568,338,613)	(1,568,338,613)
Balance at end of year		2,856,511,461	2,853,396,086
		₱16,947,181,482	₱16,942,465,492

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱1,598,474,113	₱1,522,536,176
Adjustments for:			
Dividend income	7, 8	(1,470,855,344)	(1,470,000,000)
Interest income	4	(225,121,285)	(133,667,400)
Depreciation of property and equipment		—	3,408
Operating loss before working capital changes		(97,502,516)	(81,127,816)
Decrease (increase) in:			
Receivables		(1,587,101)	381,925
Advances to subsidiaries		(1,815)	344,690
Increase (decrease) in accrued expenses and other current liabilities		(7,106,007)	1,087,022
Net cash used for operations		(106,197,439)	(79,314,179)
Interest received		225,121,285	133,667,400
Income taxes paid		(30,837,452)	(18,827,325)
Net cash provided by operating activities		88,086,394	35,525,896
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances for stock subscription	8	(3,000,000,000)	—
Collection of notes receivable	6	1,605,925,000	—
Dividends received	14	1,270,855,344	1,470,000,000
Return of deposit for future stock subscription from a subsidiary	8	470,636,793	—
Net cash provided by investing activities		347,417,137	1,470,000,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	11	(1,568,338,613)	(1,568,338,613)
Payments to related parties	17	(103,294,167)	(1,212,334)
Advances from related parties	17	28,351,635	21,457
Net cash used in financing activities		(1,643,281,145)	(1,569,529,490)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,207,777,614)	(64,003,594)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,289,335,748	1,353,339,342
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	₱81,558,134	₱1,289,335,748

See accompanying Notes to Separate Financial Statements.

PREMIUM LEISURE CORP.

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. General Information

Corporate Information

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

PLC is a publicly-listed company in the Philippine Stock Exchange (PSE). It is 79.78% (directly and indirectly) owned by Belle Corporation (Belle or the Parent Company) and the rest by the public as at December 31, 2023 and 2022.

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, Metro Manila.

Approval of the Separate Financial Statements

The separate financial statements as at and for the years ended December 31, 2023 and 2022 were approved and authorized for issue by the Board of Directors (BOD) on February 28, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

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

Measurement Bases

The separate financial statements are presented in Philippine Peso (Peso), the **Company's** functional currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI).

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

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

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

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

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

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

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

- Note 7 - *Financial Assets at FVOCI*
- Note 9 - *Investment Properties*
- Note 16 - *Fair Value Measurement*

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendments to PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) **that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements**, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the **'four-step materiality process' to accounting policy information**.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the **new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”**. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: **(i) an entity’s right to defer settlement** must exist at the end of the reporting period, **(ii) the classification is unaffected by management’s intentions or expectations about whether the** entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the foregoing amendments to PFRS did not have any material effect on the separate financial statements of the Company.

Amendments to PFRS in Issue But Not Yet Effective

Relevant amendments to PFRS, which are not yet effective as at December 31, 2023, are summarized below.

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

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

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

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

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

Financial Instruments

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

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

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

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

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

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

There were no reclassifications of financial assets in 2023 and 2022.

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

As at December 31, 2023 and 2022, the Company does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired or through the amortization process.

As at December 31, 2023 and 2022, the **Company's** cash and cash equivalents, receivables, advances to a contractor, notes receivable and advances to subsidiaries are classified as financial assets at amortized cost.

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.

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

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

Under limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

As at December 31, 2023 and 2022, the **Company's investments in** equity securities are classified under this category.

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

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

As at December 31, 2023 and 2022, the Company's accrued expenses and other current liabilities (excluding statutory payables) and due to related parties are classified as financial liabilities as amortized cost.

Impairment of Financial Assets at Amortized Cost

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Assets and Liabilities

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

Creditable Withholding Taxes (CWTs)

CWTs represent the amount withheld by the Company’s **customers in relation to its income**. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs are stated at its net realizable amount.

Value-added Tax (VAT)

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

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

The net amount of VAT payable to **the taxation authority is included as part of “Accrued expenses and other current liabilities” account in the** separate statements of financial position.

Investments in Subsidiaries

Investments in subsidiaries are accounted for using the cost method. A subsidiary is an entity controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

An assessment of the carrying amount of the investment is performed when there is an indication that the investment has been impaired.

Advances for stock subscription represent funds paid to existing subsidiaries to be applied as payment for future issuance of capital stock. These are carried at amount paid in the separate statements of financial position and are recognized as investments in subsidiaries when the shares of stock for which the advances were made are issued to the Company.

Investment Properties

Investment properties comprise of parcels of land held by the Company for capital appreciation. Investment property is measured initially cost. The initial cost of investment properties consists of its purchase price, including nonrefundable taxes and any directly attributable costs. Subsequent to initial recognition, the land is stated at cost less accumulated impairment loss, if any.

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

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

Impairment of Nonfinancial Assets

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

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

Equity

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

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

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

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

Cash dividends to the Company's stockholders is recognized as a liability and deducted from equity in the year in which the dividends are approved by the BOD for declaration. Dividends that are approved after the reporting year are dealt with as an event after the reporting date.

Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI. Cumulative unrealized valuation losses on financial assets at FVOCI pertains to accumulated fair value changes on investment in equity securities which are not recognized in profit or loss. These fair value changes are classified as other comprehensive income or loss and presented after net income in the separate statements of comprehensive income. The accumulated fair value changes are separately presented in the equity section of the separate statements of financial position.

Dividend Income

Dividend income is recognized when the Company's **right to receive the payment is established**.

Interest Income

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

Expense Recognition

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

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

Short-term Employee Benefits

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

Income Taxes

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

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

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

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

Deferred tax assets are recognized for all deductible temporary differences only if it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized.

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

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

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

Related Parties and Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. 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 consist of transfers of resources, services or obligations between the Company and its related parties.

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

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

Earnings per Share (EPS)

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

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

As at December 31, 2023 and 2022, the Company has no dilutive potential common shares outstanding. Accordingly, basic and diluted EPS are stated at the same amount.

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgment

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

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

The fair values of the Company's **financial** instruments are disclosed in Note 16.

Estimates and Assumptions

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

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

Assessing the Impairment Losses on Financial Assets at Amortized Cost. The Company has applied the general approach and calculated the ECL by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime ECL. To measure the ECL, financial assets have been grouped based on shared credit risk characteristics and days past due. The Company uses judgment in making the assumptions about risk of default and ECL rates and selected inputs to the impairment calculation, **based on the Company's past history, existing market conditions as well as forward** looking estimates at the end of each reporting period.

No provision for impairment loss was recognized in 2023 and 2022. Allowance for impairment losses on financial assets aggregated to ₱687.8 million as at December 31, 2023 and 2022 (see Notes 5 and 8). The carrying amount of financial assets at amortized cost as at December 31, 2023 and 2022 are disclosed in Notes 4, 5, 6 and 8.

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

No provision for impairment loss was recognized in 2023 and 2022. Allowance for impairment losses of investments in subsidiaries is disclosed in Note 8.

The carrying amount of significant nonfinancial assets as at December 31, 2023 and 2022 are disclosed in Notes 8 and 9.

Assessing the Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences 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.

Details of unrecognized deferred tax assets as at December 31, 2023 and 2022 are disclosed in Note 13.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand and in banks	P22,513,874	P99,705,199
Cash equivalents	59,044,260	1,189,630,549
	P81,558,134	P1,289,335,748

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 deposit rates.

Details of interest income recognized in the separate statements of comprehensive income are as follows:

	Note	2023	2022
Notes receivable	6	P205,583,015	P125,333,368
Cash in banks and cash equivalents		19,538,270	8,334,032
		P225,121,285	P133,667,400

5. Receivables and Advances to a Contractor

Receivables

This account consists of:

	Note	2023	2022
Receivable from a Share Swap Agreement		P422,341,815	P422,341,815
Dividend receivable	14	200,000,000	-
Other receivables		7,388,749	5,801,648
		629,730,564	428,143,463
Less allowance for impairment losses		427,690,938	427,690,938
		P202,039,626	P452,525

The receivable from a Share Swap Agreement (the Agreement) is a receivable by the Company from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") representing the cost of rescission of the Agreement involving PLC shares. This is fully provided with allowance for impairment loss as at December 31, 2023 and 2022.

Advances to a Contractor

Advances to a contractor, amounting to P139.7 million as at December 31, 2023 and 2022, are noninterest-bearing and are subject to liquidation but shall be refunded to the Company in the absence of the required output. Advances to a contractor are considered noncurrent since these are not expected to be refunded or liquidated within the immediately succeeding years.

6. Notes Receivable

Movements in this account are as follows:

	2023	2022
Balance at beginning of year	P3,705,925,000	P3,705,925,000
Collections	(1,605,925,000)	-
Balance at end of year	P2,100,000,000	P3,705,925,000

Notes receivable are unsecured, payable on demand, and bear interest at rates ranging from 5.87% to 6.50% and 2.42% to 4.73% in 2023 and 2022, respectively (see Note 14).

Interest income from notes receivable recognized in profit or loss amounted to P205.6 million and P125.3 million in 2023 and 2022, respectively (see Note 4).

7. Financial Assets at FVOCI

This account pertains to investments in equity securities as at December 31, 2023 and 2022 consisting of the following:

	Note	2023	2022
Quoted shares:			
Belle-common shares	14	P116,985,632	P121,985,017
Golf club shares		12,600,000	6,000,000
		129,585,632	127,985,017
Unquoted shares			
		81,100	81,100
		P129,666,732	P128,066,117

The movements of financial assets at FVOCI in 2023 and 2022 are as follows:

	2023	2022
Cost		
Balance at beginning and end of year	P667,028,522	P667,028,522
Cumulative unrealized valuation		
losses on financial assets at FVOCI		
Balance at beginning of year	(538,962,405)	(526,064,247)
Unrealized valuation gain (loss)	1,600,615	(12,898,158)
Balance at end of year	(537,361,790)	(538,962,405)
	P129,666,732	P128,066,117

Dividend income from investment in Belle-common shares amounted to P6.0 million in 2023 (see Note 14).

The fair value of the investment in common shares of Belle is based on the quoted price as at reporting date while the fair value of the investment in golf club shares is based on secondary market prices as at reporting date (see Note 16).

8. Investments in and Advances to Subsidiaries

As at December 31, 2023 and 2022, the Company has investments in the following subsidiaries:

Subsidiaries	Principal Activity	Principal Place of Business	Percentage of Ownership
PremiumLeisure Amusement, Inc. (PLAI)	Gaming Business	Pasay City	100%
Sinophil Leisure and Resorts Corporation (SLRC)	Public amusement and recreation	Pasay City	100%
Foundation Capital Resources Inc. (FCRI)	Real estate	Pasay City	100%
Pacific Online Systems Corporation (POSC) and Subsidiaries	Lottery equipment leasing, distribution and others	Pasay City	50.1%

Investments in and advances to subsidiaries consist of:

Subsidiaries	Note	2023	2022
Acquisition cost:			
PLAI		₱10,847,820,000	₱10,847,820,000
POSC		2,525,126,794	2,525,126,794
SLRC		125,000,000	125,000,000
FCRI		1,021,458	1,021,458
		13,498,968,252	13,498,968,252
Less allowance for impairment loss in			
POSC and FCRI		1,088,768,263	1,088,768,263
		12,410,199,989	12,410,199,989
Advances for stock subscription –			
SLRC		3,000,000,000	470,636,793
Advances to subsidiaries:			
	14		
FCRI		266,970,765	266,970,765
PLAI		353,391	351,576
		267,324,156	267,322,341
Less allowance for impairment loss			
		260,145,828	260,145,828
		7,178,328	7,176,513
		₱15,417,378,317	₱12,888,013,295

Investment in PLAI. PLAI is a grantee by the Philippine Amusement and Gaming Corporation (PAGCOR) of a license to operate integrated resorts, including casinos. The license runs concurrent with PAGCOR's Congressional Franchise which is set to expire in 2033 and renewable for another 25 years.

Dividend income from PLAI amounted to ₱1,420.0 million and ₱1,470.0 million in 2023 and 2022, respectively (see Note 14).

There were no impairment indicators on the Company's investment in PLAI in 2023 and 2022. Accordingly, no impairment loss was recognized.

Investment in POSC. POSC is engaged in the development, design and management of online **computer systems, terminals and software for the gaming industry**. POSC's stocks are listed in the PSE. POSC's **primary source of revenue arises from the Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO)** for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment. The ELA has been concluded on September 30, 2023.

POSC remains committed to looking for opportunities in the industry. POSC was granted by the PCSO with a one-year trial period to provide a Web-based Application Betting Platform which was launched in December 2023.

POSC also holds 50.00% ownership interest in Pinoylotto Technologies Corp. (PinoyLotto), a joint venture entity that was awarded with the five-year lease of the customized PCSO lottery system with a contract price ₱5,800.0 million. PinoyLotto commenced its commercial operations in October 2023.

Dividend income from POSC amounted to ₱44.9 million in 2023 (see Note 14).

In 2023 and 2022, the Company performed impairment testing of its investment in POSC.

The recoverable amount of investment in POSC as at December 31, 2023 and 2022 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period.

Key assumptions considered are as follows:

Discount Rate. **Discount rate reflects management's estimate of the risks specific to the cash-generating unit.** The pre-tax discount rate of 7.42% and 9.79% was used in 2023 and 2022, respectively based on the weighted average cost of capital of POSC. Any future significant increase (decrease) in discount rate will result in lower (higher) recoverable amount.

Revenue Growth Rate and Long-Term Growth Rate. No growth rate was applied in the five-year cash flow projections in 2023 and 2022 considering that the main source of cash flow will be coming from the fixed-price contract of PinoyLotto. Management assessed that contract extension/renewal is highly probable considering technical expertise and historical experience of POSC.

In 2023 and 2022, no provision for impairment loss **was recognized on the Company's** investment in POSC. As at December 31, 2023 and 2022, allowance for impairment losses on investment in POSC amounted to ₱1,087.7 million.

Investment in SLRC. SLRC is a non-operating amusement, entertainment and recreation company. Subscription payable amounting to ₱93.8 million remains outstanding as at December 31, 2023 and 2022.

In 2022, **SLRC's primary asset is its investment in Black Spade Acquisition, Inc. (BSA), a special purpose** acquisition company focused on identifying a business combination target that is related to the entertainment industry. The investment in BSA is composed of 1,000,000 common shares and 500,000 share warrants for a total cost of ₱496.6 million.

Advances for stock subscription pertain to funds provided by the Company to SLRC in 2021 to partially-finance the acquisition of BSA units. The advances are intended for future stock subscription, however, the Company reserves the right to withdraw in the event that BSA fails to complete its first acquisition of an entity related to entertainment industry within 24 months from initial public offering as indicated in the prospectus.

On April 17, 2023, SLRC assigned all its rights and obligations to the investment in common shares and share warrants to PLAI.

Consequently, on September 6, 2023, the BOD approved the return of funding amounting to ₱470.6 million to the Company.

On October 26, 2023, **SLRC's BOD** and stockholders approved its increase in authorized capital stock from ₱500.0 million to ₱3,125.0 million. The Company subscribed to the remaining unissued shares and the increase in authorized capital stock of SLRC for a total consideration of ₱3,000.0 million. This is **currently classified as 'Advances for stock subscription' pending the completion of necessary** documents and approval by the SEC of the increase in authorized capital.

As at December 31, 2023, SLRC's primary asset arises from the Sublease Agreement with a Global Gateway Development Corporation entered in November 2023 for the lease of land located in Clark. The Sublease Agreement has a term of 62 years and the rent is payable upon execution of the sublease agreement amounting ₱2,661.9 million.

Based on the foregoing, no impairment loss was recognized on the investments in SLRC in 2023 and 2022.

Investment in FCRI. FCRI is an investment holding company. Subscription payable amounting to ₱750,000 remains outstanding as at December 31, 2023 and 2022.

FCRI has not yet started its commercial operations and has incurred significant losses over the years. As at December 31, 2023 and 2022, the timing of commencement of operations of FCRI is still uncertain due to some considerations including capitalization requirements and profitability of the potential business opportunities, among others. Therefore, the investment was fully provided with allowance for impairment losses as at December 31, 2023 and 2022.

9. Investment Properties

Investment properties pertain to parcels of land amounting to P285.5 million as at December 31, 2023 and 2022.

No rental income was earned from investment properties in 2023 and 2022.

Expenses related to investment properties amounted to P23,688 and P73,744 in 2023 and 2022, respectively, which pertain to payment of real property taxes.

The fair value of the investment properties as at December 31, 2023 and 2022 amounting to P295.2 million is higher than its carrying value, as determined by an independent appraiser and estimated using market approach. The value of the land was based on the sales and listings of the comparable properties registered within the vicinity and within Level 3 fair value hierarchy. The Company assessed that the highest and best use of properties does not significantly differ from their current use.

10. Accrued Expenses and Other Current Liabilities

This account consists of:

	2023	2022
Accrued expenses	P35,886,697	P45,575,148
Nontrade payables	10,412,054	8,682,798
Statutory payables	1,922,516	1,069,328
	P48,221,267	P55,327,274

Accrued expenses represent mainly accrual for use of corporate suites, service and management fees, professional fees, and other general and administrative expenses. These are payable on demand.

Nontrade payables are noninterest-bearing and are normally settled within the next financial year.

Statutory payables which mainly includes output VAT and withholding taxes payable are normally settled within the next month.

11. Equity

Common Stock

Common stock as at December 31, 2023 and 2022 consists of the following:

	Number of Shares	Amount
Authorized - P0.25 par value per share	37,630,000,000	P9,407,500,000
Issued and subscribed -		
Balance at beginning and end of year	31,627,310,000	P7,906,827,500

Preferred Stock

As at December 31, 2023 and 2022, 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.

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

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

*Due to increase in par value from ₱0.01 to ₱1.00 per share.

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

In 1995, 25,000,000,000 primary shares of the Company's capital stock were offered and sold to the public at ₱0.01 par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

The Company has 31,627,309,995 listed shares with 362 and 359 stockholders of record as at December 31, 2023 and 2022, respectively.

Additional Paid-in Capital

Additional paid-in capital amounted to ₱6,941.6 million as at December 31, 2023 and 2022.

Treasury Stock

On March 1, 2018, the BOD authorized the buy-back of up to **₱500.0 million worth of Company's** common shares.

As at December 31, 2023 and 2022, 410,379,000 shares have been bought back by the Company with a cost of ₱220.4 million.

Retained Earnings

On February 28, 2023, the Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at March 15, 2023.

On April 28, 2022, the Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at May 16, 2022 (see Note 14).

12. General and Administrative Expenses

This account consists of:

	Note	2023	2022
Outside services		₱57,268,299	₱54,608,648
Marketing, advertising and promotion		19,420,005	13,656,387
Director's fee		12,611,484	6,671,871
Taxes and licenses		2,506,752	2,316,332
Professional and management fee		1,732,500	1,135,000
Entertainment and recreation		672,709	271,893
Salaries	14	593,339	586,339
Transportation and travel		419,080	310,145
Insurance		324,656	409,302
Miscellaneous		1,953,692	1,165,307
		₱97,502,516	₱81,131,224

13. Income Taxes

Provision for current income tax in 2023 and 2022 pertains to regular corporate income tax.

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

	2023	2022
Provision for income tax at statutory tax rate	₱399,618,528	₱380,634,044
Tax effects of:		
Dividend income exempted from tax	(367,713,836)	(367,500,000)
Interest income already subjected to final tax	(4,884,567)	(2,083,508)
	₱27,020,125	₱11,050,536

Deferred tax assets on impairment loss on receivable amounting to ₱106.9 million as at December 31, 2023 and 2022 were not recognized, since management believes that the deductible temporary differences may not be fully realized in the foreseeable future.

The income tax rate used in preparing the separate financial statements as at and for the years ended December 31, 2023 and 2022 is 25%.

14. Related Party Transactions

In the ordinary course of business, the Company has the following transactions with related parties:

Related Party	Note	Nature of Transactions	Related Party	Year	Transactions for the Year	Outstanding Balance of Assets (Liabilities)	Terms and Conditions			
Notes receivable	6	Interest-bearing notes receivable	Parent Company	2023	P-	P2,100,000,000	Unsecured and bearing interest rates ranging from 5.87% to 6.50% and 2.42% to 4.73% in 2023 and 2022, respectively; due on demand			
				2022	-	3,705,925,000				
	4	Interest income	Parent Company	2023	205,583,015	-		Unsecured and noninterest-bearing, 30 days		
				2022	125,333,368	-				
						P2,100,000,000				
						3,705,925,000				
Receivables	5, 8	Dividend income	Subsidiaries	2023	P1,464,855,344	P200,000,000	Unsecured and noninterest-bearing			
				2022	1,470,000,000	-				
Financial assets at FVOCI		Investment in equity securities	Parent Company	2023	P-	P659,918,944				
				2022	-	659,918,944				
	7	Dividend income		2023	6,000,000	-				
				2022	-	-				
		Cumulative unrealized valuation loss		2023	(4,999,385)	(542,933,312)				
				2022	(14,998,158)	(537,933,927)				
7			2023		P116,985,632					
			2022		121,985,017					
Investments in and advances to subsidiaries	8	Advances for stock subscription	Subsidiary	2023	P3,000,000,000	P3,000,000,000				
				2022	-	470,636,793				
Investments in and advances to subsidiaries	8	Advances	Subsidiaries	2023	P-	P266,970,765	Unsecured and noninterest-bearing, on demand			
				2022	-	266,970,765				
	8	Reimbursable charges	Subsidiary	2023	1,815	353,391	Unsecured and noninterest-bearing, on demand			
				2022	-	351,576				
					2023	P-	P267,324,156			
					2022	-	267,322,341			
8	Less allowance for impairment losses	Subsidiaries	2023	-	(260,145,828)					
			2022	-	(260,145,828)					
						P7,178,328				
						7,176,513				
Accrued expenses and other current liabilities	Management and service fee		Parent Company	2023	P54,000,000	P-	Unsecured and noninterest-bearing, 30 days			
				2022	54,000,000	(4,950,000)				
				Marketing expense	Parent Company	2023		18,583,333	-	Unsecured and noninterest-bearing, 30 days
						2022		13,500,000	-	
	12	Salaries	Key management personnel	2023	593,339	-	Unsecured and noninterest-bearing, 30 days			
				2022	586,339	-				
							P-			
							(4,950,000)			
Due to related parties	Advances	Subsidiary	2023	P-	(P1,300,000,000)	Unsecured and noninterest-bearing, on demand				
			2022	-	(1,400,000,000)					
	Advances and reimbursable charges	Subsidiaries	2023	(28,351,635)	(36,707,507)	Unsecured and noninterest-bearing, on demand				
			2022	-	(8,355,872)					
	Reimbursable charges	Parent Company	2023	-	(21,807)	Unsecured and noninterest-bearing, on demand				
			2022	(21,457)	(3,315,974)					
							(P1,336,729,314)			
							(1,411,671,846)			

There have been no guarantees provided or received for any related party receivables or payables and settlements occur in cash, except for advances for stock subscription.

No additional impairment loss was recognized in 2023 and 2022. Management assesses impairment at each financial year by reviewing the financial position of each related party and the market in which the related party operates.

Compensation of Key Management Personnel

Compensation to key management personnel pertains to short-term employee benefits on salaries paid during the year (see Note 12).

15. Financial Instruments

Financial Risk Management Objectives and Policies

The **Company's financial instruments** comprise of cash and cash equivalents, receivables, notes receivables, advances to subsidiaries, financial assets at FVOCI, accrued expenses and other current liabilities (excluding statutory payables) and due to related parties. The main purpose of these financial instruments is to finance the **Company's projects and operations**.

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

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

Credit Risk

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

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

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

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

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

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

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

2023				
ECL Staging				
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Cash and cash equivalents*	₱81,548,135	₱-	₱-	₱81,548,135
Receivables	202,039,626	-	427,690,938	629,730,564
Notes receivable	2,100,000,000	-	-	2,100,000,000
Advances to subsidiaries**	-	7,178,328	260,145,828	267,324,156
Advances to a contractor	139,738,757	-	-	139,738,757
Gross Carrying Amount	₱2,523,326,518	₱7,178,328	₱687,836,766	₱3,218,341,612

*Excluding cash on hand amounting to ₱9,999.

**Presented under "Investments in and advances to subsidiaries" account.

2022				
ECL Staging				
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Cash and cash equivalents*	₱1,289,325,749	₱-	₱-	₱1,289,325,749
Receivables	452,525	-	427,690,938	428,143,463
Notes receivable	3,705,925,000	-	-	3,705,925,000
Advances to subsidiaries**	-	7,176,513	260,145,828	267,322,341
Advances to a contractor	139,738,757	-	-	139,738,757
Gross Carrying Amount	₱5,135,442,031	₱7,176,513	₱687,836,766	₱5,830,455,310

*Excluding cash on hand amounting to ₱9,999.

**Presented under "Investments in and advances to subsidiaries" account.

Cash and cash equivalents are deposited and invested with the top ten banks in the Philippines and are considered to have low credit risk. Notes receivable have low credit risk since the related party with whom the Company has transacted with is not expected to default in settling its obligation.

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

Market Risk

Market risk is the risk that changes in market prices, such as equity prices and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted financial assets decreases as a result of changes in the value of individual stocks. The exposure to equity price risk relates primarily to the Company's 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.

	2023		2022	
	Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	1%	(1%)	1%	(1%)
Effect on equity	₱1,296,667	(₱1,296,667)	₱1,280,661	(₱1,280,661)

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Company's exposure to interest rate risk pertains to the fluctuations in interest rates of cash in banks, cash equivalents and notes receivable. The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The following table illustrates the sensitivity of the Company's profit or loss to a reasonably possible change in interest rates of its cash in banks, cash equivalents and notes receivable with all other variables held constant.

	2023		2022	
	+/-%	Effect on Profit or Loss	+/-%	Effect on Profit or Loss
Cash in banks	1.55%	₱349,700	1.05%	₱1,043,879
Cash equivalents	33.88%	20,004,154	1.70%	20,183,510
Notes receivable	7.19%	238,821,980	4.58%	160,391,653
		₱259,175,834		₱0.0733

The changes in interest rates used in the analysis of cash in banks and cash equivalents are based on the volatility of the BSP's compilation of domestic rates computed using standard deviation. The changes in interest rates used in the analysis of notes receivable have been determined based on the average volatility in interest rates of the said instrument in the past 12 months.

Liquidity Risk

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

The Company seeks to manage its liquidity profile to be able to finance its investments and service its maturing debts. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Company considers obtaining borrowings as the need arises.

The 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, 2023 and 2022 as the total current assets can cover the total current liabilities as they fall due.

The table also analyzes the maturity profile of the Company's financial liabilities:

	2023				Total
	On demand	One to 60 days	Over 60 days but less than one year	Over one year	
Accrued expenses and other current liabilities*	₱35,886,700	₱10,412,051	₱-	₱-	₱46,298,751
Due to related parties	1,336,729,314	-	-	-	1,336,729,314
	₱1,372,616,014	₱10,412,051	₱-	₱-	₱1,383,028,065

* Excluding statutory payables.

	2022				Total
	On demand	One to 60 days	Over 60 days but less than one year	Over one year	
Accrued expenses and other current liabilities**	₱45,575,148	₱8,682,798	₱-	₱-	₱54,257,946
Due to related parties	1,411,671,846	-	-	-	1,411,671,846
	₱1,457,246,994	₱8,682,798	₱-	₱-	₱1,465,929,792

** Excluding statutory payables.

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2023 and 2022.

The Company considers its total equity as its capital amounting to ₱16,947.2 million and ₱16,942.5 million as at December 31, 2023 and 2022, respectively. The Company is not subject to any externally imposed capital requirements.

16. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Company's assets measured at fair value or for which fair values are disclosed, and the corresponding hierarchy as at December 31.

	Carrying Amount	2023		
		Fair Value		
		Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets for which Fair Values are Disclosed				
Financial assets at FVOCI - Quoted shares	₱129,666,732	₱116,985,632	₱12,600,000	₱81,100
Assets for which Fair Values are Disclosed				
Investment properties	₱285,510,452	₱-	₱-	₱295,240,000

	2022			
	Carrying Amount	Fair Value		
		Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets for which Fair Values are Disclosed				
Financial assets at FVOCI - Quoted shares	₱128,066,117	₱121,985,017	₱6,000,000	₱81,100
Assets for which Fair Values are Disclosed				
Investment properties	₱285,510,452	₱-	₱-	₱295,240,000

There were no transfers between levels/hierarchies of fair value measurements in 2023 and 2022.

The methods and assumptions used by the Company in estimating the fair value of the assets that are carried at fair value or those whose fair values are disclosed are as follows.

Financial Assets at FVOCI. The fair values of financial assets at FVOCI in quoted common shares are based on quoted prices in the PSE while fair values of golf club shares are based on prices that are readily available from brokers as at reporting period.

There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values.

Investment Properties. Fair value is based on valuation using the market data approach, as determined by an independent appraiser.

The significant unobservable inputs to fair valuation are (a) price per square meter which estimated value prevailing in the real estate market depending on the location, area, shape and time element; and (b) value adjustments which pertain to adjustments made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/prospective utility and development).

In valuing the land using market data approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would also affect the fair value measurement.

The table below presents the financial assets and liabilities of the Company, whose carrying amounts approximate their fair values as at December 31:

	2023	2022
Financial Assets at Amortized Cost:		
Cash and cash equivalents	₱81,558,134	₱1,289,335,748
Receivables	202,039,626	452,525
Notes receivable	2,100,000,000	3,705,925,000
Advances to subsidiaries*	7,178,328	7,176,513
Advances to a contractor	139,738,757	139,738,757
	₱2,530,514,845	₱5,142,628,543
Financial Liabilities at Amortized Cost:		
Accrued expenses and other current liabilities**	₱46,298,751	₱54,257,946

*Presented under "Investments in and advances to subsidiaries" account.

**Excluding statutory payables.

Cash and Cash Equivalents, Receivables, Notes Receivables, Due to Related Parties, Accrued Expenses and Other Liabilities (Excluding Statutory Payables). The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities and demand nature of these financial assets and financial liabilities.

Advances to a Contractor and Subsidiaries. The carrying value of advances to a contractor and subsidiaries approximates its fair value as at December 31, 2023 and 2022 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

17. Supplemental Schedule of Cash Flow Information

The movement in the Company's liabilities arising from financing activities in presented below:

	2023		
	Dividends Payable	Due to Related Parties	Total
Balance at beginning of year	₱-	₱1,411,671,846	₱1,411,671,846
Additions	1,568,338,613	28,351,635	1,596,690,248
Cash payments	(1,568,338,613)	(103,294,167)	(1,671,632,780)
Balance at end of year	₱-	₱1,336,729,314	₱1,336,729,314
	2022		
	Dividends Payable	Due to Related Parties	Total
Balance at beginning of year	₱-	₱1,412,862,723	₱1,412,862,723
Additions	1,568,338,613	21,457	1,568,360,070
Cash payments	(1,568,338,613)	(1,212,334)	(1,569,550,947)
Balances at end of year	₱-	₱1,411,671,846	₱1,411,671,846

18. Basic/Diluted Earnings Per Share

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

	2023	2022
Net income (a)	₱1,571,453,988	₱1,511,485,640
Weighted average common shares (b)	31,216,931,000	31,216,931,000
Basic/diluted earnings per common share (a/b)	₱0.050340	₱0.048419



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

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

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Premium Leisure Corp. (the Company) as at and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic separate financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audits of the basic separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic separate financial statements or to the basic separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & Co.

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 10072407

Issued January 2, 2024, Makati City

February 28, 2024
Makati City, Metro Manila

PREMIUM LEISURE CORP.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
DECEMBER 31, 2023**

	Amount
Unappropriated retained earnings, beginning of reporting period, as adjusted	₱2,632,966,006
Add: Net income for the current year	1,571,453,988
Less: <u>Category B</u> : Items that are directly debited to unappropriated retained earnings	
Dividend declaration during the reporting period	(1,568,338,613)
Total retained earnings, end of the reporting period available for dividend	₱2,636,081,381