

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended  
Dec 31, 2021
2. SEC Identification Number  
52412
3. BIR Tax Identification No.  
000-156-011
4. Exact name of issuer as specified in its charter  
BELLE CORPORATION
5. Province, country or other jurisdiction of incorporation or organization  
METRO MANILA, PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
5/F Tower A, Two Ecom Center, Palm Coast Avenue, MOA Complex, Pasay City  
Postal Code  
1300
8. Issuer's telephone number, including area code  
(632) 8662-8888
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, Php 1.00 par value	9,763,127,297

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:  
Philippine Stock Exchange, Inc./ Common Shares
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

P6.126 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

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



## Belle Corporation BEL

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

<b>For the fiscal year ended</b>	Dec 31, 2021
<b>Currency</b>	PHP (in thousands)

#### Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
<b>Current Assets</b>	12,336,229	13,108,405
<b>Total Assets</b>	51,027,577	50,001,908
<b>Current Liabilities</b>	4,164,997	5,179,481
<b>Total Liabilities</b>	18,018,144	19,567,791
<b>Retained Earnings/(Deficit)</b>	12,175,075	11,580,786
<b>Stockholders' Equity</b>	33,009,433	30,434,117
<b>Stockholders' Equity - Parent</b>	30,263,969	27,629,970
<b>Book Value Per Share</b>	3.1	2.83

#### Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
<b>Gross Revenue</b>	3,420,934	4,173,400
<b>Gross Expense</b>	2,913,130	3,385,267
<b>Non-Operating Income</b>	336,224	898,645
<b>Non-Operating Expense</b>	627,455	567,760

Income/(Loss) Before Tax	216,573	1,119,018
Income Tax Expense	-528,629	227,317
Net Income/(Loss) After Tax	745,202	891,701
Net Income/(Loss) Attributable to Parent Equity Holder	576,983	1,001,281
Earnings/(Loss) Per Share (Basic)	0.1	0.1
Earnings/(Loss) Per Share (Diluted)	0.1	0.1

#### Financial Ratios

	Formula	Fiscal Year Ended Dec 31, 2021	Previous Fiscal Year Dec 31, 2020
<b>Liquidity Analysis Ratios:</b>			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	2.96	2.55
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	1.55	1.51
; ; Solvency Ratio	Total Assets / Total Liabilities	2.83	2.56
<b>Financial Leverage Ratios</b>			
; ; Debt Ratio	Total Debt/Total Assets	0.13	0.14
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.21	0.23
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	1.32	2.9
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.55	1.64
<b>Profitability Ratios</b>			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.35	0.5
; ; Net Profit Margin	Net Profit / Sales	0.22	0.21
; ; Return on Assets	Net Income / Total Assets	0.01	0.02
; ; Return on Equity	Net Income / Total Stockholders' Equity	0.02	0.03
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	17.95	18.72

#### Other Relevant Information

Attached is the Corporation's Amended Annual Report which is being filed herewith to reflect the following changes:

- 1) Updated Table of Contents;
- 2) Updated the page numbers;
- 3) Attached the BIR eSubmission Confirmation Receipt; and
- 4) Attached Index to Financial Statements and Supplementary Schedules, SRC Rule 68 Schedules, and Index to Exhibits.

#### Filed on behalf by:

Name	Michelle Angeli Hernandez
Designation	Chief Risk Officer and Vice President for Governance



# COVER SHEET

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S.E.C. Registration Number

[illegible][illegible][illegible]

(Company's Full Name)

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P A L M C O A S T A V E N U E , M A L L O F A S I A

C	O	M	P	L	E	X		C	B	P	-	1	A	,		P	A	S	A	Y		C	I	T	Y
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**MICHELLE ANGELI T. HERNANDEZ**

Contact Person

**(+632) 8662 8888**

Company Telephone Number

**1 2      3 1**

Month \_\_\_\_\_  
Fiscal Year \_\_\_\_\_

17-A

FORM TYPE

Month                      Day  
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section
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1,764

Total No. of Stockholders

### Total Amount of Borrowings

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Domestic

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Foreign

To be Accomplished by SEC Personnel concerned

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STAMPS

## STAMPS

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FROM 17-A**

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

1. For the fiscal year ended: **December 31, 2021**
2. SEC Identification Number: **52412**
3. BIR Tax Identification No. **000-156-011-000**
4. Exact name of registrant as specified in its charter: **BELLE CORPORATION**
5. **Metro Manila, Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6. \_\_\_\_\_(SEC Use Only)  
Industry Classification Code
7. **5<sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City,  
Metro Manila, Philippines**  
Address of principal office  
  
**1300**  
Postal Code
8. **(02) 8662 - 8888**  
Registrant's telephone number, including area code
9. **28/F, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig  
City**  
Former address
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Outstanding
<b>Common Stock, P 1.00 par value</b>	<b>9,763,126,297</b>
	Amount of Debt Outstanding
	<b>Php 6.9 Billion</b>
11. Are any or all of these securities listed on the Philippine Stock Exchange.  
Yes ☒ No ☐
12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 1(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding 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 90 days.  
Yes ☒ No ☐
13. Aggregate market value of voting stock held by non-affiliates: **P6.126 Billion**  
This was computed by multiplying the no. of voting stocks held by non-affiliates (4,537,567,412 shares) by the stock's closing price of **P1.35** per share on December 31, 2021.

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## **PART I. BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **Background**

Belle Corporation (“Belle” or the “Company”) was incorporated in 1973 as Belle Mining and Oil Exploration, Incorporated (“Belle Resources”) and, in 1977, was listed on the Philippine Stock Exchange. In 1989, Belle Resources developed a golf club named Tagaytay Highlands International Golf Club, Incorporated (“Tagaytay Highlands”), which became its initial foray into the property development sector. In 1994, Belle Resources changed its name to Belle Corporation to underscore the shift in its principal activity.

In early 2001, Belle decided to spin-off some of its property development assets. The spin-off involved the transfer of approximately 534 hectares of undeveloped land, 70 developed subdivision lots, and 25 finished residential units into a newly formed subsidiary, Highlands Prime, Incorporated (“Highlands Prime”). Highlands Prime was registered with the Securities and Exchange Commission on February 15, 2001, and its shares became listed on the Philippine Stock Exchange on April 23, 2002, at which time Belle sold approximately 64% of its interest in Highlands Prime to investors. In August 2013, Belle exchanged its 809 million shares in Highlands Prime for approximately 109.2 million shares in SM Prime Holdings, Inc. (“SMPH”), pursuant to the tender offer with SM Land, Inc. for the shares of Highlands Prime and SM Development Corporation, Belle sold 47.4 million of its SMPH shares from 2015 to 2017, and held 61.8 million shares as of December 31, 2020.

On April 14, 2011, Belle acquired all the shares of PremiumLeisure & Amusement, Inc. (“PLAI”) through the issuance of 2.7 billion new common shares. PLAI is a grantee by Philippine Amusement and Gaming Corporation (“PAGCOR”) of a Certificate of Affiliation and License (“the License”) to operate integrated resorts, including casinos, in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City (“Entertainment City” or “PAGCOR City”). PLAI’s License, which was issued by PAGCOR as a Provisional License in 2008, runs concurrent with the PAGCOR’s Congressional Franchise, which expires in 2033 unless renewed for another 25 years by the Philippine Congress. Belle started construction of foundation and structure of the integrated resorts in 2010 on a 6.2-hectare land along the entrance of Entertainment City. In October 2012, Belle and PLAI entered into a Cooperation Agreement with Melco Crown Entertainment Limited, now called Melco Resorts & Entertainment Limited, and its Philippine affiliates (collectively, “Melco”). The Cooperation Agreement placed Belle as a co-licensee and the owner of the land and buildings and Melco’s Philippine affiliate, Melco Resorts & Entertainment (Philippines) Corporation (“MRP”), as a co-licensee, developer and operator of all facilities within the integrated resort, which was subsequently branded as “City of Dreams Manila”. City of Dreams Manila had its soft opening on December 14, 2014 and its Grand Launch on February 2, 2015. Belle, PLAI and MRP fully complied with all the PAGCOR requirements under the License as of the date of the soft opening, and in May 2015, City of Dreams Manila became the first integrated resort in Entertainment City to have its License converted from Provisional to Regular status by PAGCOR.

#### **Development of the Business of the Registrant and its Subsidiaries/Affiliates during the Past 3 Years**

Belle, the registrant, shifted its principal activity from mining and oil exploration to property development when it developed Tagaytay Highlands in 1989. Its property development projects are located in Tagaytay City and Batangas, and includes the following: Alta Mira, Fairfield, Lakeside Fairways, Lakeview Heights, Nob Hill, Pinecrest Village, Plantation Hills, Tagaytay Highlands International Gold Club, Tagaytay Midlands Golf Club, The Belle View, The Country Club at Tagaytay Highlands, The Parks at Saratoga Hills, The Spa and Lodge at Tagaytay Highlands, The Verandas at Saratoga Hills, The Villas, and The Woodlands.

Lakeside Fairways comprises of Belle’s largest development area in Batangas, and was introduced by Belle in April 2007. This project consists of subdivision lots located south of the existing 27-hole Tagaytay Midlands golf course in Talisay, Batangas. As of December 31, 2021, Belle’s projects in Lakeside Fairways were comprised of Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place, Cotswold, Yume, Katsura and Sycamore Heights.

The Grove at Plantation Hills is our latest development within Tagaytay Highlands. A 22-hectare leisure farm community at the Greenlands provides ample green space for nurturing plants and is master-planned to be a residential and farming property-in-one. One that allows both organic and conventional farming practices, it offers picturesque views of the Midlands Golf Course, Batangas countryside, Mount Makiling, and Taal Lake and Volcano.

Pacific Online Systems Corporation ("Pacific Online"), incorporated in 1993, leases online betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery operations. Pacific Online listed its shares on the Philippine Stock Exchange with a successful initial public offering on April 2, 2007. Belle's subsidiary, Premium Leisure Corp., owns 50.1% of all issued shares in Pacific Online as of December 31, 2021.

Premium Leisure Corp. ("PLC") comprises the group's vehicle for gaming investments. It was originally incorporated as Sinophil Oil Exploration Co., Inc. in 1993 with the primary purpose of engaging in oil and gas exploration and development activities. On June 3, 1997, its name was changed to Sinophil Corporation with a primary purpose of being an investment holding company and, on July 18, 2014, its stockholders approved a further change in its name to Premium Leisure Corp. with the primary purpose being investments in gaming-related businesses. On July 24, 2014, Belle completed transfers to PLC of its 100% stake in PLAI and approximately 102 million shares in Pacific Online (comprising about 34% of issued common shares in Pacific Online), with the Company transferring Belle various real estate assets and corporate securities. PLC also increased its authorized capital stock from 16.1 billion shares to 43.6 billion shares, with Belle subscribing to 24.7 billion new common shares or approximately 90%. During September and October 2014, Belle, its subsidiaries and affiliates sold a total of approximately 3.5 billion shares in PLC in the secondary market, in order to increase PLC's public float. These share sales reduced Belle's consolidated ownership in PLC to 24.9 billion shares or 78.7%. As of December 31, 2021, Belle's ownership in PLC is at 79.78%. On August 5, 2015, Belle sold its remaining 47.9 million shares in Pacific Online to PLC.

As the owner of 100% of the outstanding shares of PLAI, PLC will directly benefit from PLAI's share in gaming operations of City of Dreams Manila. Under the operating agreement between Belle, PLAI and Melco, PLAI will be entitled to receive from MRP agreed-upon monthly payments, after the opening of gaming operations in City of Dreams Manila, consisting of the following:

- The higher of (i) one-half of mass market gaming earnings before interest, taxes, depreciation and amortization (after adjusting for certain agreed deductions and for adding back expenses related to the lease agreement with Belle) or (ii) 15% of net mass market gaming revenues (after deductions for PAGCOR's non-VIP license fees), whichever is higher; and
- The higher of (i) one-half of VIP gaming earnings before interest, taxes, depreciation and amortization (after adjusting for certain agreed deductions and for adding back expenses related to the lease agreement with Belle) or (ii) 5% of net mass market gaming revenues (after deductions for PAGCOR's VIP license fees, VIP commissions and incentives and VIP bad debts expenses), whichever is higher.

The Board of Directors of PLC has set a policy for PLC to declare as dividends to its shareholders in every year at least 80% of its unrestricted retained earnings as of the previous financial year that are qualified to be paid as dividends.

#### **Investment Agreement on PLAI, and Lease and Cooperation Agreement with Melco**

On April 14, 2011, Belle acquired PLAI through the issuance of 2.7 billion new common shares of Belle. PLAI is a grantee by PAGCOR of a License to operate integrated resorts, including casinos in the vicinity of Entertainment City. PLAI's License, which was issued by PAGCOR as a Provisional License in 2008, runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033 unless renewed for another 25 years by the Philippine Congress. On October 16, 2010, the transfer and valuation of Belle and PLAI shares was approved by the Securities and Exchange Commission ("SEC"). the Certificate Authorizing Registration ("CAR") from the Bureau of Internal Revenue ("BIR"), which triggered the completion of the transfer, was approved on October 4, 2011.

The PAGCOR License stipulates certain requirements and guidelines that licensees will have to achieve by the opening date of their integrated resorts (the "PAGCOR Guidelines"). Among these are:

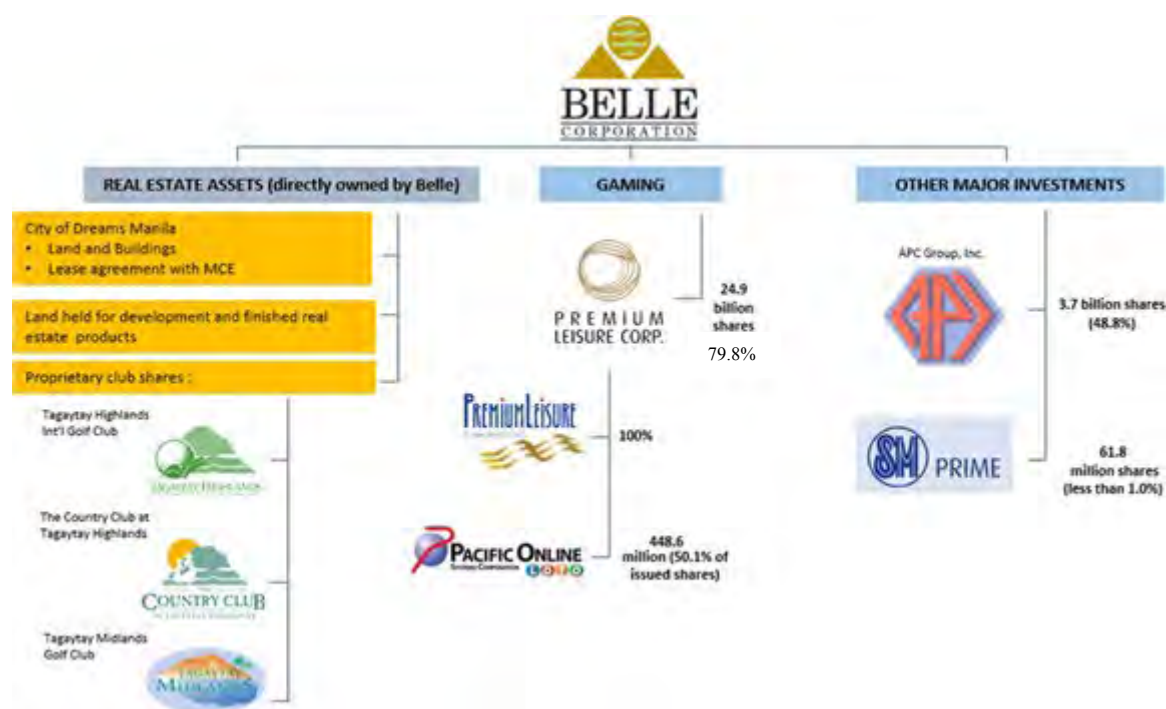
- Total investment commitment of US\$1 billion, with at least US\$650 million as of the opening date of the integrated resort (including up to US\$150 million in market value of land used for the resort) and the balance of US\$350 million within three years of such opening date;
- At least 800 hotel rooms, with an average floor area of at least 40 square meters;
- Total gross floor area of at least 250,000 square meters;
- At least 20,000 square meters of gross floor area available for retail and food / beverage outlets;
- An entertainment feature that costs at least ₱1 billion to construct;
- Total gaming space not to exceed 7.5% of the resort's total gross floor area;
- Maximum number of gaming tables and slot machines / electronic tables games to be set using a formula based on the total number of hotel rooms in the resort and the quality of such rooms.

On October 2012, Belle and PLAI entered into a Cooperation Agreement with Melco, which places Belle as a co-licensee and the owner of the land and buildings and Melco's Philippine affiliate MRP as a co- licensee, developer and operator of all the facilities within the resort complex with March 13, 2013 as its effectivity date. As a result, both Belle and MRP were expected to make equal investment contributions to the \$1 billion minimum investment for the project. Melco is the developer and owner of integrated resorts focused on the Macau Market, with its landmark project to date being the highly successful "City of Dreams". On October 25, 2012, the Belle, as a lessor, entered into a lease agreement with MRP for the lease of land and building structures to be used in the integrated casino development project. The lease period started on March 13, 2013 and is co-terminus with the operating agreement between the Company and MRP, which is in turn co-terminus with the License from PAGCOR, and provides for monthly rentals (with annual escalation) to be paid by MRP to Belle in respect of the land and buildings. PLAI and Melco also entered into an operating agreement that is similarly co-terminus with the License from PAGCOR, whereby MRP was given full management discretion on the operation of the integrated resort and PLAI was accorded a share of earnings from gaming operations in the resort.

On October 9, 2013, MRP announced that the integrated resort will be branded as "City of Dreams Manila", the namesake of Melco's flagship integrated resort in Macau. MRP subsequently announced the branding of three hotels in City of Dreams as Nobu, Hyatt and Crown Towers (re-branded as "Nuwa" in 2017). MRP also announced plans for "DreamPlay", City of Dreams Manila's fully immersive, technology-rich, family entertainment center developed in collaboration with DreamWorks Animation, which was the first of its kind in the world.

City of Dreams Manila was substantially completed as of December 14, 2014, with all requirements under the PAGCOR Guidelines being met by Belle and MRP, including the full US\$1 billion investment commitment. The resort's soft opening was held on December 14, 2014, on which date most of the resort's facilities, including its mass market gaming operations, were officially open to the public. The Grand Launch of City of Dreams Manila was held on February 2, 2015. In May 2015, City of Dreams Manila became the first integrated resort in Entertainment City to have its License converted from Provisional to Regular status by PAGCOR.

# **BELLE CORPORATION** **CORPORATE STRUCTURE AND MAJOR LINES OF BUSINESS/SUBSIDIARIES** **AS OF DECEMBER 31, 2021**



## **Bankruptcy, Receivership or Similar Proceedings**

None for any of the companies above.

## **Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (Not Ordinary)**

### **Lucky Circle Corporation (“LCC”)**

On February 6, 2020, Pacific Online’s Board of Directors approved the sale of LCC in order for Pacific Online to focus its resources on 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” among the Company’s reportable segments.

On February 13, 2020, Pacific Online concluded the sale of all its equity interest in LCC, equivalent to 125 million shares for ₱1.082 per share. LCC currently operates and/or manages several outlets throughout the Philippines which sell products of the PCSO, including Lotto, Keno and instant scratch tickets.

### **PinoyLotto Technologies Corporation (“PinoyLotto”)**

On September 7, 2021, Pinoylotto, a joint venture corporation owned by Pacific Online, 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.

## Products

Belle is principally engaged in real estate development, gaming (through subsidiaries) and other leisure and resort activities. Since 2010, Belle has allocated significant resources to the development of its mixed- use gaming facility, the City of Dreams Manila integrated resort, which opened its doors to the public on December 14, 2014.

Belle'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. Belle's gaming businesses are undertaken, or will be undertaken, mainly by the following subsidiaries / affiliates:

1. Premium Leisure Corp. ("PLC"), a 79.8%-owned publicly listed subsidiary of Belle with a primary purpose of investing gaming-related businesses. PLC owns 100% of PLAI and approximately 50.1% of issued shares of Pacific Online.
2. PremiumLeisure and Amusement, Inc. ("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, unless renewed for another 25 years by the Philippine Congress. PLAI is a wholly-owned unlisted subsidiary of PLC.
3. Pacific Online Systems Corporation ("Pacific Online"), is a publicly listed subsidiary of PLC that leases on-line betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery operations in the Visayas and Mindanao regions. PLC owns a total of 50.1% of all issued shares of Pacific Online.

As of December 31, 2021, POSC together with its subsidiary, Total Gaming Technologies, Inc. (TGTI) had over 3,698 lottery terminals installed nationwide. All online lottery terminals located in PCSO authorized retail outlets are continuously connected to the PCSO's central computer system that enables real time recording and monitoring of lottery sales and validation of winning tickets.

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

<b>Lotto Game</b>	<b>Minimum Jackpot (Php)</b>	<b>Draw Frequency</b>
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

## Revenues and Other Income

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

	2021		2020	
	Amount in Thousands	% of Total Revenue	Amount in Thousands	% of Total Revenue
<b>Revenues and Other Income</b>				
Gaming revenue share - net	1,300,291	38%	635,217	15%
Lease income	807,921	24%	2,663,226	64%
Sale of real estate and club shares	587,812	17%	234,965	6%
Equipment rental and instant scratch ticket sales	426,346	13%	328,438	8%
Revenue from property management	179,618	5%	168,296	4%
Distribution and commission income	-	0%	-	0%
Other revenues	118,946	3%	143,258	3%
<b>Total</b>	<b>3,420,934</b>	<b>100%</b>	<b>4,173,400</b>	<b>100%</b>

## Distribution Methods of Products

Belle's high-end real estate products are sold principally to the A and B property market segments. The Company has its own in-house staff responsible for marketing and sales of the Company's products, as well as after-sales service. The Company also accredits and taps the services of external brokers to complement its in-house marketing and sales teams.

## Status of Projects

### Real Estate:

In 2021, Belle's revenues from the real estate development operations came mainly from the sales of The Grove Project, which is its most recent development.

**Plantation Hills:** Only a few remaining slots in The Sanctuary, The Ridge, The Meadows, The Heights (Phases 1, 2, 3, and 5 of Plantation Hills, respectively) were unsold, and construction of these phases was fully completed, as of December 31, 2007. Belle commenced development of Phase 6 in 2021. Plantation Hills is a farm lots subdivision.

**The Grove (Plantation Hills Phase 6):** The project is currently ongoing, with percentage of completion at 70% as of December 31, 2021.

**Alta Mira:** The project was completed in 2000.

**The Belle View:** The project was completed in 1998.

**The Country Club at Tagaytay Highlands, Inc.** The project was completed in 1996.

**Fairfield:** The project was completed in 2013.

**Lakeside Fairways:** As of December 31, 2021, the first seven phases (Kew Gardens, Terrazas deAlava, Lakeside Enclave, Tivoli Place, Cotswold, Katsura, and Yume) of the project were already 100% completed. In 2011, Belle launched its newest subdivision within Lakeside Fairways, Sycamore Heights, with its first three phases having more than 23 hectares in gross land area, comprising 352 residential lots, averaging to 360 sqm per lot. As of December 31, 2020, SycamoreHeights Phases 1-4 were already complete.

**Lakeview Heights:** The project was completed in 2002.

**Nob Hill:** The project was completed in 2017.

**The Parks at Saratoga Hills:** The Parks at Saratoga Hills ("The Parks"), located in Tanauan, Batangas,

was launched in 2005. As of December 31, 2007, land development for The Parks was fully completed.

**Tagaytay Highlands International Golf Club, Inc. ("THIGCI"):** THIGCI comprises a clubhouse with restaurant and conferences facilities; and an 18-hole golf course. It was completed by Belle in 1994.

**Tagaytay Midlands Golf Club, Inc.:** The golf clubhouse and a 27-hole golf course are fully complete and operational.

**The Parks at Saratoga Hills:** The Parks at Saratoga Hills ("The Parks"), located in Tanauan, Batangas, was launched in 2005. As of December 31, 2007, land development for The Parks was fully completed.

**The Verandas at Saratoga Hills:** The Verandas at Saratoga Hills ("The Verandas"), located in Tanauan, Batangas beside The Parks, was launched in 2006. It was fully completed as of December 31, 2007.

**The Spa and Lodge at Tagaytay Highlands:** The Spa and Lodge was completed in 2001. The Spa and Lodge structure is a hotel-like facility that boasts 25 five-star suites and spa facilities.

**The Woodlands:** Belle started the delivery of units to homeowners in 1998. The project was completed in 1999.

## Gaming

On April 14, 2011, the Company acquired PLAI, which holds a License from PAGCOR, through the issuance of 2.7 billion new common shares, then valued at ₱1.95 per share, in exchange for 100% of the outstanding capital stock of PLAI. This marked the Company's strategic entry into the Integrated Resort Industry. In October 2012, the Company entered into a Cooperation Agreement with Melco, which placed Belle as a co-licensee and owner of the land and buildings and Melco's Philippine affiliate MRP as co-licensee, developer and operator of the integrated resort, which was subsequently branded as "City of Dreams Manila". City of Dreams Manila is sited on 6.2 hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City, at the entrance of PAGCOR's Entertainment City complex. The construction of the integrated resort was substantially complete as of its Grand Launch in February 2, 2015, with approximately 300 hectares of gross floor area containing approximately 2.2 hectares of gaming areas, more than 2 hectares of retail and restaurant facilities, with more than 900 hotel rooms of 4-star, 5-star, and 6-star quality and other entertainment facilities. City of Dreams Manila is only about 1 kilometer away from the Mall of Asia complex.

Melco's major shareholder is Melco International Development Limited, a developer and owner of integrated resort facilities focused on the Macau market. Its operating complex in Macau's Cotai Strip, known as the "City of Dreams", is a highly successful project that houses a gaming facility, four luxury hotels (the Morpheus Hotel, Nuwa Hotel, a Grand Hyatt Hotel and the Countdown Hotel) and an upscale retail operation, along with a mix of bars and restaurants that are drawing crowds mainly from Hong Kong and China. The "City of Dreams" is also known for its spectacular show called "The House of Dancing Water", which has become one of Macau's major tourist attractions. During 2015, Melco launched its second integrated resort in Macau, called "Studio City".

Pacific Online, incorporated in 1993, leases online betting equipment to the PCSO for their lottery operations. It listed its shares on the Philippine Stock Exchange on April 12, 2007.

## Competition

Property development has been Belle's historical core business area. Belle believes that its large-scale, self-contained, and community-type leisure developments around its Tagaytay Highlands and Tagaytay Midlands clubs are unique in the Philippines. In general, Belle competes somewhat with the developers such as Ayala Land, Inc., Landco Pacific Corporation and Megaworld Corporation with respect to its residential and subdivision projects. Some of these developers, like Ayala Land, Inc., are bigger in size than Belle. Nevertheless, Belle is able to effectively compete with the above companies primarily on the basis of product quality, reliability to deliver the projects as promised, project location, and high-end property development expertise. Furthermore, Belle has a market base of more than 7,000 wealthy individuals who are existing members of Tagaytay Highlands International Golf Club, The Country Club at Tagaytay Highlands, and Tagaytay Midlands, which provides a marketing advantage.

In gaming, City of Dreams Manila competes against casinos operated by PAGCOR and the other three

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 of Universal Entertainment Corporation. Travelers has also broken ground on its planned Westside City (formerly known as Resorts World Bayshore) project in PAGCOR City. The opening of the casino in Westside City was originally estimated by Travelers in late 2021, prior to the disruption in gaming industry operations nationwide due to the Covid-19 pandemic in March 2020. The opening has thus been delayed.

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

## **Suppliers**

The Company has a broad base of local and foreign suppliers. As is the case with most property development companies, there is a risk that contractual arrangements with contractors may not meet the Company’s performance standards. To serve as safeguards to these eventualities, therefore, performance bonds are normally required for these contractors.

## **Customers**

Belle’s market base includes wealthy local and foreign individual and institutional clients. The Company has historically sold its real estate projects (residential units and lots) to its golf or country club members.

On the other hand, Pacific Online has Philippine Charity Sweepstakes Office (PCSO) as its major customer, with which it has Equipment Lease Agreements (ELA). It brokers technology from leading global suppliers of integrated gaming systems and leases to PCSO the needed equipment for online lottery operations in the Visayas-Mindanao (VisMin) regions.

## **Transactions with and / or Dependence on Related Parties**

Please refer to Item 12 of this report (“Certain Relationships and Related Transactions”)

## **Licenses**

Belle acquired all the shares of Premium Leisure & Amusement, Inc. (“PLAI”) through the issuance of 2.7 billion new common shares. PLAI is a grantee by Philippine Amusement and Gaming Corporation (“PAGCOR”) of a Certificate of Affiliation and License (“the License”) to operate integrated resorts, including casinos, in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City (“Entertainment City” or “PAGCOR City”). PLAI’s License, which was issued by PAGCOR as a Provisional License in 2008, runs concurrent with the PAGCOR’s Congressional Franchise, which expires in 2033, renewable for another 25 years by the Philippine Congress. Belle started construction of foundation and structure of the integrated resorts in 2010 on a 6.2-hectare land along the entrance of Entertainment City. In October 2012, Belle and PLAI entered into a Cooperation Agreement with Melco Crown Entertainment Limited, now called Melco Resorts & Entertainment Limited, and its Philippine affiliates (collectively, “Melco”). The Cooperation Agreement placed Belle as a co-licensee and the owner of the land and buildings and Melco’s Philippine affiliate, Melco Resorts & Entertainment (Philippines) Corporation (“MRP”), as a co-licensee, developer and operator of all facilities within the integrated resort, which was subsequently branded as “City of Dreams Manila”. Belle, PLAI and MRP fully complied with all the PAGCOR requirements under the License as of the date of the soft opening, and in May 2015, City of Dreams Manila became the first integrated resort in Entertainment City to have its License converted from Provisional to Regular status by PAGCOR.

## **Government Approvals / Regulations**

As part of its normal course of real estate operation, the Company secures government approvals such as the Environment Compliance Certificate, Development Permits, DAR Clearances, and Licenses to Sell, etc.

The Company is also subject to the regulations of PAGCOR for its Gaming License and Philippine Economic



Zone Authority (PEZA) as the developer of the City of Dreams Manila.

### **Effect of Existing or Probable Government Regulations on the Business**

Belle 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 and Environmental Laws**

Consultancy fees, engineering and architectural design, surveying, ECC, permits and licenses, etc. are being added to the cost of the project. Generally, these costs represent about 4% of gross revenues.

### **Number of Employees**

As of December 31, 2021, Belle had sixty-seven (67) employees, all of whom are full-time. Belle employees are not subject to Collective Bargaining Agreements. Belle's management has generally not encountered any significant difficulties with its labor force, and no major strikes have ever been staged.

The following are the breakdown of Belle employees as of December 31, 2021, according to type:

Executive	8
Senior Manager	2
Manager	12
Assistant Manager	5
Supervisor	16
Rank and File	24
Total	67

Aside from basic salary and 13<sup>th</sup> month pay, other supplemental benefits or incentives that are provided by Belle to its employees include: health card, life and accident insurance, retirement plan and salary loan facilities, among others.

### **Risks**

Some of the risks that the Company and its related subsidiaries and affiliates may be exposed to are the following:

#### **Economic and Political Conditions**

The Company's business is mainly the development and sale of high-end leisure properties in the Philippines which is generally influenced by the Philippine political and macroeconomic climate. Events and conditions that may negatively impact the Philippine economy as a whole may also adversely affect the Company's ability to sell its real estate projects.

#### **Competition**

The degree of competition in the property industry varies considerably by sector and geography. In general, Belle may compete with other developers for purchases of land, as well as clientele for its residential and club projects.

#### **Changes in Local and International Interest Rates**

Belle's local and foreign-denominated borrowings may be adversely affected by drastic increases in interest rates.

#### **Changes in the Value of the Peso**

The Company is not exposed to the risk of depreciation of the Peso since it does not have material financial assets and liabilities denominated in foreign currencies.

## **Contractors and Suppliers**

As is the case with most property development companies, there is a risk that contractual arrangements with contractors may not meet the Company's performance standards. To serve as safeguards to these eventualities, therefore, performance bonds are normally required for these contractors.

## **Government Regulations**

Belle's property development business is subject to certain laws and regulations of various branches of the government, such as the local governments, the Department of Environment and Natural Resources ("DENR"), and the Housing and Land Use Regulatory Board ("HLURB"). Belle has complied with the licensing and regulatory requirements necessary for its operations.

Belle's gaming businesses are also subject to certain laws and regulations. Belle's involvement in the lottery run by the PCSO is via its ownership in Pacific Online, which holds an equipment lease agreement with the PCSO for the operation on on-line lottery system in the Visayas – Mindanao regions. Belle's subsidiary PLC owns PLAI, which holds a License granted to it by PAGCOR to operate integrated resorts, including casinos, within Entertainment City.

## **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 Belle, including its subsidiaries and affiliates.

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

## **Working Capital**

Belle finances its working capital requirements through a combination of internally-generated funds, pre-selling and borrowings.

## **Credit Risks**

Customers who wish to purchase Belle properties on credit terms are subject to credit verification procedures, and receivable balances are monitored to reduce exposure to bad debts.

## **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 violation, and possible increase in costs and inefficiencies.

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

## **COVID-19**

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

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

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

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

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

### **Data Privacy**

Belle may be at risk for breach of data privacy as detailed information is gathered from customers and prospective buyers, suppliers, contactors, and other business partners. The 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.

### **Enterprise Risk Management Committee**

The Company has an Enterprise Risk Management Committee ("ERMC"), comprised of certain Directors and Executives of the Company, which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Corporation. 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 of the Board of Directors on any risk concerns.

## **Item 2. Properties**

Belle owns undeveloped properties, mostly in Batangas, for future development into residential properties, recreational clubs, and leisure estates for sale. Belle has complete ownership over these real estate properties classified under "Land held for future development" in its books.

Belle also owns approximately 5.5 hectares of land, with long-term leasehold interests in 2.0 hectares, in Parañaque City. The City of Dreams Manila integrated resort is located on 4.2 hectares it owns and the 2.0 hectares it is leasing is owned by the Social Security System ("SSS").

The Company may engage in future land banking activities within Paranaque City or its historical market of Tagaytay and Batangas as its resources and the real estate market allow.

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

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

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

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

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

### **Item 3. Legal Proceedings**

The Company and its major subsidiaries and affiliates are not involved in any material legal proceedings, and that their properties are not subject to any material legal proceedings, that could potentially affect their operations and financial capabilities.

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

Except for matters taken up during the Annual Stockholders' Meeting, there were no other matters submitted to a vote of security holders during the period covered by this report.

## **PART II. OPERATIONAL AND FINANCIAL INFORMATION**

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

#### **1. Market Information**

The principal market where the registrant's common equity is traded is the Philippine Stock Exchange ("PSE").

The high and low sales prices for each quarter within the last two (2) fiscal years of the registrant's common shares as quoted on the PSE, are as follows:

<b>Stock Prices in ₱</b>		
	<b>High</b>	<b>Low</b>
2021		
First Quarter	1.74	1.41
Second quarter	1.61	1.30
Third Quarter	1.50	1.31
Fourth Quarter	1.43	1.31
2020		
First Quarter	2.02	1.00
Second Quarter	1.49	1.20
Third Quarter	1.46	1.32
Fourth Quarter	1.78	1.33

As of December 31, 2021, Belle's market capitalization amounted to ₱13,180 million based on the closing price of ₱1.35 per share.

## 2. Security Holders

Belle has **1,764** shareholders as of December 31, 2021. Common shares outstanding as of December 31, 2021 totaled 9,763,126,297.

The top 20 stockholders as of December 31, 2021, with their corresponding shareholdings and percentage thereof to total shares outstanding, are:

	STOCKHOLDER'S NAME	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
1	BELLESHARES HOLDINGS, INC.	2,604,740,622	24.664
2	PCD NOMINEE CORPORATION (FILIPINO)	2,511,938,424	23.785
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	1,996,428,767	18.904
4	SYSMART CORPORATION	1,629,355,469	15.428
5	SYBASE EQUITY INVESTMENTS CORPORATION	531,320,577	5.031
6	SOCIAL SECURITY SYSTEM	442,402,786	4.189
7	JACINTO C. JR. NG	135,860,666	1.286
8	EASTERN SECURITIES DEV. CORP.	111,730,866	1.058
9	SINOPHIL CORPORATION	99,987,719	0.947
10	JACINTO L. SR. NG	88,835,833	0.841
11	PARALLAX RESOURCES INC.	86,308,131	0.817
12	SLW DEVELOPMENT CORPORATION	66,082,333	0.626
13	F. YAP SECURITIES, INC.	57,803,732	0.547
14	EASTERN SEC. DEV'T. CORP.	50,000,000	0.473
15	WILLY N. OCIER	32,092,709	0.304
16	JACINTO JR. NG &/OR ANITA C. NG	18,293,333	0.173
17	LIM SIEW KIM	6,200,000	0.059
18	JAMES GO	4,816,999	0.046
19	WILLIAM T. GABALDON	4,000,000	0.038
20	PACITA K. YAP OR PHILIP K. YAP	3,500,000	0.033
21	PHILIP KING YAP OR PACITA K. YAP	3,500,000	0.033

## 3. Dividends

From 2015-2017, the Company's Board of Directors approved the declaration of a regular dividend of ₱0.095 per share, totaling at least ₱1 billion payable in March of each year. The Company also paid a special dividend of ₱0.180 per share, totaling ₱1.9 billion, on March 9, 2015.

From 2018-2020, the Company's Board of Directors approved the declaration of a regular dividend of ₱0.120 per share, totaling about ₱1.2 billion, payable in March of each year.

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

### Dividend Policy

1. Subject to the discretion of the Board of Directors, all shareholders have the right to receive dividends.
2. Dividends shall be paid to all shareholders within thirty (30) days from declaration.
3. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except:
  - a. When justified by definite corporate expansion projects or programs approved by the Board;
  - b. When the Company is prohibited from declaring dividends under any loan agreement with any financial institution or creditor, whether local or foreign, without its consent, and such consent has not been secured;

When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

#### **4. 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 Discussion and Analysis of Operating Performance and Financial Condition

### December 31, 2021 versus December 31, 2020 Results of Operations (in thousands)

	For the year ended December		Horizontal Analysis		Vertical Analysis	
	2021	2020	Increase (Decrease)	2021	2020	
REVENUE						
Gaming revenue share	P 1,300,291	P 635,217	665,074	105%	38%	15%
Lease income	807,921	2,663,226	(1,855,305)	-70%	24%	64%
Sale of real estate	587,812	234,965	352,847	150%	17%	6%
Equipment rental, distribution and commission (POSC)	426,346	328,438	97,908	30%	12%	8%
Revenue from property management	179,618	168,296	11,322	7%	5%	4%
Others	118,946	143,258	(24,312)	-17%	3%	3%
TOTAL REVENUES	3,420,934	4,173,400	(752,466)	-18%	100%	100%
COST OF LEASE INCOME	(1,294,948)	(1,206,514)	(88,434)	7%	-38%	-29%
COST OF LOTTERY SERVICES	(374,204)	(494,211)	120,007	-24%	-11%	-12%
COST OF REAL ESTATE SOLD	(301,406)	(134,934)	(166,472)	123%	-9%	-3%
COST OF GAMING OPERATIONS	(135,895)	(135,692)	(203)	0%	-4%	-3%
COST OF PROPERTY MANAGEMENT SERVICES	(113,574)	(100,957)	(12,617)	12%	-3%	-2%
GENERAL AND ADMINISTRATIVE EXPENSES	(693,103)	(1,312,959)	619,856	-47%	-20%	-31%
TOTAL COSTS AND EXPENSES	(2,913,130)	(3,385,267)	472,137	-14%	-85%	-81%
INCOME FROM OPERATIONS	507,804	788,133	(1,224,603)	-155%	15%	19%
INTEREST EXPENSE AND OTHER FINANCE CHARGES	(603,832)	(559,570)	(44,262)	8%	-18%	-13%
INTEREST INCOME	24,981	55,451	(30,470)	-55%	1%	1%
UNREALIZED GAIN ON FINANCIAL ASSET						
AT FAIR VALUE THROUGH PROFIT OR LOSS	(23,623)	(6,196)	(17,427)	281%	-1%	0%
NET FOREIGN EXCHANGE LOSS	750	(1,994)	2,744	-138%	0%	0%
OTHER INCOME (CHARGES)	310,493	843,194	(532,701)	-63%	9%	20%
INCOME BEFORE INCOME TAX	216,573	1,119,018	(902,446)	-81%	6%	27%
PROVISION FOR INCOME TAXES						
Current	12,656	36,653	23,997	65%	0%	1%
Deferred	(541,285)	190,664	731,949	384%	-16%	5%
	(528,629)	227,317	755,946	333%	-15%	5%
NET INCOME	P 745,202	P 891,701	(146,500)	-16%	22%	21%

Belle Corporation realized consolidated net income of Php 745.2 million for 2021 led by improved gaming performance at City of Dreams Manila. This was achieved despite ongoing restrictions on commercial operations imposed by authorities to help control the effects of the pandemic. General commercial restrictions negatively impacted real estate leasing operations, which caused Belle's net income to decrease overall by 16% in 2021 from Php 891.7 million in 2020.

The effects of the Covid-19 pandemic began in early 2020 with declining tourist arrivals prior to the implementation of the community quarantines nationwide, and was compounded by the temporary suspension of gaming operations at City of Dreams Manila on March 16, 2020 in compliance with government initiatives to contain the virus.

The share in the gaming revenues at City of Dreams Manila of Belle's subsidiary Premium Leisure Corp. ("PLC") more than doubled, from Php 635.2 million in 2020 to Php 1,300.3 million in 2021, as operations at City of Dreams Manila improved during 2021, although still with substantial limitations due to the continuing Covid-19 pandemic.

Pacific Online Systems Corporation ("Pacific Online"), which leases online betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery and keno operations, also experienced improvements during 2021, while still operating under limitations. Pacific Online, which is 50.1%-owned by PLC, posted a 30% increase in revenues, from Php 328.4 million for 2020 to Php 426.3 million for 2021.

Belle's real estate revenues, however, declined by 47% from Php 3,209.7 million in 2020 to Php 1,694.3 million in 2021. Of real estate revenues in 2021, Php 807.9 million were derived from Belle's lease of the land and

buildings comprising City of Dreams Manila (CODM) to Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), which were 70% lower than its 2020 revenues of Php 2,663.2 million. On the other hand, Belle's real estate sales and property management activities at its Tagaytay Highlands complex contributed revenues of Php 886.4 million in 2021, 62% higher than revenues of Php 546.5 million in 2020.

### **Revenues**

Total consolidated revenues of ₱3,420.9 million for 2021 were lower by ₱752.5 million (18%), compared to ₱4,173.4 million for 2020. The lease revenue from the land and buildings of CODM decreased by ₱1,855.3 million (70%), from ₱2,663.2 million for 2020 to ₱807.9 million for 2021, gaming revenue share in CODM increased by ₱665.1 million (105%) from ₱635.2 million in 2020 to ₱1,300.3 million in 2021, total revenues at Pacific Online increased by ₱97.9 million (30%), from ₱328.4 million in 2020 to ₱426.3 million in 2021, and revenue from real estate development and management activities increased by ₱339.9 million (62%), from ₱546.5 million in 2020 to ₱886.4 million in 2021.

### **Costs of Lease Income**

Costs of lease income in respect of the CODM property increased by ₱88.4 million (7%), to ₱1,294.9 million in 2021 from ₱1,206.5 million in 2020 mainly due to higher related taxes and insurance payments in 2021.

### **Costs of Lottery Services**

Costs of lottery services at Pacific Online decreased by ₱120.0 million (24%), to ₱374.2 million in 2021 from ₱494.2 million in 2020, mainly due to lower depreciation and amortization of lease equipment, as well as the deconsolidation of Lucky Circle Corporation ("LCC") brought about by its sale in February 2020.

### **Costs of Gaming Operations**

The costs of gaming operations at PLC was virtually unchanged, from ₱135.9 million for 2021 and ₱135.7 million for 2020. PLAI has a direct economic participation in the gaming operations at CODM, by virtue of an operating agreement with MRP that accords PLAI a share of gaming revenue or earnings. MRP is a Philippine Corporation controlled by Melco Resorts and Entertainment Limited ("Melco"), a Hong Kong-based corporation which develops, owns and operates gaming and entertainment facilities around the world, mostly in Macau.

### **Costs of Real Estate sold**

Costs of real estate sold increased by ₱166.5 million (123%) to ₱301.4 million in 2021, from ₱134.9 million in 2020, due to the higher revenue therefrom recognized during the period.

### **Costs of Property Management Services**

Costs of property management services increased by ₱12.6 million (12%), to ₱113.6 million for 2021, from ₱101.0 million for 2020, due to higher utilities consumption arising from increased activities in the estate.

### **General and Administrative Expenses**

General and administrative expenses decreased by ₱619.9 million (47%), to ₱693.1 million for 2021 from ₱1,313.0 million for 2020, due to cost reduction efforts.

### **Financial Income (Expense)**

Interest expense and other finance charges increased by ₱44.3 million (8%) to ₱603.8 million for 2021, from ₱559.6 million for 2020. The increase in interest expense was largely due to higher imputed interest on Belle's lease liability. Interest income decreased by ₱30.5 million (55%), to ₱25.0 million in 2021, from ₱55.5 million in 2020, due to lower balances of, and average yields on, short-term investments.

### **Other Income**

Other income decreased by ₱532.7 million (63%) mostly due to the reversal of general provisions amounting to about ₱756.1 million in 2020.

### **Provision for Income Taxes**

The Company's consolidated provision for income taxes decreased by ₱755.9 million (333%) in 2021, to income tax benefit of ₱528.6 million from income tax expense of ₱227.3 million in 2020, due to a nonrecurring adjustment arising from the lower income tax rate per the CREATE bill (from 30% to 25%), which was effective as of July 2020, but passed by Congress only in 2021.

### **Net Income**

As a result of the foregoing, the Company realized consolidated net income of ₱745.2 million for 2021, a decrease of ₱146.5 million (16%) from its 2020 consolidated net income of ₱891.7 million.



# December 31, 2021 vs December 31, 2020 Statement of Financial Position (in thousands)

		December 31		Horizontal Analysis		Vertical Analysis	
		2021	2020	Inc (Dec)	%	2021	2020
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	P	2,082,301	P 2,592,070	(509,769)	-20%	4%	5%
Financial assets at fair value through profit or loss		73,054	84,261	(11,207)	-13%	0%	0%
Receivables		4,219,351	5,034,824	(815,473)	-16%	8%	10%
Contract assets		70,319	39,903	30,416	76%	0%	0%
Real estate for sale		351,120	470,609	(119,489)	-25%	1%	1%
Land held for future development		3,021,120	3,013,950	7,170	0%	6%	6%
Other current assets		2,518,964	1,872,788	646,176	35%	5%	4%
		12,336,229	13,108,405	(772,176)	-6%	82%	85%
<b>Noncurrent Assets</b>							
Investment properties		24,371,435	25,437,299	(1,065,864)	-4%	48%	51%
Financial assets at fair value through other comprehensive income		7,270,420	4,789,847	2,480,573	52%	14%	10%
Intangible asset		4,233,538	4,349,372	(115,834)	-3%	8%	9%
Installment Receivable - net of current portion		941,115	269,600	671,515	249%	2%	1%
Goodwill		926,008	926,008	-	0%	2%	2%
Investments in and advances to associates - net		119,688	121,356	(1,668)	-1%	0%	0%
Property and equipment		86,082	143,911	(57,829)	-40%	0%	0%
Right of Use		54,812	71,732	(16,920)	-24%	0%	0%
Deferred tax asset		21,399	82,415	(61,016)	-74%	0%	0%
Pension asset		17,384	14,012	3,372	24%	0%	0%
Contract assets - net of noncurrent portion		-	46,302	(46,302)	-100%	0%	0%
Other noncurrent assets		649,467	641,649	7,818	1%	1%	1%
		38,691,348	36,893,503	1,797,845	5%	76%	74%
<b>TOTAL ASSET</b>	P	51,027,577	P 50,001,908	1,025,669	2%	100%	100%
<b>LIABILITIES AND EQUITY</b>							
<b>Current Liabilities</b>							
Trade and other current liabilities	P	1,809,301	P 2,384,734	(575,433)	-24%	4%	5%
Loans payable		1,995,017	2,525,017	(530,000)	-21%	4%	5%
Income tax payable		-	6	(6)	-100%	0%	0%
Current portion of:							
Lease Liability - current		345,679	148,613	197,066	133%	1%	0%
Long-term debt		15,000	121,111	(106,111)	-88%	0%	0%
		4,164,997	5,179,481	(1,014,484)	-20%	8%	10%
Noncurrent portion of:							
Lease Liability - noncurrent		6,196,415	6,538,881	(342,466)	-5%	12%	13%
Long-term debt		4,870,000	4,445,556	424,444	10%	10%	9%
Deferred tax liabilities		2,377,323	2,968,910	(591,587)	-20%	5%	6%
Pension liability		30,894	59,291	(28,397)	-48%	0%	0%
Other noncurrent liability		378,515	375,672	2,843	1%	1%	1%
		13,853,147	14,388,310	(535,163)	-4%	27%	29%
<b>TOTAL LIABILITIES</b>		18,018,144	19,567,791	(1,549,647)	-8%	35%	39%
<b>Equity</b>							
Attributable to equity holders of parent:							
Common stock		10,561,000	10,561,000	-	0%	21%	21%
Additional paid-in capital		5,503,731	5,503,731	-	0%	11%	11%
Treasury stock		(2,476,697)	(2,476,700)	3	0%	-5%	-5%
Cost of Parent Company common and preferred shares held by subsidiaries		(1,464,322)	(1,464,322)	-	0%	-3%	-3%
Equity share in cost of Parent Company shares held by associates		(2,501)	(2,501)	-	0%	0%	0%
Other reserves		5,715,643	3,675,936	2,039,707	55%	11%	7%
Excess of net asset value of an investment over cost		252,040	252,040	-	0%	0%	1%
Retained Earnings		12,175,075	11,580,786	594,289	5%	24%	23%
Total equity attributable to equity holders of the Parent		30,263,969	27,629,970	2,633,999	10%	59%	55%
shares held by subsidiaries		2,745,464	2,804,147	(58,683)	-2%	5%	6%
<b>TOTAL EQUITY</b>		33,009,433	30,434,117	2,575,316	8%	65%	61%
<b>TOTAL LIABILITIES AND EQUITY</b>	P	51,027,577	P 50,001,908	1,025,669	2%	100%	100%

## **ASSETS**

Total assets of the Company increased by ₱1,025.7 million (2%) to ₱51,027.6 million as of December 31, 2021, from ₱50,001.9 million as of December 31, 2020.

### **Cash and Cash equivalents**

Cash and cash equivalents decreased by ₱509.8 million (20%), to ₱2,082.3 million as of December 31, 2021 from ₱2,592.1 million as of December 31, 2020, due mainly to lower cash flows from operations.

### **Financial Assets at Fair Value through Profit or Loss ("FVTPL")**

The Company's FVTPL decreased by ₱11.2 million (13%), to ₱73.1 million as of December 31, 2021 from ₱84.3 million as of December 31, 2020, due to the decrease in market value of listed shares held by Pacific Online. As at December 31, 2021, the Company's consolidated FVTPL consists of investments of Pacific Online in listed shares of Leisure and Resorts World Corporation, Vantage Equities, Inc., and PLDT, Inc.

### **Receivables and Contract Assets**

Receivables and Contract Assets decreased by ₱831.4 million (16%), to a total of ₱4,289.7 million as of December 31, 2021 from ₱5,121.0 million as of December 31, 2020.

### **Real Estate for Sale**

Real estate for sale decreased by ₱119.5 million (25%), to ₱351.1 million as of December 31, 2021 from ₱470.6 million as of December 31, 2020, due to real estate sale.

### **Investment Properties**

This account consists mainly of carrying value of the CODM property and right of use assets for leases in Paranaque City. The ₱1,065.9 million (4%) decrease of Investment Properties, from ₱25,437.3 million as of December 31, 2020 to ₱24,371.4 million as of December 31, 2021, was due to the depreciation expense on the CODM building and amortization of right of use assets.

### **Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI")**

The Company's FVOCI increased by ₱2,480.6 million (52%), to ₱7,270.4 million as of December 31, 2021 from ₱4,789.8 million as of December 31, 2020, due additional investments as well as increase in the market values of these investments.

### **Intangible Asset**

This pertains to the cost of the License to operate integrated resorts that was granted by the Philippine Amusement and Gaming Corp ("PAGCOR") to PLAI. Belle and MRP are Co-Licensees under PLAI's PAGCOR License. Amortization of the intangible asset on the License started on December 14, 2014, which is the effectivity date of the Notice to Commence Casino Operations granted by PAGCOR. Intangible assets decreased by ₱115.8 million (3%), from ₱4,349.4 million as of December 31, 2020 to ₱4,233.5 million as of December 31, 2021, mainly due to amortization expense on the PAGCOR License.

### **Goodwill**

Goodwill was maintained at ₱926.0 million on December 31, 2021 and 2020.

### **Right of Use Assets**

Right of use assets decreased by ₱16.9 million (24%) from ₱71.7 million as of December 31, 2020 to ₱54.8 million as of December 31, 2021, mainly due to amortization expense.

### **Other Assets**

Other assets increased by ₱654.0 million (26%), to ₱3,168.4 million as of December 31, 2021 from ₱2,514.4 million as of December 31, 2020, mainly due to increases in prepaid taxes.

## **LIABILITIES**

Total liabilities decreased by ₱1,549.6 million (8%), to ₱18,018.1 million as of December 31, 2021 from ₱19,567.8 million as of December 31, 2020, mainly due to repayment of borrowings from local banks.

### **Trade and Other Current Liabilities**

Trade and other current liabilities decreased from ₱2,384.7 million as of December 31, 2020 to ₱1,809.3 million as of December 31, 2021.

### **Loans Payable and Long-Term Debt**

Total consolidated debt, amounting to ₱6,880.0 million as of December 31, 2021, consists of Peso-denominated borrowings of Belle from various local financial institutions, with an average interest rate of approximately 3.78% per annum during 2021. The outstanding amount of total debt decreased by ₱211.7 million (3%) from ₱7,091.7 million as of December 31, 2020, due to repayment of borrowings from local banks.

### **EQUITY**

The Company's shareholders' equity as of December 31, 2021 of ₱33,009.4 million was higher by ₱2,575.3 million (8%), compared to its shareholders' equity of ₱30,434.1 million as of December 31, 2020, due to the increases in market value of financial assets at fair value through other comprehensive income of ₱2,039.7 million (55%) and Company's consolidated net income of ₱745.2 million for 2021.

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

#### ***Belle Corporation (consolidated)***

	December 31, 2021	December 31, 2020
Asset to equity ratio	1.55 : 1.00	1.64 : 1.00
Current or Liquidity ratio	2.96 : 1.00	2.55 : 1.00
Debt-to-equity ratio	0.21 : 1.00	0.23 : 1.00
Net debt-to-equity ratio	0.15 : 1.00	0.15 : 1.00
Interest rate coverage ratio	1.32 : 1.00	2.90 : 1.00
Return on assets	1.5%	1.9%
Return on equity	2.3%	2.9%

#### ***Premium Leisure Corp. (consolidated)***

	December 31, 2020	December 31, 2020
Asset to equity ratio	1.04 : 1.00	1.07 : 1.00
Current or Liquidity ratio	9.18 : 1.00	5.75 : 1.00
Debt-to-equity ratio	0.00 : 1.00	0.00 : 1.00
Interest rate coverage ratio	1,582.21	48.15
Return on assets	6.44%	1.72%
Return on equity	6.81%	1.87%

#### ***Pacific Online Systems Corporation (consolidated)***

	December 31, 2021	December 31, 2020
Asset to equity ratio	1.19 : 1.00	1.28 : 1.00
Current or Liquidity ratio	4.64 : 1.00	2.89 : 1.00
Debt-to-equity ratio	0.00 : 1.00	0.00 : 1.00
Net debt-to-equity ratio	0.00 : 1.00	0.00 : 1.00
Interest rate coverage ratio	(140.24): 1.00	(75.64): 1.00
Return on assets	-14.37%	-28.08%
Return on equity	-17.79%	-35.03%

The above performance indicators are calculated as follows:

Current Ratio

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Debt to Equity Ratio

$$\frac{\text{Interest-bearing debt}}{\text{Total Equity}}$$

Asset-to-equity Ratio

$$\frac{\text{Total Assets}}{\text{Total Equity}}$$

Return on Equity	$\frac{\text{Net Income}}{\text{Average equity during the period}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Average assets during the period}}$
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$
Net debt-to-equity ratio	$\frac{\text{Interest-bearing debt less cash and cash equivalents}}{\text{Total Equity}}$

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2021, consolidated total debt of the Company of ₱6,880.0 million was comprised of borrowings from renewable short-term bank lines of ₱1,995.0 million and amortizing term loans from banks of ₱4,885 million. Belle has real estate projects, lease agreements and investments from which it expects to generate cash flow sufficient for its foreseeable requirements. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of 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:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) 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 obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

## December 31, 2020 versus December 31, 2019 Results of Operations (in thousands)

		2020		2019	Horizontal Analysis		Vertical Analysis	
					Increase (Decrease)		2020	2019
REVENUE								
Lease income	P	2,663,226	P	2,670,953	(7,727)	0%	64%	0%
Gaming revenue share		635,217		2,976,366	(2,341,149)	-79%	15%	40%
Equipment rental and instant scratch ticket sales		281,763		681,484	(399,721)	-59%	7%	0%
Sale of real estate		234,965		487,307	(252,342)	-52%	6%	0%
Revenue from property management		168,296		214,635	(46,339)	-22%	4%	0%
Distribution and commission income		46,675		308,381	(261,706)	-85%	1%	0%
Others		143,258		130,308	12,950	10%	3%	0%
TOTAL REVENUES		4,173,400		7,469,434	(3,296,034)	-44%	100%	100%
GENERAL AND ADMINISTRATIVE EXPENSES		(1,312,959)		(1,386,592)	(73,633)	-5%	-31%	-19%
COST OF LEASE INCOME		(1,206,514)		(836,938)	369,576	44%	-29%	-11%
COST OF LOTTERY SERVICES		(494,211)		(983,422)	(489,211)	-50%	-12%	-13%
COST OF GAMING OPERATIONS		(135,692)		(135,865)	(173)	0%	-3%	-2%
COST OF REAL ESTATE SOLD		(134,934)		(202,335)	(67,401)	-33%	-3%	-3%
COST OF PROPERTY MANAGEMENT SERVICES		(100,957)		(159,854)	(58,897)	-37%	-2%	-2%
TOTAL COSTS AND EXPENSES		(3,385,267)		(3,705,006)	(126,471)	-3%	-9%	-7%
INCOME FROM OPERATIONS		788,133		3,764,428	(3,169,563)	-84%	91%	93%
INTEREST EXPENSE AND OTHER FINANCE CHARGES		(559,570)		(478,880)	80,690	17%	-13%	-6%
INTEREST INCOME		55,451		75,157	(19,706)	-26%	1%	1%
UNREALIZED GAIN ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS		(6,196)		(15,248)	(9,052)	59%	0%	0%
NET FOREIGN EXCHANGE LOSS		(1,994)		(2)	1,992	-99600%	0%	0%
OTHER INCOME (CHARGES)		843,194		(128,289)	971,483	757%	20%	-2%
INCOME BEFORE INCOME TAX		1,119,018		3,217,166	(2,098,148)	-65%	27%	43%
PROVISION FOR INCOME TAXES								
Current		36,653		274,033	237,380	87%	1%	4%
Deferred		190,664		19,406	(171,258)	883%	5%	0%
		227,317		293,439	66,122	23%	5%	4%
NET INCOME	P	891,701	P	2,923,727	(2,032,026)	-70%	21%	39%

Belle Corporation ("Belle" or "The Company") realized consolidated net income of ₱891.7 million for 2020. While this is lower by 70% compared to consolidated income of ₱2,923.7 million for 2019, Belle's positive operating result for 2020 was achieved in spite of economic headwinds caused by the Covid-19 pandemic, as well as by the Taal Volcano eruption in January 2020 that affected its real estate operations in Tagaytay City and Batangas. Consolidated revenues declined by 44%, from ₱7,469.4 million in 2019 to ₱4,173.4 million in 2020.

The effects of the Covid-19 pandemic began with declining tourist arrivals prior to the implementation of the community quarantines nationwide, and was compounded by the temporary suspension of gaming operations at City of Dreams Manila on March 16, 2020 in compliance with government initiatives to contain the virus. The share in gaming revenues at City of Dreams Manila ("CODM") of Belle's subsidiary Premium Leisure Corporation ("PLC"), declined by 79%, from ₱2,976.4 million in 2019 to ₱635.2 million in 2020, as gaming operations were either suspended or substantially limited during the last nine months of 2020.

The pandemic also caused weak results at Pacific Online Systems Corporation ("Pacific Online"), which leases online betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery and keno operations. Pacific Online, which is 50.1%-owned by PLC, posted a 67% decrease in revenues, from ₱989.9 million for 2019 to ₱328.4 million for 2020.

Belle's real estate operations recorded a 8% decrease in revenues, to ₱3,209.7 million in 2020 from ₱3,503.2 million in 2019. Of real estate revenues in 2020, ₱2,663.2 million came from Belle's lease of the land and buildings comprising CODM to Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), which were slightly lower from ₱2,671.0 million in 2019. Belle's real estate sales and property management activities at its Tagaytay Highlands complex, which were affected by the community quarantines and the Taal Volcano eruption, contributed revenues of ₱546.5 million in 2020, which were 34% lower than revenues of ₱832.3 million in 2019.

### **Revenues**

Total consolidated revenues of ₱4,173.4 million for 2020 were lower by ₱3,296.0 million (44%), compared to ₱7,469.4 million for 2019. All the business units of the Company experienced decline in revenues as a result of Covid-19 Pandemic. The lease revenue from the land and buildings of CODM decreased by ₱7.7 million (0.3%), from ₱2,671.0 million for 2019 to ₱2,663.2 million for 2020, gaming revenue share in CODM decreased by ₱2,341.1 million (79%) from ₱2,976.4 million in 2019 to ₱635.2 million in 2020, total revenues at Pacific Online decreased by ₱661.4 million (67%), from ₱989.9 million in 2019 to ₱328.4 million in 2020, and revenue from real estate development and management activities decreased by ₱285.8 million (34%), from ₱832.3 million in 2019 to ₱546.5 million in 2020.

### **General and Administrative Expenses**

General and administrative expenses decreased by ₱73.6 million (5%), to ₱1,313.0 million for 2020 from ₱1,386.6 million for 2019, due to lower expenses at PLC and Pacific Online.

### **Costs of Lease Income**

Costs of lease income in respect of the City of Dreams Manila property increased by ₱369.6 million (44%), to ₱1,206.5 million in 2020 from ₱836.9 million in 2019, mainly due to higher amortization of right of use asset on leases.

### **Costs of Lottery Services**

Costs of lottery services at Pacific Online decreased by ₱489.2 million (50%), to ₱494.2 million in 2020 from ₱983.4 million in 2019, mainly due to lower consultancy and professional fees, as well as the deconsolidation of Lucky Circle Corporation brought about by its sale in February 2020.

### **Costs of Gaming Operations**

The costs of gaming operations at PLC was virtually unchanged, from ₱135.9 million for 2019 to ₱135.7 million for 2020. PLAI has a direct economic participation in the gaming operations at City of Dreams Manila, by virtue of an operating agreement with MRP that accords PLAI a share of gaming revenue or earnings. MRP is a Philippine Corporation controlled by Melco Resorts and Entertainment Limited ("Melco"), a Hong Kong-based corporation which develops, owns and operates gaming and entertainment facilities around the world, mostly in Macau.

### **Costs of Real Estate sold**

Costs of real estate sold decreased by ₱67.4 million (33%) to ₱134.9 million in 2020, from ₱202.3 million in 2019, due to the lower revenue therefrom recognized during the period.

### **Costs of Property Management Services**

Costs of property management services decreased by ₱58.9 million (37%), to ₱101.0 million for 2020, from ₱159.9 million for 2019, due to lower utilities consumption due to decreased activities in the estate due to COVID-19 community quarantines and rationalization of costs.

### **Financial Income (Expense)**

Interest expense and other finance charges increased by ₱80.7 million (17%) to ₱559.8 million for 2020, from ₱478.9 million for 2019. The increase in interest expense was largely due to higher imputed interest on Belle's lease liability. Interest income decreased by ₱19.7 million (26%), to ₱55.5 million in 2020, from ₱75.2 million in 2019, due to lower balances of and average yields on short-term investments.

### **Other Income**

Other income increased by ₱971.5 million (757%) mostly due to the reversal of general provisions amounting to about ₱756.1 million in 2020.

### **Provision for Income Taxes**

The Company's consolidated provision for income taxes decreased by ₱66.1 million (23%) in 2020, to ₱227.3 million from ₱293.4 million in 2019, due to lower operating income in 2020.

### **Net Income**

As a result of the foregoing, the Company realized consolidated net income of ₱891.7 million for 2020, a decrease of ₱2,034.0 million (70%) from its 2019 consolidated net income of ₱2,923.7 million.

## December 31, 2020 vs December 31, 2019 Statement of Financial Position (in thousands)

				December 31		Horizontal Analysis		Vertical Analysis	
				2020	2019	Inc (Dec)	%	2020	2019
ASSETS									
Current Assets									
Cash and cash equivalents	P	2,592,070	P	4,104,674	(1,512,604)	-37%	5%	9%	
Financial assets at fair value through profit or loss		84,261		140,457	(56,196)	-40%	0%	0%	
Receivables		5,034,824		2,463,605	2,571,219	104%	10%	6%	
Contract assets		39,903		40,511	(608)	-2%	0%	0%	
Real estate for sale		470,609		327,124	143,485	44%	1%	1%	
Land held for future development		3,013,950		3,005,429	8,521	0%	6%	7%	
Other current assets		1,872,788		1,637,773	235,015	14%	4%	4%	
		13,108,405		11,719,573	1,388,832	12%	26%	26%	
Noncurrent Assets									
Investment properties		25,437,299		20,257,604	5,179,695	26%	51%	45%	
Financial assets at fair value through other comprehensive income		4,789,847		5,512,817	(722,970)	-13%	10%	12%	
Intangible asset		4,349,372		4,465,206	(115,834)	-3%	9%	10%	
Goodwill		926,008		1,343,809	(417,801)	-31%	2%	3%	
Installment Receivable		269,600		404,518	(134,918)	-33%	1%	1%	
Property and equipment		143,911		164,825	(20,914)	-13%	0%	0%	
Deferred tax asset		82,415		52,825	29,590	56%	0%	0%	
Investments in and advances to associates - net		75,428		77,950	(2,522)	-3%	0%	0%	
Contract assets - net of noncurrent portion		46,302		89,612	(43,310)	-48%	0%	0%	
Pension asset		14,012		10,312	3,700	36%	0%	0%	
Right of Use		71,732		148,309	(76,577)	-52%	0%	0%	
Other noncurrent assets		641,649		524,508	117,141	22%	1%	1%	
		36,847,575		33,052,295	(1,568)	0%	74%	74%	
TOTAL ASSET	P	49,955,980	P	44,771,868	1,387,264	3%	100%	100%	
LIABILITIES AND EQUITY									
Current Liabilities									
Trade and other current liabilities	P	2,338,806	P	2,301,824	36,982	2%	5%	5%	
Loans payable		2,525,017		1,950,017	575,000	29%	5%	4%	
Income tax payable		6		4,275	(4,269)	-100%	0%	0%	
Current portion of:									
Long-term debt		121,111		944,444	(823,333)	-87%	0%	2%	
Lease Liability - current		148,613		85,660	62,953	73%	0%	0%	
		5,133,553		5,286,220	(152,667)	-3%	10%	12%	
Noncurrent portion of:									
Long-term debt		4,445,556		3,566,667	878,889	25%	9%	8%	
Lease Liability - noncurrent		6,538,881		918,275	5,620,606	612%	13%	2%	
Pension liability		59,291		54,532	4,759	9%	0%	0%	
Deferred tax liabilities		2,968,910		2,741,361	227,549	8%	6%	6%	
Other noncurrent liability		375,672		343,424	32,248	9%	1%	1%	
		14,388,310		7,624,259	6,764,051	89%	29%	17%	
TOTAL LIABILITIES		19,521,863		12,910,479	6,611,384	51%	39%	29%	
Equity									
Attributable to equity holders of parent:									
Common stock		10,561,000		10,561,000	-	0%	21%	24%	
Additional paid-in capital		5,503,731		5,503,731	-	0%	11%	12%	
Treasury stock		(2,476,700)		(2,476,700)	-	0%	-5%	-6%	
Equity share in cost of Parent Company shares held by as		(2,501)		(2,501)	-	0%	0%	0%	
Cost of Parent Company common and preferred shares h		(1,464,322)		(1,493,752)	29,430	-2%	-3%	-3%	
Other reserves		3,675,936		4,379,383	(703,447)	-16%	7%	10%	
Excess of net asset value of an investment over cost		252,040		252,040	-	0%	1%	1%	
Retained Earnings		11,580,786		11,707,576	(126,790)	-1%	23%	26%	
Total equity attributable to equity holders of the Parent		27,629,970		28,430,777	(800,807)	-3%	55%	64%	
Non-controlling interests		2,804,147		3,430,612	(626,465)	-18%	6%	8%	
Total Equity		30,434,117		31,861,389	(1,427,272)	-4%	61%	71%	
TOTAL LIABILITIES AND EQUITY	P	49,955,980	P	44,771,868	5,184,112	12%	100%	100%	

## **ASSETS**

Total assets of the Company increased by ₱5,184.1 million (12%) to ₱49,956.0 million as of December 31, 2020, from ₱44,771.9 million as of December 31, 2019.

### **Cash and Cash equivalents**

Cash and cash equivalents decreased by ₱1,512.6 million (37%), to ₱2,592.1 million as of December 31, 2020 from ₱4,104.7 million as of December 31, 2019, due mainly to lower cash flows from operations and the payment of the regular cash dividend of ₱1,171.5 million on March 27, 2020.

### **Financial Assets at Fair Value through Profit or Loss ("FVTPL")**

The Company's FVTPL decreased by ₱56.2 million (40%), to ₱84.3 million as of December 31, 2020 from ₱140.5 million as of December 31, 2019, due to the decrease in market value of listed shares held by Pacific Online. As at December 31, 2020, the Company's consolidated FVTPL consists of investments of Pacific Online in listed shares of Leisure and Resorts World Corporation, Vantage Equities, Inc., and PLDT, Inc.

### **Receivables and Contract Assets**

Receivables and Contract Assets increased by ₱2,392.4 million (80%), to a total of ₱5,390.6 million as of December 31, 2020 from ₱2,998.2 million as of December 31, 2019.

### **Real Estate for Sale**

Real estate for sale increased by ₱143.5 million (44%), to ₱470.6 million as of December 31, 2020 from ₱327.1 million as of December 31, 2019, due to additional finished inventory of real estate added in 2020.

### **Investment Properties**

This account consists mainly of carrying value of the CODM property and right of use assets for leases in Paranaque City. The ₱5,179.7 million (26%) increase of Investment Properties, from ₱20,257.6 million as of December 31, 2019 to ₱25,437.3 million as of December 31, 2020, was due to the right of use asset recognized for leased property at Paranaque City, offset by the depreciation expense on the CODM building and amortization of right of use assets.

### **Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI")**

The Company's FVOCI decreased by ₱722.9 million (13%), to ₱4,789.8 million as of December 31, 2020 from ₱5,512.8 million as of December 31, 2019, due decreases in the market values of these investments.

### **Intangible Asset**

This pertains to the cost of the License to operate integrated resorts that was granted by the Philippine Amusement and Gaming Corp ("PAGCOR") to PLAI. Belle and MRP are Co-Licensees under PLAI's PAGCOR License. Amortization of the intangible asset on the License started on December 14, 2014, which is the effectivity date of the Notice to Commence Casino Operations granted by PAGCOR. Intangible assets decreased by ₱115.8 million (3%), from ₱4,465.2 million as of December 31, 2019 to ₱4,349.4 million as of December 31, 2020, mainly due to amortization expense on the PAGCOR License.

### **Goodwill**

Goodwill decreased by ₱417.8 million (31%), from ₱1,343.8 million on December 31, 2019 to ₱926.0 million on December 31, 2020, due to provisions for impairment on Pacific Online's Goodwill booked during 2020.

### **Right of Use Assets**

Right of use assets decreased by ₱76.6 million (52%) from ₱148.3 million as of December 31, 2019 to ₱71.7 million as of December 31, 2020, mainly due to amortization expense.

### **Other Assets**

Other assets increased by ₱352.2 million (16%), to ₱2,14.4 million as of December 31, 2020 from ₱2,162.3 million as of December 31, 2019, mainly due to increases in prepaid taxes.

## **LIABILITIES**

Total liabilities increased by ₱6,611.4 million (51%), to ₱19,521.9 million as of December 31, 2020, from ₱12,910.5 million as of December 31, 2019, mainly due to the increase in contractual liabilities from leases and additional borrowings from local banks.



**Trade and Other Current Liabilities**

Trade and other current liabilities slightly increased from ₱2,301.8 million as of December 31, 2019 to ₱2,338.8 million as of December 31, 2020.

**Loans Payable and Long-Term Debt**

Total consolidated debt, amounting to ₱7,091.7 million as of December 31, 2020, consists of Peso-denominated borrowings of Belle from various local financial institutions, with an average interest rate of approximately 5.57% per annum during 2020. The outstanding amount of total debt increased by ₱630.6 million (10%) from ₱6,461.1 million as of December 31, 2019, due to financing requirements.

**Other Liabilities**

Other Liabilities increased by ₱5,720.6 million (408%) to ₱7,122.5 million as of December 31, 2020, from ₱1,401.9 million as of December 31, 2018, mainly due to increase in liabilities from long-term operating leases.

**EQUITY**

The Company's shareholders' equity as of December 31, 2020 of ₱30,434.1 million was lower by ₱1,427.3 million (4%), compared to its shareholders' equity of ₱31,861.4 million as of December 31, 2019, due to the decreases in market value of financial assets at fair value through other comprehensive income of ₱718.7 million (54%) and the ₱1,171.5 million regular cash dividend paid to its shareholders on March 27, 2020. The decreases were offset by Company's consolidated net income of ₱891.7 million for 2020.

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

***Belle Corporation (consolidated)***

	December 31, 2020	December 31, 2019
Asset to equity ratio	1.64 : 1.00	1.41 : 1.00
Current or Liquidity ratio	2.55 : 1.00	2.19 : 1.00
Debt-to-equity ratio	0.23 : 1.00	0.20 : 1.00
Net debt-to-equity ratio	0.15 : 1.00	0.07 : 1.00
Interest rate coverage ratio	2.90 : 1.00	7.56 : 1.00
Return on assets	1.9%	6.7%
Return on equity	2.9%	9.5%

***Premium Leisure Corp. (consolidated)***

	December 31, 2020	December 31, 2019
Asset to equity ratio	1.07 : 1.00	1.11 : 1.00
Current or Liquidity ratio	5.75 : 1.00	4.35 : 1.00
Debt-to-equity ratio	0.00 : 1.00	0.01 : 1.00
Interest rate coverage ratio	48.15	215.38
Return on assets	1.72%	10.74%
Return on equity	1.87%	11.82%

***Pacific Online Systems Corporation (consolidated)***

	December 31, 2020	December 31, 2019
Asset to equity ratio	1.28 : 1.00	1.30 : 1.00
Current or Liquidity ratio	2.92 : 1.00	2.40 : 1.00
Debt-to-equity ratio	0.28 : 1.00	0.30 : 1.00
Net debt-to-equity ratio	0.00 : 1.00	0.00 : 1.00
Interest rate coverage ratio	(74.86): 1.00	(55.40): 1.00
Return on assets	-38.75%	-18.7%
Return on equity	-49.54%	-24.4%

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Interest-bearing debt}}{\text{Total Equity}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Equity	$\frac{\text{Net Income}}{\text{Average equity during the period}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Average assets during the period}}$
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$
Net debt-to-equity ratio	$\frac{\text{Interest-bearing debt less cash and cash equivalents}}{\text{Total Equity}}$

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2020, consolidated total debt of the Company of ₱7,091.7 million was comprised of borrowings from renewable short-term bank lines of ₱2,525.0 million and amortizing term loans from banks of ₱4,566.7 million. Belle has real estate projects, lease agreements and investments from which it expects to generate cash flow sufficient for its foreseeable requirements. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

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

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) 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 obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

## December 31, 2019 versus December 31, 2018 Results of Operations (in thousands)

### BELLE CORPORATION AND SUBSIDIARIES Consolidated Statements of Comprehensive Income (Amounts in Thousands)

	December 31		Horizontal Analysis		Vertical Analysis	
	2019	2018	Increase (Decrease)		2019	2018
REVENUE						
Gaming revenue share	P 2,976,366	P 3,211,857	(235,491)	-7%	40%	38%
Lease income - Building	2,670,953	724,431	1,946,522	269%	36%	9%
Equipment rental and instant scratch ticket sales (POSC)	681,484	1,448,318	(766,834)	-53%	9%	17%
Sale of real estate	487,307	670,527	(183,220)	-27%	7%	8%
Distribution and commission income (POSC)	308,381	487,626	(179,245)	-37%	4%	6%
Revenue from property management	214,635	186,194	28,441	15%	3%	2%
Interest income on finance lease accounting	-	1,663,824	(1,663,824)	-100%	0%	20%
Others	157,092	122,235	34,857	29%	2%	1%
TOTAL REVENUES	7,496,218	8,515,012	(1,018,794)	-12%	100%	100%
COST OF GAMING OPERATIONS	(135,865)	(178,264)	(42,399)	24%	-2%	-2%
COST OF LEASE INCOME	(836,938)	(341,600)	495,338	-145%	-11%	-4%
COST OF LOTTERY SERVICES	(983,422)	(1,270,160)	(286,738)	23%	-13%	-15%
COST OF REAL ESTATE SOLD	(202,335)	(363,568)	(161,233)	44%	-3%	-4%
COST OF PROPERTY MANAGEMENT SERVICES	(159,854)	(134,960)	24,894	-18%	-2%	-2%
GENERAL AND ADMINISTRATIVE EXPENSES	(1,009,074)	(1,691,202)	(682,128)	40%	-13%	-20%
TOTAL COSTS AND EXPENSES	(3,327,488)	(3,979,754)	(652,266)	16%	-44%	-47%
INCOME FROM OPERATIONS	4,168,730	4,535,258	(366,528)	-8%	56%	53%
UNREALIZED GAIN ON FINANCIAL ASSET AT FAIR VALUE						
THROUGH PROFIT OR LOSS	(15,248)	(11,903)	(3,345)	28%	0%	0%
INTEREST EXPENSE AND OTHER FINANCE CHARGES	(478,880)	(464,862)	14,018	-3%	-6%	-5%
INTEREST INCOME	75,157	58,251	16,906	29%	1%	1%
NET FOREIGN EXCHANGE LOSS	(2)	(683)	681	-100%	0%	0%
OTHER INCOME (CHARGES)	(532,591)	(302,017)	(230,574)	76%	-7%	-4%
INCOME BEFORE INCOME TAX	3,217,166	3,814,044	(596,878)	-16%	43%	45%
PROVISION FOR INCOME TAXES						
Current	271,880	225,415	46,465	21%	4%	3%
Deferred	21,559	363,495	(341,936)	-94%	0%	4%
	293,439	588,910	(295,471)	-50%	4%	7%
NET INCOME	P 2,923,727	P 3,225,134	(301,407)	-9%	39%	38%

Belle realized consolidated revenues of ₱7,496.2 million for the year ended December 31, 2019, down 12% compared to revenues of ₱8,515.0 million for 2018. As a result, Belle's consolidated net income of ₱2,923.7 million for 2019 was 9% lower than consolidated net income of ₱3,225.1 million for 2018.

Belle's overall operating performance was affected by weaker results at Pacific Online Systems Corporation ("Pacific Online"), which leases online betting equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery and keno operations. Pacific Online, which is 50.1%-owned by Belle's subsidiary Premium Leisure Corporation ("PLC"), posted a 49% decrease in revenues, from ₱1,935.9 million in 2018 to ₱989.9 million in 2019. This was due to competition from the small town lottery, and the temporary suspension of lottery and keno operations by the PCSO during the third quarter of 2019. With the suspensions since lifted, Pacific Online is working closely with the PCSO and its network of agents to boost the attractiveness of the pari-mutuel games it offers, and is working to implement cost efficiency measures across its operations.

Belle's real estate operations realized a 5% increase in revenues, to ₱3,530.0 million in 2019 from ₱3,367.2 million in 2018. Of real estate revenues in 2019, ₱2,671.0 million came from Belle's lease of the land and buildings comprising City of Dreams Manila to Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), which was a 12% improvement over 2018. Belle's real estate sales and property management activities at its Tagaytay Highlands complex contributed the balance of ₱859.0 million during 2019.

Belle's primary growth driver, its share in the gaming revenues at City of Dreams Manila, remains resilient. PLC registered a ₱2,976.4 million share in gaming earnings of City of Dreams Manila in 2019, which was lower by 7% compared to ₱3,211.9 million in 2018. To mitigate this, Belle decreased its total costs and expenses by

12%, to ₱3,478.3 million in 2019 from ₱3,956.6 million in 2018. As a result, excluding extraordinary and non-recurring items, Belle's recurring net income of ₱3,437.6 million for 2019 was within range of its recurring net income of ₱3,464.2 million for 2018.

### **Revenues**

Total consolidated revenues of ₱7,496.2 million for 2019 were lower by ₱1,018.8 million (12%), compared to ₱8,515.0 million for 2018. The lease revenue from the land and buildings of City of Dreams Manila increased by ₱282.7 million (12%) in 2019, from ₱2,388.3 million for 2018 to ₱2,671.0 million for 2019. This was offset by decreases in revenues of Pacific Online by ₱946.1 million (49%), from ₱1,935.9 million in 2018 to ₱989.9 million in 2019, gaming revenue share in City of Dreams Manila by ₱235.5 million (7%) from ₱3,211.9 million in 2018 to ₱2,976.4 million in 2019 and revenue from real estate development and management activities by ₱119.9 million (12%), from ₱979.0 million in 2018 period to ₱859.0 million in 2019.

### **Costs of Gaming Operations**

The costs of gaming operations at PLC decreased by ₱42.4 million (24%) to ₱135.9 million for 2019, from ₱178.3 million for 2018, due to lower consultancy fees and other costs at PLC's wholly-owned subsidiary, PremiumLeisure and Amusement Inc. ("PLAI"). PLAI has a direct economic participation in the gaming operations at City of Dreams Manila, by virtue of an operating agreement with MRP that accords PLAI a share of gaming revenue or earnings. MRP is a Philippine Corporation controlled by Melco Resorts and Entertainment Limited ("Melco"), a Hong Kong-based corporation which develops, owns and operates gaming and entertainment facilities around the world, mostly in Macau.

### **Costs of Lease Income**

Costs of lease income in respect of the City of Dreams Manila property increased by ₱495.3 million (145%), to ₱836.9 million in 2019 from ₱341.6 million in 2018, mainly due to depreciation expense recognized as a result of the change in the accounting basis for the lease of the buildings at City of Dreams Manila from finance lease to operating lease, starting in October 2018 and adoption of PFRS 16, Leases.

### **Costs of Lottery Services**

Costs of lottery services at Pacific Online decreased by ₱286.7 million (23%), to ₱983.4 million in 2019 from ₱1,270.2 million in 2018, mainly due to lower consultancy and professional fees.

### **Costs of Real Estate sold**

Costs of real estate sold decreased by ₱161.2 million (44%) to 202.3 million in 2019, from ₱363.6 million in 2018, due to the lower revenue therefrom recognized during the period.

### **Costs of Property Management Services**

Costs of property management services increased by ₱24.9 million (18%), to ₱159.9 million for 2019, from ₱135.0 million for 2018, due to additional depreciation on service equipment.

### **General and Administrative Expenses**

General and administrative expenses decreased by ₱682.1 million (41%), to ₱1,009.1 million for 2019 from ₱1,691.2 million for 2018, due to lower expenses at PLC.

### **Financial Income (Expense)**

Interest expense and other finance charges decreased by 14.0 million (3%) to ₱478.9 million for 2019, from ₱464.9 million for 2018. The lower financial expense was due to a ₱1,076.7 million (14%) reduction in the Company's total interest-bearing debt in 2019, to ₱6,461.1 million as of December 31, 2019, from ₱7,537.8 million as of December 31, 2018. Interest income increased by ₱16.9 million (29%), to ₱75.2 million in 2019, from ₱58.3 million in 2018, due to higher balances of and average yields on short-term investments.

### **Provision for Income Taxes**

The Company's consolidated provision for income taxes decreased by ₱295.5 million (50%) in 2019, to ₱293.4 million from ₱588.9 million in 2018, due to the net operating loss at Pacific Online during 2019.

**Net Income**

As a result of the foregoing, the Company realized consolidated net income of ₱2,923.8 million for 2019. While the Company's total consolidated net income was ₱301.4 million (9%) lower than consolidated net income of ₱3,225.1 million for 2018, Belle's core operations continued to be stable. Earnings before interest, taxes, depreciation and amortization ("EBITDA") excluding Pacific Online for 2019 increased by ₱665.1 million (14%) to ₱5,554.2 million, compared to ₱4,889.1 million for the 2018 period.

Belle's consistent profitability allowed the Company to declare a regular cash dividend to its shareholders on February 27, 2020 in the amount of ₱1,171.5 million (0.12 per outstanding share), payable on March 27, 2020 to shareholders of record as of March 13, 2020.

## December 31, 2019 vs December 31, 2018 Statement of Financial Position (in d)

	December 31		Horizontal Analysis		Vertical Analysis	
	2019	2018	Inc (Dec)	%	2019	2018
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P 4,104,674	P 2,653,717	1,450,957	55%	9%	6%
Financial assets at fair value through profit or loss	140,457	155,705	(15,248)	-10%	0%	0%
Receivables	2,463,605	1,688,453	775,152	46%	6%	4%
Contract assets	40,511	37,892	2,619	7%	0%	0%
Real estate for sale	327,124	475,785	(148,661)	-31%	1%	1%
Land held for future development	3,005,429	2,998,577	6,852	0%	7%	7%
Other current assets	1,835,111	1,763,057	72,054	4%	4%	4%
	<b>11,916,911</b>	<b>9,773,186</b>	<b>2,143,725</b>	<b>22%</b>	<b>27%</b>	<b>23%</b>
<b>Noncurrent Assets</b>						
Contract assets - net of noncurrent portion	89,612	130,123	(40,511)	-31%	0%	0%
Installment receivables	404,518	510,446	(105,928)	-21%	1%	1%
Financial assets at fair value through other comprehensive income	5,512,817	4,770,772	742,045	16%	12%	11%
Investments in and advances to associates - net	77,950	78,017	(67)	0%	0%	0%
Investment properties	19,491,825	20,094,843	(603,018)	-3%	44%	47%
Intangible asset	4,465,206	4,581,040	(115,834)	-3%	10%	11%
Goodwill	1,343,809	1,721,327	(377,518)	-22%	3%	4%
Property and equipment	164,825	363,939	(199,114)	-55%	0%	1%
Right of Use	914,088	-	914,088	N/A	2%	0%
Pension asset	10,312	7,856	2,456	31%	0%	0%
Deferred tax asset	52,825	8,864	43,961	496%	0%	0%
Other noncurrent assets	327,170	450,673	(123,503)	-27%	1%	1%
	<b>32,854,957</b>	<b>32,717,900</b>	<b>137,057</b>	<b>0%</b>	<b>73%</b>	<b>77%</b>
<b>TOTAL ASSET</b>	<b>P 44,771,868</b>	<b>P 42,491,086</b>	<b>2,280,782</b>	<b>5%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other current liabilities	P 2,301,824	P 2,110,143	191,681	9%	5%	5%
Loans payable	1,950,017	1,500,017	450,000	30%	4%	4%
Income tax payable	4,275	9,415	(5,140)	-55%	0%	0%
Current portion of:						
Long-term debt	944,444	2,091,319	(1,146,875)	-55%	2%	5%
Lease Liability	85,660	-	85,660	N/A	0%	0%
Obligations under finance lease	-	19,379	(19,379)	-100%	0%	0%
	<b>5,286,220</b>	<b>5,730,273</b>	<b>(444,053)</b>	<b>-8%</b>	<b>12%</b>	<b>13%</b>
Noncurrent portion of:						
Long-term debt	3,566,667	3,911,111	(344,444)	-9%	8%	9%
Lease Liability	918,275	-	918,275	N/A	2%	0%
Obligations under finance lease	-	15,995	(15,995)	-100%	0%	0%
Pension liability	54,532	8,582	45,950	535%	0%	0%
Deferred tax liabilities	2,741,361	2,667,581	73,780	3%	6%	6%
Other noncurrent liability	343,424	312,313	31,111	10%	1%	1%
	<b>7,624,259</b>	<b>6,915,582</b>	<b>708,677</b>	<b>10%</b>	<b>17%</b>	<b>16%</b>
<b>TOTAL LIABILITIES</b>	<b>12,910,479</b>	<b>12,645,855</b>	<b>264,624</b>	<b>2%</b>	<b>29%</b>	<b>30%</b>
<b>Equity</b>						
Attributable to equity holders of parent:						
Common stock	10,561,000	10,561,000	-	0%	24%	25%
Additional paid-in capital	5,503,731	5,503,731	-	0%	12%	13%
Treasury stock	(2,476,700)	(2,476,700)	-	0%	-6%	-6%
Equity share in cost of Parent Company shares held by associates	(2,501)	(2,501)	-	0%	0%	0%
Cost of Parent Company common and preferred shares held by subs	(1,493,752)	(1,695,369)	201,617	-12%	-3%	-4%
Unrealized gain on financial assets at fair value through other comprehensive income	1,386,615	1,047,057	339,558	32%	3%	2%
Other reserves	2,992,768	3,059,718	(66,950)	-2%	7%	7%
Excess of net asset value of an investment over cost	252,040	252,040	-	0%	1%	1%
Retained Earnings	11,707,576	10,221,830	1,485,746	15%	26%	24%
Total equity attributable to equity holders of the Parent	<b>28,430,777</b>	<b>26,470,806</b>	<b>1,959,971</b>	<b>7%</b>	<b>64%</b>	<b>62%</b>
Non-controlling interests	3,430,612	3,374,425	56,187	2%	8%	8%
<b>Total Equity</b>	<b>31,861,389</b>	<b>29,845,231</b>	<b>2,016,158</b>	<b>7%</b>	<b>71%</b>	<b>70%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 44,771,868</b>	<b>P 42,491,086</b>	<b>2,280,782</b>	<b>5%</b>	<b>100%</b>	<b>100%</b>

## **ASSETS**

Total assets of the Company increased by ₱2,280.8 million (5%) to ₱44,771.9 million as of December 31, 2019, from ₱42,491.1 million as of December 31, 2018.

### **Cash and Cash equivalents**

Cash and cash equivalents increased by ₱1,451.0 million (55%), to ₱4,104.7 million as of December 31, 2019 from ₱2,653.7 million as of December 31, 2018, due mainly to cash flows from operations, offset by the regular cash dividend of ₱1,171.5 million paid on March 28, 2019.

### **Financial Assets at Fair Value through Profit or Loss ("FVTPL")**

The Company's FVTPL decreased by ₱15.2 million (10%), to ₱140.5 million as of December 31, 2019 from ₱155.7 million as of December 31, 2018, due to the decrease in market value of listed shares held by Pacific Online. As at December 31, 2019, the Company's consolidated FVTPL consists of investments of Pacific Online in listed shares of Leisure and Resorts World Corporation, Vantage Equities, Inc., and PLDT, Inc.

### **Receivables, Contract Assets and Installment Receivables**

Receivables, Contract Assets and Installment Receivables increased by ₱631.3 million (27%), to ₱2,998.2 million as of December 31, 2019 from ₱2,366.9 million as of December 31, 2018.

### **Real Estate for Sale**

Real estate for sale decreased by ₱148.7 million (31%), to 327.1 million as of December 31, 2019 from ₱475.8 million as of December 31, 2018, due to sales of real estate.

### **Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI")**

The Company's FVOCI increased by ₱742.0 million (16%), to ₱5,512.8 million as of December 31, 2019 from ₱4,770.8 million as of December 31, 2018, due increases in the market values of these investments.

### **Intangible Asset**

This pertains to the cost of the License to operate integrated resorts that was granted by the Philippine Amusement and Gaming Corp ("PAGCOR") to PLAI. Belle and MRP are Co-Licensees under PLAI's PAGCOR License. Amortization of the intangible asset on the License started on December 14, 2014, which is the effectivity date of the Notice to Commence Casino Operations granted by PAGCOR. Intangible assets decreased by ₱115.8 million (3%) in 2019 mainly due to amortization expense on the License.

### **Investment Properties**

This account consists mainly of carrying value of the City of Dreams Manila land and building in Entertainment City in Aseana Business Park in Paranaque City. The ₱603.0 million (3%) decrease during 2019 were due to depreciation expense on the City of Dreams Manila building.

### **Goodwill**

Goodwill decreased by ₱377.5 million due to provision for impairment on Pacific Online's Goodwill in 2019.

### **Other Assets**

Other assets decreased by ₱75.7 million (3%), to ₱2,138.0 million as of December 31, 2019 from ₱2,213.7 million as of December 31, 2018, mainly due to decreases in advances to contractors.

## **LIABILITIES**

Total liabilities increased by ₱271.9 million (2%), to ₱12,917.7 million as of December 31, 2019, from ₱12,645.8 million as of December 31, 2018, due to the recognition of contractual liabilities from leases as a result of the adoption of PFRS 16 (Leases) starting January 1, 2019.

### **Trade and Other Current Liabilities**

Trade and other current liabilities increased by ₱178.5 million (9%) to ₱2,288.7 million as of December 31, 2019, from ₱2,110.1 million as of December 31, 2018, due to increases in trade payables.

### **Loans Payable and Long-Term Debt**

Total consolidated debt, amounting to ₱6,461.1 million as of December 31, 2019, consists of Peso-denominated borrowings of Belle from various local financial institutions, with an average interest rate of approximately 5.57% per annum during the year ended December 31, 2019. The outstanding amount of total debt decreased by 1,076.7 million (14%) from 7,537.8 million as of December 31, 2018, due to debt principal repayments.

### **Other Noncurrent Liabilities**

Other Noncurrent Liabilities increased by ₱1,000.0 million (336%) to ₱3,988.5 million as of December 31, 2019, from ₱2,988.5 million as of December 31, 2018, due to the recognition of liabilities from long-term operating leases as a result of the adoption of PFRS 16 (Leases).

### **EQUITY**

The Company's shareholders' equity as of December 31, 2019 of ₱31,861.4 million was higher by ₱2,016.2 million (7%), compared to its shareholders' equity of ₱29,845.2 million as of December 31, 2018, due to the Company's consolidated net income of ₱2,923.8 million for 2019 and the ₱216.4 million increase in market values of financial assets at FVOCI. The increases were offset by the ₱1,158.3 million regular cash dividend paid to its shareholders on March 28, 2019.

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

#### ***Belle Corporation (consolidated)***

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Asset to equity ratio	<b>1.41 : 1.00</b>	1.42: 1.00
Current or Liquidity ratio	<b>2.25 : 1.00</b>	1.71: 1.00
Debt-to-equity ratio	<b>0.20 : 1.00</b>	0.25: 1.00
Net debt-to-equity ratio	<b>0.07 : 1.00</b>	0.16: 1.00
Interest rate coverage ratio	<b>7.51 : 1.00</b>	9.08:1.00
Return on assets	<b>7.3%</b>	7.7%
Return on equity	<b>10.3%</b>	10.7%

#### ***Premium Leisure Corp. (consolidated)***

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Asset to equity ratio	<b>1.11 : 1.00</b>	1.09 : 1.00
Current or Liquidity ratio	<b>4.45 : 1.00</b>	4.58 : 1.00
Debt-to-equity ratio	<b>0.14 : 1.00</b>	0.00 : 1.00
Net debt-to-equity ratio	<b>0.00 : 1.00</b>	(0.17) : 1.00
Interest rate coverage ratio	<b>268.42 : 1.00</b>	5.996 : 1.00
Return on assets	<b>10.75%</b>	12.2%
Return on equity	<b>11.82%</b>	13.3%

#### ***Pacific Online Systems Corporation (consolidated)***

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Asset to equity ratio	<b>1.30 : 1.00</b>	1.19 : 1.00
Current or Liquidity ratio	<b>2.40 : 1.00</b>	4.00 : 1.00
Debt-to-equity ratio	<b>0.30 : 1.00</b>	0.19 : 1.00
Net debt-to-equity ratio	<b>0.00 : 1.00</b>	(0.30) : 1.00
Interest rate coverage ratio	<b>(55.40): 1.00</b>	79.04 : 1.00
Return on assets	<b>-18.7%</b>	14.5%
Return on equity	<b>-24.4%</b>	17.3%



The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Interest-bearing debt}}{\text{Total Equity}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Equity	$\frac{\text{Net Income}}{\text{Average equity during the period}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Average assets during the period}}$
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$
Net debt-to-equity ratio	$\frac{\text{Interest-bearing debt less cash and cash equivalents}}{\text{Total Equity}}$

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2019, consolidated total debt of the Company of ₱6,461.1 million was comprised of borrowings from renewable short-term bank lines of ₱1,950.0 million and amortizing term loans from banks of ₱4,511.1 million. Belle has real estate projects, lease agreements and investments from which it expects to generate cash flow sufficient for its foreseeable requirements. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

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

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) 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 obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

## Financial Risk Management Objectives and Policies

The Group's principal financial liabilities are composed of trade and other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and cash equivalents, receivables and installment receivables. The Group also holds financial assets at FVPL, financial assets at FVOCI, deposits, refundable deposits and construction bonds, guarantee deposits, loans payable, long-term debt, lease liability, and obligations under finance lease.

The main risks arising from the Group's financial assets and financial liabilities are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Group's BOD and management review and agree on the policies for managing each of these risks and these are summarized below.

**Interest Rate Risk.** Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial assets and financial liabilities. The Group's exposure to interest rate risk relates primarily to the Group's long-term debt which are subject to cash flow interest rate risk.

The Group's policy is to manage its interest cost by limiting its borrowings and entering only into borrowings at fixed and variable interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with other variables held constant of the Company's income before income tax

	(In Thousands)	
	2021	2020
Increase (decrease) in basis points:		
100	<b>₱6,038</b>	(₱8,750)
(100)	<b>(6,038)</b>	8,750
50	<b>3,019</b>	(5,250)
(50)	<b>(3,019)</b>	5,250

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

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

	(In Thousands)	
	2021	2020
Cash and cash equivalents	<b>₱10,679</b>	₱19,636
Consultancy and software license fee payable*	<b>(733)</b>	(17,207)
Foreign currency-denominated financial assets		
(liabilities)	<b>₱9,946</b>	₱2,429

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

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

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

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

	2021		2020	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate*	5%	(5%)	5%	(5%)

	2021		2020	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Effect on income before income tax (in thousands)	₱1,339	(₱1,339)	₱4,213	(₱4,213)

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

**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 2021 and 2020 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	(In Thousands)	
	2021	2020
Impact in profit or loss		
5%	<b>₱3,653</b>	₱4,213
(5%)	<b>(3,653)</b>	(4,213)
Impact in comprehensive income		
5%	<b>₱363,521</b>	₱239,567
(5%)	<b>(363,521)</b>	(239,567)

**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.

In the Group's real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments/deposits made by the customer in favor of the Group and retain ownership of the property. The Group has the right to sell, assign or transfer to third party and any interest under sales contract, including its related receivables from the customers. The Group's primary target customers are high-income individuals and top corporations, in the Philippines and overseas. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

Trade receivables from sale of real estate units are secured with pre-completed property units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from sale of club shares are secured by the shares held by the Group. For other receivables, since the Group trades only with recognized third parties, there is no requirement for collateral.

With respect to credit risk arising from the financial assets of the Group, which comprise of cash and cash equivalents, investments held for trading, receivables, finance lease receivables, advances to associates, financial assets at FVOCI, deposits, refundable deposits and construction bonds, and guarantee bonds, 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.

(In Thousands)							
2021							
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalents*	₱2,081,651	₱-	₱-	₱-	₱-	₱-	₱2,081,651
Financial assets at FVPL	73,054	-	-	-	-	-	73,054
Receivables:							
Trade	4,854,185	-	9,407	5,181	45,982	212,458	5,127,213
Others	245,711	-	-	-	-	162,108	407,819
Advances to associates**	527	-	-	-	-	-	527
Financial assets at FVOCI	7,270,420	-	-	-	-	-	7,270,420
Advances to contractors***	139,740	-	-	-	-	-	139,740
Refundable deposit***	88,285	-	-	-	-	-	88,285
Guarantee bonds***	14,500	-	-	-	-	-	14,500
	₱14,768,073	₱-	₱9,407	₱5,181	₱45,982	₱374,566	₱15,203,209

\*Excluding cash on hand.

\*\*Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.

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

(In Thousands)							
2021							
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
Cash and cash equivalents*	₱2,579,407	₱-	₱-	₱-	₱-	₱-	₱2,579,407
Financial assets at FVPL	84,261	-	-	-	-	-	84,261
Receivables:							
Trade	2,492,468	23,984	9,658	30,973	323,571	212,458	3,093,112
Others	420,494	-	-	-	-	162,108	582,602
Advances to associates**	524	-	-	-	-	-	524
Financial assets at FVOCI	4,789,847	-	-	-	-	-	4,789,847
Advances to contractors***	139,740	-	-	-	-	-	139,740
Refundable deposit***	104,394	-	-	-	-	-	104,394
Guarantee bonds***	17,920	-	-	-	-	-	17,920
	₱10,629,055	₱23,984	₱9,658	₱30,973	₱323,571	₱374,566	₱11,391,807

\*Excluding cash on hand.

\*\*Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.

\*\*\*Presented under "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.

Past due accounts which pertain to trade receivables from sale of real estate units and club shares are recoverable since the legal title and ownership of the real estate units and club shares will only be transferred to the customers upon full payment of the contract price.

### 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:

(In Thousands)				
2021				
ECL Staging				
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱2,081,651	₱–	₱–	₱2,081,651
Advances to associates**	527	–	–	527
Advances to contractors***	139,740	–	–	139,740
Refundable deposits***	88,285	–	–	88,285
Guarantee bonds***	14,500	–	–	14,500
Receivables:				
Trade	4,863,592	51,163	212,458	5,127,213
Others	245,711	–	162,108	407,819
<b>Financial assets at FVOCI</b>	7,270,420	–	–	7,270,420
<b>Financial assets at FVPL</b>	73,054	–	–	73,054
<b>Gross Carrying Amount</b>	<b>₱14,777,480</b>	<b>₱51,163</b>	<b>₱374,566</b>	<b>₱15,203,209</b>

\*Excluding cash on hand.

\*\*Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.

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

(In Thousands)				
2020				
ECL Staging				
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱2,579,407	₱–	₱–	₱2,579,407
Advances to associates**	524	–	–	524
Advances to contractors***	139,740	–	–	139,740
Refundable deposit and construction bonds***	104,394	–	–	104,394
Guarantee bonds***	17,920	–	–	17,920
Receivables:				
Trade	2,526,110	354,544	212,458	3,093,112
Others	420,494	–	162,108	582,602
<b>Financial assets at FVOCI</b>	4,789,847	–	–	4,789,847
<b>Financial assets at FVPL</b>	84,261	–	–	84,261
<b>Gross Carrying Amount</b>	<b>₱10,662,697</b>	<b>₱354,544</b>	<b>₱374,566</b>	<b>₱11,391,807</b>

\*Excluding cash on hand.

\*\*Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.

\*\*\*Presented under "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, cash equivalents and short-term investments are deposited with the top ten banks in the Philippines; hence, considered high grade.

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

**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 following table summarizes the maturity profile of the Group's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted cash flows.

(In Thousands)						
2021						
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
<b>Financial Liabilities</b>						
Trade and other current liabilities*	P1,574,211	P–	P–	P–	P–	P1,574,211
Loans payable**	1,995,017	–	–	–	–	1,995,017
Long-term debt**	–	75,065	91,309	5,200,445	–	5,366,819
Refundable deposit***	–	–	–	–	153,999	153,999
	<b>P3,569,228</b>	<b>P75,065</b>	<b>P91,309</b>	<b>P5,200,445</b>	<b>P153,999</b>	<b>P9,090,046</b>

\*Excluding withholding and output tax payable.

\*\*Including future interest payments.

\*\*\*Presented under "Other noncurrent liabilities" account in the consolidated statement of financial position.

(In Thousands)						
2020						
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
<b>Financial Liabilities</b>						
Trade and other current liabilities*	P253,124	1,599,110	P486,028	P–	P–	2,338,262
Loans payable**	2,525,017	–	–	–	–	2,525,017
Long-term debt**	–	121,111	–	2,065,556	2,380,000	4,566,667
Refundable deposit***	–	–	–	–	199,311	199,311
	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>
	<b>2,778,141</b>	<b>1,720,221</b>	<b>P788,200</b>	<b>2,065,556</b>	<b>2,579,311</b>	<b>9,629,257</b>

\* Excluding withholding and output tax payable.

\*\*Including future interest payments.

\*\*\*Presented under "Other noncurrent liabilities" account in the consolidated statement of financial position.

The Group expects to settle its maturing obligations on long-term debt from its gaming revenues from casino operations, rental income on land and casino building (see Note 35) and expected profits from real estate development operations.

### Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2021 (and 2020).

The Group considers the following as its capital:

(In Thousands)		
	2021	2020
Common stock	P10,561,000	P10,561,000
Additional paid-in capital	5,503,731	5,503,731
Treasury stock	(2,476,697)	(2,476,700)
Equity share in cost of Parent Company shares held by associates	(2,501)	(2,501)
Cost of Parent Company common shares held by subsidiaries	(1,494,322)	(1,493,752)
Retained earnings	12,175,075	11,580,786
	<b>P24,266,286</b>	<b>P23,672,564</b>

## 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:

(In Thousands)						
2021						
	Valuation Date	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>						
Assets measured at fair value:						
Through profit or loss	December 31, 2021	P73,054	P73,054	P73,054	P-	P-
Through other comprehensive income (quoted)	December 31, 2021	7,270,420	7,270,420	7,270,420	-	-
Assets for which fair value is disclosed:						
Nonfinancial assets*	December 31, 2021	24,371,435	41,782,462	-	-	41,782,462
Advances to contractors**	December 31, 2021	112,529	69,708	-	-	69,708
<b>Liabilities</b>						
Liabilities for which fair value is disclosed:						
Refundable deposits	December 31, 2021	387,459	223,431	-	-	223,431
Long-term debt	December 31, 2021	4,885,000	4,987,980	-	-	4,987,980
Lease liability	December 31, 2021	6,542,094	6,474,460	-	-	6,474,460

\*Consist of investment properties

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

(In Thousands)						
2020						
	Valuation Date	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>						
Assets measured at fair value:						
Through profit or loss	December 31, 2020	P84,261	P84,261	P84,261	P-	P-
Through other comprehensive income (quoted)	December 31, 2020	4,789,847	4,789,847	4,789,847	-	-
Assets for which fair value is disclosed:						
Nonfinancial assets*	December 31, 2020	25,437,299	43,609,782	-	-	43,609,782
Advances to contractors**	December 31, 2020	139,740	134,587	-	-	134,587
<b>Liabilities</b>						
Liabilities for which fair value is disclosed:						
Refundable deposits	December 31, 2020	199,311	215,564	-	-	215,564
Long-term debt	December 31, 2020	4,566,667	4,946,284	-	-	4,946,284
Lease liability	December 31, 2020	6,696,360	7,243,504	-	-	6,696,360

\*Consist of investment properties

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

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

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

*Cash and Cash Equivalents, Advances to Associates, Receivables, Loans Payable, Trade and Other Current Liabilities and Installment Payable.* The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

*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.

*Long-term Debt.* The fair value long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of 2.91% to 3.74% in 2021 (and 1.75% to 2.49% in 2020).

*Lease Liabilities.* The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used are 0.99% to 4.87% in 2021 (and 0.99% to 3.95% in 2020).

#### Other Required Disclosures

A. The attached financial reports were prepared in accordance with accounting standards generally accepted in the Philippines.

B. Impact of Covid-19 to Belle's business and operations.

The Covid-19 pandemic has disrupted the business operations of the Company and its impact was explained in the management discussion and analysis of financial performance and financial condition.

C. 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.

D. There were no material changes in estimates of amounts reported in prior periods that have material effects in the current period.

E. Except as disclosed in the MD&A, there were no other issuances, repurchases and repayments of debt and equity securities. 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.

F. There were no material events subsequent to December 31, 2021 up to the date of this report that needs disclosure herein.

G. There were no changes in contingent liabilities or contingent assets since December 31, 2021, as of the date of this report

H. There exist no material contingencies affecting the current period.



## 2022 Plan of Operations

Belle shifted its principal activity from mining and oil exploration to property development when it developed Tagaytay Highlands in 1989. Residential projects in Tagaytay City include Pinecrest Village, The Villas, The Belle View, and The Woodlands. Residential projects in Batangas comprise the Midlands and Greenlands development areas. Among the Midlands residential projects are Alta Mira, Lakeview Heights, and Lakeside Fairways. Greenlands residential projects are Plantation Hills, The Parks at Saratoga Hills, The Verandas at Saratoga Hills, Fairfield and Nob Hill.

Development shifted to the Midlands starting with Alta Mira and Lakeview Heights, which were situated near the Tagaytay Midlands Golf Club. Midlands' themed residential subdivisions adjacent to the Tagaytay Midlands golf course were thereafter developed as Lakeside Fairways in 2007.

In August 2019, the Company launched The Grove, an expansion of Plantation Hills, which offers a combined leisure residential and farming concept within the Tagaytay Highlands Complex. With a 70% completion rate as of December 31, 2021, the Company targets to complete the construction of said project and turn-over the lots to buyers within the Q4 of 2023.

With many families looking for new normal homes resulting from the ongoing covid-19 pandemic, the Company endeavors to sell out its remaining inventory within the year, and look for properties that are available in its land bank for future development.

With the Taal Volcano eruption in January 2020 and the lingering pandemic, the Company continues to rely on good risk assessment and responsive actions to safeguard its operations. The Company prioritizes the safety of its employees and other stakeholders, and concentrates on the survival of its businesses, especially throughout the community lockdowns. Cost-cutting programs shall be pursued to help preserve future profitability, and it put emphasis on the minimization of waste and maximization of operating efficiency to help sustain the Company in the foreseeable future.

The Company remains fully committed to the principles of good corporate governance, ensuring that all its businesses adhere to the highest standards of transparency and accountability.

For the gaming side, construction of the Company's integrated resort at the entrance of PAGCOR's Entertainment City was completed in 2015. The site of the integrated resort is on a 6.2 hectare of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City, and it is about one kilometer away from the Mall of Asia Complex. On October 25, 2012, Belle and PLAI signed a Cooperation Agreement placing Belle as the licensee and owner of the resort's land and buildings, while Melco's Philippine affiliate, Melco Resorts & Entertainment (Philippines) Limited ("MRP") will be the developer and operator of all facilities within the resort complex. Melco is the developer and owner of integrated resort facilities historically focused on the Macau market. Its highly successful "City of Dreams" integrated resort complex on Macau's Cotai Strip houses a gaming facility, several international luxury hotels, and an upscale retail operation, along with a mix of bars and restaurants that draw large crowds from Hong Kong and China. On October 9, 2013, MRP announced the use of the name of Melco's flagship Macau resort to brand the integrated resort as "City of Dreams Manila", and later announced Crown Towers (changed to Nuwa in 2017), Hyatt and Nobu as the hotel brands to be used for the resort's more than 900 hotel rooms. City of Dreams Manila has approximately 30 hectares of gross floor area, which houses more than two hectares of gaming space, more than two hectares of retail and restaurant facilities, more than 900 high-quality hotel rooms, and various entertainment facilities. As of December 31, 2019, it is allowed to operate a maximum of approximately 302 gaming tables, 1,891 slot machines, and 234 electronic table games.

The combined investment of Belle and MRP in City of Dreams Manila as of the official opening date on February 2, 2015, including the estimated value of land used for the project, was approximately US\$1.3 billion. The soft opening of City of Dreams Manila took place on December 14, 2014, and the Grand Launch took place on February 2, 2015. Belle and MRP already satisfied the US\$1 billion minimum required level of investment and all other PAGCOR Guidelines by the time of its Grand Launch, resulting in City of Dreams Manila being the first property in Entertainment City to be issued a Regular License on May 5, 2015.

Existing investments will continue to be managed at Belle's listed gaming subsidiary, PLC. PLC, which is 79.8%-owned by Belle as of December 31, 2021, owns 100% of the capital stock of PLAI and 50.1% of all issued shares of Pacific Online. PLAI is a co-licensee with Belle and MRP under the PAGCOR license for City of Dreams Manila, and is entitled to a share of gaming earnings therefrom through an Operating Agreement with MRP. Pacific Online is a listed company that leases online equipment to the Philippine Charity Sweepstakes Office for its lottery and keno operations.

## **ANNEX TO MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) SECTION**

### **Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of obligation**

None. The Company does not foresee and events that may trigger material financial obligation to the Company, including default or acceleration of an obligation.

### **All material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period**

None. There were no material off-balance sheet transactions, arrangement, obligations, and other relationships of the Company with unconsolidated entities or other persons that the Company is aware of during the reporting period.

### **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 Disagreement 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") is the Company's external auditor for 2021. Representatives of RT&Co are expected to be present at the 2022 Annual Stockholders' 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 previous external auditor or RT&Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope of procedure.

In compliance with the SRC Rule 68, paragraph 3 (b) and (ix) (Rotation of External Auditors) which states that signing partner shall be rotated after every five (5) years of engagement with a two-year cooling-off period for the re-engagement of the same signing partner, the Company engaged Belinda B. Fernando of RT&Co. for the examination of financial statements of 2020. Previously, the examination of financial statements was handled by the following Sycip Gorres Velayo partners, Ms. Belinda Hui (years 2016 to 2020), Mr. Juanito A. Fullecido (years 2007 to 2008); Mr. Roel E. Lucas (years 2009 to 2011); Ms. Clairma C. Manganey (years 2012 to 2013); Ms. Marydith C. Miguel (year 2014); and Ramon Dizon (year 2015).

The Company paid Reyes Tacandong ₱1,450,000.00 for external audit services for 2021, and SGV ₱1,400,000.00 for 2020. For each of the last two (2) fiscal years, Reyes Tacandong & Co. and SGV did not render services for tax accounting, planning, compliance, advice, or any other professional services for which it billed the Company the corresponding professional fees.

The Audit Committee, composed of Mr. Amando M. Tetangco, Jr., as Chairman, Atty. Maria Gracia P. Tan and Mr. Jacinto C. Ng, Jr. as Members, 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 Executive Committee approves the audit fees as recommended by the Audit Committee.

## PART III. CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Registrant

#### 1. Directors and Executive Officers

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

#### Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	Date of first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual/Special Meeting)	No. of years and months served as director
Willy N. Ocier	ED	06/24/1999	25-Jun-21	Annual	22 yrs and 6 mos
Elizabeth Anne C. Uychaco	NED	12/23/2009	25-Jun-21	Annual	12 yrs
Manuel A. Gana	ED	03/15/2017	25-Jun-21	Annual	4 yrs and 9 mos
Jaime J. Bautista	ID	06/25/21	25-Jun-21	Annual	6 mos
Jacinto C. Ng, Jr.	NED	7/08/2000	25-Jun-21	Annual	21 yrs and 4 mos
Jose T. Sio	NED	12/23/2009	25-Jun-21	Annual	12 yrs
Maria Gracia P. Tan	ID	06/25/2021	25-Jun-21	Annual	6 mos
Amando M. Tetangco, Jr.	ID	12/04/2017	25-Jun-21	Annual	4 yrs
Virginia A. Yap	NED	07/30/2010	25-Jun-21	Annual	11 yrs and 5 mos

#### Executive Officers:

	Name	Citizenship	Age as of 12.31.2021	Position
1	Willy N. Ocier	Filipino	65	Chairman / Executive Director
2	Manuel A. Gana	Filipino	64	Director / President, CEO, CIO, and CO
3	Jackson T. Ongsip	Filipino	48	EVP and CFO, Treasurer
4	Armin Antonio B. Raquel Santos	Filipino	54	EVP - Integrated Resorts
5	A. Bayani K. Tan <sup>(a)</sup>	Filipino	66	Corporate Secretary
6	Jason C. Nalupta <sup>(b)</sup>	Filipino	50	Corporate Secretary
7	Arthur A. Sy	Filipino	52	Asst. Corporate Secretary
7	Michelle T. Hernandez	Filipino	50	Chief Risk Officer and VP for Governance
8	Anna Josefina G. Esteban	Filipino	54	Internal Audit Head

(a) Retired effective 26 March 2021

(b) Appointed effective 26 March 2021

## **Board of Directors**

The information on the business affiliations and experiences of the following directors and officers are current as of December 31, 2021 and within the past five (5) years.

### **WILLY N. OCIER**

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

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

### **ELIZABETH ANNE C. UYCHACO**

Ms. Uychaco, 66, Filipino, is Vice Chairperson, Executive Committee Vice Chairperson, and Compensation and Remuneration Committee member of Belle Corporation. She was first elected on December 2009. Ms. Uychaco is also Senior Vice President of SM Investments Corporation, Chairperson of Neo Group, and Board Director of Goldilocks Bakeshop, Inc., ACE Hardware Philippines, Inc., Philippines Urban Living Solutions, and Republic Glass Holdings Corporation. She is also a Trustee of Asia Pacific College and President and Trustee of Senior Member Social Club.

Ms. Uychaco is a graduate of St. Scholastica's College. She holds two Master's degrees in Business Economics from the University of Asia and Pacific and Business Administration from the Ateneo School of Business.

### **MANUEL A. GANA**

Mr. Gana, 64, Filipino, is an Executive Board Director and the President and Chief Executive Officer of Belle Corporation, to which he was first appointed on March 15, 2017. He is also a member of the Corporation's Executive Committee and Compensation & Remuneration Committee. Mr. Gana was appointed as the Vice President and Chief Financial Officer of the Company in September 2000, and was promoted to Executive Vice President and Chief Financial Officer in August 2007. He joined Belle in June 1997 as Vice President for Corporate Development and Special Projects, during which time he was also assigned as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, then a subsidiary of Sinophil Corporation (now called Premium Leisure Corp.). He is also a Director and the Treasurer of Tagaytay Highlands International Golf Club, Inc. Previously, he was Director of Investment Banking at Nesbitt Burns Securities Inc. in New York, USA. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York, USA), and for Procter & Gamble Philippine Manufacturing Corporation.

Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.

### **JAIME J. BAUTISTA**

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

24 years for Philippine Airlines and its subsidiaries.

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

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

#### **JACINTO C. NG, JR.**

Mr. Ng, Jr., 52, Filipino, is a Non-executive Director since August 2000, a member of the Executive Committee, Audit Committee, and Risk Oversight Committee of Belle Corporation, and concurrently a Director of Highlands Prime, Inc.

He is the Group Executive Officer of the Joy~Nostalg Group, chairman of the Joy~Nostalg Foundation, a member of the Rebisco Foundation, XS86 Men for Others Foundation, Xavier School Educational Trust Fund and Xavier School Inc.'s Board of Trustees.

Mr. Ng, Jr. holds a Bachelor of Science degree in Architecture from the University of the Philippines.

#### **JOSE T. SIO**

Mr. Sio, 82, Filipino, is a Non-executive director and Chairman of Compensation and Remuneration Committee, was first elected on December 2009. He is the Chairman of the Board of SM Investments Corporation and Director of China Banking Corporation, Atlas Consolidated Mining and Development Corporation, Far Eastern University, NLEX Corporation and Ortigas Land Corporation. Mr. Sio is also an Adviser to the Board of BDO Unibank, Inc. and Premium Leisure Corp. He is a former Senior Partner of SGV& Co. He is a Certified Public Accountant and obtained his Master's Degree in Business Administration (MBA) from New York University, USA.

#### **MARIA GRACIA P. TAN**

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

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

Backed by four decades of professional work in the Philippines and abroad as 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.

#### **AMANDO M. TETANGCO, JR.\***

Mr. Tetangco, 69, Filipino, is the Lead Independent Director of Belle Corporation who was elected on December 4, 2017. He is concurrently an independent director of SM Prime Holdings, Inc., Converge ICT Solutions, Inc. and Pilipinas Shell Petroleum Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines, and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center,

Tan Yan Kee Foundation and Foundation for Liberty and Prosperity.

Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was a career central banker for over four decades, having joined the Central Bank of the Philippines (the predecessor of Bangko Sentral ng Pilipinas [BSP]) on 25 March 1974. During his term as Governor, he held other government positions, such as the Chairman of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center. He was also Vice-Chair of the Agriculture Credit Policy Council; and a member of the Capital Markets Development Council and the Export Development Council. Prior to his first appointment as Governor in 2005, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP. He also was the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV and Co. in 1973-74.

Overseas, he was the country's representative to the ASEAN Central Bank Forum; the Executives' Meeting of East Asia and Pacific Central Banks; the South East Asia Central Banks; the South East Asia, New Zealand and Australia; and the Center for Latin American Monetary Studies. He was the Governor for the Philippines at the International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies. He also chaired various international committees -- the BIS Asian Consultative Council; the Financial Stability Board Regional Consultative Group for Asia; and the Alliance for Financial Inclusion Steering Committee.

He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He also received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance.

#### **VIRGINIA A. YAP**

Ms. Yap, 70, Filipino, is a Non-Executive Director of Belle Corporation. She is also a member of the Company's Executive Committee. Ms. Yap holds key positions in SM Investments Corporation as a Senior Vice President – Office of the Chairman and Securities Department. She is also a Director of the APC Group, Inc.

She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

#### **\*Independent Directors**

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors, which have been adopted and made part of the Corporation's By-Laws.

The Corporate Governance Committee, composed of Mr. Jaime J. Bautista (Chairman), Atty. Maria Gracia P. Tan, and Mr. Amando M. Tetangco, Jr., determine that the nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory / fiduciary roles and responsibilities in the Board and its Committees, Belle's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics and the Revised Manual on Corporate Governance.

All directors are also encouraged to participate in continuing education programs annually at Belle's expense to promote relevance and effectiveness and to keep them abreast of the latest developments in corporate directorship and good governance.

## **Executive Officers**

### **MANUEL A. GANA**

Mr. Gana, 64, Filipino, is an Executive Board Director and the President and Chief Executive Officer of Belle Corporation, to which he was first appointed on March 15, 2017. He is also a member of the Corporation's Executive Committee and Compensation & Remuneration Committee. Mr. Gana was appointed as the Vice President and Chief Financial Officer of the Company in September 2000, and was promoted to Executive Vice President and Chief Financial Officer in August 2007. He joined Belle in June 1997 as Vice President for Corporate Development and Special Projects, during which time he was also assigned as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, then a subsidiary of Sinophil Corporation (now called Premium Leisure Corp.). He is also a Director and the Treasurer of Tagaytay Highlands International Golf Club, Inc. Previously, he was Director of Investment Banking at Nesbitt Burns Securities Inc. in New York, USA. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York, USA), and for Procter & Gamble Philippine Manufacturing Corporation.

Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.

### **JACKSON T. ONGSIP**

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

### **ARMIN ANTONIO B. RAQUEL SANTOS**

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

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

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

### **JASON C. NALUPTA**

Mr. Nalupta, Filipino, 50, Filipino, is the Corporate Secretary of the Company. He is also currently the Corporate Secretary of listed firms A. Brown Company, Inc., Asia United Bank, Pacific Online Systems Corporation, and Crown Asia Chemicals Corporation. He is also a Director and/ or Corporate Secretary or

Assistant Corporate Secretary of private companies, Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Belle Infrastructure Holdings, Inc. (Formerly: Metropolitan Leisure & Tourism Corporation), Belle Bay Plaza Corporation, Glyphstudios, Inc., Grabagility, Inc., Loto Pacific Leisure Corporation, Stage Craft International, Inc., FHE Properties, Inc., Stanley Electric Philippines, Inc., and Sta. Clara International Corporation. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Atty. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Atty. Nalupta was admitted to the Philippine Bar in 1997.

#### **ARTHUR A. SY**

Atty. Sy, 52, Filipino, is an Assistant Corporate Secretary of the Company. He is also the Senior Vice President for Legal Department of SM Investments Corporation, where he also serves as the Assistant Corporate Secretary. He is likewise the currently appointed Assistant Corporate Secretary of SM Prime Holdings, Inc., Premium Leisure Corp. and 2GO Group, Inc. and the Corporate Secretary of various major companies within the SM Group and the National University. A member of the New York Bar, Atty. Sy holds a Juris Doctor degree from the Ateneo de Manila University, School of Law.

#### **ANNA JOSEFINA G. ESTEBAN**

Ms. Esteban, Filipino, 54 is the Chief Audit Executive of the following publicly listed companies: (i) Belle Corporation; (ii) Premium Leisure Corp; (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 T. HERNANDEZ**

Ms. Hernandez, 50, Filipino, is the Chief Risk Officer and Vice President for Governance, 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. She has a bachelor's degree in Tourism (Cum Laude) from the University of Sto. Tomas.

#### **Period of Officership:**

<b>Name</b>	<b>Office</b>	<b>Period Served</b>
Willy N. Ocier	Chairman and Executive Director	June 22, 2020 to present
	Vice Chairman	June 1999 to June 22, 2020
Manuel A. Gana	President, CEO, CIO, and CO	From March 15, 2017 to Present
	EVP and CFO	From September 2000 to March 15, 2017
	VP for Corporate Finance and Special Projects	From July 1997 to September 2000
Jackson T. Ongsip	EVP, CFO, Treasurer	From March 15, 2017 to Present
Armin Antonio B. Raquel Santos	EVP - Integrated Resorts	From September 2011 to Present
Jason C. Nalupta	Corporate Secretary	From March 26, 2021 to Present
Arthur A. Sy	Asst. Corporate Secretary	From April 2010 to Present
Anna Josefina G. Esteban	Chief Audit Executive	From September 2018 to Present



Michelle T. Hernandez	VP for Governance Chief Risk Officer	From March 2015 to Present From June 2021 to Present
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The following will be nominated as Officers at the Organizational meeting of the Board of Directors:

	Name	Office
1	Willy N. Ocier	Chairman and Executive Director
2	Manuel A. Gana	President, CEO, and CIO
3	Jackson T. Ongsip	EVP, CFO and Treasurer
4	Armin Antonio B. Raquel Santos	EVP - Integrated Resorts
5	Jason C. Nalupta	Corporate Secretary
6	Arthur A. Sy	Asst. Corporate Secretary
7	Anna Josefina G. Esteban	Chief Audit Executive
8	Michelle Angeli T. Hernandez	Chief Risk Officer and Chief Compliance Officer

**a. Directorships in Other Publicly Listed Companies:**

As of December 31, 2021, the following are directorships held by Directors and Officers in other reporting companies in the last five years:

Directors' and Officers' Names	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent) Indicate if Director is also the Chairman
Willy N. Ocier	Premium Leisure Corp.	Chairman, Executive Director
	Pacific Online Systems Corporation	Chairman, Non-Executive Director
	APC Group, Inc.	Chairman, Non-Executive Director
	AbaCore Capital Holdings, Inc.	Non-Executive Director
	Leisure & Resorts World Corporation	Non-Executive Director
	Vantage Equities, Inc.	Non-Executive Director
Elizabeth Anne C. Uychaco	Republic Glass Holdings Corporation	Non-Executive Director
Jaime J. Bautista	Premium Leisure Corp.	Independent Director
	Cosco Capital, Inc.	Non-Executive Director
	Philippine Bank of Communications	Non-Executive Director
	Nickel Asia Corporation	Independent Director
Jose T. Sio	SM Investments Corporation	Chairman, Non-Executive Director
	China Banking Corporation	Non-Executive Director
	Atlas Consolidated Mining and Development Corporation	Non-Executive Director
	Far Eastern University, Incorporated	Non-Executive Director
Maria Gracia P. Tan	Premium Leisure Corp.	Independent Director
	Pacific Online Systems Corporation	Independent Director

Amando M. Tetangco, Jr.	Converge ICT Solutions, Inc.	Independent Director
	Pilipinas Shell Petroleum Corporation	Independent Director
	SM Prime Holdings, Inc.	Independent Director
Virginia A. Yap	APC Group, Inc.	Non-Executive Director
Armin Antonio B. Raquel Santos	Premium Leisure Corp.	President, Chief Executive Officer, and Executive Director
	Pacific Online Systems Corporation	Non-Executive Director
Jackson T. Ongsip	APC Group, Inc.	Non-Executive Director
	Pacific Online Systems Corporation	President, Chief Executive Officer, and Executive Director

## 2. Significant Employees

There are no other significant employees.

## 3. Family Relationships

Mr. Willy N. Ocier, Chairman, and Ms. Nancy O. Hui, Vice President for Administration, are siblings.

## 4. Involvement in Certain Legal Proceedings

A criminal and administrative complaint (OMB-C-C-13-0092) for alleged violation of Republic Act No. 3019 was filed against former officials of the Monetary Board, including then BSP Governor Amando M. Tetangco, with the Office of the Ombudsman. The Complaint was dismissed by the Ombudsman on May 13 2015. The dismissal was elevated to the Court of Appeals (CA) (CA-G.R.SP No. 144038), which sustained the dismissal on May 15, 2017. The CA's resolution was assailed with the Supreme Court (SC) (G.R. 234696) upon the filing of a Petition for Review dated November 29, 2017. The case remains pending with the SC.

This is a complaint for damages filed by Mr. Antonio Tiu, et al. against Mr. Amando M. Tetangco, Jr., et. al in connection with the Report of the Anti Money Laundering Council (AMLC), which served as the basis of AMLCs ex-parte petition for the issuance of Freeze Order issued by the Court of Appeals in CA G.R. AMLA No. 00134 dated 11 May 2015. Mr. Tetangco, Jr., et. al., were impleaded in their official capacity as members and/or officers of the AMLC.

In an order dated 27 March 2020, the Regional Trial Court of Quezon City dismissed the Complaint for Damages (Civil Case No. R-QZN-15-04513-CV) as to plaintiff Spouses James and Ann Lorraine Tiu against Mr. Tetangco Jr., Ms. Teresita Herbosa, Mr. Emmanuel Doc, and Ms. Julia Abad; and ordered Mr. Antonio Tiu to amend his complaint. Plaintiffs filed a Motion for Reconsideration, to which the Office of the Solicitor General (in representation of defendants Tetangco, et al) filed its Comment. In an Order dated 9 February 2021, the trial court denied the Motion for Reconsideration filed by the Spouses Tiu and upheld its earlier 27 March 2020 Order dismissing the case. Aggrieved Tiu, et al filed a Petition for Certiorari with the Court of Appeals (CA-G.R. SP No. 169478), assailing the 27 March 2020 and 09 February 2021 Orders. The case remains pending as of date.

Except as provided above, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- a. 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 the bankruptcy or within two years prior to that time;
- b. any order, judgement, 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

- c. any finding 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 securities or commodities law, and the judgement has not been reversed, suspended or vacated.

## Item 10. Executive Compensation

### Summary Compensation Table (Annual Compensation)

Position	Year	Salary/ Per Diem Allowance	Bonus	Retirement Benefits
Willy N. Ocier Manuel A. Gana Armin B. Raquel Santos Jackson T. Ongsip Michelle T. Hernandez	Chairman of the Board President and CEO EVP – Integrated Resorts EVP and CFO VP – Governance			
President and 4 Most Highly Compensated Executive Officers	2022 (Estimate) 2021 2020	26,176,000 26,176,000 24,736,000	4,122,667 2,061,333 3,896,000	
All other officers and directors as a group unnamed	2022 (Estimate) 2021 2020	12,040,000 13,838,795 14,046,000	6,841,000	

### Compensation of Directors

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

Directors	2021 Per Diem
1 Tetangco, Jr., Armando M. (ID)	3,000,000
2 Tan, Maria Gracia P. * (ID)	1,041,096
3 Bautista, Jaime J.* (ID)	1,041,096
4 Ocier, Willy N.	720,000
5 Gana, Manuel A.	720,000
6 Uychaco, Elizabeth Anne C.	720,000
7 Sio, Jose T.	720,000
8 Ng, Jr., Jacinto C.	720,000
9 Yap, Virginia A.	720,000

\* first elected on June 25, 2021

As of December 31, 2021, there were no outstanding warrants or options held by any of the Company's directors and officers.

## Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There was 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.

## Stock Warrants and Options Outstanding

There were no outstanding stock warrants and options held by directors and officers as of December 31, 2021.

Pursuant to Section 5.2. of the Amended Stock Option Plan, the number of shares granted under the Plan shall be correspondingly adjusted in the event of any merger, consolidation, reorganization, recapitalization, reclassification of stock, stock dividends, splits, rights, or any other change in the corporate structure or capitalization of the Company's common stock as presently consulted.

The Company will not be taking any action as regards its existing Stock Option Plan.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 1. Security Ownership of Certain Record and Beneficial Owners

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

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Belleshares Holdings, Inc. Makati Stock Exchange Building, Ayala Avenue, Makati City	Belleshares Holdings	Filipino	2,604,740,622	24.664
Common	PCD Nominee Corporation <sup>1</sup> GF Makati Stock Exchange, 6767 Ayala Avenue, Makati City	(see footnote)	Filipino	2,511,938,424	23.785
Common	PCD Nominee Corporation <sup>1</sup> GF Makati Stock Exchange, 6767 Ayala Avenue, Makati City	(see footnote)	Non-Filipino	1,996,428,767	18.904
Common	Sysmart Corporation <sup>2</sup> Makati Stock Exchange Building, Ayala Avenue, Makati City	Sysmart Corporation	Filipino	1,629,355,469	15.428
Common	Sybase Equity Investments Corporation <sup>2</sup> Makati Stock Exchange Building, Ayala Avenue, Makati City	(see footnote)	Filipino	531,320,577	5.031

<sup>1</sup> 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 Belle are to be voted. The participants of PCD who owns more than 5% of the Company's outstanding capital are:

- a. Citibank N.A. – with ownership of 1,093,047,503 or 11.20%.
- b. BDO Securities Corporation – with ownership of 843,737,949 or 8.64%, and
- c. The Hong Kong Shanghai Banking Corporation Limited – Clients' Account – with ownership of 808,403,257 or 8.28%.

The shares held by Belleshares Holdings, Inc., Sysmart Corporation, Sybase Equity Investments Corporation, Citibank N.A., BDO Securities Corporation, and The Hong Kong Shanghai Business Corporation – Clients' Account, shall be voted or disposed by the persons who shall be duly authorized by these record or beneficial shareholders for the purpose. The natural person/s that has/have the power to vote on the shares of the foregoing companies shall be determined upon the submission of its proxy from the Company, which is not later than seven (7) days before the date of the meeting.

Apart from the foregoing, there are no other persons holding more than 5% of the Company's outstanding capital stock.

## 2. Security Ownership of Management

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

Title Class	Name of Beneficial Owner	Citizenship	Direct		Indirect		Total	
			No.	%	No.	%	No.	%
Common	Willy N. Ocier	Filipino	71,408,702	-	-	0.73	71,408,702	0.731
Common	Elizabeth Anne C. Uychaco	Filipino	1,000	0.000	-	0.000	1,000	0.000
Common	Manuel A. Gana	Filipino	51,000	0.001	-	0	51,000	0.001
Common	Amando M. Tetangco, Jr.	Filipino	1,000	0.000	-	0.000	1,000	0.000
Common	Jaime J. Bautista	Filipino	1,000	0.000	10,000	0.000	11,000	0.000
Common	Jacinto C. Ng, Jr.	Filipino	135,860,666	1.392	-	0	135,860,666	1.392
Common	Jose T. Sio	Filipino	1,000	0.000	-	0.000	1,000	0.000
Common	Maria Gracia P. Tan	Filipino	666	0.000	-	0	666	0.000
Common	Virginia A. Yap	Filipino	110,000	0.001	50,000	0.001	160,000	0.002
Common	Sy, Arthur A.	Filipino	-	-	-	-	-	0.000
Common	Jason C. Nalupta	Filipino	-	-	-	-	-	0.000
Common	Anna Josefina G. Esteban	Filipino	-	-	-	-	-	0.000
Common	Michelle T. Hernandez	Filipino	-	-	-	-	-	0.000

## 3. Voting Trust Holders of 5% or More

There is no party known to the Company as holding any voting trust or any similar arrangement for five percent (5%) or more of the Company's voting securities.

## 4. Changes in Control

There is no arrangement that may result in a change in control of the Company.

## Item 12. Certain Relationship and Related Transactions

No director or executive officer or any member of their immediate family has, during the last two (2) years, had a direct, or indirect, material interest in a transaction or proposed transaction to which the Company was a party.

## PART IV. CORPORATE GOVERNANCE

### Corporate Objectives:

#### 1. Deliver the finer things in life to our customers.

- Identify trends and opportunities in tourism and leisure industries.
- Forge partnerships with world-class organizations: Belle has always looked for business partners with a proven track record, domain expertise, similar values.
- Enhance and launch prime leisure amenities and developments.

#### 2. Enhance a shareholder value.

- Realize sustained recurring earning growth year on year.
- Endeavor to model global good governance best practices, and continue to be one of the top 100 Philippine publicly-listed companies scoring above 90 points in the annual ASEAN Corporate Governance Scorecard.
- Pay consistent dividends to shareholders.

#### 3. Establish a culture of sustainability across our business.

- Embed sustainability in its operations: Sustainability is a core value of Belle Corporation and working with the communities we operate in is a priority for our operations, including programs to lower use of fossil fuels, achieve more efficient waste management, care for the environment, and uplift the lives of the less privileged in our communities.
- Establish social partnerships: Belle Kaagapay partners with a number of non-government organizations to expand the reach of its community initiatives.

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

### Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. The Board and Committee Meetings for 2021 were scheduled during the Board Meeting in October 2021. A director's absence or non-participation in more than 50% of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2021, each of the Company's Directors have complied with the requirements. Below table shows the attendance of each board member in the meetings conducted during the year:

Attendance in Board of Directors' Meeting in 2021											
Director		2/24	3/25	4/14	4/19	5/12	6/25 <sup>1</sup>	6/25	7/29	10/28	12/9
1	Ocier, Willy N.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	Uychaco, Elizabeth Anne C.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3	Gana, Manuel A	✓	-	✓	✓	✓	✓	✓	✓	✓	✓
4	Bautista, Jaime J. <sup>2</sup>	-	-	-	-	-	✓	✓	✓	✓	✓
5	Ng, Jacinto C. Jr.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6	Sio, Jose T.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
7	Tan, Maria Grace P. <sup>2</sup>	-	-	-	-	-	✓	✓	✓	✓	✓
8	Tetangco, Amando M. Jr.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9	Yap, Virginia A.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

<sup>1</sup> - Annual Stockholders' Meeting

<sup>2</sup> - elected on June 25, 2021

## Board Performance Evaluation

The Company conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees to ensure optimum Board performance. In this evaluation process, directors identify areas for improvement, some of which are: the timelines and integrity of information given to them, directors' access to management, the Corporate Secretary and Board Advisors, and other form of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised.

In line with governance best practices, the board evaluations shall be facilitated by a third-party independent assessor every three (3) years reckoned from January 1, 2017 (effectivity date of the 2016 Code of Corporate Governance for Publicly Listed Companies).

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

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

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

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

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

The appraisal for 2021 performance shall be conducted before June 2021.

## 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 Securities and Exchange Commission.

The annual training for directors and key officers was held on September 30, 2021 and virtually conducted by the Institute of Corporate Directors.

Names	Training provider	Training date	Venue	Training course
Ocier, Willy N.	Institute of Corporate Directors	30-Sep-21	via Zoom Meetings	Advanced Corporate Governance Training
Uychaco, Elizabeth Anne C.				
Gana, Manuel A.				
Bautista, Jaime J.				
Ng, Jacinto C. Jr.				
Sio, Jose T.				
Tan, Maria Gracia P.				
Tetangco, Amando M. Jr.				
Yap, Virginia A.				

## Manual on Corporate Governance

In compliance with the initiative of the Securities and Exchange Commission ("SEC"), BELLE submitted its Manual on Corporate Governance (the "Manual") to the SEC. This manual institutionalizes the principles of good corporate governance in the entire Company. The Company believes that corporate governance, the framework of rules, systems, and processes governing the performance of the Board of Directors 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 operated. The Company undertakes every effort

possible to create awareness throughout the entire organization.

The Board approved on February 24, 2021 the Revised Corporate Governance Manual and has been posted in the Company's website: <https://www.bellecorp.com/sites/default/files/governance/Amended%20MCG%2002242021%20-%20WEBSITE.pdf>

## Board Committees

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

1. **Executive Committee** – oversees the management of the Company and is responsible for the Company's finances, goals, and policies. Further, it is also tasked to foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic directions and policies, guidelines and programs that can sustain the Company's long-term viability and strength;
2. **Audit Committee** – directly interfaces with the internal and external auditors in the conduct of their duties and responsibilities. Its mandate includes the review of the Company's financial reports and subsequent recommendation to the Board for approval. The Committee also reviews the Company's **Internal Control System**, its audit plans and audit processes, and the Internal Audit Charter;
3. **Compensation and Remuneration Committee** oversees the development and implementation of policies on salaries and benefits, as well as promotions and other forms of career advancement. The Committee also reviews existing human resource policies to ensure the continued growth and development of the Company's workforce;
4. **Risk Oversight Committee** reviews and assesses the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks.

Subsequently, the following Board Committees were created:

5. **Related Party Transactions Committee** assists the Board in assessing material agreements with a related party to determine whether to approve, ratify, disapprove or reject a RPT. The Committee takes into account whether the RPT is entered into on terms favorable to the Corporation than terms generally available to an unaffiliated third party under the same or similar circumstances;
6. **Corporate Governance Committee** advises and assists the Board of Directors in performing its responsibilities with regard to corporate governance compliance in relation to the Company's Manual on Corporate Governance, PSE's rules on disclosures and corporate governance guidelines of the SEC. Likewise, it is also responsible for monitoring the trends on corporate governance and for making the appropriate recommendations to the Board of Directors.



Below is the summary of Board Committee meetings in 2021:

EXECUTIVE COMMITTEE		28-Jan-21	24-Jun-21	29-Sep-21	19-Oct-21	25-Nov-21	16-Dec-21
Chairman	Ocier, Willy N.	x	x	x	x	x	x
Member	Uychaco, Elizabeth Anne C.	x	x	x	x	x	x
Member	Gana, Manuel A.	x	x	x	x	x	x
Member	Ng, Jacinto C. Jr.	x	x	x	x	x	x
Member	Yap, Virginia A	x	x	x	x	x	x

AUDIT COMMITTEE		23-Feb-21	24-Mar-21	14-Apr-21	11-May-21	28-Jul-21	15-Oct-21	27-Oct-21
Chairman	Kilayko, Gregorio U. <sup>1</sup> (ID)	x	x	x	x	-	-	-
Member	Virata, Cesar E. A. <sup>2</sup> (ID)	x	x	x	x	-	-	-
Member	Ng, Jacinto C. Jr.	x	x	x	x	x	x	x
Chairman	Tetangco, Amando M. Jr. <sup>3</sup> (ID)	-	-	-	-	x	x	x
Member	Tan, Maria Gracia P. <sup>4</sup> (ID)	-	-	-	-	x	x	x

<sup>1</sup> - Audit Committee Chairman until the end of his term as Independent Director on June 25, 2021  
<sup>2</sup> - Audit Committee member until the end of his term on June 25, 2021  
<sup>3</sup> - appointed as Audit Committee Chairman on June 25, 2021  
<sup>4</sup> - elected as Independent Director on June 25, 2021

CORPORATE GOVERNANCE COMMITTEE		23-Feb-21	24-Mar-21	11-May-21	27-May-21	27-Oct-21	26-Nov-21
Chairman	Tetangco, Amando M. Jr. <sup>1</sup> (ID)	x	x	x	x	-	-
Member	Kilayko, Gregorio U. <sup>2</sup> (ID)	x	x	x	x	-	-
Member	Virata, Cesar E. A. <sup>2</sup> (ID)	x	x	x	x	-	-
Chairman	Bautista, Jaime J. <sup>3</sup> (ID)	-	-	-	-	x	x
Member	Tan, Maria Gracia P. <sup>4</sup> (ID)	-	-	-	-	x	x
Member	Tetangco, Amando M. <sup>5</sup>	-	-	-	-	x	x

<sup>1</sup> - Corporate Governance Committee Chairman until June 25, 2021  
<sup>2</sup> - Corporate Governance Committee member until the end of his term as Independent Director on June 25, 2021  
<sup>3</sup> - elected as Independent Director and appointed as Corporate Governance Committee Chairman on June 25, 2021  
<sup>4</sup> - elected as Independent Director and appointed as Corporate Governance Committee Member on June 25, 2021  
<sup>5</sup> - appointed as Corporate Governance Committee Member beginning June 25, 2021

COMPENSATION AND REMUNERATION COMMITTEE		24-Feb-21	27-Jul-21
Chairman	Sio, Jose T.	x	x
Member	Uychaco, Elizabeth Anne C.	x	x
Member	Gana, Manuel A.	x	x
Member	De Quiros, Emilio S. Jr. <sup>1</sup>	x	-
Member	Kilayko, Gregorio U. <sup>1</sup>	x	-
Member	Tetangco, Amando M. Jr. <sup>2</sup>	-	x

<sup>1</sup> - tenure as Director ended on June 25, 2021  
<sup>2</sup> - appointed as Compensation and Remuneration Committee Member on June 25, 2021

RISK OVERSIGHT COMMITTEE		23-Feb-21	24-Mar-21	11-Aug-21	27-Oct-21	26-Nov-21
Chairman	Virata, Cesar E. A. <sup>1</sup> (ID)	x	x	-	-	-
Member	Kilayko, Gregorio U. <sup>2</sup> (ID)	x	x	-	-	-
Member	Ng, Jacinto C. Jr.	x	x	-	-	-
Chairman	Tan, Maria Gracia P. <sup>3</sup> (ID)	-	-	x	x	x
Member	Tetangco, Amando M. Jr. (ID)	-	-	x	x	x
Member	Bautista, Jaime J. <sup>5</sup> (ID)	-	-	x	x	x

<sup>1</sup>- Risk Oversight Committee Chairman until the end of his term as Independent Director on June 25, 2021

<sup>2</sup>- term as Independent Director ended on June 25, 2021

<sup>3</sup>- elected as Independent Director and appointed as Risk Oversight Committee Chairperson on June 25, 2021

<sup>4</sup>- appointed as Risk Oversight Committee Member on June 25, 2021

<sup>5</sup>- elected as Independent Director and appointed as Risk Oversight Committee Member on June 25, 2021

RELATED PARTY TRANSACTIONS COMMITTEE		23-Feb-21
Chairman	Tetangco, Amando M. Jr. <sup>1</sup> (ID)	x
Member	Kilayko, Gregorio U. <sup>2</sup> (ID)	x
Member	Virata, Cesar E. A. <sup>2</sup> (ID)	x
Chairman	Bautista, Jaime J. <sup>3</sup> (ID)	-
Member	Tan, Maria Gracia P. <sup>4</sup> (ID)	-
Member	Tetangco, Amando M. Jr. <sup>5</sup> (ID)	-

<sup>1</sup>- Related Party Transactions Committee Chairman until June 25, 2021

<sup>2</sup>- term as Independent Director ended on June 25, 2021

<sup>3</sup>- elected as Independent Director and appointed as Related Party Transactions Committee Chairman on June 25, 2021

<sup>4</sup>- elected as Independent Director and appointed as Related Party Transactions Committee Member on June 25, 2021

<sup>5</sup>- appointed as Related Party Transactions Committee Member beginning June 25, 2021

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE <sup>1</sup>		24-Feb-21
Chairman	De Quiros, Emilio S. Jr.	x
Member	Gana, Manuel A.	x
Member	Uychaco, Elizabeth Anne C.	x
Member	Yap, Virginia A.	x

<sup>1</sup>- merged with the Corporate Social Responsibility Committee effective June 25, 2021

ENVIRONMENTAL-SOCIAL COMMITTEE <sup>1</sup>		24-Feb-21
Chairman	Uychaco, Elizabeth Anne C.	x
Member	De Quiros, Emilio S. Jr.	x
Member	Ocier, Willy N.	x
Member	Yap, Virginia A.	x

<sup>1</sup>- merged with the Corporate Social Responsibility Committee effective June 25, 2021

## Risk Oversight Committee

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

appetite with its long-term strategic objectives.

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

### **The Audit Committee**

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

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

### **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 Manual on Corporate Governance (Manual), the Company’s Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The 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 corporate website.

### **Governance Policies**

Company 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 BELLE Corporate website: <https://www.bellecorp.com/corporate-governance/company-policies> These policies and procedures are initially cascaded throughout the organization via email blast, intranet portal and annual corporate governance trainings.

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

### **Employees’ Safety, Health, and Welfare**

Belle Corporation recognizes its employees as one of its most important resource, hence, the Company endeavors to attract, inspire and retain people who demonstrate competencies and attributes that are aligned with Belle’s strategies. Some of Belle’s non-financial performance indicators, such as those shown below, identify relevant measures on how effectively the Company is achieving business objectives in the area of human resources.

## Board Diversity

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

The Belle Board matrix below demonstrates compliance with this policy.

BELLE 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 / Leisure	IT / Comm	Insurance	Investment	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales & Mktg.
Willy N. Ocier Chairman Executive Director	65	M	Bachelor of Arts in Economics					✓	✓	✓	✓	✓		✓			✓			✓	✓	✓	✓
Elizabeth Anne C. Uychaco Vice Chairperson Non-Executive Director	66	F	Bachelor of Arts Degree																				
			Master in Business Economics				✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓	
			Master in Business Administration																				
Manuel A. Gana President & CEO Executive Director	64	M	Bachelor of Arts in Economics																				
			Bachelor of Science in Accounting	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓		✓	✓		✓		✓	
			Master of Business Administration																				
Jaime J. Bautista Independent Director	64	M	Bachelor of Science - Commerce major in Accounting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Jacinto C. Ng, Jr. Non-Executive Director	52	M	Bachelor of Science Degree Architecture	✓	✓	✓	✓	✓	✓	✓	✓			✓			✓			✓		✓	✓
Jose T. Sio Non-Executive Director	82	M	Accounting Degree	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓		✓	✓	✓	✓	
			Master in Business Administration																				
Maria Gracia P. Tan Independent Director	66	F	Bachelor of Science - Business Administration and Accounting, and Bachelor of Laws	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓			✓		✓	
			Masters in Law (Tax)																				
Amando M. Tetangco, Jr. Lead Independent Director	69	M	AB Economics Degree	✓	✓	✓		✓	✓	✓		✓	✓	✓			✓			✓		✓	
			Master in Business Administration																				
			Master in Public Policy & Administration																				
Virginia A. Yap Executive Director	Non-70	F	Bachelor of Science Degree Commerce, Accounting Major	✓				✓	✓	✓		✓		✓	✓		✓			✓		✓	

## Insider Trading Policy

Belle Corporation prohibits the Company's directors, officers, and employees from using privileged company information for personal gain.

## 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.

Below table shows the shareholdings of Belle Directors and Officers as of December 31, 2021:

Name of Director / Officer	Number of Shares held as of 12.31.2020	Acquisition (+)	Disposition (-)	Number of Shares held as of 12.31.2021	% of Ownership
Ocier, Willy N.	69,928,702	1,480,000	-	71,408,702	0.73
Uychaco, Elizabeth Anne C.	1,000	-	-	1,000	0
Gana, Manuel A.	51,000	-	-	51,000	0
Bautista, Jaime J.*	-	-	-	11,000	0
Ng, Jacinto Jr. C.	135,860,666	-	-	135,860,666	1.39
Sio, Jose T.	1,000	-	-	1,000	0
Tan, Maria Gracia P. *	-	-	-	666	0
Tetangco, Amando Jr. M.	1,000	-	-	1,000	0
Yap, Virginia A.	160,000	-	-	160,000	0
<b>TOTALS</b>	<b>206,003,368</b>	<b>1,480,000</b>	<b>0</b>	<b>207,495,034</b>	<b>2.11</b>

\* elected on June 25, 2021

## 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 from the commencement 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 Manual on Corporate Governance (Manual).

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 Manual on Corporate Governance, by any of its directors, officers or employees.

## PART V. EXHIBITS AND SCHEDULES

### Item 13. Exhibits and Reports in SEC Form 17-C

#### a. Exhibits

The following exhibit is filed as a separate section of this  
report:Subsidiaries of the Registrant

The other exhibits are either not applicable to the Registrant or require no answer.


#### b. Reports on SEC Form 17-C

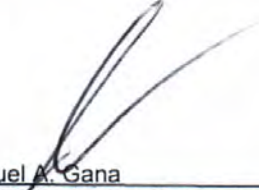
Date Filed	Item No.	Matter
Feb. 19, 2021	4	Resignation of Director
Feb. 24, 2021	9	2021 Annual Stockholders' Meeting
Feb. 24, 2021	9	Change in the Number of Outstanding Shares
Feb. 24, 2021	9	Amendments to the By-laws
Mar. 4, 2021	9	Change in the Number of Outstanding Shares
Mar. 25, 2021	9	Rescheduling of 2021 Annual Stockholders' Meeting
Mar. 25, 2021	4	Retirement and Appointment of Officers
Mar. 25, 2021	9	Notice of 2021 Annual Stockholders' Meeting
Mar. 25, 2021	9	Amendment to Articles of Incorporation
May 12, 2021	9	Rescheduling of 2021 Annual Stockholders' Meeting
Jun. 24, 2021	9	Change in the Number of Outstanding Shares
Jun. 25, 2021	9	Results of Annual Stockholders' Meeting
Jun. 25, 2021	9	Results of Organizational Meeting of the Board of Directors
Jun. 25, 2021	9	Amendment to Articles of Incorporation
Sep. 20, 2021	9	Amendment to Articles of Incorporation
Sep. 21, 2021	9	Amendments to the By-laws

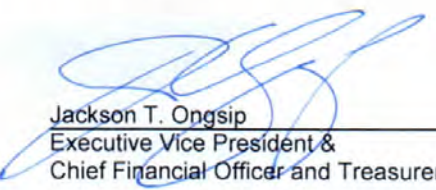
## SIGNATURES

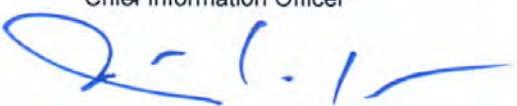
Pursuant to the requirements of Section 17 of the Securities Regulation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on day of MAR 14 2022 2022.

By:

  
Willy N. Ocier  
Chairman of the Board

  
Manuel A. Gana  
President and Chief Executive Officer,  
Chief Information Officer

  
Jackson T. Ongsip  
Executive Vice President &  
Chief Financial Officer and Treasurer

  
Jason C. Nalupta  
Corporate Secretary

MAR 14 2022

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_ affiants exhibiting to me their \_\_\_\_\_ as follows:

NAME	PASSPORT/ TIN No.	DATE OF ISSUE	PLACE OF ISSUE
Willy N. Ocier			
Manuel A. Gana			
Jackson T. Ongsip			
Jason C. Nalupta			

Doc. No. 102  
Page No. 22  
No. 61  
Pages of 200

**JOSHUA PLAPUZ**  
Notary Public for Makati City  
Appointment No. 51-19 / Until 12-31-23  
Roll No. 45790 / IBP Life No. 04897 / 07-03-03  
PTR-O.R. No. 8852510 / 01-03-22 / Makati City  
MCLE No. VI-001-8-5-00 / 14-19  
G/F Festman Square, 100 Sancho St.  
Lungsod Village, 1229 Makati City



**BELLE CORPORATION**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**FORM 17-A, Item 7**

<b>Consolidated Financial Statements</b>	<b>Page No.</b>
Statement of Management's Responsibility for Financial Statements	
Report of Independent Public Accountants	see attached FS
Consolidated Balance Sheets as of December 31, 2020 and 2019	
Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018	
Consolidated Statements of Changes in Equity for the years ended December 31, 2020, 2019 and 2018	
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018	
Notes to Consolidated Financial Statements	

## **Securities Regulation Code Rule 68 Schedules**

### **Report of Independent Public Accountants on Supplementary Schedules**

- 1) 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. Intangible Assets - Other Assets
  - E. Long-Term Debt
  - F. Indebtedness to Related Parties
  - G. Guarantees of Securities of Other Issuers
  - H. Capital Stock
  - I. Reconciliation of Retained Earnings Available for Dividend Declaration
  - J. Key Financial Ratios
- 2) Schedule of all the effective standards and interpretations
- 3) Map of the relationships of the companies within the group

## 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	*

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



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


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

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

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

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

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



**WILLY N. OVIER**

Chairman of the Board



**MANUEL A. GANA**

President and Chief Executive Officer



**JACKSON T. ONGSIP**

Executive Vice President  
and Chief Financial Officer

Signed February 24, 2022



**FEB 28 2022**

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_ 2022 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER			
MANUEL A. GANA			
JACKSON T. ONGSIP			

DOC NO. : 17  
PAGE NO. : 5  
BOOK NO. : 29  
SERIES OF : 2022.

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

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

							5	2	4	1	2
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### COMPANY NAME

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

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

5	t	h		F	l	o	o	r	,		T	o	w	e	r		A	,		T	w	o		E	-	C	o	m		C	e	n	t	e	r	,		P	
a	l	m		C	o	a	s	t		A	v	e	n	u	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m	p	l	e	x	,	
C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y																						

Form Type

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

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

Not Applicable
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### COMPANY INFORMATION

Company's Email Address

info@bellec corp.com
----------------------

Company's Telephone Number

(02) 8662-8888
----------------

Mobile Number

Not Applicable
----------------

No. of Stockholders

1,764
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Annual Meeting

4 <sup>th</sup> Monday of April
---------------------------------

Calendar Year (Month / Day)

12/31
-------

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Jackson T. Ongsip
-----------------------

Email Address

info@bellec corp.com
----------------------

Telephone Number

(02) 8662-8888
----------------

Mobile Number

0917-5578203
--------------

### CONTACT PERSON'S ADDRESS

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City
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**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Belle Corporation  
5th Floor, Tower A, Two E-Com Center  
Palm Coast Avenue, Mall of Asia Complex  
CPB-1A, Pasay City

### *Opinion*

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC).

### *Basis for Opinion*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Lease Concessions (As Lessor)

The Group granted lease concessions to its lessee and accounted the lease concessions as adjustment to its lease income. The Group recognized its lease income only to the extent collectible. The Group's accounting of lease concession is significant to our audit because the recorded amounts are material to the consolidated financial statements and involves application of significant judgment and estimation.

We obtained understanding of the type, extent and periods covered in the lease concessions granted by the Group and evaluated management's judgments, reviewed the calculation of the financial impact of lease concession prepared by management and assessed the adequacy of the related disclosures in Notes 3, *Significant Judgments, Accounting Estimates and Assumptions*, 10, *Investment Properties*, and 33, *Lease Commitments*, to the consolidated financial statements.

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

At each reporting date, the Group is required to assess the recoverability of goodwill. As at December 31, 2021, assessing goodwill arising from acquisition of POSC amounting to ₱926.0 million is considered significant to the consolidated financial statements because management's assessment involves significant judgment such as determination of revenue growth rate, discount rate and the long-term growth rate. These judgments are based on assumptions that are subject to high level of estimation uncertainty especially during the current economic condition where coronavirus pandemic is still prevailing.

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

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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



*Other Matter*

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 audit 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 audit. We remain solely responsible for our audit opinion.

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

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



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

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

**REYES TACANDONG & Co.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila

**BELLE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2021**

**(With Comparative Figures for 2020)**

**(Amounts in Thousands)**

	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	<b>₱2,082,301</b>	₱2,592,070
Financial assets at fair value through profit or loss (FVPL)	6	<b>73,054</b>	84,261
Receivables	7	<b>4,219,351</b>	5,034,824
Current portion of contract assets	7	<b>70,319</b>	39,903
Real estate for sale - at cost	8	<b>351,120</b>	470,609
Land held for future development - at cost	8	<b>3,021,120</b>	3,013,950
Other current assets	9	<b>2,518,964</b>	1,872,788
<b>Total Current Assets</b>		<b>12,336,229</b>	13,108,405
<b>Noncurrent Assets</b>			
Installment receivables - net of current portion	7	<b>941,115</b>	269,600
Investment properties	10	<b>24,371,435</b>	25,437,299
Financial assets at fair value through other comprehensive income (FVOCI)	11	<b>7,270,420</b>	4,789,847
Intangible asset	12	<b>4,233,538</b>	4,349,372
Goodwill	15	<b>926,008</b>	926,008
Investments in and advances to associates - net	14	<b>119,688</b>	121,356
Property and equipment	13	<b>86,082</b>	143,911
Right-of-use assets	33	<b>54,812</b>	71,732
Deferred tax assets - net	32	<b>21,399</b>	82,415
Pension asset	34	<b>17,384</b>	14,012
Contract assets - net of current portion	7	—	46,302
Other noncurrent assets	16	<b>649,467</b>	641,649
<b>Total Noncurrent Assets</b>		<b>38,691,348</b>	36,893,503
		<b>₱51,027,577</b>	₱50,001,908
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable	18	<b>₱1,995,017</b>	₱2,525,017
Trade and other current liabilities	17	<b>1,809,301</b>	2,384,734
Income tax payable		—	6
Current portion of:			
Lease liabilities	33	<b>345,679</b>	148,613
Long-term debt	20	<b>15,000</b>	121,111
<b>Total Current Liabilities</b>		<b>4,164,997</b>	5,179,481

(Forward)

	Note	2021	2020
<b>Noncurrent Liabilities</b>			
Noncurrent portion of:			
Lease liabilities	33	<b>₱6,196,415</b>	₱6,538,881
Long-term debt	20	<b>4,870,000</b>	4,445,556
Deferred tax liabilities - net	32	<b>2,377,323</b>	2,968,910
Pension liability	34	<b>30,894</b>	59,291
Other noncurrent liabilities	19	<b>378,515</b>	375,672
Total Noncurrent Liabilities		<b>13,853,147</b>	14,388,310
Total Liabilities		<b>18,018,144</b>	19,567,791
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Common stock	21	<b>10,561,000</b>	10,561,000
Additional paid-in capital	21	<b>5,503,731</b>	5,503,731
Treasury stock	21	<b>(2,476,697)</b>	(2,476,700)
Cost of Parent Company shares held by subsidiaries	21	<b>(1,464,322)</b>	(1,464,322)
Equity share in cost of Parent Company shares held by associates	14	<b>(2,501)</b>	(2,501)
Other reserves		<b>5,715,643</b>	3,675,936
Excess of net assets over acquisition cost of acquired subsidiaries		<b>252,040</b>	252,040
Retained earnings	21	<b>12,175,075</b>	11,580,786
		<b>30,263,969</b>	27,629,970
<b>Noncontrolling Interests</b>		<b>2,745,464</b>	2,804,147
Total Equity		<b>33,009,433</b>	30,434,117
		<b>₱51,027,577</b>	₱50,001,908

See accompanying Notes to Consolidated Financial Statements.

**BELLE CORPORATION AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(With Comparative Figures for 2020 and 2019)**  
**(Amounts in Thousands, Except for Earnings per Share)**

	Note	2021	2020	2019
<b>REVENUES</b>				
Gaming revenue share - net	22	<b>₱1,300,291</b>	₱635,217	₱2,976,366
Lease income	10	<b>807,921</b>	2,663,226	2,670,953
Sale of real estate		<b>587,812</b>	234,965	487,307
Equipment rental	33	<b>426,346</b>	328,438	681,484
Revenue from property management		<b>179,618</b>	168,296	214,635
Commission and distribution income	36	<b>–</b>	–	308,381
Others	23	<b>118,946</b>	143,258	130,308
		<b>3,420,934</b>	4,173,400	7,469,434
<b>COSTS AND EXPENSES</b>				
Cost of lease income	27	<b>(1,294,948)</b>	(1,206,514)	(836,938)
Cost of lottery services	24	<b>(374,204)</b>	(494,211)	(983,422)
Cost of real estate sold	26	<b>(301,406)</b>	(134,934)	(202,335)
Cost of gaming operations	25	<b>(135,895)</b>	(135,692)	(135,865)
Cost of services for property management	28	<b>(113,574)</b>	(100,957)	(159,854)
General and administrative expenses	29	<b>(693,103)</b>	(1,312,959)	(1,386,592)
		<b>(2,913,130)</b>	(3,385,267)	(3,705,006)
<b>OTHER INCOME (CHARGES)</b>				
Interest expense	30	<b>(603,832)</b>	(559,570)	(478,880)
Interest income	30	<b>24,981</b>	55,451	75,157
Unrealized loss on financial asset at fair value through profit or loss	6	<b>(23,623)</b>	(6,196)	(15,248)
Net foreign exchange gain (loss)		<b>750</b>	(1,994)	(2)
Others - net	31	<b>310,493</b>	843,194	(128,289)
		<b>(291,231)</b>	330,885	(547,262)
<b>INCOME BEFORE INCOME TAX</b>		<b>216,573</b>	1,119,018	3,217,166
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	32			
Current		<b>12,656</b>	36,653	274,033
Deferred		<b>(541,285)</b>	190,664	19,406
		<b>(528,629)</b>	227,317	293,439
<b>NET INCOME</b>		<b>745,202</b>	891,701	2,923,727
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Not to be reclassified to profit or loss in subsequent years:</i>				
Unrealized valuation gain (loss) on financial assets at FVOCI	11	<b>2,044,638</b>	(713,764)	477,455
Remeasurement gain (loss) on pension asset/liability - net of tax		<b>27,133</b>	17,021	(24,296)
		<b>2,071,771</b>	(696,743)	453,159
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱2,816,973</b>	₱194,958	₱3,376,886

(Forward)

	Note	2021	2020	2019
<b>Net income attributable to:</b>				
Equity holders of the Parent Company		<b>₱576,983</b>	₱1,001,281	₱2,609,733
Noncontrolling interests		<b>168,219</b>	(109,580)	313,994
		<b>₱745,202</b>	₱891,701	₱2,923,727
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Parent Company		<b>₱2,633,997</b>	₱302,824	₱2,891,414
Noncontrolling interests		<b>182,976</b>	(107,866)	485,472
		<b>₱2,816,973</b>	₱194,958	₱3,376,886
<b>Basic/Diluted Earnings Per Share</b>	37	<b>₱0.061</b>	₱0.106	₱0.276

*See accompanying Notes to Consolidated Financial Statements.*

**BELLE CORPORATION AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(With Comparative Figures for 2020 and 2019)**  
**(Amounts in Thousands, Except for Par Value and Number of Shares)**

	Note	2021	2020	2019
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>				
<b>CAPITAL STOCK</b> - ₱1 par value				
Authorized - 14,000,000,000 shares				
Issued - 10,560,999,857 shares	21	<b>₱10,561,000</b>	₱10,561,000	₱10,561,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	21	<b>5,503,731</b>	5,503,731	5,503,731
<b>TREASURY STOCKS</b> - at cost	21			
Balance at beginning of year		<b>(2,476,700)</b>	(2,476,700)	(2,476,700)
Issuance of treasury stocks		<b>3</b>	—	—
Balance at end of year		<b>(2,476,697)</b>	(2,476,700)	(2,476,700)
<b>COST OF PARENT COMPANY SHARES HELD BY SUBSIDIARIES</b>				
Balance at beginning of year	21	<b>(1,464,322)</b>	(1,493,752)	(1,695,369)
Sale of Parent Company shares by a subsidiary		—	29,430	201,617
Balance at end of year		<b>(1,464,322)</b>	(1,464,322)	(1,493,752)
<b>EQUITY SHARE IN COST OF PARENT COMPANY SHARES HELD BY ASSOCIATES</b>	21	<b>(2,501)</b>	(2,501)	(2,501)
<b>OTHER RESERVES</b>				
<b>Cumulative unrealized marked to market gain (loss) on financial assets at FVOCI</b>				
Balance at beginning of year		<b>616,228</b>	1,334,901	1,047,057
Unrealized gain (loss)		<b>2,029,880</b>	(713,683)	296,917
Realized gain transferred to retained earnings	11	<b>(17,306)</b>	(4,990)	(9,073)
Balance at end of year		<b>2,628,802</b>	616,228	1,334,901
<b>Accumulated share in cumulative unrealized marked to market gain on financial assets at FVOCI of associate</b>		<b>14,061</b>	14,061	14,061
<b>Cumulative remeasurement on pension asset/liability</b>				
Balance at beginning of year		<b>1,519</b>	(13,707)	1,529
Remeasurement gain (loss) - net of tax		<b>27,133</b>	15,226	(15,236)
Balance at end of year		<b>28,652</b>	1,519	(13,707)
<b>Transaction with noncontrolling interests</b>		<b>3,044,128</b>	3,044,128	3,044,128
		<b>5,715,643</b>	3,675,936	4,379,383

(Forward)



	Note	2021	2020	2019
<b>EXCESS OF NET ASSETS OVER ACQUISITION COST OF ACQUIRED SUBSIDIARIES</b>				
		<b>₱252,040</b>	<b>₱252,040</b>	<b>₱252,040</b>
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		<b>11,580,786</b>	11,707,576	10,221,830
Net income		<b>576,983</b>	1,001,281	2,609,733
Realized gain transferred to retained earnings	11	<b>17,306</b>	4,990	9,073
Cash dividends	21	—	(1,133,061)	(1,133,060)
Balance at end of year		<b>12,175,075</b>	11,580,786	11,707,576
		<b>30,263,969</b>	27,629,970	28,430,777
<b>NONCONTROLLING INTERESTS</b>				
Balance at beginning of year		<b>2,804,147</b>	3,430,612	3,374,425
Share in dividends declared by a subsidiary		<b>(241,660)</b>	(298,169)	(429,285)
Share in net income (loss)		<b>168,219</b>	(109,580)	313,994
Share in unrealized gain (loss) on financial assets at FVOCI		<b>14,758</b>	(81)	180,538
Share in remeasurement gain (loss) on pension asset/liability		—	1,795	(9,060)
Purchase of treasury share of a subsidiary		—	(220,430)	—
Balance at end of year		<b>2,745,464</b>	2,804,147	3,430,612
		<b>₱33,009,433</b>	<b>₱30,434,117</b>	<b>₱31,861,389</b>

See accompanying Notes to Consolidated Financial Statements.

**BELLE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(With Comparative Figures for 2020 and 2019)**  
**(Amounts in Thousands)**

	Note	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>₱216,573</b>	₱1,119,018	₱3,217,166
Adjustments for:				
Depreciation and amortization	10, 13	<b>1,289,144</b>	1,277,876	1,080,631
Interest expense	30	<b>603,832</b>	559,570	478,880
Gain from reversal of provisions	31	<b>(281,317)</b>	(756,115)	–
Amortization of discount on trade receivables	7	<b>(72,600)</b>	(69,517)	(80,854)
Interest income	30	<b>(24,981)</b>	(55,451)	(75,157)
Unrealized loss on financial assets at FVPL	6	<b>23,623</b>	6,196	15,248
Pension cost	34	<b>6,078</b>	14,432	8,786
Dividend income	31	<b>(5,275)</b>	(13,995)	(26,784)
Equity in net loss of associates	14	<b>1,671</b>	2,519	–
Unrealized foreign exchange loss (gain) – net		<b>(750)</b>	1,994	2
Gain on termination of leases	31	<b>(567)</b>	(13,114)	–
Gain on sale of property and equipment	13	<b>(176)</b>	(16)	(840)
Impairment of goodwill	15	–	417,801	377,518
Gain on disposal of net assets of subsidiaries	15	–	(70,338)	–
Impairment loss on right-of-use assets	29	–	9,325	–
Operating income before working capital changes		<b>1,755,255</b>	2,430,185	4,994,596
Decrease (increase) in:				
Receivables and contract assets		<b>232,444</b>	(2,326,250)	(575,963)
Real estate for sale and land held for future development		<b>112,319</b>	(152,006)	141,809
Other current assets		<b>(644,332)</b>	(287,951)	–
Noncurrent assets		<b>(22,317)</b>	(218,070)	58,931
Increase (decrease) in trade and other current liabilities		<b>(310,468)</b>	1,204,806	260,079
Net cash generated from operations		<b>1,122,901</b>	650,714	4,879,452
Interest received		<b>24,981</b>	55,453	100,643
Income taxes paid		<b>(6)</b>	(1,895)	(277,022)
Retirement benefits paid	34	–	(1,810)	–
Net cash provided by operating activities		<b>1,147,876</b>	702,462	4,703,073
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Financial assets at FVOCI	11	<b>(522,651)</b>	(9,243)	(310,769)
Property and equipment	13	<b>(26,817)</b>	(106,064)	(45,323)
Financial assets at FVPL	6	<b>(12,416)</b>	–	–
Proceeds from disposal of:				
Property and equipment	13	<b>1,749</b>	9,243	992
Financial assets at FVOCI	11	<b>86,716</b>	18,449	46,179
Financial assets at FVPL	6	–	50,000	–
Dividends received	31	<b>5,275</b>	13,995	26,784
Expenditures on investment properties	10	–	(293,553)	–
Proceeds from disposal of net assets of subsidiaries	16	–	74,026	–
Decrease (increase) in investments in and advances to associates and related parties		<b>(2)</b>	3	67
Net cash used in investing activities		<b>(468,146)</b>	(243,144)	(282,070)

(Forward)

	Note	2020	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Long-term debt and loans payable	18, 20	(P3,831,667)	(P4,044,444)	(P4,691,319)
Lease liabilities	33	(152,285)	(404,102)	(138,242)
Interest	30	(584,637)	(574,152)	(429,755)
Proceeds from:				
Availment of loans and long-term debt	18, 20	3,620,000	4,675,000	3,650,000
Acquisition of Parent Company shares held by a subsidiary		-	-	201,617
Dividends paid		(241,660)	(1,401,800)	(1,562,345)
Acquisition of treasury shares by a subsidiary		-	(220,430)	-
Net cash used in financing activities		(1,190,249)	(1,969,928)	(2,970,044)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		750	(1,994)	(2)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		(509,769)	(1,512,604)	1,450,957
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		2,592,070	4,104,674	2,653,717
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
		P2,082,301	P2,592,070	P4,104,674

See accompanying Notes to Consolidated Financial Statements.

**BELLE CORPORATION AND SUBSIDIARIES**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(With Comparative Information for 2020 and 2019)

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**1. General Information**

**Corporate Information**

Belle Corporation (Belle or the Parent Company) is a stock corporation organized in the Philippines on August 20, 1973 and was listed at the Philippine Stock Exchange (PSE) on February 2, 1977. The businesses of Belle, direct and through subsidiaries and associates, include mainly real estate development, principally in the high-end leisure property market, gaming and various investment holdings. Belle and its subsidiaries are collectively referred to as “the Group.”

The registered office address of Belle is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City.

The subsidiaries and interest in a joint operation of the Parent Company, which are all incorporated in the Philippines, are as follows:

	Industry	2021			2020			2019		
		Percentage of Ownership			Percentage of Ownership			Percentage of Ownership		
		Direct	Indirect	Total	Direct	Indirect	Total			
<i>Subsidiaries:</i>										
Belle Bay Plaza Corporation (Belle Bay Plaza)*	Investment	100.0	–	100.0	100.0	–	100.0	100.0	–	100.0
Belle Infrastructure Holdings, Inc., (formerly Metropolitan Leisure and Tourism Corporation)*	Investment	100.0	–	100.0	100.0	–	100.0	100.0	–	100.0
Parallax Resources, Inc. (Parallax)*	Investment	100.0	–	100.0	100.0	–	100.0	100.0	–	100.0
SLW Development Corporation (SLW)*	Investment	100.0	–	100.0	100.0	–	100.0	100.0	–	100.0
Belle Grande Resource Holdings Inc. (BGRHI)	Investment	100.0	–	100.0	100.0	–	100.0	100.0	–	100.0
Premium Leisure Corp. (PLC) and Subsidiaries:	Gaming	79.8	–	79.8	79.5	0.3	79.8	79.5	0.3	79.8
PremiumLeisure and Amusement, Inc. (PLAI)	Gaming	–	100.0	100.0	–	100.0	100.0	–	100.0	100.0
Foundation Capital Resources Inc.*	Investment	–	100.0	100.0	–	100.0	100.0	–	100.0	100.0
Sinophil Leisure and Resorts Corporation*	Investment	–	100.0	100.0	–	100.0	100.0	–	100.0	100.0
Pacific Online Systems Corporation (POSC) and Subsidiaries:	Gaming	–	50.1	50.1	–	50.1	50.1	–	50.1	50.1
Loto Pacific Leisure Corporation (LotoPac)	Gaming	–	100.0	100.0	–	100.0	100.0	–	100.0	100.0
Lucky Circle Corporation (LCC) and Subsidiaries**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Athena Ventures, Inc.**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Avery Integrated Hub, Inc.**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Circle 8 Gaming Ventures, Inc.**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Luckydeal Leisure, Inc.**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Luckyfortune Business Ventures, Inc.**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Luckypick Leisure Club Corp.**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Luckyventures Leisure Corp.**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Lucky Games Entertainment Ventures Inc.**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Orbis Valley Corporation**	Gaming	–	–	–	–	–	–	–	100.0	100.0
Total Gaming Technologies, Inc. (TGTI)	Gaming	–	98.9	98.9	–	98.9	98.9	–	98.9	98.9
Falcon Resources Inc. (FRI)	Gaming	–	100.0	100.0	–	100.0	100.0	–	100.0	100.0
TGTI Services, Inc.	Gaming	–	100.0	100.0	–	100.0	100.0	–	100.0	100.0
<i>Interest in a Joint Operation -</i>										
PinoyLotto Technologies Corp. (PinoyLotto)	Gaming		50.0	50.0	–	–	–	–	–	–
<i>*Non-operating</i>										

\*Non-operating

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

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## 2. Summary of Significant Accounting Policies

### **Basis of Preparation and Statement of Compliance**

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as modified by the application of financial reporting relief issued and approved by the SEC in response to the COVID-19 pandemic. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The following are the financial reporting reliefs issued and approved by the SEC:

SEC Memorandum Circular (MC) No. 34, Series of 2020, *Deferral of PIC Q&A No. 2018-12 (as amended by PIC Q&A 2020-05) and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23-Borrowing Cost) for Real Estate Industry*, provides relief to the real estate industry by deferring the application of SEC MC No. 14, Series of 2018 with respect to accounting for significant financing component and exclusion of land in the calculation of POC, and IFRIC Agenda Discussion on over time transfer of constructed goods under PAS 23, *Borrowing Cost*, for another period of three (3) years or until 2023.

SEC MC No. 8, Series of 2021, *Amendments to SEC MC No. 14 Series of 2018, SEC MC No. 3 Series of 2019, SEC MC No. 4 and 34 Series of 2020 to Clarify Transitory Provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when adopting the provisions of PIC Q&A and IFRIC pronouncements.

Among the financial reporting reliefs, the Group applied only the relief with respect to accounting for significant financing component. The impact of the application of such financial reporting relief is discussed in "Amendments to PFRS Issued But Not Yet Effective" section.

### **Measurement Bases**

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

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

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

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

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

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Further information about the assumptions made in measuring fair values are included in Notes 10, 11, 14 and 39.

#### **Adoption of Amendment to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendment to PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2021:

- *PIC Q&A 2018-12 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-05) - Treatment of Uninstalled Materials in the Calculation of POC* – The PIC Q&A provides guidance in recognizing revenue using a cost-based input method. Customized materials should be included in the measurement of the progress of work while materials that are not customized should be excluded.
- *PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges* – The PIC Q&A provides guidance in assessing whether a real estate developer is acting as a principal or agent in certain services to its tenants. The assessment considers the indicators of when an entity controls the specified service (and is, therefore, a principal) such as whether the entity is primarily responsible for fulfilling the promise to provide the service, whether the entity has inventory risk and whether the entity has discretion in establishing the price.
- *Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023.

The Group did not avail of the relief provided by the SEC. The adoption of the IFRIC agenda decision did not have impact in the consolidated financial statements of the Group since there were no borrowing costs that were capitalized to projects.

- *PIC Q&A 2018-12-E Treatment of land in the determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the progress of completion of performance obligation and should be accounted for as fulfillment cost.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the PIC Q&A 2018-12-E until December 31, 2023.

The Group did not avail of the relief provided by the SEC. The adoption of the PIC Q&A did not have impact in the consolidated financial statements since Group's accounting policy is already consistent with PIC Q&A No. 2018-12.

The adoption of the foregoing PIC Q&A and IFRIC Agenda Decision did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

#### **Amendments to PFRS Issued But Not Yet Effective**

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

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:

- Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

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.
- Deferral of PIC Q&A 2018-12-D, *PFRS 15 Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-04)*. On October 25, 2018 and December 15, 2020, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of "assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)" until December 31, 2020 and 2023, respectively.

The Group availed of the SEC relief with respect to accounting for significant financing component. The adoption of this guidance would have an impact to the interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings in the year of adoption. The Group is still assessing if the mismatch between the percentage of completion (POC) and right to an amount of consideration constitutes a significant financing component.



Under prevailing circumstances, the adoption of the foregoing amendments to PFRS, except for the potential impact of assessing if the transaction price includes a significant financing component as discussed in PIC Q&A No. 2018-12-D (as amended by PIC Q&A 2020-04), is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries and interests in a joint operation. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Material Partly-owned Subsidiary**

#### **PLC**

The non-controlling interests in PLC are material to the Group in 2021, 2020 and 2019. NCI hold 20.2% as at December 31, 2021 and 2020. The summarized financial information of PLC is provided below. This information is based on amounts before intercompany eliminations.

Summarized consolidated statements of financial position as at December 31, 2021 and 2020:

	(In Thousands)	
	2021	2020
Total current assets	<b>₱6,002,149</b>	₱6,753,160
Total noncurrent assets	<b>11,082,747</b>	11,057,854
Total current liabilities	<b>653,483</b>	1,172,208
Total noncurrent liabilities	<b>32,880</b>	63,219
Total equity	<b>₱16,398,533</b>	₱16,557,587
Attributable to:		
Equity holders of the Parent	<b>₱16,130,762</b>	₱16,220,076
Non-controlling interests	<b>267,771</b>	337,511
Total	<b>₱16,398,533</b>	₱16,557,587

Summarized consolidated statements of comprehensive income for the years ended December 31, 2021, 2020 and 2019:

	(In Thousands)		
	2021	2020	2019
Revenue	<b>₱1,726,637</b>	₱963,656	₱3,966,232
Costs and expenses	<b>(963,909)</b>	(1,697,851)	(2,186,175)
Other income - net	<b>421,434</b>	1,054,855	262,150
Income before income tax	<b>1,184,162</b>	320,660	2,042,207
Benefit from (provision for) income tax	<b>(61,252)</b>	3,056	59,417
Net income	<b>1,122,910</b>	323,716	2,101,624
Other comprehensive loss	<b>(25,243)</b>	(43,462)	(71,381)
Total comprehensive income	<b>₱1,097,667</b>	₱280,254	₱2,030,243
Attributable to:			
Equity holders of the Parent	<b>₱1,167,407</b>	₱481,629	₱2,210,285
Non-controlling interests	<b>(69,740)</b>	(201,375)	(180,042)
Total	<b>₱1,097,667</b>	₱280,254	₱2,030,243

Summarized consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019:

	(In Thousands)		
	2021	2020	2019
Operating	<b>₱1,219,710</b>	₱578,921	₱3,046,487
Investing	<b>(507,539)</b>	47,273	(326,356)
Financing	<b>(1,269,549)</b>	(1,944,958)	(1,497,068)
Net increase (decrease) in cash and cash equivalents	<b>(₱557,378)</b>	(₱1,318,764)	₱1,223,063

Dividends paid in 2021, 2020 and 2019 to non-controlling interests amounted to ₱241.7 million, ₱298.2 million and ₱429.3 million, respectively.

#### **Current versus Noncurrent Classification**

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

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

All other assets are classified as noncurrent.

A liability is classified as current when it is:

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

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

The Group classifies all other liabilities as noncurrent.

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

### **Financial Assets and Liabilities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classified under this category are the Group's investment in shares of stocks that are held for trading.

*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 statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative valuation gains or losses will be reclassified to retained earnings.

Classified under this category are the Group's investments in quoted and unquoted shares of stock and club shares.

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

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

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

#### **Impairment of Financial Assets at Amortized Cost**

The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

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

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

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

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



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

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

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.

### **Real Estate for Sale and Land Held for Development**

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Costs include:

- Cost of the land;
- Construction and development costs; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

### **Other Assets**

This account mainly consists of creditable withholding taxes (CWT), excess of input value-added tax (VAT) over output VAT, advances to contractors and suppliers, prepayments, spare parts and supplies, and refundable deposits and construction bond, among others.

**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. CWT that are expected to be utilized as payment for income taxes beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the consolidated statement of financial position.

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

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

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

*Advances to Contractors and Suppliers.* Advances to contractors and suppliers represent advance payments on goods and services to be incurred in connection with the Group’s projects and operation. These are charged to expense or capitalized to projects in the consolidated statement of financial position, upon actual receipt of services or goods. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers. Refundable advances to contractors and suppliers are classified as financial assets. Advance payments to contractors and suppliers that will be applied against future billings or expected to be refunded beyond 12 months from the reporting date, are presented as part of “Other noncurrent assets” account in the consolidated statement of financial position.

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

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

*Refundable Deposits.* Refundable deposits represent payments made as security deposits in relation to the Group’s various leases. Deposits that are expected to be refunded for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

### **Investment Properties**

Investment properties comprise of land and building held by the Group to earn rentals or for capital appreciation, or both. Investment properties are 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. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Land is stated at cost less accumulated impairment loss, if any.

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

Asset Type	Number of Years
Building	17 to 40 years
Building improvements	15 years or the term of the lease, whichever is shorter

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 properties are 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.

### **Intangible Assets**

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

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

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

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

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

### **Property and Equipment**

Property and equipment, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less accumulated impairment loss, if any.

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

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

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

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

Asset Type	Number of Years
Lottery equipment	4–10 years or term of lease, whichever is shorter
Leasehold improvements	15 years or the term of the lease, whichever is shorter
Machinery and equipment	5 years
Condominium units and improvements	17 years
Transportation equipment	4–5 years or the term of the lease, whichever is shorter
Office furniture, fixtures and equipment	3–5 years

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.

Construction in progress, which includes cost of construction and other direct costs, is stated at cost and is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property and equipment when the construction and other related activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

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

### **Investments in Associates**

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or control are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method.

Under the equity method, the investments in associates are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associates since their respective acquisition dates. Goodwill relating to the associates is included in the carrying amount of the investments and is not tested for impairment individually.

The profit or loss in the consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associates, the Parent Company recognizes its share of any changes and discloses this, when applicable, as part of other comprehensive income and in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share in income or loss of associates is shown under "Other income (expenses)" line item in the consolidated statement of comprehensive income. This is the income or loss attributable to equity holders of the associates and therefore is income or loss after tax and non-controlling interest in the subsidiaries of the associates.

If the Group's share of losses of an associate equals or exceeds the carrying amount of an investment, the Group discontinues including its share of further losses. After the Group's investment is reported at zero value, additional losses are provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of net losses not recognized.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that each of the investment in associates is impaired. If such evidence exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value and recognizes the loss in profit or loss in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the investment in associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss in the consolidated statement of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

**Impairment of Nonfinancial Assets (excluding Goodwill and Investments in Associates)**

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

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

**Capital Stock and Additional Paid-in Capital**

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

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

**Treasury Stock**

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

**Equity Share in Cost of Parent Company Shares Held by Associates**

Equity share in cost of Parent Company common shares held by associates represents the amount that reduces the Parent Company's "Investments in and advances to associates" account and equity balance by the effective ownership in Parent Company common shares held by associates.

**Cost of Parent Company Common Shares Held by Subsidiaries**

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

### **NCI**

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

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

### **Other Reserves**

Other reserves comprise of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other reserves of the Group pertain to cumulative unrealized gains (losses) on financial assets at FVOCI, accumulated share in unrealized gain (loss) on financial assets at FVOCI of associates, cumulative remeasurement gains (losses) on pension asset/liability and transactions with NCI.

### **Retained Earnings**

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

### **Revenue Recognition**

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

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

*Sale of Real Estate.* The Group derives its real estate revenue from sale of lots, house and lots and construction of house. Revenue from the sale of these real estate project spread over time across the course of the development or construction since the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties without consideration of significant financing component under PFRS 15 as allowed by the SEC as discussed in Note 2 to the consolidated financial statements.

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using performance completed to date. This is based on the



monthly project accomplishment report prepared by the Group's engineers which integrates the surveys of performance to date of the construction.

Estimated development costs include costs of land development, house construction costs, building costs, professional fees and payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

#### *Contract Balances*

*Receivables (Including Installment Receivables).* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). It also includes the difference between the considerations received from the customer and the transferred goods or services to a customer.

*Contract Assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract Liabilities.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced and payments in excess of percentage of completion.

*Cost to Obtain a Contract.* The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

*Contract Fulfillment Asset.* Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the

application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to land acquisition costs.

*Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract.* The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

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

At each reporting date, the Group determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgments are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

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

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

*Interest Income.* Interest income from trade receivables and finance lease receivables is recognized as the interest accrues using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount. Interest income from bank deposits is recognized as it accrues.

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

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

*Lease Income.* Lease income arising from operating leases on investment properties is accounted for on a straight-line basis over the terms of the lease. If the collection of the rentals is not probable, operating lease income is recognized only to the extent collectable.

*Revenue from Property Management.* Revenue is recognized as services of providing utilities and maintenance are performed.

*Dividends* (presented under "Other income/charges" account). Revenue is recognized when the Company's right to receive the payment is established.

*Income from Forfeitures* (presented under "Other revenue" account). This represents income from forfeitures of the deposits and, to a certain extent, installments from customers in the event of a default and/or from cancellations of sales. Revenue is recognized upon approval of cancellation.

*Penalty* (presented under "Other revenue" account). Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

*Income from Playing Rights* (presented under "Other revenue" account). Revenue from sale of club shares and playing rights are recognized when the risk and rewards of ownership of the shares and playing rights have been passed to the buyer and the amount of revenue can be reliably measured.

*Other Income.* Revenue is recognized when there is an incremental economic benefit, other than the usual business operations, that will flow to the Group and the amount of the revenue can be measured reliably.

#### **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 Real Estate Sold.* Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of real estate sold includes all direct materials and labor costs, and those indirect costs related to contract performance. Cost of real estate sold before the completion of the development includes estimated costs for future development work, all estimated by the Parent Company's project engineers. When it is probable that the labor contract cost will exceed total contract revenue, the expected loss is recognized immediately. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the revisions are determined. The cost of inventory recognized in profit or loss in the consolidated statement of comprehensive income upon sale is determined with reference to the specific costs incurred on the property, allocated to the saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

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

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business. These are expensed as 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.

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

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

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

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

Asset Type	Number of Years
Land*	16 years and 4 months
Air rights	14 years and 6 months
Equipment	1 year
Office and warehouse	1 year to 2 years
Corporate Suites	2 years and 5 months

*\*presented as part of Investment Properties in the consolidated statement of financial position*

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

Lease payments included in the measurement of a lease liability consist of the following:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable by the lessee under residual value guarantees; and
- d) the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

The Group accounts for a lease modification as a separate lease if both:

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

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

- Allocate the consideration in the modified contract;
- Determine the lease term of the modified lease; and
- Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee's incremental

borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:

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

*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.

Operating income is recognized if it is probable that the entity will collect the consideration. In evaluating whether collectability of the amount of consideration is probable, the Company considers the customer's ability and intention to pay. If the collection of the rentals is not probable, operating lease income is recognized only to the extent collectible.

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

In case of a lease modification, the Group account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" accounts in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment of those borrowings.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

## **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 under short-term cash bonus or profit sharing plans 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.

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

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

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

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

#### **Foreign Currency Denominated Transactions**

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

#### **Income Taxes**

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

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

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

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



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

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

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

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

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

#### **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**

The Group is organized into business units wherein operating results are regularly monitored by the chief operating decision maker (CODM) for the purpose of making decisions about resource allocation and performance assessment. As permitted by PFRS 8, *Operating Segments*, the Group has aggregated these segments into a single operating segment to which it derives its revenues and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

- the nature of products and services;
- the nature of production processes;
- the type or class of customer for the products and services; and
- the methods used to distribute their 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.

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### 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.

#### **Judgment**

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

#### *Recognizing Revenue and Cost of Sale from Real Estate Sales:*

- *Existence of a Contract.* The Group's primary document for a contract with a customer is a signed contract to sell, which contains all the criteria to qualify as contract with the customer under PFRS 15. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history of customer, age of receivables and contract assets and pricing of the property. Management regularly evaluates the historical cancellations if it would still support its current threshold of customers' equity before commencing revenue recognition.
- *Revenue Recognition Method and Measure of Progress.* The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Parent Company's performance in transferring control of real estate development to the customers.

- *Identifying Performance Obligation.* The Group has various contracts to sell covering (a) serviced lot and (b) condominium unit. The Group concluded that there is one performance obligation in each of these contracts because, for serviced lot, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract. For the contract covering condominium unit, the developer has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service is to transfer the title of the real estate unit to the customer.
- *Recognition of Revenue and Cost of Sale of Real Estate.* Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on sufficiency of cumulative payments by the buyer, completion of development and existence of a binding sales agreement between the Group and the buyer. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the Group engineer's judgment and estimates on the physical portion of contract work done if the development cost is beyond preliminary stage.

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

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

The Group's business combinations in prior years are discussed in Note 15.

*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.

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

Management determines material subsidiaries with material NCI as those with assets, non-controlling interests, revenues and net income greater than 5% of consolidated assets, NCI, revenues and net income. Material associates are those where the carrying amount of investment or equity in net earnings is greater than 5% of the consolidated assets or net income at year end.

The Group has determined PLC as a subsidiary with material NCI in 2021, (2020 and 2019) (see Note 2).

*Determination of Lease Term of Contracts with Renewal – Group as a Lessee.* The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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

The Group's lease liabilities amounted to ₱6,542.1 million as at December 31, 2021 (and ₱6,687.5 million as at December 31, 2020) (see Note 33).

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

*Operating Lease – as a Lessor.* The Parent Company, as a lessor, has accounted for the lease agreements for its land and building under an operating lease. The Parent Company has determined that it has not transferred the significant risks and rewards of ownership of the leased properties to the lessee because of the following factors:

- a) the lessee will not acquire ownership of the leased properties upon termination of the lease;
- b) the lessee was not given an option to purchase the assets at a price that is sufficiently lower than the fair value at the date of the option;
- c) the lease term is not a major part of the economic life of the asset; and
- d) the present value of the minimum lease payments is not substantially all of the fair value of the leased asset.

Lease income earned from lease of land and building amounted to ₱807.9 million in 2021 (₱2,663.2 million and ₱2,671.0 million in 2020 and 2019, respectively) (see Notes 10 and 33).

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

Revenue from equipment rental amounted to ₱426.3 million in 2021 (₱328.4 million and ₱681.5 million in 2020 and 2019, respectively) (see Note 33).

*Assessing the Collectability of Contracts with Customers.* The Group assesses whether it is probable that it will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers the customer's ability and intention to pay the amount of consideration when it is due. The amount of consideration to which the Group will be entitled may also be less than the consideration stated in the contract because the parties may agree on a price concession.

The Group assesses the collectability of these contracts at the inception and reassesses if there is an indication of a significant change in facts and circumstances. In 2021, the Group, as a lessor, agreed to a concession wherein the minimum guaranteed rental payments were reduced by 65% of the original rent and additional lease payments are subject to certain conditions such as operating capacity, lifting of age restrictions and inbound international flight restrictions. Accordingly, the rental income in 2021 was recognized only up to the extent collectible amounting to ₱807.9 million (see Notes 10 and 33).

*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.

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

The fair value of the Group's financial assets and liabilities are disclosed in Note 38.

*Classifying Investment Properties and Owner-Occupied Properties.* The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

*Determining Transfers.* Transfers between investment properties, land and development costs and property and equipment of the Group are made after determining that there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or commencement of development with a view to sale. These transfers are recorded using the carrying amounts of the investment properties, land and development costs and property and equipment at the date of change in use.

### **Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial 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.

*Determining Impairment of Receivables, Installment Contract Receivables and Advances to Associates.* The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group did not recognize provision for ECL amounting in 2021. Provision for ECL amounted to ₱139.7 million and ₱2.1 million in 2020 and 2019, respectively (see Notes 7 and 29). Allowance for doubtful accounts aggregated to ₱494.9 million as at December 31, 2021 (and 2020) (see Notes 7 and 14). The aggregate carrying values of receivables, installment receivables and advances to associates amounted to ₱5,161.0 million as at December 31, 2021 (and ₱5,304.9 million as at December 31, 2020) (see Notes 7 and 14).

*Determining NRV of Real Estate for Sale and Supplies Inventory.* Real estate for sale and supplies inventory are stated at lower of cost and NRV. The Group writes down the carrying value of real estate for sale and supplies inventory whenever the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. The carrying value is reviewed at least annually for any decline in value.

In 2020, the Group recognized provision for probable loss on spare parts and supplies amounting to ₱43.5 million. In 2021, the Group recognized reversal of provision for probable loss on spare parts and supplies amounting to ₱10.9 million. No provision was recognized in 2019 (see Note 9). The carrying values of inventories and supplies inventory carried at lower of cost and NRV are as follows:

	Note	(In Thousands)	
		2021	2020
Real estate for sale and land held for future development	8	<b>₱3,372,240</b>	₱3,484,559
Spare parts and supplies*	9	<b>31,557</b>	21,785

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

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

There were no changes in the estimated useful life of gaming license in 2021 (and 2020). The carrying value of the gaming license amounted to ₱4,233.5 million as at December 31, 2021 (and ₱4,349.4 million as at December 31, 2020) (see Note 12).

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

There were no changes in the estimated useful lives of depreciable investment properties, property and equipment and ROU assets in 2021 (2020 and 2019). The aggregate carrying amount of depreciable investment properties, property and equipment and ROU assets amounted to ₱22,502.4 million as at December 31, 2021 (and ₱23,568.2 million as at December 31, 2020) (see Notes 10, 13 and 33).

*Estimating Impairment of Goodwill.* Impairment exists when the carrying value of the CGU, including the goodwill, exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flows model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to the goodwill. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are disclosed and further explained in Note 15.

The Group did not recognize an impairment loss on goodwill amounting in 2021. Impairment loss on goodwill amounted to ₱417.8 million and ₱377.5 million in 2020 and 2019, respectively. The carrying amount of goodwill amounted to ₱926.0 million as at December 31, 2021 (and 2020) (see Note 15).



*Determining Impairment of Nonfinancial Assets (Except Goodwill).* The Group assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investments in associates, investment properties, property and equipment and intangible assets are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible asset is reviewed annually for impairment while it is still not yet available for use. Determining the value in use 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 consolidated financial statements.

Provision for impairment loss on right-of-use asset amounted to nil in 2021 (P9.3 million in 2020 and nil in 2019, respectively) (see Note 33). The carrying values of nonfinancial assets subjected to assessment of impairment indicators or review as at December 31, 2020 and 2019 are as follows:

	Note	(In Thousands)	
		2021	2020
Investment properties	10	<b>P24,371,435</b>	P25,437,299
Intangible asset	12	<b>4,233,538</b>	4,349,372
Investments in associates	14	<b>119,161</b>	120,832
Property and equipment	13	<b>86,082</b>	143,911
Right-of-use assets	33	<b>54,812</b>	71,732

*Determining Pension Cost.* The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Pension asset amounted to P17.4 million as at December 31, 2021 (and P14.0 million as at December 31, 2020). Pension liability amounted to P30.9 million as at December 31, 2021 (P59.3 million as at December 31, 2020) (see Note 34). Pension cost recognized in profit or loss amounted to P10.4 million in 2021 (P23.6 million and P27.6 million in 2020 and 2019, respectively). The remeasurement gain (loss) recognized in other comprehensive income amounted to P27.1 million in 2021 (P24.3 million and P34.7 million in 2020 and 2019, respectively) (see Note 34).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Further details about the assumptions used are provided in Note 34.

*Assessing the Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

Recognized deferred tax assets of the Group amounted to ₱2,085.8 million as at December 31, 2021 (and ₱2,588.6 million as at December 31, 2020). Unrecognized deferred tax assets amounted to ₱1,432.2 million as at December 31, 2021 (and ₱978.5 million as at December 31, 2020) (see Note 32). Management believes that it is not probable that sufficient taxable income will be available to allow all these deferred tax assets to be utilized.

*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.

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#### 4. 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.

The Group is primarily in the businesses of real estate development, property management and gaming and gaming-related activities. Others pertain to investment companies which are mostly dormant.

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, finance lease receivables, real estate for sale, land held for future development, investment properties, property and equipment and right use assets, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.

Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring principles that are similar to those used in measuring assets and liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRSs.

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

(In Thousands)					
2021					
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>					
Revenue	₱1,748,297	₱1,726,637	₱-	(₱54,000)	₱3,420,934
Costs and expenses	(2,122,722)	(963,909)	(3,363)	176,864	(2,913,130)
Interest expense	(715,440)	(749)	-	112,357	(603,832)
Interest income	2,231	135,104	3	(112,357)	24,981
Other income – net	1,019,589	287,078	186	(1,019,233)	287,620
Income before income tax	(68,045)	1,184,161	(3,174)	(896,369)	216,573
Benefit from (provision for) income tax	589,881	(61,252)	-	-	528,629
Net income for the year	₱521,836	₱1,122,909	(₱3,174)	(₱896,369)	₱745,202
Net income attributable to equity holders of the parent	₱521,836	₱1,193,903	(₱3,174)	(₱1,135,582)	₱576,983
<b>Other Information</b>					
Investments in and advances to associates	₱9,775,606	₱-	₱-	(₱9,701,846)	₱73,760
Investments at FVPL	-	73,054	-	-	73,054
Investments at FVOCI	6,773,226	721,167	213,699	(437,672)	7,270,420
Total assets	52,001,006	17,084,896	364,770	(18,469,024)	50,981,648
Total liabilities	20,993,655	686,364	2,663,651	(6,371,454)	17,972,216
Capital expenditures	(14,745)	(508,847)	-	-	(523,592)
Depreciation and amortization	(1,091,963)	(81,572)	-	(115,609)	(1,289,144)

(In Thousands)					
2020					
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>					
Revenue	₱3,263,745	₱963,655	₱-	(₱54,000)	₱4,173,400
Costs and expenses	(2,140,490)	(1,696,940)	(5,967)	458,130	(3,385,267)
Interest expense	(719,114)	(6,800)	-	166,344	(559,570)
Interest income	3,820	217,964	11	(166,344)	55,451
Other income – net	1,276,563	842,781	18,528	(1,302,868)	835,004
Income before income tax	1,684,524	320,660	12,572	(898,738)	1,119,018
Benefit from (provision for) income tax	(230,374)	3,057	-	-	(227,317)
Net income for the year	₱1,454,150	₱323,717	₱12,572	(₱898,738)	₱891,701
Net income attributable to equity holders of the parent	₱1,454,150	₱351,229	₱12,572	(₱816,670)	₱1,001,281
<b>Other Information</b>					
Investments in and advances to associates	₱9,813,256	₱-	₱-	(₱9,737,828)	₱75,428
Investments at FVPL	-	84,261	-	-	84,261
Investments at FVOCI	4,782,865	287,554	267,099	(547,671)	4,789,847
Total assets	50,485,244	17,793,014	418,139	(18,740,417)	49,955,980
Total liabilities	22,040,246	1,235,427	2,657,369	(6,411,179)	19,521,863
Capital expenditures	399,597	90,839	-	-	490,436
Depreciation and amortization	(1,064,149)	(336,366)	-	122,639	(1,277,876)

	(In Thousands)				
	2019				
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>					
Revenue	₱3,557,203	₱3,966,231	₱-	(₱54,000)	₱7,469,434
Costs and expenses	(1,726,285)	(2,198,729)	(2,247)	222,255	(3,705,006)
Interest expense	(683,485)	(9,526)	-	214,131	(478,880)
Interest income	9,429	279,859	-	(214,131)	75,157
Other income – net	1,475,574	(17,163)	(112,780)	(1,489,170)	(143,539)
Income before income tax	2,632,436	2,020,672	(115,027)	(1,535,044)	3,217,166
Benefit from (provision for) income tax	(352,850)	59,411	-	-	(293,439)
Net income for the year	₱2,279,586	₱2,080,083	(₱115,027)	(₱1,535,044)	₱2,923,727
Net income attributable to equity holders of the parent	₱2,279,586	₱2,069,534	(₱115,027)	(₱1,624,360)	₱2,609,733
<b>Other Information</b>					
Investments in and advances to associates	₱10,087,874	₱-	₱-	(₱10,009,924)	₱77,950
Investments at FVPL	-	140,457	-	-	140,457
Investments at FVOCI	5,505,286	643,459	-	(635,928)	5,512,817
Total assets	43,566,040	20,304,508	136,746	(19,235,426)	44,771,868
Total liabilities	16,856,407	2,084,284	389,085	(6,419,297)	12,910,479
Capital expenditures	15,776	29,547	-	-	45,323
Depreciation and amortization	(677,458)	(525,812)	-	122,812	(1,080,631)

Revenues from a certain customer in the Group's real estate development business and gaming revenue share - net amounting to ₱2,108.2 million for the year ended December 31, 2021 (₱3,298.4 million and ₱5,647.3 million for the year ended December 31, 2020 and 2019, respectively) are solely collectible from Melco while revenues from the Company's gaming and other gaming-related activities amounting to ₱426.3 million for the year ended December 31, 2021 (₱328.4 million and ₱681.5 million for the year ended December 31, 2020 and 2019, respectively) are solely collectible from PCSO.

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

	2021	2020	2019
<b>Revenues</b>			
Total revenue for reportable segments	₱3,474,934	₱4,393,745	₱7,737,363
Elimination for intercompany revenue	(54,000)	(220,345)	(268,129)
Total consolidated revenues	₱3,420,934	₱4,173,400	₱7,469,234
<b>Net Profit for the Year</b>			
Total profit for reportable segments	₱1,641,571	₱1,956,784	₱4,458,771
Elimination for intercompany profits	(896,369)	(1,065,083)	(1,535,044)
Consolidated net profit	₱745,202	₱891,701	₱2,923,727
<b>Assets</b>			
Total assets for reportable segments	₱43,564,415	₱45,006,444	₱39,040,644
Investments in and advances to associates	73,760	75,428	77,950
Investments at FVOCI	7,270,420	4,789,847	5,512,817
Investments at FVTPL	73,054	84,261	140,457
Total assets	₱50,981,649	₱49,955,980	₱44,771,868

	2021	2020	2019
<b>Liabilities</b>			
Total liabilities for reportable segments	<b>₱8,654,839</b>	₱9,423,168	₱3,647,237
Loans payable	<b>1,995,017</b>	2,525,017	1,950,017
Long-term debt	<b>4,885,000</b>	4,566,667	4,511,111
Deferred tax liabilities – net	<b>2,377,323</b>	2,968,910	2,741,361
Advances from related parties*	<b>60,037</b>	38,101	60,753
<b>Total liabilities</b>	<b>₱17,972,216</b>	<b>₱19,521,863</b>	<b>₱12,910,479</b>

\*Presented under “Trade payables and other current liabilities” account in the consolidated statement of financial position.

The Parent Company’s BOD, the chief operating decision maker of the Group, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

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

Capital expenditures consist of additions of property and equipment and expenditures on investment properties.

#### **Disaggregated revenue information**

Set out below is the disaggregation of the Group’s revenue from contracts with customers for the years ended December 31, 2021, 2020 and 2019:

	(In Thousands)		
	2021		
Type of service	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Gaming revenue share - net	₱–	₱1,300,291	₱1,300,291
Sale of real estate	587,812	–	587,812
Revenue from property management	179,618	–	179,618
Revenue from contracts with customers	₱767,430	₱1,300,291	₱2,067,721

	(In Thousands)		
	2020		
Type of service	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Gaming revenue share - net	₱–	₱635,217	₱635,217
Sale of real estate	234,965	–	234,965
Revenue from property management	168,296	–	168,296
Revenue from contracts with customers	₱403,261	₱635,217	₱1,038,478

(In Thousands)			
2019			
Type of service	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Gaming revenue – share - net	₱–	₱2,976,366	₱2,976,366
Sale of real estate	487,307	–	487,307
Commission and distribution income	–	308,381	308,381
Revenue from property management	214,635	–	214,635
Revenue from contracts with customers	₱701,942	₱3,284,747	₱3,986,689

All revenue from contracts with customers pertains to revenue transferred over time.

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

(In Thousands)			
2021			
Type of service	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Revenue per segment reporting	₱1,748,297	₱1,726,637	₱3,474,934
Lease income	(807,912)	–	(807,912)
Equipment rental	–	(426,346)	(426,346)
Other revenues	(118,946)	–	(118,946)
	821,439	1,300,291	2,121,730
<b>Intracompany eliminated balances</b>			
Other revenues	(54,000)	–	(54,000)
Total revenue from contracts with Customers	₱767,439	₱1,300,291	₱2,067,730

(In Thousands)			
2020			
Type of service	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Revenue per segment reporting	₱3,263,745	₱1,130,000	₱4,393,745
Lease income	(2,663,226)	–	(2,663,226)
Other revenues	(143,258)	–	(143,258)
Equipment rental	–	(328,438)	(328,438)
	457,261	801,562	1,258,823
<b>Intracompany eliminated balances</b>			
Other revenues	(54,000)	(166,345)	(220,345)
Total revenue from contracts with Customers	₱403,261	₱635,217	₱1,038,478

	(In Thousands)		
	2019		
Type of service	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Revenue per segment reporting	₱3,557,203	₱4,180,360	₱7,737,563
Lease income	(2,670,953)	—	(2,670,953)
Other revenues	(130,308)	—	(130,308)
Equipment rental	—	(681,484)	(681,484)
<b>Intracompany eliminated balances</b>			
Other revenues	(54,000)	(214,129)	(268,129)
Total revenue from contracts with Customers	₱701,942	₱3,284,747	₱3,986,689

## 5. Cash and Cash Equivalents

This account consists of:

	(In Thousands)	
	2021	2020
Cash on hand and in banks	₱678,621	₱623,989
Cash equivalents	1,403,680	1,968,081
	<b>₱2,082,301</b>	<b>₱2,592,070</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which 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 investment rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱18.9 million in 2021 (₱49.9 million and ₱66.6 million in 2020 and 2019, respectively) (see Note 30).

## 6. Financial Assets at Fair Value through Profit or Loss

This account consists of the Group's investments in quoted shares of stocks. Movements in this account are as follows:

	(In Thousands)	
	2021	2020
Balance at beginning of year	₱84,261	₱140,457
Unrealized marked-to-market loss	(23,623)	(6,196)
Additions	12,416	—
Disposals	—	(50,000)
Balance at end of year	<b>₱73,054</b>	<b>₱84,261</b>

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.

Unrealized marked-to-market loss in 2021 amounted to ₱23.6 million (₱6.2 million and ₱15.2 million in 2020 and 2019, respectively) were recognized under “Unrealized loss on financial asset at fair value through profit or loss” account in the consolidated statement of comprehensive income.

There was no realized gain from sale of investments at FVPL recognized in 2021 (2020 and 2019).

Dividend income realized from financial assets at FVPL amounted to nil in 2021 (₱2.4 million and ₱4.8 million in 2020 and 2019, respectively) (see Note 31).

## 7. Receivables and Contract Assets

### Receivables

This account consists of:

		(In Thousands)	
	Note	2021	2020
Trade receivables:			
Leases	33	₱3,523,861	₱3,278,221
Real estate sales and installment receivables		1,326,777	1,448,246
Gaming revenue share		117,792	353,635
Property management		107,053	187,853
Equipment rental and instant scratch ticket sales		51,730	114,881
Advances to LCC		113,678	113,678
Advances to consultants		104,000	—
Others		190,141	182,476
		5,535,032	5,678,990
Less allowance for doubtful accounts		374,566	374,566
		5,160,466	5,304,424
Less installment receivables - noncurrent portion		941,115	269,600
		₱4,219,351	₱5,034,824

Trade receivables from leases, equipment rental and instant scratch ticket sales and property management are on a 30 to 60 days credit term.

Trade receivables from real estate sales are noninterest-bearing and are generally collected in installment within 3 to 5 years.

Gaming revenue share is collectible on a 20 days credit term. This pertains to the Group’s receivable from Melco for the gaming revenue share in the operations of City of Dreams Manila.

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



Other receivables pertain primarily to receivables from sale of land to third parties. These are noninterest-bearing and generally have 30 to 90 days term.

Movement in allowance for doubtful accounts is as follows:

	(In Thousands)		
	2021		
	Trade	Others	Total
Balance at beginning and end of year	<b>₱98,780</b>	<b>₱275,786</b>	<b>₱374,566</b>

	Note	(In Thousands)		
		2020		
		Trade	Others	Total
Balance at beginning of year		₱98,780	₱162,108	₱260,888
Provisions	29	–	113,678	113,678
Balance at end of year		₱98,780	₱275,786	₱374,566

Movement of unamortized discount on trade receivables from real estate sales are as follows:

	Note	(In Thousands)	
		2021	2020
Trade receivables at nominal amount		<b>₱1,499,336</b>	₱1,532,285
Less unamortized discount on trade receivables:			
Balance at beginning of year		<b>84,039</b>	98,035
Discount recognized during the year		<b>161,120</b>	55,521
Amortization during the year	23	<b>(72,600)</b>	(69,517)
Balance at end of year		<b>172,559</b>	84,039
		<b>₱1,326,777</b>	₱1,448,246

As at December 31, 2021 (and 2020), receivables from real estate with nominal amount of ₱1,449.3 million (and ₱1,532.3 million) were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using applicable interest rates ranging from 4.11% to 18.23% in 2021 (2.13% to 23.72% in 2020).

### **Contract Assets**

This account consists of:

	(In Thousands)	
	2021	2020
Contract assets	<b>₱70,319</b>	₱112,205
Less allowance for doubtful accounts	–	26,000
	<b>70,319</b>	86,205
Less current portion	<b>70,319</b>	39,903
Contract asset - net of current portion	<b>₱–</b>	₱46,302

Contract assets were recognized for the earned consideration but not yet billed for the transfer of right to use POSC's brand and trademark license. Interest income earned during the period amounted to ₱6.1 million in 2021 (₱5.6 million and ₱8.6 million in 2020 and 2019, respectively) (see Notes 30 and 36).

Movements in allowance for doubtful accounts on contract assets are as follows:

	Note	(In Thousands)	
		2021	2020
Balance at beginning of year		<b>₱26,000</b>	<b>₱–</b>
Reversal of provision		<b>(26,000)</b>	<b>–</b>
Provision for impairment loss	29	<b>–</b>	<b>26,000</b>
Balance at end of year		<b>₱–</b>	<b>₱26,000</b>

## 8. Real Estate for Sale and Land Held for Future Development

These accounts, measured at cost, consist of:

	(In Thousands)	
	2021	2020
Land held for future development	<b>₱3,021,120</b>	<b>₱3,013,950</b>
Real estate for sale	<b>351,120</b>	<b>470,609</b>
	<b>₱3,372,240</b>	<b>₱3,484,559</b>

### Real Estate for Sale

A summary of the movements in real estate for sale is set out below:

	Note	(In Thousands)	
		2021	2020
Balance at beginning of year		<b>₱470,609</b>	<b>₱327,124</b>
Cost of real estate sold	26	<b>(301,406)</b>	<b>(134,934)</b>
Construction/development costs incurred		<b>121,361</b>	<b>108,586</b>
Repossession		<b>60,556</b>	<b>169,833</b>
Balance at end of year		<b>₱351,120</b>	<b>₱470,609</b>

### Land Held for Future Development

A summary of the movement in land held for development in 2021 and 2020 is set out below:

	(In Thousands)	
	2021	2020
Balance at beginning of year	<b>₱3,013,950</b>	<b>₱3,005,429</b>
Land acquired/additional costs during the year	<b>7,170</b>	<b>8,521</b>
Balance at end of year	<b>₱3,021,120</b>	<b>₱3,013,950</b>

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It includes certain parcels of land with a carrying value amounting to ₱909.9 million as at December 31, 2021 (and 2020), which are already in the Group's possession but are not yet fully paid pending the transfer of certificates of title to the Group. Outstanding payable related to the acquisition shown under "Trade and other current liabilities" account in the consolidated statement of financial position amounted to ₱169.1 million as at December 31, 2021 (and 2020) (see Note 17).

As at December 31, 2021 (and 2020), the cost of real estate held for sale and land held for future development were lower than its net realizable value. There were no provision for impairment losses recognized in 2021 (and 2020).

## 9. Other Current Assets

This account consists of:

	Note	(In Thousands)	
		2021	2020
CWT - net of allowance for impairment		<b>₱871,164</b>	₱790,229
Input VAT - net of allowance for impairment		<b>700,795</b>	547,576
Advances to contractors and suppliers - net of allowance for impairment		<b>499,685</b>	278,500
Prepaid expenses		<b>399,902</b>	234,673
Spare parts and supplies - net of allowance for impairment		<b>31,557</b>	21,785
Guarantee deposits	33	<b>14,500</b>	—
Advances to officers and employees - net of allowance for impairment		—	—
Others		<b>1,361</b>	25
		<b>₱2,518,964</b>	₱1,872,788

CWT pertains to the withholding tax related to the goods sold and services rendered by the Group. Impairment of CWT amounted to nil in 2021 (₱0.5 million and nil in 2020 and 2019, respectively) (see Note 29). In 2020, the Group wrote off CWT amounting to ₱0.5 million.

Advances to contractors and suppliers are noninterest-bearing and are expected to be applied against future billings.

Prepaid expenses and others pertain to various prepaid expenses such as insurance, commission, subscription and refundable deposits for various contracts.

Spare parts and supplies are carried at lower of cost or net realizable value.

Guarantee deposits pertain to cash bonds held in escrow account as part of the agreement with PCSO.

Movements in allowance for impairment losses are as follows:

(In Thousands)						
2021						
	CWT	Input VAT	Advances to Contractors	Spare parts and supplies	Advances to officers and employees	Total
Balance at beginning of year	₱4,320	₱1,564	₱14,931	₱43,534	₱3,519	₱67,868
Reversal of provisions	–	(63)	–	(10,861)	–	(10,924)
Balance at end of year	₱4,320	₱1,501	₱14,931	₱32,673	₱3,519	₱56,944

(In Thousands)						
2020						
Note	CWT	Input VAT	Advances to Contractors	Spare parts and supplies	Advances to officers and employees	Total
Balance at beginning of year	₱4,320	₱1,564	₱14,931	₱–	₱3,519	₱24,334
Provisions	29 472	–	–	43,534	–	44,006
Write-off	(472)	–	–	–	–	(472)
Balance at end of year	₱4,320	₱1,564	₱14,931	₱43,534	₱3,519	₱67,868

## 10. Investment Properties

This account consists of:

(In Thousands)					
2021					
	Land	Building	ROU Building Improvements	ROU Land	Total
<b>Cost</b>					
Balance at beginning and end of year	₱1,869,026	₱18,434,219	₱2,509,013	₱7,026,706	₱29,838,964
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	–	3,402,198	560,154	439,313	4,401,665
Depreciation and amortization	–	713,532	85,737	266,595	1,065,864
Balance at end of year	–	4,115,730	645,891	705,908	5,467,529
<b>Net Carrying Amount</b>	₱1,869,026	₱14,318,489	₱1,863,122	₱6,320,798	₱24,371,435

(In Thousands)					
2020					
Note	Land	Building	ROU Building Improvements	ROU Land	Total
<b>Cost</b>					
Balance at beginning of year	₱1,869,026	₱20,943,232	₱–	₱815,717	₱23,627,975
Reclassifications	33 –	(2,509,013)	2,509,013	–	–
Additions	–	–	–	6,298,835	6,298,835
Termination of lease	33 –	–	–	(87,846)	(87,846)
Balance at end of year	1,869,026	18,434,219	2,509,013	7,026,706	29,838,964
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	–	3,320,434	–	49,938	3,370,372
Reclassification	33 –	(401,910)	401,910	–	–
Depreciation and amortization	–	483,674	158,244	389,375	1,031,293
Balance at end of year	–	3,402,198	560,154	439,313	4,401,665
<b>Net Carrying Amount</b>	₱1,869,026	₱15,032,021	₱1,948,859	₱6,587,393	₱25,437,299

The fair values of investment properties as at December 31, 2021 (and 2020), are higher than its carrying value, as determined by management and an independent appraiser who holds a recognized and relevant professional qualification (see Note 38). The valuation of investment properties was based on income approach for the building and sales comparison approach for the land. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee and management's assessment.

In determining the fair value of the investment properties, management and the independent appraisers considered the neighborhood data, community facilities and utilities, land data, sales prices of similar or substitute properties and the highest and best use of investment properties. The Group assessed that the highest and best use of its properties does not differ from their current use. Lease income generated from investment properties amounted to ₱807.9 million in 2021 (₱2,663.2 million and ₱2,671.0 million in 2020 and 2019, respectively). Direct cost related to the investment properties amounted to ₱1,294.9 million in 2021 (₱1,206.5 million and ₱836.9 million in 2020 and 2019, respectively) (see Note 27).

Depreciation and amortization arise from the following:

	Note	(In Thousands)		
		2021	2020	2019
Investment properties		<b>₱1,065,964</b>	₱1,031,293	₱652,956
Intangible asset	12	<b>115,834</b>	115,834	115,834
Property and equipment	13	<b>83,073</b>	93,546	235,660
ROU asset	33	<b>24,372</b>	37,203	76,180
		<b>₱1,289,243</b>	₱1,277,876	₱1,080,630

Depreciation and amortization are allocated as follows:

	Note	(In Thousands)		
		2021	2020	2019
Cost of lease income	27	<b>₱1,069,566</b>	₱1,034,996	₱656,658
Cost of gaming operations	25	<b>115,834</b>	115,834	115,834
Cost of lottery services	24	<b>71,071</b>	97,893	184,640
General and administrative expenses	29	<b>23,372</b>	20,541	75,807
Cost of services for property management	28	<b>9,300</b>	8,612	47,691
		<b>₱1,289,143</b>	₱1,277,876	₱1,080,630

## 11. Financial Assets at Fair Value Through Other Comprehensive Income

These accounts pertain to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2021 (and 2020).

These accounts consist of:

	(In Thousands)	
	2021	2020
Shares of stock:		
Quoted	<b>₱2,746,363</b>	₱2,545,595
Unquoted	<b>851</b>	851
Club shares	<b>4,523,206</b>	2,243,401
	<b>₱7,270,420</b>	<b>₱4,789,847</b>

The Group has a Development Agreement (DA) with TMGCI for the construction and development of a 36-hole golf course which was amended on December 15, 1999. The terms of the amended DA call for as many subscriptions as there are shares, such that the club shares issued by TMGCI to the Group as the development progresses were in proportion to pre-agreed amount of development cost, inclusive of the initial capital contribution.

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

	(In Thousands)	
	2021	2020
<b>Cost</b>		
Balance at beginning of year	<b>₱3,992,995</b>	₱3,997,211
Additions	<b>522,651</b>	9,243
Disposals	<b>(69,410)</b>	(13,459)
Balance at end of year	<b>4,446,236</b>	3,992,995
<b>Cumulative unrealized marked to market gain (loss) on financial assets at FVOCI</b>		
Balance at beginning of year	<b>796,852</b>	1,515,606
Unrealized gain (loss) during the year	<b>2,044,638</b>	(713,764)
Realized gain on disposal during the year	<b>(17,306)</b>	(4,990)
Balance at end of year	<b>2,824,184</b>	796,852
	<b>₱7,270,420</b>	<b>₱4,789,847</b>

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

Dividend income earned from financial assets at FVOCI amounted to ₱5.3 million in 2021 (₱11.6 million and ₱22.0 million in 2020 and 2019, respectively) were recognized in "Other income (loss) - net" account in the consolidated statement of comprehensive income (see Note 31).

Realized gain from sale of financial assets at FVOCI amounted to ₱17.3 million in 2021 (₱5.0 million and ₱9.1 million in 2020 and 2019, respectively) were reclassified from "Other reserves" account to "Retained earnings" account in the consolidated statement of financial position.



In Thousands							
2021							
Note	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>							
Balance at beginning of year	₱742,769	₱450,150	₱299,620	₱245,268	₱119,563	₱298,116	₱2,155,487
Additions	89,370	211	11,476	93	1,892	3,022	106,064
Disposal	(17,962)	(3,007)	-	-	(8,249)	(4,048)	(33,266)
Disposal of subsidiaries	-	(68,196)	-	-	(14,711)	(158,745)	(241,652)
Balance at end of year	814,177	379,159	311,096	245,361	98,495	138,345	1,986,633
<b>Accumulated Depreciation and Impairment</b>							
Balance at beginning of year	696,805	440,899	256,828	241,188	89,109	265,833	1,990,662
Depreciation	10 71,476	2,578	6,216	820	2,621	9,835	93,546
Disposal	(17,962)	(3,007)	-	-	(2,638)	(432)	(24,039)
Disposal of subsidiaries	-	(64,845)	-	-	(10,618)	(141,984)	(217,447)
Balance at end of year	750,319	375,625	263,044	242,008	78,474	133,252	1,842,722
<b>Net Carrying Amount</b>	<b>₱63,858</b>	<b>₱3,534</b>	<b>₱48,052</b>	<b>₱3,353</b>	<b>₱20,021</b>	<b>₱5,093</b>	<b>₱143,911</b>

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2021 (and 2020).

#### 14. Investments in and Advances to Associates

This account mainly consists of investments in APC Group, Inc., an entity incorporated in the Philippines, where the Parent Company has an effective interest of 48.8%.

(In Thousands)		
	2021	2020
Investments in associates - net of allowance for impairment in value of ₱354.0 million	<b>₱119,161</b>	₱120,832
Advances to associates - net of allowance for impairment loss of ₱120.3 million in 2021 and 2020	<b>527</b>	524
<b>Net Carrying Amount</b>	<b>₱119,688</b>	<b>₱121,356</b>

Investments in associates as of December 31, 2021 (and 2020) consist of:

(In Thousands)		
Note	2021	2020
Acquisition cost	<b>₱5,716,536</b>	₱5,716,536
Accumulated equity in net losses		
Balance at beginning of year	<b>(5,253,245)</b>	(5,250,726)
Share in net loss	<b>(1,671)</b>	(2,519)
Balance at end of year	<b>(5,254,916)</b>	(5,253,245)
Accumulated share in unrealized gain on financial assets at FVOCI of associates -		
Balance at beginning and end of year	<b>14,061</b>	14,061
<b>Total</b>	<b>475,681</b>	477,352
Allowance for impairment in value	<b>(354,019)</b>	(354,019)
Equity share in cost of Parent Company common shares held by associates	<b>(2,501)</b>	(2,501)
	<b>₱119,161</b>	<b>₱120,832</b>



The Group has an outstanding balance of subscription payable pertaining to these investments amounting to ₱45.9 million as at December 31, 2021 (and 2020) (see Note 17).

Fair values of investment in APC, which is publicly listed in the Philippine stock exchange, amounted to ₱770.0 million as at December 31, 2021 (₱1,417.5 million as at December 31, 2020). Fair values were determined by reference to quoted market price at the close of business as at reporting date.

## 15. Goodwill and Business Combination

Goodwill acquired from business combinations as at December 31, 2021 and 2020 consist of:

	(In Thousands)	
	2021	2020
Acquisition of:		
POSC	₱1,717,644	₱1,717,644
FRI	110,934	110,934
	1,828,578	1,828,578
Allowance for impairment	(902,570)	(902,570)
	₱926,008	₱926,008

Movements in this account are as follow:

	(In Thousands)	
	2021	2020
Balance at beginning of year	₱926,008	₱1,343,809
Impairment	—	(417,801)
Balance at end of year	₱926,008	₱926,008

Movements in the allowance for impairment loss is as follows:

		(In Thousands)	
	Note	2021	2020
Balance at beginning of year		₱902,570	₱488,452
Impairment during the year	29	—	417,801
Disposal of subsidiaries		—	(3,683)
Balance at end of year		₱902,570	₱902,570

The goodwill from the acquisitions has been subjected to the annual impairment review in 2021 and 2020. The recoverable amounts of the operations have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years, taking into consideration the effect of significant events (i.e., Covid-19) on the macroeconomic factors used in developing the assumptions.

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 operates and/or manages several outlets throughout the Philippines which sell products of the PCSO, including lotto, keno and instant scratch tickets. LCC is included as part of "Gaming and gaming related activities" in the Group's reportable segment.

On February 13, 2020, POSC has concluded the sale of all of its equity interest in LCC, equivalent to 125.0 million shares for ₱1.082 per share to a third party for a total consideration of ₱137.4 million. Cash received from the disposal of LCC, net of cash disposed amounted to ₱74.0 million. Gain from the disposal of the net assets of LCC group in 2020 amounting to ₱70.3 million was recognized under “Other income (expense) - net” (see Note 31).

In 2020, the Group recognized impairment of its goodwill in POSC amounting to ₱417.8 million and derecognized goodwill in LCC subsidiaries as a result of its disposal (see Note 29). In 2019, the Group recognized impairment of its goodwill in POSC and LCC subsidiaries amounting to ₱373.8 million and ₱3.7 million, respectively (see Note 29).

#### **Key assumptions used in value in use calculations**

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

##### **POSC**

*Discount Rate.* Discount rate reflects management’s estimate of the risks specific to the cash generating unit. The pre-tax discount rate of 5.08% based on BVAL rate was used in 2021 while a pre-tax discount rate of 8.8% based on the Weighted Average Cost of Capital (WACC) of POSC was used in 2020.

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

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

##### **FRI**

The recoverable amount of goodwill from the acquisition of FRI by TGTI was determined based on value-in-use calculations using actual past results and observable market data such as growth rates, operating margins, among others. With the change in FRI’s exclusivity arrangement with its principal, the carrying amount of the goodwill and cash generating unit to which goodwill relates to materially exceed its recoverable amount.

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates, operating margins achievable in the relevant industry. The expected cash flows are discounted by applying a suitable WACC. The pre-tax discount rate applied to cash flow projections is 9.4%. As at December 31, 2021 and 2020, goodwill in FRI was fully provided with provision for impairment.

## 16. Other Noncurrent Assets

This account consists of:

		(In Thousands)	
	Note	2021	2020
CWT		<b>₱374,792</b>	₱347,386
Advances to contractors		<b>139,740</b>	139,740
Refundable deposits and construction bond		<b>88,285</b>	104,394
Deferred input VAT		<b>4,729</b>	18,571
Guarantee deposits	33	—	14,500
Software development		—	11,138
Others		<b>41,921</b>	5,920
		<b>₱649,467</b>	₱641,649

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

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

Deferred input VAT pertains to noncurrent portion of unamortized input VAT on purchases of capital goods.

## 17. Trade and Other Current Liabilities

This account consists of:

		(In Thousands)	
	Note	2021	2020
Trade		<b>₱315,282</b>	₱593,227
Accrued expenses		<b>525,101</b>	916,990
Unearned income		<b>320,241</b>	486,028
Withholding and output tax payable		<b>238,020</b>	46,472
Payables pertaining to land acquisitions	8	<b>169,095</b>	169,095
Advances from related parties		<b>60,037</b>	38,101
Customers' deposits		<b>54,949</b>	36,201
Consultancy, software and license and management fees payable		<b>37,019</b>	29,727
Refundable deposit and others		<b>46,559</b>	22,965
Subscription payable	14	<b>45,928</b>	45,928
		<b>₱1,812,231</b>	₱2,384,734

Trade payables are non-interest bearing with an average term of 90 days.

Accrued expenses pertain to accruals for land transfer fees, professional and management fees, selling, interest, salaries, communication, rent and utilities and other expenses which are normally settled with an average term of 30 to 90 days. Accrued expenses also include provisions. The Group regularly provides for its usual potential liabilities. Provision represents estimated probable losses. The information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Group's position. In 2021, reversal of provisions amounting to ₱281.3 million (₱756.1 million in 2020) was recognized in "Other income (loss) - net" account in the consolidated statement of comprehensive income (see Note 31).

Unearned income pertains to the advance payment from Melco, which will be applied as payment of PLAI's gaming revenue share and lease of land and building with the Parent Company in the following financial year.

Payables pertaining to land acquisitions represent unpaid purchase price of land acquired from various land owners (see Note 8). These are noninterest-bearing and are due and demandable.

Customers' deposits pertain to collections received from buyers for projects with pending recognition of sale.

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#### 18. Loans Payable

Loans payable represent unsecured peso-denominated loans obtained from local banks with interest of 2.60% to 4.75% in 2021 (and 4.00% to 5.10% in 2020). Loans payable have historically been renewed or rolled over.

The carrying amount of outstanding loans payable amounted to ₱1,995.0 million as at December 31, 2021 (and ₱2,525.0 million as at December 31, 2020).

Interest expense on loans payable charged to operations amounted to ₱58.0 million in 2021 (₱81.0 million and ₱91.2 million in 2020 and 2019, respectively) (see Note 30).

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#### 19. Other Noncurrent Liabilities

This account consists of the following:

	Note	(In Thousands)	
		2021	2020
Deferred lease income		<b>₱214,535</b>	₱167,333
Refundable deposits	36	<b>153,999</b>	199,311
Contract liabilities - net of current portion		—	4,741
Others		<b>7,051</b>	4,287
		<b>₱375,585</b>	<b>₱375,672</b>

Deferred lease income is recognized initially as the difference between the principal amount and present value of refundable deposits at the lease inception date and subsequently amortized on a straight-line basis over the lease term.

## 20. Long-term Debt

This account consists of the following:

	(In Thousands)	
	2021	2020
Loans	<b>₱4,885,000</b>	₱4,566,667
Current portion of long-term debt	<b>(15,000)</b>	(121,111)
Noncurrent long-term debt	<b>₱4,870,000</b>	₱4,445,556

### BDO Unibank, Inc.

On March 6, 2018, Belle availed ₱3,000.0 million facility for the purpose of refinancing its short-term loans with other banks and other general funding requirements. The seven-year term loan shall be availed within six months from the signing of the loan agreement. On September 12, 2018, ₱800.0 million was drawn from the facility. The seven-year term loan is unsecured and bears an interest rate of 4.9515% per annum fixed for 90 days, to be repriced every 30 to 180 days as agreed by the parties. Outstanding balance of the loan amounted ₱800.0 million as at December 31, 2021 and 2020.

On July 5, 2019, Belle drew down an additional ₱600.0 million from the ₱3,000.0 million facility. The terms of the new drawdown will be co-terminus with the September 12, 2018 drawdown. The loan is unsecured and bears an interest rate of 5.50% per annum fixed for 90 days, to be repriced every 30 to 180 days as agreed by parties. Outstanding balance of the loan amounted to ₱600.0 million as at December 31, 2021 (and 2020).

### Chinabank

On November 14, 2020, Belle availed ₱1,500.0 million facility for the purpose of financing capital expenditures, refinancing of existing debt obligations and other general corporate purposes. These are unsecured five-year term loan with annual interest fixed rate 4.75%. On November 20, 2020, ₱1,000.0 million was drawn from the facility. In 2021, Belle drew down an additional ₱500.0 million and ₱2,000.0 million from the ₱3,500.0 million facility. Outstanding balance of the loan amounted to ₱3,485.0 million as at December 31, 2021 (and ₱1,000 million as at December 31, 2020).

### Maybank Philippines, Inc. (Maybank)

On May 26, 2017, Belle obtained an unsecured five-year term loan from Maybank in the amount of ₱500.0 million. The five-year term loan shall be availed within ninety days from the signing of the loan agreement and bears a fixed interest rate based on applicable 5-year Philippine Dealing System Treasury Reference Rate-R2 ("PDST-R2") plus spread or Bangko Sentral ng Pilipinas (BSP) Overnight Borrowing rate plus spread, whichever is higher. On June 23, 2017, ₱500.0 million was drawn from the facility. Outstanding balance of the loan amounting to ₱166.7 million as at December 31, 2020 was fully settled in 2021.

### Robinsons Bank

In February and March 2017, Belle availed ₱1,000.0 million and ₱1,000.0 million, respectively, from its ₱2,000.0 million facility. These are unsecured five-year term loan with fixed annual interest rate based on applicable 5-year PDST-R2 plus spread. Outstanding balance of the loan amounting to ₱2,000.0 million as at December 31, 2020 was fully settled in 2021.

**United Coconut Planters Bank (UCPB)**

On February 11, 2015, Belle obtained an unsecured four-year term loan from UCPB in the amount of ₱1,000.0 million for the purpose of financing the construction of City of Dreams Manila. The term loan bears a fixed rate of 6.25% per annum. During the term of the loan, Belle agrees not to make investments in, or enter into any other business substantially different from the business in which the Belle is presently engaged, or make capital investments in excess of two percent (2%) of the consolidated stockholder's equity as at end of the last fiscal year, except for the total capital expenditures for City of Dreams project in the amount not exceeding ₱4,000.0 million, and those allocated for the real estate development projects. Amounts of ₱500.0 million and ₱500.0 million were drawn on February 23, 2015 and December 29, 2015, respectively. The loan was fully settled in 2020.

**EastWest Bank (EWB)**

On January 30, 2015, Belle obtained an unsecured five-year term loan from EWB in the amount of ₱1,500.0 million for the purpose of financing its capital expenditures. The term loan bears a fixed rate of 5.75% per annum. On January 30, 2015, ₱1,500.0 million was drawn from the facility. The loan was fully settled in 2020.

**Covenants**

The loan agreements provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. During the term of the loan, Belle should comply with the minimum current ratio of 1.0x to 1.3x and maximum debt to equity ratio of 2.0x to 3.0x.

As at December 31, 2021 (and 2020), the Parent Company is in compliance with the terms of its loan covenants.

**Repayment Schedule**

The repayment schedules of long-term debt are as follows:

	(In Thousands)	
	2021	2020
2021	₱—	₱121,111
2022	15,000	2,065,556
2023	29,000	24,000
2024	2,029,000	24,000
2025	2,812,000	2,332,000
	<b>₱4,885,000</b>	<b>₱4,566,667</b>

Interest expense on the loans from long-term debt amounted to ₱225.2 million in 2021 (₱237.4 million and ₱302.0 million in 2020 and 2019, respectively) (see Note 30).

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## 21. Equity

**Preferred Stock**

As at December 31, 2021 (and 2020), the Parent Company has not issued any preferred stock out of the authorized 6,000,000,000 shares with a ₱1 par value. Under the provisions of the Parent Company's articles of incorporation, the rights and features of the preferred stock shall be determined through a resolution of the BOD prior to issuance.

### **Common Stock**

As at December 31, 2021 (and 2020), the authorized common stock of the Parent Company is 14,000,000,000 shares with a ₱1 par value.

Movements in the number of issued, treasury and outstanding stocks of the Parent Company are as follows:

	2021	2020	2019
<b>Issued shares</b>			
Balance at beginning and end of year	<b>10,560,999,857</b>	10,560,999,857	10,560,999,857
<b>Treasury shares</b>			
Balance at beginning of year	<b>797,874,560</b>	797,874,560	797,874,560
Reissuance of treasury shares	<b>(1,000)</b>	—	—
Balance at end of year	<b>797,873,560</b>	797,874,560	797,874,560
<b>Outstanding shares</b>	<b>9,763,126,297</b>	9,763,125,297	9,763,125,297

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
August 20, 1973	6,000,000,000	6,000,000,000	₱0.01
March 19, 1976	2,000,000,000	464,900,000	0.01
December 7, 1990	—	920,000,000	0.01
1990	—	833,500,000	0.01
October 19, 1990	(7,000,000,000)	(8,136,216,000)	1.00
June 18, 1991	—	3,381,840	1.00
1991	—	47,435,860	1.00
1992	—	11,005,500	1.00
December 7, 1993	—	473,550,000	1.00
1993	—	95,573,400	1.00
January 24, 1994	—	100,000,000	1.00
August 3, 1994	—	2,057,948	7.00
August 3, 1994	—	960,375	10.00
June 6, 1995	—	138,257,863	1.00
February 14, 1995	1,000,000,000	—	1.00
March 8, 1995	—	312,068,408	1.00
March 17, 1995	2,000,000,000	—	1.00
March 28, 1995	—	627,068,412	1.00
July 5, 1995	—	78,060,262	1.00
September 1, 1995	—	100,000,000	1.00
March 1, 1995	—	94,857,072	1.00
September 13, 1995	—	103,423,030	1.00
1995	—	123,990,631	1.00
1996	—	386,225,990	1.00
February 21, 1997	10,000,000,000	—	1.00
1997	—	57,493,686	1.00
1998	—	36,325,586	1.00

(Forward)

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
March 19, 1999	–	16,600,000	₱1.00
April 26, 1999	–	450,000,000	1.00
April 27, 1999	–	300,000,000	1.00
1999	–	306,109,896	1.00
2000	–	2,266,666	1.00
2001	–	2,402,003,117	1.00
April 14, 2011	–	2,700,000,000	1.95
July 18, 2011	–	119,869,990	3.00
July 18, 2011	–	1,388,613,267	3.00
October 6, 2015	–	1,617,058	1.00
	14,000,000,000	10,560,999,857	

#### **Additional paid-in capital**

This pertains to paid-in subscriptions in excess of par value.

#### **Treasury Stock**

The number of treasury shares held total to 797,873,560 shares with a cost amounting to ₱2,476.7 million as at December 31, 2021 (797,874,560 shares with a cost amounting to ₱2,476.7 million as at December 31, 2020 and 2019).

#### **Cost of Parent Company Shares Held by Subsidiaries**

As at December 31, 2021 (and 2020), Parallax, SLW, PLC and POSC collectively hold Parent Company common shares totaling 319,041,183 with a cost aggregating to ₱1,464.3 million. These are presented as “Cost of Parent Company common shares held by subsidiaries” account in the consolidated statement of financial position.

#### **Retained Earnings**

The consolidated retained earnings as at December 31, 2021 and 2020 includes accumulated earnings of the subsidiaries and associates which are not currently available for dividend declaration unless declared by the subsidiaries and associates of the Parent Company. The Parent Company’s retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC, amounted to ₱1,926.2 million as at December 31, 2021 (and ₱5,526.1 million as at December 31, 2020).

#### **Dividends**

On February 28, 2019, the Parent Company’s BOD approved the declaration of cash dividends of Twelve Centavos (₱0.012) per share, totaling ₱1,133.1 million, net of dividends attributed to shares of the Parent Company held by subsidiaries. The record date to determine the shareholders entitled to receive the cash dividends was set to March 14, 2019 with the payment made on March 28, 2019.

On February 27, 2020, the Parent Company’s BOD approved the declaration of cash dividends of Twelve Centavos (₱0.12) per share, totaling ₱1,133.1 million, net of dividends attributed to shares of the Parent Company held by subsidiaries. The record date to determine the shareholders entitled to receive the cash dividends was set to March 13, 2020 with the payment made on March 27, 2020.



## 22. Gaming Revenue Share - net

Gaming revenue share is determined as follows:

	(In Thousands)		
	2021	2020	2019
Gaming revenue share - gross	<b>₱2,040,109</b>	₱1,017,666	₱5,954,696
Less PAGCOR license fee paid by Melco	<b>739,818</b>	382,449	2,978,330
Gaming revenue share - net	<b>₱1,300,291</b>	₱635,217	₱2,976,366

## 23. Other Revenue

This account consists of:

		(In Thousands)		
	Note	2021	2020	2019
Amortization of discount on trade receivables	7	<b>₱72,600</b>	₱69,517	₱80,854
Penalty		<b>2,192</b>	2,215	3,281
Income from forfeitures		<b>1,152</b>	23,040	6,517
Income from playing rights		<b>536</b>	1,250	3,214
Gain on sale of model unit		—	10,153	—
Others		<b>42,466</b>	37,083	36,442
		<b>₱118,946</b>	₱143,258	₱130,308

Income from forfeitures represents deposits, and to a certain extent, installment payments from customers forfeited in the event of default and/or cancellations of real estate sales.

Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

Others pertain to revenues from sale of scrap supplies and various administrative fees, such as utilities charges and payroll processing fees, during the year.

## 24. Cost of Lottery Services

This account consists of:

		(In Thousands)		
	Note	2021	2020	2019
Online lottery system expenses		<b>₱112,725</b>	₱99,095	₱285,446
Technical, software development and service fees		<b>66,818</b>	126,590	—
Depreciation and amortization	10	<b>71,071</b>	97,893	184,640
Communication fees		<b>59,064</b>	95,157	155,949
Software and license fees	36	<b>54,498</b>	40,566	136,318
Rental and utilities	33	<b>10,028</b>	11,261	71,314
Personnel costs		—	15,773	111,762
Operating supplies		—	7,876	37,993
		<b>₱374,204</b>	₱494,211	₱983,422

## 25. Cost of Gaming Operations

This account consists of:

		(In Thousands)		
	Note	2021	2020	2019
Depreciation and amortization	10	<b>₱115,834</b>	₱115,834	₱115,834
Payroll-related expenses		<b>11,919</b>	11,808	12,163
Transportation and travel		<b>4,191</b>	4,145	4,050
Representation and entertainment		<b>3,951</b>	3,905	3,818
		<b>₱135,895</b>	₱135,692	₱135,865

## 26. Cost of Real Estate Sold

The cost of real estate sold amounted to ₱301.4 million in 2021 (₱134.9 million and ₱202.3 million in 2020 and 2019, respectively).

## 27. Cost of Lease Income

This account consists of:

		(In Thousands)		
	Note	2021	2020	2019
Depreciation and amortization	10	<b>₱1,069,566</b>	₱1,034,996	₱656,658
Taxes		<b>171,587</b>	137,680	137,555
Insurance		<b>49,205</b>	29,245	29,600
Maintenance		<b>4,590</b>	4,593	13,125
		<b>₱1,294,948</b>	₱1,206,514	₱836,938

## 28. Cost of Services for Property Management

This account consists of:

		(In Thousands)		
	Note	2021	2020	2019
Power and maintenance		<b>₱52,649</b>	₱42,167	₱75,709
Water services		<b>51,625</b>	50,178	36,454
Depreciation and amortization	10	<b>9,300</b>	8,612	47,691
		<b>₱113,574</b>	₱100,957	₱159,854

## 29. General and Administrative Expenses

This account consists of:

		(In Thousands)		
	Note	2021	2020	2019
Security, janitorial and service fees	35	<b>₱166,700</b>	₱137,688	₱237,763
Personnel costs	34	<b>128,413</b>	168,142	247,818
Transportation and travel		<b>95,574</b>	104,417	96,387
Taxes and licenses		<b>92,307</b>	102,398	96,234
Pre-operating expenses		<b>48,630</b>	—	—
Management and professional fees	35, 36	<b>30,459</b>	18,093	46,516
Representation and entertainment		<b>29,203</b>	50,480	52,837
Selling expenses		<b>23,529</b>	23,982	29,368
Depreciation and amortization	10	<b>23,372</b>	20,541	75,807
Rentals and utilities	33, 35	<b>7,327</b>	22,257	38,212
Repairs and maintenance		<b>7,154</b>	7,177	16,008
Registration fees		<b>6,339</b>	5,322	4,910
Insurance		<b>5,182</b>	5,848	9,738
Communication		<b>4,819</b>	5,689	6,376
Marketing and advertising	35	<b>640</b>	3,068	9,036
Impairment of goodwill	15	—	417,801	377,518
Provision for doubtful accounts	7	—	139,678	2,147
Provision for probable loss on spare parts and supplies and CWT	9	—	44,006	—
Provision for impairment of ROU assets	33	—	9,325	—
Others		<b>23,455</b>	27,047	39,917
		<b>₱693,103</b>	₱1,312,959	₱1,386,592

Others pertain to office supplies, seminar fees and association dues incurred during the year and regular provisions of the Group.

## 30. Interest Income and Interest Expense

The sources of the Group's interest income follow:

		(In Thousands)		
	Note	2021	2020	2019
Cash and cash equivalents	5	<b>₱18,868</b>	₱49,861	₱66,557
Contract assets	7	<b>6,113</b>	5,590	8,600
		<b>₱24,981</b>	₱55,451	₱75,157

The sources of the Group's interest expense follow:

		(In Thousands)		
	Note	2021	2020	2019
Lease liabilities	33	<b>₱288,653</b>	₱214,408	₱71,384
Long-term debt	20	<b>225,189</b>	237,418	301,955
Loans payable	18	<b>57,996</b>	81,011	91,204
Others		<b>31,994</b>	26,733	14,337
		<b>₱603,832</b>	<b>₱559,570</b>	<b>₱478,880</b>

### 31. Other Income (Charges)

This account consists of:

		(In Thousands)		
	Note	2021	2020	2019
Gain from reversal of provisions	17	<b>₱281,317</b>	₱756,115	₱-
Dividend income	6, 11	<b>5,275</b>	13,995	26,784
Share in net loss of associates	14	<b>(1,671)</b>	(2,519)	-
Pre-termination gain (loss) on leases	33	<b>(567)</b>	13,114	-
Gain on sale of property and equipment		<b>176</b>	16	840
Gain from disposal of net assets of subsidiaries	15	-	70,338	-
Bank service charges		-	(10,174)	(5,243)
Others - net		<b>25,963</b>	2,309	(150,670)
		<b>₱310,493</b>	<b>₱843,194</b>	<b>(₱128,289)</b>

### 32. Income Taxes

The provision for current income tax consists of the following:

	(In Thousands)		
	2021	2020	2019
RCIT	<b>₱11,118</b>	₱36,653	₱274,033
MCIT	<b>1,538</b>	-	-
	<b>₱12,656</b>	<b>₱36,653</b>	<b>₱274,033</b>

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

	(In Thousands)	
	2021	2020
Deferred tax assets:		
Lease liabilities	<b>₱1,632,667</b>	₱2,002,766
NOLCO	<b>344,374</b>	470,990
Discount on trade receivables	<b>42,960</b>	24,996
Deferred lease income	<b>40,702</b>	50,200
Accretion of refundable deposits	<b>9,737</b>	9,977
Doubtful accounts	<b>5,950</b>	7,140
Unamortized past service costs	<b>4,018</b>	14,230
Pension liability	<b>4,016</b>	6,003
Accrued expenses	—	813
Unrealized foreign exchange loss	—	174
Provision for dismantling cost	<b>1,138</b>	1,273
	<b>2,085,562</b>	2,588,562
Deferred tax liabilities:		
Excess of carrying amount of investment property over construction costs	<b>(1,787,407)</b>	(2,219,450)
Right-of-use assets	<b>(1,497,483)</b>	(1,906,636)
Lease incentives	<b>(487,274)</b>	(600,983)
Accrued rent income	<b>(358,539)</b>	(442,206)
Unrealized gain on sale of real estate	<b>(228,678)</b>	(200,776)
Unaccreted discount on refundable deposits	<b>(44,579)</b>	(56,640)
Contract assets	<b>(17,580)</b>	(33,662)
Deferred lease expense	<b>(10,214)</b>	(9,664)
Deferred income on real estate sales	<b>(5,168)</b>	(797)
Pension asset	<b>(4,346)</b>	(4,204)
Unrealized foreign exchange gain - net	<b>(218)</b>	(39)
	<b>(4,441,486)</b>	(5,475,057)
Net deferred tax liabilities	<b>(₱2,355,924)</b>	(₱2,886,495)

The components of deferred tax are presented as follows:

	(In Thousands)	
	2021	2020
In profit or loss	<b>(₱2,348,396)</b>	(₱2,889,681)
In other comprehensive income	<b>(7,528)</b>	3,186
	<b>(₱2,355,924)</b>	(₱2,886,495)

The deferred taxes presented in the consolidated statement of financial position as at December 31, 2021 (and 2020) are as follows:

	(In Thousands)	
	2021	2020
Deferred tax assets	<b>₱21,399</b>	₱82,415
Deferred tax liabilities	<b>(2,377,323)</b>	(2,968,910)
Net deferred tax liabilities	<b>(₱2,355,924)</b>	(₱2,886,495)

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 components of the Group's unrecognized deferred tax assets as at December 31, 2021 (and 2020) are as follows:

	(In Thousands)	
	2021	2020
Allowances for:		
Impairment of project development costs	<b>₱2,136,820</b>	₱2,136,820
Impairment losses	<b>830,455</b>	830,455
Doubtful accounts	<b>574,880</b>	551,502
Probable losses	<b>33,309</b>	33,309
NOLCO	<b>260,974</b>	26,653
Excess MCIT over RCIT	<b>1,538</b>	1,503
	<b>₱3,837,976</b>	<b>₱3,580,242</b>

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:

	(In Thousands)				
Year Incurred	Beginning Balance	Incurred	Applied/Expired	Ending Balance	Valid Until
2021	₱—	₱723,017	₱—	₱723,017	2026
2020	1,438,939	—	—	1,438,939	2025
2019	191,856	—	(40,342)	151,514	2022
2018	5,709	—	(5,709)	—	2021
	<b>₱1,636,504</b>	<b>₱723,017</b>	<b>(₱46,051)</b>	<b>₱2,313,470</b>	

The deferred tax assets of the above temporary differences amounting to ₱1,432.2 million as at December 31, 2021 (and ₱978.5 million as at December 31, 2020) were not recognized since management believes that it is not probable that taxable income will be available against which the deferred tax assets can be utilized.

The details of the Group's MCIT which can be claimed as deduction against income tax liability during the stated validity are as follows:

	(In Thousands)				
Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2021	₱—	₱1,538	₱—	₱1,538	2024
2018	1,503	—	(1,503)	—	2021
	<b>₱1,503</b>	<b>₱1,538</b>	<b>(₱1,503)</b>	<b>₱1,538</b>	

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

	(In Thousands)		
	2021	2020	2019
Income tax at statutory income tax rate	<b>₱278,236</b>	₱335,705	₱965,150
Change in income tax rate	<b>(361,013)</b>	–	
Income tax effects of:			
Nontaxable income	<b>(628,689)</b>	(194,737)	(893,093)
Nondeductible expenses and others	<b>89,231</b>	65,318	177,242
Reversal of deferred tax assets	–	26,158	–
Income subjected to final tax	<b>(4,848)</b>	(15,004)	(6,811)
Change in unrecognized deferred tax assets	<b>97,027</b>	2,881	44,222
Expired NOLCO	<b>1,427</b>	29	12
Mark-to-market loss on securities	–	–	4,574
Others	–	6,967	2,143
	<b>(₱528,629)</b>	₱227,317	₱293,439

#### Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, the CREATE was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The enactment of CREATE subsequent to reporting date is considered as a non-adjusting subsequent event for financial reporting. Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. The amount of current and deferred tax expense (benefit) relating to changes in income tax rates in 2020 which were recognized in 2021 amounted to nil and ₱361.0 million, respectively.

### **33. Lease Commitments**

#### **Group as Lessee**

The Parent Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City. The 20,218 square meter (sqm) land lease shall be for a period of 10 years commencing on April 23, 2010, inclusive of two years construction period. The contract may be renewed or extended by written agreement of the parties and upon such terms and conditions that are mutually acceptable to the parties. In 2012, the lease term was extended until April 2035. The rental payments are based on a fixed amount and subject to annual escalation until its 10th year. The annual rate on the 11th year shall be repriced in accordance with the terms of the agreement but in no case that the lease be less than the 10th year rental rate plus 10% escalation. The rental rate is subject to review and conformity of both the lessor and lessee every 5 years, based on 4% average fair rental value or the escalated rate, whichever is higher. The annual escalation rate within the appraisal cycle is 5%.

In 2020, pursuant to providing continued and uninterrupted use of the Leased Premises to its Lessee, the Parent Company entered into amendment of lease agreements for the lease of land until July 31, 2033 and transfer of land improvements to Social Security System (SSS). The lease rates are based on fixed amount, subject to annual escalation. The lease of the land will be subjected to repricing on its 6th year and 11th year in accordance with the terms of the agreement. The Parent Company accounted for these agreements as linked transactions resulting to a lease modification, considering the gain on the partial termination of the lease for the shortening of the lease term and adjustment to right-of-use asset for the remeasurement of lease liability by discounting the revised lease payments using a revised discount rate. The Parent Company derecognized the right-of-use asset and lease liabilities due to shortening of the lease term from April 22, 2035 to July 31, 2033 amounting to ₱87.8 million and ₱99.8 million, respectively (see Note 10). Gain on the shortening of the lease term amounting to ₱11.9 million was recognized as part of "Pre-termination gain on leases" under "Other income (loss) - net" account in the consolidated statement of comprehensive income (see Note 31). Adjustment to right of use assets and lease liabilities as a result of the lease modification amounted to ₱6,298.8 million and ₱6,020.1 million, respectively (see Note 10).

In 2020, SSS granted lease concession to the Parent Company by deferring the lease payments due from December 2020 to May 2021 totaling ₱100.0 million, which will be paid in 2022. The Parent Company applied the practical expedient under amendment to PFRS 16, the revised timing of lease payments was not accounted for as a lease modification.

The Parent Company and Belle Bay City, through its Board of Liquidators, entered into a Memorandum of Agreement granting the Parent Company an absolute and exclusive right to build and use "air rights" a bridge way over a particular lot owned by Belle Bay City. The agreement shall be a period of 50 years or upon termination of the Parent Company's business operation on the bridge way whichever comes earlier. The air rights shall be used to connect City of Dreams Manila Phase 1 and Phase 2. Rental payments are subject to escalation as stated in the agreement.

On May 12, 2012, the Parent Company entered into a lease agreement with SM Prime Holdings, Inc. (formerly SM Land, Inc.) covering its office space. The lease term is five years, with option to renew subject to mutually agreed upon terms and conditions. Rent is payable within 30 days upon receipt of the billing. On August 1, 2017, the operating lease agreement was renewed for another five years ending on July 31, 2022.

The Group has various lease contracts for office spaces, warehouses, retail equipment and retail outlets and corporate suites. The leases generally have lease terms of between 2 and 5 years.

The Group also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases. Rent expense related to short-term leases amounted to ₱18.6 million in 2021 (and ₱27.7 million in 2020) (see Notes 24 and 29).

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

In 2020, the lease of corporate suites was terminated. Gain on termination of the lease recognized under "Other income (loss) - net" account amounted to ₱1.2 million (see Note 31).



Movements of right-of-use assets follows:

(in Thousands)				
2021				
Note	Right-of-use Air Rights	Right-of-use Office and Warehouse	Right-of-use Equipment	Total
<b>Cost</b>				
Balance at beginning of year	₱53,673	₱89,674	₱163,499	₱306,846
Additions	–	8,926	–	8,926
Termination of lease	–	(11,014)	–	(11,014)
Balance at end of year	53,673	87,586	163,499	304,758
<b>Accumulated Depreciation, Amortization and Impairment</b>				
Balance at beginning of year	7,402	64,213	163,499	235,114
Depreciation and amortization	10	3,701	20,671	24,372
Termination of lease	–	(9,540)	–	(9,540)
Balance at end of year	11,103	75,344	163,499	249,946
Carrying amount	₱42,570	₱12,242	₱–	₱54,812

(In Thousands)					
2020					
Note	Right-of-use Air Rights	Right-of-use Office and Warehouse	Right-of-use Equipment	Right-of-use Corporate Suites	Total
<b>Cost</b>					
Balance at beginning of year	₱53,673	₱122,690	₱163,499	₱39,502	₱379,364
Additions	26	–	14,789	–	14,789
Termination of lease	–	–	–	(39,502)	(39,502)
Derecognition from disposal of subsidiaries	–	(47,805)	–	–	(47,805)
Balance at end of year	53,673	89,674	163,499	–	306,846
<b>Accumulated Depreciation, Amortization and Impairment</b>					
Balance at beginning of year	3,701	47,280	163,499	16,574	231,054
Amortization	26	3,701	29,358	4,144	37,203
Impairment loss	–	9,325	–	–	9,325
Termination of lease	–	–	–	(20,718)	(20,718)
Derecognition from disposal of subsidiaries	–	(21,750)	–	–	(21,750)
Balance at end of year	7,402	64,213	163,499	–	235,114
<b>Net Carrying Amount</b>	₱46,271	₱25,461	₱–	₱–	₱71,732

The following are the amounts recognized in the consolidated statement of comprehensive income:

(In Thousands)			
	Note	2021	2020
Interest expense on lease liabilities	31	₱288,653	₱214,408
Expenses relating to short-term leases	24, 29	18,576	27,716
Amortization of right-of-use assets	24, 27, 29	17,779	37,203
Pre-termination loss (gain) on leases	31	567	(13,995)
Impairment loss of right-of-use assets	29	–	9,325
Interest expense on asset retirement obligation		–	289
		₱325,575	₱274,946

Movements of lease liabilities follows:

	(In Thousands)	
	2021	2020
Balance at beginning of year	<b>₱6,687,494</b>	₱1,003,935
Interest expense	<b>288,653</b>	214,408
Additions	<b>13,479</b>	6,020,072
Payments	<b>(438,898)</b>	(404,102)
Termination of lease	<b>(2,041)</b>	(119,744)
Derecognition from disposal of subsidiaries	<b>—</b>	(27,075)
Balance at end of year	<b>6,542,094</b>	6,687,494
Current portion of lease liabilities	<b>345,679</b>	148,613
Lease liabilities - net of current portion	<b>₱6,196,415</b>	₱6,538,881

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

	(In Thousands)	
	2021	2020
Within 1 year	<b>₱627,948</b>	₱519,947
After 1 year but not more than 5 years	<b>1,942,988</b>	3,880,609
After 5 years	<b>5,865,696</b>	4,505,151

#### Refundable Deposits

The Group paid deposits as security to various leases amounting to ₱84.6 million as at December 31, 2021 (and ₱70.9 million as at December 31, 2020) (see Note 16). These are refundable at the end of the lease term. The deposits are initially recognized at their present values and subsequently carried at amortized cost using effective interest method.

#### Group as Lessor

*Leases of Online Lotto Equipment and Accessories.* POSC leases online lotto equipment and accessories to PCSO for a period of 1 year until July 31, 2021 as provided in the 2020 Amended ELA (see Note 36). In 2021, the ELA was extended until July 31, 2022. Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals. Rental income recognized in the consolidated statement of comprehensive income amounted to ₱390.8 million in 2021 (₱281.2 million and ₱427.9 million in 2020 and 2019, respectively).

TGTI leases "Online KENO" equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. In 2020, the ELA was extended until March 31, 2021. Rental payment by PCSO is based on certain percentage of gross amount of "Online KENO" games from the operation of all PCSO's terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of comprehensive income amounted to ₱35.6 million in 2021 (₱47.2 million and ₱253.6 million in 2020 and 2019, respectively).

*Lease Agreement with Melco.* On October 25, 2012, the Parent Company, as a lessor, entered into a lease agreement with Melco for the lease of land and building structures to be used in the City of Dreams Manila project ("the Project"). The lease period is co-terminus with the operating agreement between the Parent Company and Melco which is effective on March 13, 2013 until the expiration of the License on July 11, 2033.

In 2020, the Parent Company granted lease concessions (i.e., lease reduction) on the lease of land and building to Melco as a response to the call by the government to offer lease concessions during the coronavirus pandemic. The 2020 rental payments were reduced to ₱278.9 million from ₱2,349.6 million and 2021 minimum rental payments were changed to include minimum guaranteed rental payments equivalent to 35% of the rent and additional lease payments subject to operating capacity and lifting of age restrictions and inbound international flight restrictions. Accordingly, 2021 rental payments amounted to ₱897.4 million.

In 2020, the Group accounted for the lease concessions as a lease modification to the operating lease that gives rise to a new lease from the effective date of the modification, considering the accrued lease payments relating to the original lease as part of the lease payments for the new lease. The lease concession resulted to a decrease in 2020 lease income by ₱8.9 million. In 2021, the Parent Company recognized lease income up to the extent collectible.

The Parent Company recognized lease income on the lease of land and building by Melco amounting to ₱807.9 million in 2021 (₱2,663.2 million and ₱2,671.0 million in, 2020 and 2019, respectively).

As at December 31, 2021 and 2020, the minimum lease payments to be received by the Parent Company on the lease on the land and building are as follows:

	(In Thousands)	
	2021	2020
Within one year	<b>₱2,652,233</b>	₱863,975
In more than one year and not more than five years	<b>11,134,229</b>	13,786,462
In more than five years	<b>18,498,064</b>	18,498,064
	<b>₱32,284,526</b>	₱33,148,501

The Group carried receivables relating to these leases of ₱3,523.9 million and ₱3,278.2 million under the “Receivables” account in the consolidated statements of financial position as at December 31, 2021 and 2020, respectively (see Note 7).

Costs incurred for these leases, which consists of taxes, property insurance and other costs, are presented under “Cost of lease income” account in the consolidated statements of comprehensive income (see Note 24).

### 34. Pension Costs

The Parent Company and certain of its subsidiaries have funded, noncontributory defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees’ projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 31, 2021.

PLC is covered under Republic Act No. 7641 which provides a defined benefit minimum guarantee for its qualified employees.

The following tables summarize the components of pension costs recognized in the consolidated statements of comprehensive income and the pension asset and pension liability recognized in the consolidated statement of financial position.

Changes in the retirement benefits of the Group in 2021 are as follows:

	Note	(In Thousands)		
		Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Asset (Liability)
Balance at beginning of year		(P227,480)	P182,201	(P45,279)
Net retirement income (costs) in profit or loss:				
Current service cost		(19,082)	–	(19,082)
Past service cost		10,338	–	10,338
Interest on the effect on asset ceiling		(7,830)	6,172	(1,658)
		(16,574)	6,172	(10,402)
Benefits paid		36,782	(36,782)	–
Contributions		–	5,000	5,000
Remeasurement gain (loss) recognized in OCI:				
Actuarial changes due to experience adjustment		18,158	–	18,158
Actuarial changes arising from changes in financial assumptions		12,067	–	12,067
Actuarial changes due to changes in demographic assumptions		7,690	–	7,690
Actual return excluding amount included in net interest cost		–	925	925
Effect of asset ceiling		–	(1,669)	(1,669)
		37,915	(744)	37,171
Balance at end of year		(P169,357)	P155,847	(P13,510)

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

	Note	(In Thousands)		
		Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Asset (Liability)
Balance at beginning of year		(P253,363)	P209,143	(P44,220)
Net retirement income (costs) in profit or loss:				
Current service cost		(20,830)	–	(20,830)
Interest expense		(11,368)	–	(11,368)
Interest income		–	8,818	8,818
Settlement loss		(228)	–	(228)
Interest on the effect on asset ceiling		–	(16)	(16)
		(32,426)	8,802	(23,624)

(Forward)

(In Thousands)				
	Note	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Asset (Liability)
Benefits paid		₱12,513	(₱10,703)	₱1,810
Disposal of a subsidiary	15	20,011	(32,764)	(12,753)
Contributions		–	9,192	9,192
Settlements		2,360	(2,360)	–
Remeasurement gain (loss) recognized in OCI:				
Actuarial changes due to experience adjustment		32,428	–	32,428
Actuarial changes arising from changes in financial assumptions		(16,590)	–	(16,590)
Actual return excluding amount included in net interest cost		–	(1,971)	(1,971)
Actuarial changes due to changes in demographic assumptions		1,206	–	1,206
Effect of asset ceiling		–	(303)	(303)
Disposal of a subsidiary	15	6,381	3,165	9,546
		23,425	891	24,316
Balance at end of year		(₱227,480)	₱182,201	(₱45,279)

The retirement benefits are presented in the consolidated statement of financial position as at December 31, 2021 (and 2020) are as follows:

(In Thousands)		
	2021	2020
Pension asset	₱17,384	₱14,012
Pension liability	(30,894)	(59,291)
Net pension liability	(₱13,510)	(₱45,279)

The major categories of plan assets as a percentage of the fair value of total plan assets as at December 31 are as follows:

(In Thousands)		
	2021	2020
Cash and cash equivalents	9%	18%
Debt instruments - government bonds	55%	42%
Unit investment trust funds	30%	26%
Mutual fund	3%	1%
Others	3%	13%
	100%	100%

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

	2021	2020
Discount rates	<b>4.99%-5.19%</b>	5.10%-7.62%
Future salary increases	<b>5.00%-8.00%</b>	5.00%-8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020 assuming all other assumptions were held constant:

	2021		2020	
	Increase (Decrease) in Defined Benefit		Increase (Decrease) in Defined Benefit	
	Increase (Decrease)	Obligation (In thousands)	Increase (Decrease)	Obligation (In thousands)
Discount rate	<b>1.00%</b> <b>(1.00%)</b>	<b>(P10,243)</b> <b>12,145</b>	1.00% (1.00%)	<b>(P17,619)</b> 21,335
Salary increase rate	<b>1.00%</b> <b>(1.00%)</b>	<b>12,058</b> <b>(8,184)</b>	1.00% (1.00%)	20,698 (17,480)

The average duration of the Group's defined benefit obligation is 1.3 years to 24.3 years in 2021.

The maturity analysis of the undiscounted benefit payments follows:

	(In Thousands)	
	2021	2020
Less than 1 year	<b>P86,621</b>	P113,756
More than 1 year to 5 years	<b>18,215</b>	20,670
More than 5 years to 10 years	<b>64,569</b>	79,834

### 35. Related Party Transactions

In the ordinary course of business, the Group has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances. The outstanding balances at year-end are payable on demand. There have been no guarantees provided or received for any related party receivables or payables. Related party transactions are generally settled in cash. Related party transactions amounting to 10% or higher of the Group's consolidated total assets are subject to the approval of the BOD.

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Conditions
<i>(In Thousands)</i>							
APC	Associate	Advances to associate (see Note 17)	<b>2021</b>	<b>₱--</b>	<b>₱79,976</b>	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2021 (and 2020)
			<b>2020</b>	–	79,979		
Belle Jai Alai	Associate	Advances to associate (see Note 17)	<b>2021</b>	–	<b>29,398</b>	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2021 (and 2020)
			<b>2020</b>	–	29,398		
Others	Associate	Advances to associates (see Note 17)	<b>2021</b>	–	<b>11,486</b>	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2021 (and 2020)
			<b>2020</b>	–	11,486		
Belle Jai-Alai	Associate	Advances from associate	<b>2021</b>	<b>21,936</b>	<b>(60,037)</b>	Noninterest-bearing, due and demandable	Unsecured
			<b>2020</b>	–	(38,101)		
SM Prime Holdings, Inc.	With common stockholders	Lease (see Note 36)	<b>2021</b>	<b>12,690</b>	–	5 years, renewable	Unsecured
			<b>2020</b>	9,774	–		
			<b>2019</b>	9,209	–		
		Management and professional fees (see Note 32)	<b>2021</b>	<b>12,690</b>	–	1 year, renewable	Unsecured
			<b>2020</b>	14,568	–		
			<b>2019</b>	14,223	–		
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement (see Notes 32 and 36)	<b>2021</b>	–	–	3 years	Unsecured
			<b>2020</b>	14,500	–		
			<b>2019</b>	18,000	4,950		
Highlands Prime, Inc. (HPI)	With common stockholders	Service fees (see Note 32)	<b>2021</b>	<b>25,158</b>	–	5 years, renewable	Unsecured
			<b>2020</b>	3,884	–		
			<b>2019</b>	13,726	–		
Directors and officers	Key management personnel	Short-term employee benefits	<b>2021</b>	<b>67,441</b>	–	Not applicable	Unsecured
			<b>2020</b>	61,553	–		
			<b>2019</b>	110,937	–		
		Long-term employee benefits	<b>2021</b>	<b>7,086</b>	–	Not applicable	Unsecured
			<b>2020</b>	7,833	–		
			<b>2019</b>	7,503	–		
SM Investments Corporation	With common stockholders	Service fees (see Note 32)	<b>2021</b>	<b>60,500</b>	–	Non-interest bearing, 30 days	Unsecured
			<b>2020</b>	60,500	–		
			<b>2019</b>	66,000	–		

The following table provides the summary of outstanding balances and transactions for the year ended December 31, 2021 (and for the years ended December 31, 2020, and 2019) in relation with the table above for the transactions that have been entered into with related parties:

#### Total Related Party Outstanding Balances before any Allowance for Impairment

	Note	<i>(In Thousands)</i>	
		<b>2021</b>	<b>2020</b>
Advances to associates	14	<b>₱120,336</b>	<b>₱120,333</b>
Advances from associates	17	<b>60,037</b>	<b>38,101</b>

### Total Related Party Transactions

	(In Thousands)		
	2021	2020	2019
Short-term and long-term employee benefits	<b>₱74,527</b>	₱69,386	₱118,440
Service fee	<b>25,158</b>	3,884	13,726
Management fee	<b>12,690</b>	14,568	18,223
Rent	<b>9,774</b>	9,774	9,209
Sponsorship agreement	—	4,500	18,000

Allowance provided on advances to associates charged to “Investments in and Advances to Associates” amounted to ₱120.3 million as at December 31, 2021 (and 2020) (see Note 14).

Transactions with other related parties are as follows:

- In 2014, the Parent Company entered into a renewable one-year management and professional service agreement with SM Prime Holdings, Inc. Management and professional fees charged by SM Prime Holdings, Inc. to the Parent Company amounted to ₱12.7 million in 2021 (₱14.6 million and ₱18.2 million in 2020 and 2019, respectively) which are recognized under “General and administrative expenses” in consolidated statements of comprehensive income (see Note 29). The fees are payable within 30 days upon the receipt of billing.
- In 2015, the Parent Company entered into a renewable one-year service agreement with HPI for manpower supervision. Service fees charged by HPI to the Parent Company amounted to ₱85.7 million in 2021 (₱3.9 million and ₱13.7 million in 2020 and 2019, respectively) which are recognized under “General and administrative expenses” in consolidated statements of comprehensive income (see Note 29).
- In 2019, the Parent Company entered into a renewable one-year professional service agreement with SM Investments Corporation. Service fees charged by SMIC to the Parent Company amounted to ₱60.5 million in 2021 (₱60.5 million and ₱66.0 million in 2020 and 2019, respectively) which are recognized under “General and administrative expenses” in consolidated statements of comprehensive income (see Note 29). The fees are payable within 30 days upon the receipt of billing.

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### **36. Significant Contracts and Commitments**

#### **Investment Commitment with PAGCOR**

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



The other salient provisions of the License are: (i) creation of an escrow account where the funds to be used exclusively for the Project are expected to flow through but with a maintaining balance of US\$50.0 million and is separately shown as the “Escrow Fund” account in the 2012 consolidated statement of financial position; (ii) issuance of performance bond of US\$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US\$100.0 million to guarantee the payment to PAGCOR of all fees payable under the License granted by PAGCOR. In May 2013, the Escrow was terminated as Melco deposited its own Escrow Fund to replace that of the Group.

#### **Cooperation Agreement with Melco**

On October 25, 2012, the Parent Company together with PLAI (“Philippine Parties”), formally entered into a Cooperation Agreement with Melco which governs their cooperation in the development and operation of the City of Dreams Manila. The Cooperation Agreement places the Group as a co-licensee and the owner of the site’s land and buildings, while Melco will be a co-licensee and operator of all the facilities within the resort complex.

In March 2013, Melco paid the Group the amount of ₱949.6 million which represents various costs Melco agreed to absorb as one of the conditions of the Philippine Parties in including the Melco Parties as co-licensees under the Project.

#### **Operating Agreement with Melco**

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

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

Pursuant to this agreement, PLAI shares from the performance of the casino gaming operations. Gaming revenue share in 2021, 2020 and 2019 amounted to ₱1,300.3 million, ₱635.2 million and ₱2,976.4 million, respectively (see Note 22).

#### **Equipment Lease Agreement (ELA) between POSC and 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.

In relation to the amendments of contract with PCSO, 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, 2021 and 2020, the total cash bond, included under “Other current assets” or “Other noncurrent assets” in the consolidated statements of financial position, amounted to ₱12.0 million (see Notes 9 and 16).

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

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

On September 9, 2020, the term of the ELA was month-to-month basis not exceeding 1 year, commencing from April 1, 2021 and not exceeding July 31, 2022.

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 VISMIN and Luzon operations. The number of installed lotto terminals totaled 3,129 and 3,370 as at December 31, 2021 and 2020. POSC's rental income amounted to ₱390.8 million in 2021 (₱245.9 million and ₱427.9 million in 2020 and 2019, respectively) (see Note 33).

*Instant Scratch Tickets.* On March 31, 2009, POSC entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO, for a period of seven years, effective December 1, 2009 to undertake the printing, distribution and sale of scratch tickets. The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA.

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

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

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

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

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

#### **Brand and Trademark Agreement with PMLC**

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC. Thus, in 2018, POSC recognized revenue on the use of the brand and trademark amounting to ₱203.5 million (see Note 31). Interest income earned in 2021 amounted to ₱6.1 million (₱5.6 million and ₱8.6 million in 2020 and 2019, respectively) (see Note 30).

#### **TGTI Equipment Rental**

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's Online KENO games. This covers PCSO's online keno lottery operations. The lease includes online keno equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the "Online KENO" terminals. The ELA may be extended and/or renewed upon the mutual consent of the parties. TGTI's revenue from equipment rental amounted to ₱35.6 million in 2021 (₱47.2 million and ₱253.6 million in 2020 and 2019, respectively). As at December 31, 2021 and 2020, there are 569 and 1,180 Online KENO terminals in operation, respectively.

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

On December 11, 2020, the ELA was amended to extend the term for six months, effective October 1, 2020 until March 31, 2021. The amendment also required TGTI to post a cash bond and performance security bond with an aggregate amount of ₱2.5 million. The cash bond is included under "Other current assets" or "Other noncurrent assets" in the consolidated statements of financial position (see Notes 9 and 16).

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

**POSC's Consultancy Agreements, Contracts with Scientific Games and Intralot, Management Agreement**

a. Consultancy Agreements

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

b. Scientific Games

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

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

a. Intralot

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

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

d. Management Agreement

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

Software and license fee recognized amounted to amounted to ₱54.5 million in 2021 (₱40.6 million and ₱136.3 million in 2020 and 2019, respectively) (see Note 24).

**Interest in a Joint Operation of PinoyLotto Technologies Corp. (PinoyLotto)**

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

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

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

### 37. Basic/Diluted EPS

The basic/diluted earnings per share were computed as follows:

	(In Thousands, Except for EPS)		
	2021	2020	2019
Earnings attributable to Equity holders of the Parent (a)	<b>₱576,983</b>	₱1,001,281	₱2,609,733
Number of issued common shares at beginning of year	<b>10,561,000</b>	10,561,000	10,561,000
Number of common treasury shares at beginning of year	<b>(797,874)</b>	(797,875)	(797,875)
Number of parent company common shares held by subsidiaries at beginning of year	<b>(319,041)</b>	(319,041)	(319,041)
Weighted average number of treasury shares issued during the year	<b>500</b>	-	-
Weighted average number of issued common shares - basic, at end of year (b)	<b>9,444,585</b>	9,444,084	9,444,084
Basic/diluted EPS (a/b)	<b>₱0.061</b>	₱0.106	₱0.276

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

### 38. Financial Assets and Financial Liabilities

#### **Financial Risk Management Objectives and Policies**

The Group's principal financial liabilities are composed of trade and other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and cash equivalents, receivables and installment receivables. The Group also holds financial assets at FVPL, financial assets at FVOCI, deposits, refundable deposits and construction bonds, guarantee deposits, loans payable, long-term debt, lease liability, and obligations under finance lease.

The main risks arising from the Group's financial assets and financial liabilities are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Group's BOD and management review and agree on the policies for managing each of these risks and these are summarized below.

*Interest Rate Risk.* Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial assets and financial liabilities. The Group's exposure to interest rate risk relates primarily to the Group's long-term debt which are subject to cash flow interest rate risk.

The Group's policy is to manage its interest cost by limiting its borrowings and entering only into borrowings at fixed and variable interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with other variables held constant of the Company's income before income tax

	(In Thousands)	
	2021	2020
Increase (decrease) in basis points:		
100	<b>₱6,038</b>	(₱8,750)
(100)	<b>(6,038)</b>	8,750
50	<b>3,019</b>	(5,250)
(50)	<b>(3,019)</b>	5,250

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

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

	(In Thousands)	
	2021	2020
Cash and cash equivalents	<b>₱10,679</b>	₱19,636
Consultancy and software license fee payable*	<b>(733)</b>	(17,207)
Foreign currency-denominated financial assets (liabilities)	<b>₱9,946</b>	₱2,429

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

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

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

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

	2021		2020	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate*	5%	(5%)	5%	(5%)
Effect on income before income tax (in thousands)	₱1,339	(₱1,339)	₱4,213	(₱4,213)

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

**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 2021 and 2020 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	(In Thousands)	
	2021	2020
Impact in profit or loss		
5%	<b>₱3,653</b>	₱4,213
(5%)	<b>(3,653)</b>	(4,213)
Impact in comprehensive income		
5%	<b>₱363,521</b>	₱239,567
(5%)	<b>(363,521)</b>	(239,567)

**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.

In the Group's real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments/deposits made by the customer in favor of the Group and retain ownership of the property. The Group has the right to sell, assign or transfer to third party and any interest under sales contract, including its related receivables from the customers. The Group's primary target customers are high-income individuals and top corporations, in the Philippines and overseas. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

Trade receivables from sale of real estate units are secured with pre-completed property units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from sale of club shares are secured by the shares held by the Group. For other receivables, since the Group trades only with recognized third parties, there is no requirement for collateral.

With respect to credit risk arising from the financial assets of the Group, which comprise of cash and cash equivalents, investments held for trading, receivables, finance lease receivables, advances to associates, financial assets at FVOCI, deposits, refundable deposits and construction bonds, and guarantee bonds, 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.

(In Thousands)							
2021							
	Neither Past Due nor Impaired	Past Due but not Impaired					Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	
Cash and cash equivalents*	₱2,081,651	₱-	₱-	₱-	₱-	₱-	₱2,081,651
Financial assets at FVPL	73,054	-	-	-	-	-	73,054
Receivables:							
Trade	4,854,185	-	9,407	5,181	45,982	212,458	5,127,213
Others	245,711	-	-	-	-	162,108	407,819
Advances to associates**	527	-	-	-	-	-	527
Financial assets at FVOCI	7,270,420	-	-	-	-	-	7,270,420
Advances to contractors***	139,740	-	-	-	-	-	139,740
Refundable deposit***	88,285	-	-	-	-	-	88,285
Guarantee bonds***	14,500	-	-	-	-	-	14,500
	₱14,768,073	₱-	₱9,407	₱5,181	₱45,982	₱374,566	₱15,203,209

\*Excluding cash on hand.

\*\*Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.

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

(In Thousands)							
2021							
	Neither Past Due nor Impaired	Past Due but not Impaired					Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	
Cash and cash equivalents*	₱2,579,407	₱-	₱-	₱-	₱-	₱-	₱2,579,407
Financial assets at FVPL	84,261	-	-	-	-	-	84,261
Receivables:							
Trade	2,492,468	23,984	9,658	30,973	323,571	212,458	3,093,112
Others	420,494	-	-	-	-	162,108	582,602
Advances to associates**	524	-	-	-	-	-	524
Financial assets at FVOCI	4,789,847	-	-	-	-	-	4,789,847
Advances to contractors***	139,740	-	-	-	-	-	139,740
Refundable deposit***	104,394	-	-	-	-	-	104,394
Guarantee bonds***	17,920	-	-	-	-	-	17,920
	₱10,629,055	₱23,984	₱9,658	₱30,973	₱323,571	₱374,566	₱11,391,807

\*Excluding cash on hand.

\*\*Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.

\*\*\*Presented under "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.

Past due accounts which pertain to trade receivables from sale of real estate units and club shares are recoverable since the legal title and ownership of the real estate units and club shares will only be transferred to the customers upon full payment of the contract price.



### 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:

	(In Thousands)			
	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱2,081,651	₱-	₱-	₱2,081,651
Advances to associates**	527	-	-	527
Advances to contractors***	139,740	-	-	139,740
Refundable deposits***	88,285	-	-	88,285
Guarantee bonds***	14,500	-	-	14,500
Receivables:				
Trade	4,863,592	51,163	212,458	5,127,213
Others	245,711	-	162,108	407,819
<b>Financial assets at FVOCI</b>	<b>7,270,420</b>	<b>-</b>	<b>-</b>	<b>7,270,420</b>
<b>Financial assets at FVPL</b>	<b>73,054</b>	<b>-</b>	<b>-</b>	<b>73,054</b>
<b>Gross Carrying Amount</b>	<b>₱14,777,480</b>	<b>₱51,163</b>	<b>₱374,566</b>	<b>₱15,203,209</b>

\*Excluding cash on hand.

\*\*Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.

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

	(In Thousands)			
	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱2,579,407	₱-	₱-	₱2,579,407
Advances to associates**	524	-	-	524
Advances to contractors***	139,740	-	-	139,740
Refundable deposit and construction bonds***	104,394	-	-	104,394
Guarantee bonds***	17,920	-	-	17,920
Receivables:				
Trade	2,526,110	354,544	212,458	3,093,112
Others	420,494	-	162,108	582,602
<b>Financial assets at FVOCI</b>	<b>4,789,847</b>	<b>-</b>	<b>-</b>	<b>4,789,847</b>
<b>Financial assets at FVPL</b>	<b>84,261</b>	<b>-</b>	<b>-</b>	<b>84,261</b>
<b>Gross Carrying Amount</b>	<b>₱10,662,697</b>	<b>₱354,544</b>	<b>₱374,566</b>	<b>₱11,391,807</b>

\*Excluding cash on hand.

\*\*Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.

\*\*\*Presented under "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, cash equivalents and short-term investments are deposited with the top ten banks in the Philippines; hence, considered high grade.

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

**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 following table summarizes the maturity profile of the Group's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted cash flows.

	(In Thousands)					
	2021					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
<b>Financial Liabilities</b>						
Trade and other current liabilities*	₱1,574,211	₱–	₱–	₱–	₱–	₱1,574,211
Loans payable**	1,995,017	–	–	–	–	1,995,017
Long-term debt**	–	75,065	91,309	5,200,445	–	5,366,819
Refundable deposit***	–	–	–	–	153,999	153,999
	₱3,569,228	₱75,065	₱91,309	₱5,200,445	₱153,999	₱9,090,046

\*Excluding withholding and output tax payable.

\*\*Including future interest payments.

\*\*\*Presented under "Other noncurrent liabilities" account in the consolidated statement of financial position.

	(In Thousands)					
	2020					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
<b>Financial Liabilities</b>						
Trade and other current liabilities*	₱253,124	₱1,599,110	₱486,028	₱–	₱–	₱2,338,262
Loans payable**	2,525,017	–	–	–	–	2,525,017
Long-term debt**	–	121,111	–	2,065,556	2,380,000	4,566,667
Refundable deposit***	–	–	–	–	199,311	199,311
	₱2,778,141	₱1,720,221	₱788,200	₱2,065,556	₱2,579,311	₱9,629,257

\* Excluding withholding and output tax payable.

\*\*Including future interest payments.

\*\*\*Presented under "Other noncurrent liabilities" account in the consolidated statement of financial position.

The Group expects to settle its maturing obligations on long-term debt from its gaming revenues from casino operations, rental income on land and casino building (see Note 35) and expected profits from real estate development operations.

### **Capital Management**

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2021 (and 2020).

The Group considers the following as its capital:

	(In Thousands)	
	2021	2020
Common stock	<b>₱10,561,000</b>	₱10,561,000
Additional paid-in capital	<b>5,503,731</b>	5,503,731
Treasury stock	<b>(2,476,697)</b>	(2,476,700)
Equity share in cost of Parent Company shares held by associates	<b>(2,501)</b>	(2,501)
Cost of Parent Company common shares held by subsidiaries	<b>(1,494,322)</b>	(1,493,752)
Retained earnings	<b>12,175,075</b>	11,580,786
	<b>₱24,266,286</b>	₱23,672,564

### **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:

	(In Thousands)					
	2021					
	Valuation Date	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>						
Assets measured at fair value:						
Through profit or loss	December 31, 2021	₱73,054	₱73,054	₱73,054	₱-	₱-
Through other comprehensive income (quoted)	December 31, 2021	7,270,420	7,270,420	7,270,420	-	-
Assets for which fair value is disclosed:						
Nonfinancial assets*	December 31, 2021	24,371,435	41,782,462	-	-	41,782,462
Advances to contractors**	December 31, 2021	112,529	69,708	-	-	69,708
<b>Liabilities</b>						
Liabilities for which fair value is disclosed:						
Refundable deposits	December 31, 2021	387,459	223,431	-	-	223,431
Long-term debt	December 31, 2021	4,885,000	4,987,980	-	-	4,987,980
Lease liability	December 31, 2021	6,542,094	6,474,460	-	-	6,474,460

\*Consist of investment properties

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

(In Thousands)						
2020						
	Valuation Date	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>						
Assets measured at fair value:						
Through profit or loss	December 31, 2020	₱84,261	₱84,261	₱84,261	₱-	₱-
Through other comprehensive income (quoted)	December 31, 2020	4,789,847	4,789,847	4,789,847	-	-
Assets for which fair value is disclosed:						
Nonfinancial assets*	December 31, 2020	25,437,299	43,609,782	-	-	43,609,782
Advances to contractors**	December 31, 2020	139,740	134,587	-	-	134,587
<b>Liabilities</b>						
Liabilities for which fair value is disclosed:						
Refundable deposits	December 31, 2020	199,311	215,564	-	-	215,564
Long-term debt	December 31, 2020	4,566,667	4,946,284	-	-	4,946,284
Lease liability	December 31, 2020	6,696,360	7,243,504	-	-	6,696,360

\*Consist of investment properties

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

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

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

*Cash and Cash Equivalents, Advances to Associates, Receivables, Loans Payable, Trade and Other Current Liabilities and Installment Payable.* The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

*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.

*Long-term Debt.* The fair value long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of 2.91% to 3.74% in 2021 (and 1.75% to 2.49% in 2020).

*Lease Liabilities.* The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used are 0.99% to 4.87% in 2021 (and 0.99% to 3.95% in 2020).

### 39. Supplemental Disclosure of Cash Flow Information

#### Changes in Liabilities Arising from Financing Activities

(In Thousands)						
2021						
	Balance at beginning of year	Additions	Cash flows	Interest expense	Derecognition/ Termination	Balance at end of year
Dividends payable	P-	P241,660	(P241,660)	P-	P-	P-
Lease liability	6,687,494	-	(144,832)	288,653	(567)	6,542,094
Loans payable	2,525,017	1,620,000	(2,150,000)	-	-	1,995,017
Long-term debt	4,566,667	2,000,000	(1,681,667)	-	-	4,885,000
Interest payable	2,492	-	(584,637)	603,832	-	19,195
	<b>P13,781,670</b>	<b>P3,861,660</b>	<b>(P4,802,796)</b>	<b>P892,485</b>	<b>(P567)</b>	<b>P13,441,306</b>

(In Thousands)						
2020						
	Balance at beginning of year	Additions	Cash flows	Interest expense	Derecognition/ Termination	Balance at end of year
Dividends payable	P-	P1,431,230	(P1,431,230)	P-	P-	P-
Lease liability	1,003,935	6,020,072	(404,102)	214,408	(146,819)	6,687,494
Loans payable	1,950,017	3,675,000	(3,100,000)	-	-	2,525,017
Long-term debt	4,511,111	1,000,000	(944,444)	-	-	4,566,667
Interest payable	17,074	-	(574,152)	559,570	-	2,492
	<b>P7,482,137</b>	<b>P12,126,302</b>	<b>(P6,453,928)</b>	<b>P773,978</b>	<b>(P146,819)</b>	<b>P13,781,670</b>

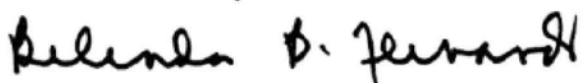
Interest expense for 2021 (and 2020) pertains to accretion of lease liability and obligations under finance lease.

**INDEPENDENT AUDITORS REPORT ON  
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Belle Corporation  
5th Floor, Tower A, Two E-Com Center  
Palm Coast Avenue, Mall of Asia Complex  
CPB-1A, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Belle Corporation and Subsidiaries (the Group) as at and for the year ended December 31, 2021 and have issued our report thereon dated February 24, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at and for the year ended December 31, 2021 and no material exceptions were noted.

**REYES TACANDONG & Co.**



**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022  
Makati City, Metro Manila

**BELLE CORPORATION AND SUBSIDIARIES**

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**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

**DECEMBER 31, 2021 and 2020**

**(Amounts in Thousands)**

<b>Ratio</b>	<b>Formula</b>	<b>2021</b>	<b>2020</b>
<b>Current Ratio</b>	<b>Total Current Assets divided by Total Current Liabilities</b>	<b>2.96</b>	<b>2.55</b>
	Total Current Assets	₱12,336,229	
	Divide by: Total Current Liabilities	4,164,997	
	Current Ratio	2.96	
<b>Acid Test Ratio</b>	<b>Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities</b>	<b>1.55</b>	<b>1.51</b>
	Total Current Assets	₱12,336,229	
	Less: Inventories	(351,120)	
	Land held for future development	(3,021,120)	
	Other Current Assets	(2,518,964)	
	Quick Assets	6,445,025	
	Divide by: Total Current Liabilities	4,164,997	
	Acid Test Ratio	1.55	
<b>Debt-to-Equity Ratio</b>	<b>Total Interest-Bearing debt divided by Total Equity</b>	<b>0.21</b>	<b>0.23</b>
	Total interest-bearing debt	₱6,880,017	
	Total Equity	33,009,433	
	Debt to Equity Ratio	0.21	
<b>Asset-to-Equity Ratio</b>	<b>Total Assets divided by Total Equity</b>	<b>1.55</b>	<b>1.64</b>
	Total Assets	₱51,027,577	
	Total Equity	33,009,433	
	Asset to Equity Ratio	1.55	
<b>Interest Rate Coverage Ratio</b>	<b>Earnings Before Interest and Taxes divided by Total Interest Expense</b>	<b>1.32</b>	<b>2.90</b>
	Net Income Before Income Tax	₱216,573	
	Less: Interest income	(24,981)	
	Add: Interest Expense	603,832	
	Earnings Before Interest and Taxes	795,424	
	Divide by: Interest Expense	603,832	
	Interest Rate Coverage Ratio	1.32	

Ratio	Formula	2021	2020
<b>Return on Equity</b>	<b>Net Income divided by Average Total Equity</b>	<b>2.35%</b>	2.86%
	Net Income	₱745,202	
	Average Total Equity	31,721,775	
	Return on Equity	2.35%	
<b>Return on Assets</b>	<b>Net Income divided by Average Total Assets</b>	<b>1.48%</b>	1.88%
	Net Income	₱745,202	
	Average Total Assets	50,468,815	
	Return on Assets	1.48%	
<b>Solvency Ratio</b>	<b>Net Income Before Non-Cash Expenses divided by Total Liabilities</b>	<b>9.88%</b>	6.81%
	Net Income	₱745,202	
	Add: Non-Cash Expenses	1,035,644	
	Net Income Before Non-Cash Expenses	1,780,846	
	Total Liabilities	18,018,144	
	Solvency Ratio	9.88%	
<b>Net Profit Margin</b>	<b>Net Income divided by Total Revenue</b>	<b>21.78%</b>	21.37%
	Net Income	₱745,202	
	Total Revenue	3,420,934	
	Net Profit Margin	21.78%	





## **REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Belle Corporation  
5th Floor, Tower A, Two E-Com Center  
Palm Coast Avenue, Mall of Asia Complex  
CPB-1A, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Belle Corporation and Subsidiaries (the Group) as at and for the year ended December 31, 2021 and have issued our report thereon dated February 24, 2022. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Group's management.

These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2021
- Schedules required by Annex 68-J as at December 31, 2021
- Conglomerate Map as at December 31, 2021

These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic financial statements. The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic 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 financial statements taken as a whole.

**REYES TACANDONG & CO.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022  
Makati City, Metro Manila

**BELLE CORPORATION AND SUBSIDIARIES**

**PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION**

**DECEMBER 31, 2021**  
**(Amounts in Thousands)**

	Amount
Unappropriated retained earnings, as at December 31, 2020	₱13,737,486
Add (less):	
Excess of carrying amount of investment property over construction cost, net of tax	(₱5,267,971)
Gain on share swap	(946,628)
Accrued rental (PFRS 16 adjustments), net of tax	(876,478)
Deferred tax adjustment, beginning	1,141,303
Accretion of security deposit	(5,286)
	(5,955,060)
Unappropriated retained earnings available for dividend distribution as at January 1, 2021, as adjusted	7,782,426
Net income during the period closed to retained earnings	521,836
Less: Movement in deferred tax assets	(426,345)
Accrued rental (PFRS 16 adjustments), net of tax	62,134
Difference in depreciation on excess of carrying amount of investment property over construction cost	9,967
Accretion of security deposit	4,468
	172,060
	4,420,213
Treasury shares	(2,476,697)
Realized gain on club shares transferred to retained earnings	(17,306)
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year	₱1,926,210

**BELLE CORPORATION AND SUBSIDIARIES**  
**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR.**  
**6 PART II OF REVISED SRC RULE 68**  
**DECEMBER 31, 2021**

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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	(In Thousands)		
		Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
<b>Financial Assets at Amortized Costs</b>				
Cash and cash equivalents	₱2,082,301	₱2,082,301	N/A	₱49,861
Receivables	5,160,466	5,160,466	N/A	–
Advances to third parties and others	152,097	152,097	N/A	–
Advances to associates	524	524	N/A	–
Refundable deposits, guarantee bonds and construction bonds	127,068	127,068	N/A	–
	7,625,472	7,625,472		49,861
<b>Financial assets at fair value through profit or loss</b>				
Vantage Equities, Inc.	43,376,750	35,569	35,569	–
Leisure & Resorts World Corporation	10,724,792	15,980	15,980	–
Share warrants	500,000	11,424	11,424	–
APC Group, Inc.	45,821,000	10,081	10,081	–
		73,054	73,054	–
<b>Financial assets at fair value through other comprehensive income</b>				
Tagaytay Midlands International Golf Club, Inc.	2,127	2,127,000	2,127,000	–
SM Prime Holdings, Inc.	61,795,413	2,094,864	2,094,864	–
Tagaytay Highlands International Golf Club, Inc.	1,315	1,437,746	1,437,746	–
The Country Club at Tagaytay Highlands, Inc.	2,137	958,460	958,460	–
Black Spade Acquisition, Inc.	1,000,000	490,208	490,208	–
Spa and Lodge at Tagaytay Highlands, Inc.	192	115,200	115,200	–
SM Investments Corporation	48,878	46,091	46,091	–
Costa De Hamilo	1	757	757	–
PLDT	1,605	83	83	–
Asian Petroleum	1	11	11	–
		7,270,420	7,270,420	–
		₱14,968,946	₱7,343,474	₱49,861

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

(In Thousands)							
Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at end of period
Employees	1,547	20	(261)	—	1,306	—	1,306
Officers	4	—	—	—	4	—	4
	<b>P1,551</b>	<b>P20</b>	<b>(P261)</b>	<b>P—</b>	<b>P1,310</b>	<b>P—</b>	<b>P1,310</b>

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

(In Thousands)							
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
Belle Bay Plaza Corporation	P1,624,606	P14	P—	(P1,624,558)	P62	P—	P62
Metropolitan Leisure and Tourism Corp.	251,569	9	—	(251,569)	9	—	9
Belle Grande Resource Holdings, Inc.	137,477	165	—	(2,709)	134,933	—	134,933
Premium Leisure Corporation	3,475	—	(181)	—	3,294	—	3,294
SLW Development Corp.	66,110	5,825	(43,500)	—	28,435	—	28,435
Parallax Resources, Inc.	43,116	16	—	(750)	42,382	—	42,382
	<b>P2,126,353</b>	<b>P6,029</b>	<b>(P43,681)</b>	<b>(P1,879,586)</b>	<b>P209,115</b>	<b>P—</b>	<b>P209,115</b>

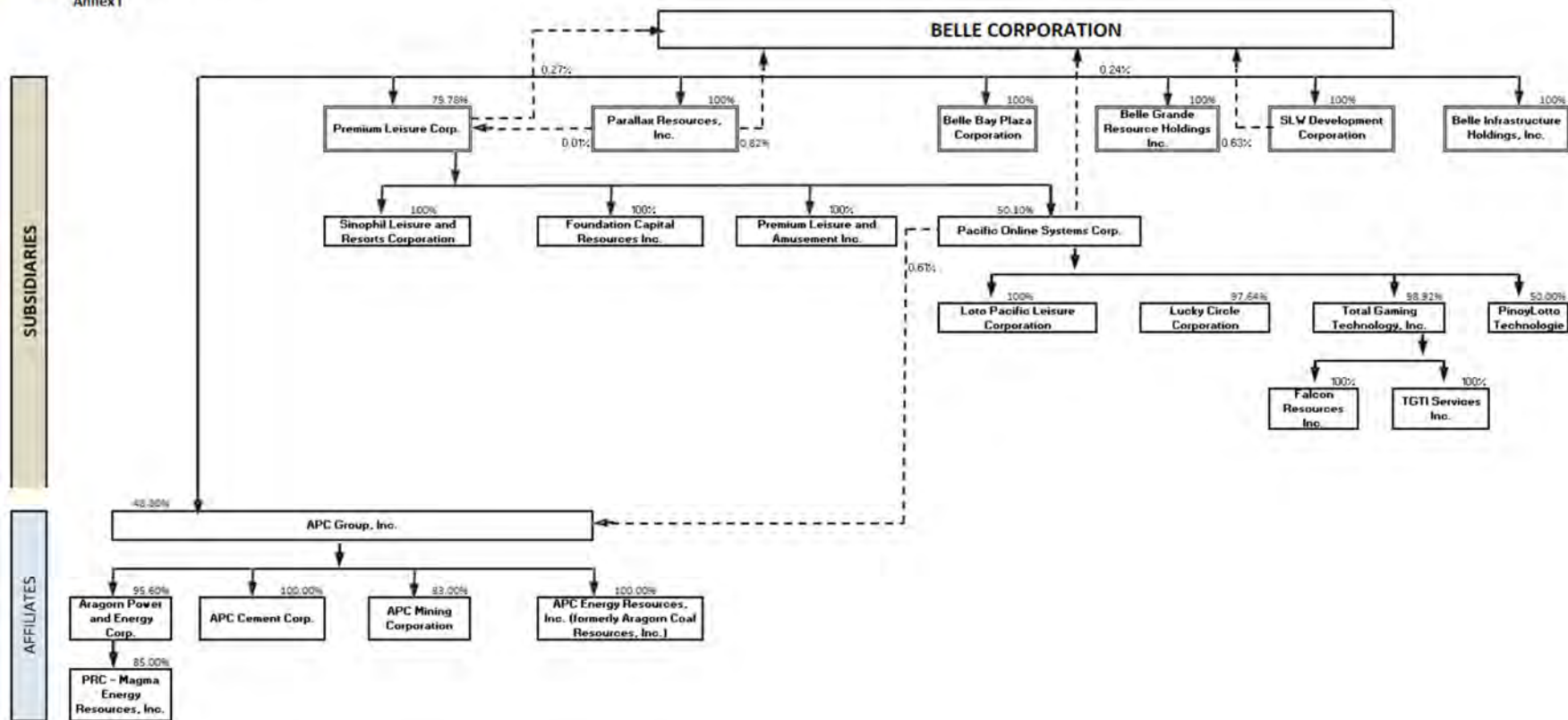
**Schedule D. Long-term debt**

(In Thousands)			
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
Chinabank	P3,500,000	P15,000	P3,470,000
BDO Unibank Inc.	4,400,000	—	1,400,000
	<b>P7,900,000</b>	<b>P15,000</b>	<b>P4,870,000</b>

**Schedule G. Capital Stock**

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	14,000,000,000	9,763,126,297	—	5,018,063,851	207,495,034	4,537,567,412
Percentage held	—	—	—	51.40%	2.13%	46.48%
Preferred stock	6,000,000,000	—	—	—	—	—
Percentage held	—	—	—	—	—	—

Conglomerate Map  
As at December 31, 2021



# Belle Corporation

## Sustainability Reporting Template

### Contextual Information

Company Details	
Name of Organization	Belle Corporation (“Belle” or the “Corporation”)
Location of Headquarters	5 <sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila
Location of Operations	<p>Philippines</p> <p>Belle’s principal address is 5<sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila.</p>
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	<p>Belle Corporation</p> <p>Premium Leisure Corp.</p> <p>Pacific Online Systems Corporation</p> <p>Tagaytay Highlands</p>
Business Model, including Primary Activities, Brands, Products, and Services	<p>Belle Corporation ( “Belle” or “the Company”) is one of the leading developers of sustainable tourism destinations and leisure properties in the Philippines. Belle’s first and foremost development is Tagaytay Highlands where we introduced mountain resort living at its finest. Tagaytay Highlands is home to many residents in our themed communities and a sports and fitness hub to many golfers and players in the country.</p> <p>From Tagaytay Highlands, we brought our unique brand of service and excellence to the metro through City of Dreams Manila, one of the four integrated resorts at the Philippine Amusement and Gaming Corporation’s Entertainment City.</p> <p>Throughout the COVID-19 pandemic and the business disruptions it has continued to cause, we have remained adaptive and responsive to our customers’ most urgent needs, while ensuring everyone’s utmost safety and satisfaction. We have made the health and well-being of all our stakeholders our top priority. This ongoing pandemic has caused us to become more agile in responding to the signs of the times, more purposeful in business decisions and more resilient in dealing with crises that we can anticipate.</p> <p>Our strategic focus on delivering responsible luxury experiences puts us in a prime position to recover and seize opportunities arising from the reopening of economies and increasing tourism sector demand.</p>

Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Mr. Manuel A. Gana, President and Chief Executive Officer of the Corporation

## Materiality Process

### Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

Through our stakeholder engagement, we were able to determine material topics and focus on addressing areas of concern and create positive impacts in all aspects of our businesses. We continually listen to our stakeholders and initiate actions and broader plans that are both responsive and appropriate for the goals to be met.

To identify our Belle's material economic, environmental, social, and governance topics, we went through the following process:

#### Materiality Process

Steps Taken	1 Build Corporate Capacity	2 Undergo Materiality Assessment	3 Identify and Gather Critical Data	4 Review and Validate Material Data
<b>Description</b>	We conducted GRI Standards Orientation and Workshops	We reviewed our vision, operating process and management approaches. We identified critical factors and impacts that directly affect our value chain and performance.	Based on our material issues and GRI Standards disclosures required in Core Option, we identified data sources and established qualifiers in data gathering.	We conducted a data validation exercise and approval process of material topics and disclosed data and information



## Our Material Topics



### Alignment to Our Business Approach

### Material Topics

We pursue investments and businesses that offer sustainable growth and value creation opportunities	Economic Performance
	Compliance
	Corporate Governance and Risk Management
We deliver responsible leisure experiences	Customer Care and Service
We facilitate local socio-economic development	Indirect Economic Impact (Jobs and Local Supply Chain)
	Occupational Health & Safety and Human Resource Welfare
We are responsible stewards of our natural environment	Climate Change Adaptation
	Biodiversity Protection
	Water Management
We help build self-sufficient local communities	Local Community Development

## Stakeholder Insights that Spur Us into Action

Planning ahead and making strategic investment decisions, continually engaging with our stakeholders and focusing on critical matters have long been part of the ways Belle Corporation ( “Belle or the Company”) has done business over the past few decades. We have always acted according to the best interest of our shareholders and stakeholders and endeavored to deliver returns and positive impacts.

At the helm of our sustainability efforts is Manuel A. Gana, Belle President and Chief Executive Officer, who oversees our environmental, social and governance priorities. He has mandated the adoption of integrated thinking across all business units to ramp up the Company's value creation and resilience.



*Belle's Sustainability Framework*

For more information on Belle's stakeholder engagement, please refer to the Corporation's recent reports, which are downloadable on: [www.bellecorp.com](http://www.bellecorp.com) .

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	3,434,733,406	PhP
Direct economic value distributed:	2,771,349,554	
a. Operating costs	1,557,805,375	PhP
b. Employee wages and benefits	151,460,103	PhP
c. Payments to suppliers, other operating costs	0	PhP
d. Dividends given to stockholders and interest payments to loan providers	845,491,913	PhP
e. Taxes given to government	216,038,479	PhP
f. Investments to community (e.g. donations, CSR)	553,684	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
We pursue investments and businesses that offer sustainable growth and value creation opportunities, deliver responsible leisure experiences, facilitate local socio-economic development, remain responsible stewards of our natural environment and help build self-sufficient local communities.	Employees, investors / shareholders, suppliers, business partners, host communities, local government units	<p>Belle Corporation ( "Belle or the Company") has pursued prudent financial management, with conservative liquidity and leverage that have historically been better than our industry peers to maintain a robust and healthy balance sheet.</p> <p>Across Belle's business units, we utilize financial strategies that allow us to meet our operational and capital expenditure requirements.</p> <p>We continue to strengthen our balance sheet and liquidity as we seize opportunities and join partnerships in integrated resorts, premium leisure development and related sectors.</p>

What are the Risk/s and opportunities Identified?	Which stakeholders are affected?	Management Approach
Our markets have been adversely affected by community quarantines brought about by the COVID-19 pandemic. Tourism has been especially hard-hit due to the shutdown of inbound tourism from other countries. However, real estate sales have been fairly healthy and we expect a quick rebound in domestic consumer markets as COVID-19 restrictions are further relaxed to allow for less restricted hotel and restaurant traffic.	Employees, host community members, investors/shareholders, suppliers, business partners, and customers/clients	<p>We believe in planning ahead and using the most suitable financial strategies, while remaining agile to changes and adjustments as the sectors and markets that we are in continue to evolve. Our review of current financing plans and operating models is done regularly and on schedule. Meanwhile, we act appropriately and timely according to what our business performance indicators signify.</p> <p>The Belle Group's financial strategies are tailor-fit per business unit and geared towards profitability and business sustainability. We believe in serving our customers and markets well with integrity, honesty and transparency.</p> <p>Belle will continue to pursue conservative expansion, making sure to "live within our means" and avoid over-leveraging or taking on major risks in businesses where we lack familiarity. We have additional land on which to expand our City of Dreams Manila resort complex, or to construct complementary assets therewith. There are over 700 hectares of land around the Tagaytay Highlands and Midlands complexes to continue our real estate development activities thereat.</p>

#### Climate-related risks and opportunities<sup>1</sup>

Governance	Strategy	Risk Management	Metrics and Targets
We take climate-related risks seriously. As such, our Board is on	At Belle Corporation, we are doing our share to mitigate the negative effects of	As part of our approach to managing risks, we continue to find ways to integrate	As a group, we are conducting studies and consultations to determine targets that

<sup>1</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

top of developing risk management strategies and oversees implementation on the ground.	<p>climate change. We remain mindful of our carbon footprint and continue to craft and implement disaster resiliency and response plans and measures.</p> <p>Designated teams in our areas of operations are ready to implement these measures and are monitoring key metrics for continuous improvement.</p>	environmental and climate-related risks in our groupwide enterprise risk management system.	align with the Paris Agreement and bolster the resiliency of our businesses and welfare of stakeholders. We continue to disclose our greenhouse gas emissions yearly through our annual and sustainability reports.
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## Procurement Practices

### Proportion of spending on local suppliers

- Not material to the Corporation

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Not material	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%

Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%
<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Established anti-corruption policies, standards, and practices due to information dissemination campaigns	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	<p>The Board has been identifying areas for continuing education on corporate governance topics, which covers anti-corruption. To keep the Board and key officers well informed of good governance practices and standards, regular annual education programs are conducted in coordination with SM Investments Corporation (SMIC) and training providers duly accredited by the Securities and Exchange Commission (SEC), while employees and business partners are being informed of the Corporation's governance-related policies and practices upon on-boarding and timely updates.</p> <p>The Corporation also has an existing policy on whistle-blowing. Furthermore, the Ethics Committee (Management level) was formed to receive reports on questionable activities, unethical conduct, fraud or malpractice in strictest confidence without the fear of retaliation. Composed of the Heads of Human Resources, Internal Audit and Governance Departments, they will collectively evaluate, and conduct an immediate investigation, as necessary.</p> <p><a href="https://www.bellecorp.com/corporate-governance/company-policies">https://www.bellecorp.com/corporate-governance/company-policies</a></p>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The Corporation will be put in a disadvantageous position due to conflict of interests, which could trigger loss of trust and integrity issues.	Employees, suppliers, business partners	Guided by the principles of good governance, the Corporation constantly reviews its policies on anti-corruption, amends them as necessary, and cascades to all concerned thereafter.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To maintain and increase stakeholders' trust and confidence to the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of the leading corporations for its good governance practices.	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	Belle upholds its commitment to the enhancement of stakeholder value by continuously seeking enhancements on the Corporation's policies, processes, and procedures, especially on corporate governance: <a href="https://www.bellecorp.com/corporate-governance/company-policies">https://www.bellecorp.com/corporate-governance/company-policies</a> , particularly on anti-corruption.

#### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Scope: Belle (Parent company)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations and supply chain caused by the organization and through its business relationship	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	The Board has been identifying areas of continuing education on corporate governance topics, which cover anti-corruption. To keep the Board and key officers well informed of good governance practices and standards, regular annual education programs are conducted in coordination with SMIC and

		<p>training providers duly accredited by the SEC, while employees and business partners are regularly informed of the Corporation's governance-related policies and practices upon onboarding and timely updates.</p> <p>The Corporation also has an existing policy on whistle-blowing. Furthermore, the Ethics Committee (Management level) was formed to receive reports on questionable activities, unethical conduct fraud or malpractice in strictest confidence without the fear of retaliation. Composed of the Heads of Human Resources, Internal Audit and Governance Departments, they will collectively evaluate and conduct an immediate investigation, as necessary.</p>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
The Corporation will negatively impacted due to conflict of interests, which could trigger loss of trust and integrity.	Employees, suppliers, business partners	Guided by the principles of good governance, the Corporation constantly reviews, amends as necessary, and communicates to all concerned its policies on anti-corruption.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
To maintain and increase stakeholders' trust and confidence in the Corporation, which can possibly influence potential investors and business partners, and be recognized as one of the leading corporations for its good governance practices.	Employees, host community members, suppliers, business partners, customers/clients, and investors/shareholders	<p>Belle upholds its commitment to the enhancement of stakeholder value by continuously seeking for improvements on the Corporation's policies, processes, and procedures, particularly on corporate governance:</p> <p><a href="https://www.bellecorp.com/corporate-governance/company-policies">https://www.bellecorp.com/corporate-governance/company-policies</a> , and anti-corruption.</p>



## ENVIRONMENT

### Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	Not available	GJ
Energy consumption (gasoline)	0.31 million	Liters
Energy consumption (LPG)	Not available	GJ
Energy consumption (diesel)	Not available	GJ
Energy consumption (electricity)	7.3 million	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	Not available	GJ
Energy reduction (LPG)	Not available	GJ
Energy reduction (diesel)	Not available	GJ
Energy reduction (electricity)	Not available	kWh
Energy reduction (gasoline)	Not available	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Across our businesses and particularly in Tagaytay Highlands, we use machineries and equipment with manageable, if not zero, emissions. In fact, we have electric golf carts, and cable car and funicular systems that run with no emissions.	Employees   Customers   Regulators	We continue to employ new ways to reduce our operational impacts to the environment, while protecting and preserving our limited resources and ecosystems. At Tagaytay Highlands, the use of electric equipment such as golf carts, cable cars and funicular train have been made available and are being maintained for the benefit of members and guests.
What are the Risk/s and opportunities Identified?	Which stakeholders are affected?	Management Approach
With supplies of fossil fuels on the decline vis a vis the increasing prices on the world market, we continue to search for cleaner sources of energy.	Employees   Customers   Regulators	At Belle, we adequately utilize and conserve our energy resources. We maximize our business trips and regularly maintain our vehicles in order to minimize breakdowns and conserve fuel.

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#### Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	1,130,657	Cubic meters
Water consumption	Not available	Cubic meters
Water recycled and reused	Not available	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
In Tagaytay Highlands where significant water is required to supply the needs of our residential communities, clubs, golf courses and farms where we operate our water distribution business, we withdraw water responsibly from our 11 deep wells, strictly comply with environmental regulations and regularly perform maintenance checks.	Employees   Customers   Host communities   Regulators	At Belle, we utilize and conserve our water resources properly.  We implement water recycling efforts within Tagaytay Highlands through rainwater collection methods and other water saving measures.
What are the Risk/s and Opportunities Identified?	Which stakeholders are affected?	Management Approach
Water shortage reduction through conservation and recycling methods	Employees   Customers   Host communities   Regulators	We efficiently utilize and conserve our water resources across the Belle Group and in Tagaytay Highlands where significant water is required for our residential communities, clubs, farms and golf courses. We monitor seasonal weather events and sudden adverse natural occurrences to make certain water availability.

## Materials used by the organization

- Not material to the Corporation

Disclosure	Quantity	Units
Materials used by weight or volume	Not material	
• renewable	Not material	kg/liters
• non-renewable	Not material	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not material	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

## Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

- Not material to the Corporation

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites) Not material	
Habitats protected or restored	Not material	ha
IUCN <sup>2</sup> Red List species and national conservation list species with habitats in areas affected by operations	(list) Not material	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		

<sup>2</sup> International Union for Conservation of Nature

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

## Environmental impact management

### Air Emissions

#### GHG

- Not material to the Corporation

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	837	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	5,600	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	42,633	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Areas of operations, specifically Tagaytay Highlands	Employees   Customers   Regulators	We do our best keep the air quality at Tagaytay Highlands up to standards so that our members, residents and visitors continue to enjoy the fresh mountain breeze. Our operations manages to keep emissions low by using sustainable equipment and propagating trees across the estate.
What are the Risk/s and opportunities Identified?	Which stakeholders are affected?	Management Approach
We are finding opportunities to lessen our greenhouse gas emissions through innovative technologies, low-carbon strategies and exploring partnerships.	Employees   Customers   Regulators	We are constantly benchmarking and aligning with best industry practices to reduce our operational impacts to the environment, while making the most out of our limited resources and preserving our ecosystems.

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#### Air pollutants

- Not material

Disclosure	Quantity	Units
NOx	Not material	kg
Sox	Not material	kg
Persistent organic pollutants (POPs)	Not material	kg
Volatile organic compounds (VOCs)	Not material	kg
Hazardous air pollutants (HAPs)	Not material	kg
Particulate matter (PM)	Not material	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

#### Solid and Hazardous Wastes

##### Solid Waste

- Not material to the Corporation

Disclosure	Quantity	Units
Total solid waste generated	1,955	Cubic m.
Reusable	Not available	Cubic m.
Recyclable	589	Cubic m.
Biodegradable	195	Cubic m.
Incinerated	Not available	Cubic m.
Residuals/Landfilled	1,171	Cubic m.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
At Tagaytay Highlands, we turn our waste into compost and practice recycling methods, thereby reducing the waste that end up in sanitary landfills. In our offices, we practice waste segregation.	Employees   Customers   Regulators	We use waste management systems that ensure proper handling and segregation of residual waste through our outsourced waste collector. We recognize the importance of instilling in each and every one of us the value of minimizing our waste in order to lessen the strain on the environment.
What are the Risks and Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
In order to minimize our operational waste, we turn to recycling and composting methods. In Tagaytay Highlands, we turned over 614 kilograms of kitchen refuse and food wastes from Club outlets and offices to the Animal Farm, which were then repurposed as feeds and resulted in Php219,143 in savings.	Employees   Customers   Regulators	At Belle Corporation, we are doing what we can to reduce the waste produced in our areas of operations. We remain mindful of our carbon footprint and continue to craft and implement policies and procedures to achieve our waste reduction goals.

#### Hazardous Waste

- Not material to the Corporation

Disclosure	Quantity	Units
Total weight of hazardous waste generated	Not material	kg
Total weight of hazardous waste transported	Not material	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

Not material		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		

## Effluents

- Not material to the Corporation

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total volume of water discharges	Not material	Cubic meters
Percent of wastewater recycled	Not material	%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

- Not material to the Corporation

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	Not material	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	Not material	#
No. of cases resolved through dispute resolution mechanism	Not material	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Not material		

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total number of employees <sup>3</sup>	508	#
a. Number of female employees	169	#
b. Number of male employees	339	#
Attrition rate <sup>4</sup>	25	rate (%)
Ratio of lowest paid employee against minimum wage	Not available	ratio

##### Employee benefits

<b>List of Benefits</b>	<b>Y/N</b>	<b>% of female employees who availed for the year</b>	<b>% of male employees who availed for the year</b>
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	1.2%	2.2%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%

<sup>3</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>4</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)



Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible-working Hours	N	-	-
(Others)	N	-	-

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<p>Belle Corporation aspires to become an employer of choice and home to many outstanding and dependable employees. Our empowering and family-oriented culture challenges and motivates employees across all ranks to do their best at work every day and contribute to Belle's immediate and future success.</p>	<p>Belle Corporation values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Corporation also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. Belle provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community.</p> <p>Our challenging, career-enhancing and beneficial workplace has been the home of many long-serving employees. We are able to hire, engage and retain many of them by keeping tabs on productivity, rewards, career advancement and opportunities to unleash potential.</p> <p>Our performance evaluation system has been designed and established to provide a common and equitable basis for evaluating the performance of individual employees. It also implements policies on promotions and salary adjustments in support of Belle's aim to empower and fulfill the career aspirations of employees.</p>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<p>One of the risks identified is high attrition rate, which could hamper the operations and consequently affect the delivery of</p>	<p>All our employees are treated fairly by providing opportunities for career development based on merit, regardless of gender, age.</p>

<p>services. Aside from incurring costs due to onboarding and training provided, time spent for training could have been allotted to business operations.</p> <p>As the COVID-19 pandemic dragged on and new variants posed significant risks, the health and safety of all our stakeholders remained atop our corporate agenda. Aside from Stakeholder Health and Safety, we continued to implement measures and monitor progress according to the following strategic priorities:</p> <ul style="list-style-type: none"> <li>• Business Continuity</li> <li>• Workplace Flexibility</li> <li>• COVID19 Communications</li> <li>• Regulatory Compliance</li> </ul>	<p>All officers and employees are selected, engaged, and compensated based on qualifications and performance. They are treated fairly and accorded respect and dignity. Their individual and collective rights are not violated.</p> <p>Opportunities for career advancement are provided based on clear performance and qualifications criteria. Belle also provides continuous learning and development opportunities to improve and increase their level of competency, efficiency and general well-being, leading to professional growth.</p>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Talent motivation and retention, and assurance of internal pay equity	The Corporation constantly explores human resource developments and enhancements, particularly on employment, benefits and other prerequisites.

#### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees*	1,552	
a. Female employees	256	Hours
b. Male employees	1,296	Hours
Average training hours provided to employees**		
a. Female employees	1.5	hours/employee
b. Male employees	3.8	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>Primary business operations caused by the organization and having a team of highly skilled and engaged co-workers</p>	<p>Belle values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Corporation also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. Belle provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community.</p> <p>Upon being hired by the Corporation, an employee undergoes induction and orientation as may be determined by the Human Resources Department (HRD). Each newly hired employee is introduced to the organization and is oriented on the personnel policies, guidelines and benefits through a Corporate Orientation Program. An annual mandated Corporate Training is also done to refresh employees on the Corporation's Codes and Policies. Specific technical training and compliance to Continuing Professional Development are among Management's approach to ensure learning and development of employees.</p>

What are the Risk/s Identified?	Management Approach
<p>Time and resources used for training, which result in expenses and opportunity costs</p>	<p>All our employees are treated fairly by providing opportunities for career development based on merit, regardless of gender and age.</p> <p>All officers and employees are selected, engaged, and compensated based on qualifications and performance. They are treated fairly and</p>

	<p>accorded respect and dignity. Their individual and collective rights are not violated.</p> <p>Opportunities for career advancement are provided based on clear performance and qualifications criteria. Belle also provides continuous learning and development opportunities to improve and increase their level of competency, efficiency and general well-being leading to professional growth.</p>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Acquiring and implementing the latest career advancement programs and succession plans	The Corporation constantly explores human resource trends and opportunities, particularly on employee training and development.

#### Labor-Management Relations

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of employees covered with Collective Bargaining Agreements	19.7	%
Number of consultations conducted with employees concerning employee-related policies	Not available	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Primary business operations caused by the organization and through the business relationship – effective cooperation between the management and labor workforce	<p>Belle maintains open lines of communication among its directors and management, and among its management and its personnel.</p> <p>It is also a goal and part of the mission of the Corporation to enhance the positive atmosphere and goodwill and the maintenance of a productive work environment conducive to high performance and harmonious employer-employee relationship.</p>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Disagreements between management and employees leading to disruption of operations/suspension of services	The Corporation values the importance of its employees. It espouses leadership by example and establishes and continues to review its Code of Business Conduct and Ethics to serve as a guide

	<p>for employee discipline and the grounds for disciplinary actions.</p> <p>In order to create an environment where concerns are freely communicated, the Ethics Committee composed of the Heads of HRD, Internal Audit and Governance was formed. The Committee is tasked to hear grievances and accept whistle-blowing reports, evaluate and investigate, determine their authenticity, and recommend the sanctions as applicable for approval by the Board as endorsed by the Corporate Governance Committee.</p>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
A clear and systematic cascade of directions to achieve the Corporation's goals	Preserve communication mechanisms and channels, and maintain labor peace

#### Diversity and Equal Opportunity

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of female workers in the workforce	33	%
% of male workers in the workforce	67	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Primary business operations caused by the organization – Equal opportunities and treatment to individuals with diverse backgrounds and viewpoints to achieve a common goal	<p>The Corporation provides equal opportunities for its employees, regardless of age, gender, or creed and adopted policies:  <a href="https://www.bellecorp.com/corporate-governance/company-policies">https://www.bellecorp.com/corporate-governance/company-policies</a> (which promote and observe diversity and equality throughout the Corporation.</p> <p>Belle encourages respect among its employees by setting policies and codes that support diversity in the workplace. It adheres to relevant labor standards that support vulnerable sectors of the community such as RA 9710, RA 9262, and etc.</p>

What are the Risk/s Identified?	Management Approach
Discrimination in the workplace	Regardless of the location of operations and markets served of Belle – from the hiring and promotion of employees to selection of suppliers and contractors – the Corporation decides on the basis of merit and value to shareholders and does not discriminate on the basis of race, ethnicity, religion, or gender. All board members, officers, and employees are prohibited from practicing any form of discrimination or harassment in the workplace. This obligation to refrain from such behaviors extends to contractors, vendors, suppliers, or visitors, to the extent that their conduct affects the work environment.  <a href="https://www.bellecorp.com/sites/default/files/BE_L_CBCE_May_2018_0.pdf">https://www.bellecorp.com/sites/default/files/BE_L_CBCE_May_2018_0.pdf</a>
What are the Opportunity/ies Identified?	Management Approach
Obtaining and synthesizing different perspectives and ideas, and then turning them into actionable insights and strategies to achieve the Corporation's business aims	Continuous improvement of the Corporation's policies on governance, particularly on diversity, equality and inclusion

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	187,800*	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	3	#

\* Full year

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – having active and healthy employees, and maintaining a safe working environment	Belle strongly implements strict adherence with the Corporation's safety, health and welfare policy.  Belle provides medical/clinical benefits to all employees. Employees are entitled to a free standard check-up in the

	<p>Medical Clinic and are provided the available medicine supplies from there.</p> <p>The Corporation also implements and conducts various health-related activities and programs including but not limited to a Drug-Free Workplace, Family Welfare Program, HIV and AIDS Prevention and Control in the Workplace Program, Workplace Policy on Hepatitis B, Program on Tuberculosis Prevention and Control in the Workplace, among others.</p> <p><a href="https://www.bellecorp.com/sites/default/files/BEL_CBCE_May_2018_0.pdf">https://www.bellecorp.com/sites/default/files/BEL_CBCE_May_2018_0.pdf</a></p>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Due to the varying nature and locations of our operations, the risk of injury is being monitored and managed proactively.	While we cannot 100% guarantee the risk of injury, we continuously review and align with our industry's occupational health and safety standards.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
A more engaged and secure working environment for employees, including the maintenance of workplace safety	Continuing feedback mechanisms to consider and acknowledge insights from employees

#### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	The Corporation has its Manual on Corporate Governance <a href="https://www.bellecorp.com/corporate-governance/company-policies">https://www.bellecorp.com/corporate-governance/company-policies</a> , which contain best corporate governance practices and standards, and applicable laws, rules and regulations. This covers forced and child labor, and human rights.
Child labor	Y	
Human Rights	Y	

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
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Standing up for what is right and recognizing labor laws and human rights	Belle continues to pursue the observance to pertinent rules, and regularly look out for relevant issuances as provided for by law.  <a href="https://www.bellecorp.com/corporate-governance/company-policies">https://www.bellecorp.com/corporate-governance/company-policies</a>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Risk of violation of labor laws leading to possible filing of lawsuits; loss of confidence from investors; demoralized employees	Belle strongly adheres to labor laws and protection of human rights as much as violations done by employees are not tolerated.  <a href="https://www.bellecorp.com/corporate-governance/company-policies">https://www.bellecorp.com/corporate-governance/company-policies</a>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
To further the employees' and other stakeholders' confidence and optimism towards the Management's labor laws and human rights initiatives	Issuance of certification of full compliance, and confirmation of data with zero complaints, through various reports

### Supply Chain Management

- Not material to the Corporation

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

\_\_\_\_\_

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Not material	Not material
Forced labor	Not material	Not material
Child labor	Not material	Not material
Human rights	Not material	Not material
Bribery and corruption	Not material	Not material

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not material	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	



## Relationship with Community

### Significant Impacts on Local Communities

- Not material to the Corporation

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Not material					

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

Certificates	Quantity	Units
FPIC process is still undergoing	Not material	#
CP secured	Not material	#

What are the Risk/s Identified?	Management Approach
Not material	
What are the Opportunity/ies Identified?	Management Approach
Not material	

## Customer Management

### Customer Satisfaction

- Not material for the Corporation

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	Not material	Not material

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not material	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	

#### Health and Safety

- Not material to the Corporation

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not material	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	

#### Marketing and labelling

- Not material to the Corporation

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on marketing and labelling*	Not material	#
No. of complaints addressed	Not material	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Not material	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Not material	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Not material	

#### Customer privacy

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Information and data management through complex and layered safekeeping and security systems	<p>A policy on record management, aligned with the Data Privacy Act, is in place and has been properly implemented</p> <p><a href="https://www.bellecorp.com/corporate-governance/company-policies">https://www.bellecorp.com/corporate-governance/company-policies</a></p>

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Belle may be at risk for breach of data privacy as detailed information is gathered from customers and prospective buyers.	This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning

	the information, exercising breach reporting procedures and other advisories.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Opportunity in tightening measures to secure customer data privacy	<p>The Corporation ensures the continuous review of the processes and systems in place.</p> <p>The Corporation regularly reviews and evaluates the policies related to data privacy, and makes recommendations for their amendment as applicable for the Board to approve, management to implement and employees to adhere to.</p>

### Data Security

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of data breaches, including leaks, thefts and losses of data	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Secure data management through complex and layered safekeeping	A policy on record management, aligned with the Data Privacy Act, is in place and has been properly implemented
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Belle may be at risk for breach of data privacy as detailed information is gathered from its stakeholders.	This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.

<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Work actively with the Corporation's Information Technology Department and Data Privacy Officer to ensure that the integrity of the Corporation is protected; automate processes to increase overall efficiency and minimize manual transactions	The Corporation ensures that its network system is secure and runs smoothly; hardware and software are updated; employs redundant security levels to guard against theft, hacking.

## Compliance

### Non-compliance with Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Full compliance with the Corporation's Manual on Corporate Governance, which mandates compliance with best corporate governance practices and standards, and applicable laws, rules and regulations.	Employees   Host community members   suppliers   Business partners   Customers/clients   Investors/shareholders   Regulators	The Board has been identifying areas of continuing education on corporate governance topics. To keep the Board and key officers well informed of good governance practices and standards, regular annual education programs are conducted in coordination with SMIC and training providers duly accredited by the SEC, while employees and business partners are being informed of the Corporation's governance-related policies and practices upon on-boarding.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of Belle, including its subsidiaries and affiliates.	Employees   Host community members   suppliers   Business partners   Customers/clients   Investors/shareholders   Regulators	In order to mitigate this risk, the Corporation continues to exercise stringent fiscal oversight and adopts what it considers conservative financial and operational controls.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
To maintain and increase stakeholders' trust and confidence to the Corporation, which can possibly influence potential	Employees   Host community members   suppliers   Business partners	Belle upholds its commitment to the enhancement of stakeholder value by continuously seeking for improvements on the Corporation's policies, processes,

investors and business partners, and be recognized as one of leading corporations for its compliance and good governance practices	Customers/clients   Investors/shareholders   Regulators	and procedures, especially on corporate governance and sustainability.
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### Local Community Development

Disclosure	Quantity	Units
Number of direct beneficiaries of corporate social responsibility initiative/s	2,926	#
Number of communities benefitted from corporate social responsibility initiative/s*	1	#

\* In coordination with Belle Kaagapay, the Corporate Social Responsibility Arm of Belle Corporation.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
A vigorous collaboration between the Belle Group and concerned localities in developing sustainable communities.	Constant cooperation with stakeholders by what method to espouse in maintaining and/or refining the Corporation's local community development initiatives such as livelihood programs, full scholarship programs for college students, and provision of medical aid and assistance.
What are the Risk/s Identified?	Management Approach
Risk of malnutrition and illiteracy in host communities	Belle's focus on its CSR activities are geared towards providing access to basic social services in the areas of education and health.
What are the Opportunity/ies Identified?	Management Approach
Create a more active partnership with the host communities by providing opportunities such as livelihood programs, educational scholarships that will contribute to the improvement of their overall well-being.	Belle remains committed to look for various opportunities for growth through profitable investments that will increase the Corporation's shareholder value for partners and investors alike.

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contributions	Management Approach to Negative Impact
<p>1. We develop premium tourism destinations and lifestyle properties in strategic locations in the National Capital Region and southern Luzon.</p> <p>2. We maintain strategic business partnerships for the operations of our key business units.</p> <p>3. We service the estate requirements in Tagaytay Highlands, including environmental conservation, property management, utilities, safety and security, among other day-to-day essentials.</p> <p>4. We pursue investments and opportunities within our flagship and legacy businesses and in other related</p>	<p><b>Lifestyle Brands</b> Tagaytay Highlands, one of the premier, easily accessible destinations south of Metro Manila for over 25 years   SDG 8</p> <p><b>People Partners</b> A deep talent pool comprised of employees with diverse backgrounds, experience and expertise   SDG 5 and 8</p> <p><b>Connections with Our Clients</b> We built solid relationships with our clients from one generation to the next   SDG 11</p> <p><b>Strategic Business Partnerships</b> We do business with some of the most reputable and reliable names in the industry   SDG 8</p> <p><b>Premium Developments</b> Aspirational tourism and lifestyle destinations with a complete array of leisure, residential, dining and recreational facilities   SDG 11 and 13</p>	None has been identified so far.	Not available.

sectors with high growth potential.	<p><b>Ties to Our Communities</b> Touching lives in our host communities through social programs   SDG 3 and 4</p> <p><b>Environmental Assets</b> Strategically located land holdings that have steadily increased in value over time due to risk management and sustainability efforts   SDG 13 and 14</p> <p><b>Financial Means</b> A solid balance sheet with stable financial ratios and fiscal access   SDG 8 and 17</p> <p>For more information on Belle's societal contributions, please refer to the Corporation's recent reports, which are downloadable on: <a href="http://www.bellecorp.com">www.bellecorp.com</a> .</p>		
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*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*



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C	R	M	D
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**Not Applicable**

C O M P A N Y I N F O R M A T I O N		
Company's Email Address	Company's Telephone Number	Mobile Number
<b>info@bellec corp.com</b>	<b>(02) 8662-8888</b>	<b>Not Applicable</b>
No. of Stockholders	Annual Meeting	Calendar Year (Month / Day)
<b>1,764</b>	<b>4<sup>th</sup> Monday of April</b>	<b>12/31</b>

CONTACT PERSON INFORMATION			
The designated contact person <u><b>MUST</b></u> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number	Mobile Number
Mr. Jackson T. Ongsip	info@bellec corp.com	(02) 8662-8888	0917-5578203

CONTACT PERSON'S ADDRESS	
5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City	

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



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

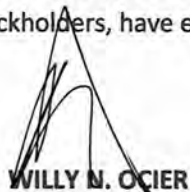
The management of **Belle Corporation (the Company)** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed financial reporting framework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

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

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


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

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




**WILLY N. OCIER**

Chairman of the Board



**MANUEL A. GANA**  
President and Chief Executive Officer



**JACKSON T. ONGSIP**  
Executive Vice President  
and Chief Financial Officer

Signed February 24, 2022



FEB 28 2022

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_ 2022 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
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WILLY N. OCIER

MANUEL A. GANA

JACKSON T. ONGSIP

DOC NO. : 16  
PAGE NO. : 5  
BOOK NO. : 29  
SERIES OF : 2022.

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






**"STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN"**

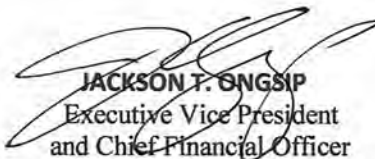
The Management of Belle Corporation (the Company) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
**WILLY N. OCIER**  
Chairman of the Board

  
**MANUEL A. GANA**  
President and Chief Executive Officer

  
**JACKSON T. ONGSIP**  
Executive Vice President  
and Chief Financial Officer

Signed February 24, 2022



SUBSCRIBED AND SWORN to before me this 28 FEB 2022 day of \_\_\_\_\_ 2022 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
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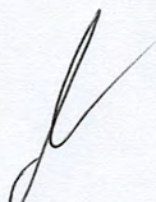
WILLY N. OCIER

MANUEL A. GANA

JACKSON T. ONGSIP

DOC NO. : 11  
PAGE NO. : 1  
BOOK NO. : 29  
SERIES OF : 2022.

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





## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Belle Corporation  
5th Floor, Tower A, Two E-Com Center  
Palm Coast Avenue, Mall of Asia Complex  
CPB-1A, Pasay City

### *Opinion*

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

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC).

### *Basis for Opinion*

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

### *Other Matter*

The separate financial statements of the Company as at December 31, 2020 and for the year ended December 31, 2020 were audited by another auditor whose report dated April 14, 2021, expressed an unmodified opinion on those separate financial statements. The opinion of such auditor, however, did not include the reclassification adjustments discussed in Note 9 to the financial statements.



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

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

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

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

*Auditors' Responsibilities for the Audit of the Separate Financial Statements*

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

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

- Identify and assess risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.





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

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

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Belle Corporation  
5th Floor, Tower A, Two E-Com Center  
Palm Coast Avenue, Mall of Asia Complex  
CPB-1A, Pasay City

### Report on the Financial Statements

#### *Opinion*

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

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC).

#### *Basis for Opinion*

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

#### *Other Matter*

The separate financial statements of the Company as at December 31, 2020 and for the year ended December 31, 2020 were audited by another auditor whose report dated April 14, 2021, expressed an unmodified opinion on those separate financial statements. The opinion of such auditor, however, did not include the reclassification adjustments discussed in Note 9 to the financial statements.



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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.

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

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

- Identify and assess risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

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

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of BELLE CORPORATION. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila

**BELLE CORPORATION**

**SEPARATE STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2021**

**(With Comparative Figures for 2020)**

**(Amounts in Thousands)**

	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	<b>₱418,379</b>	₱370,801
Receivables	5	<b>3,928,064</b>	4,555,373
Real estate for sale - at cost	6	<b>351,120</b>	470,609
Land held for future development - at cost	6	<b>3,021,120</b>	3,013,950
Other current assets	7	<b>2,304,834</b>	1,694,960
Total Current Assets		<b>10,023,517</b>	10,105,693
<b>Noncurrent Assets</b>			
Installment receivables - net of current portion	5	<b>941,115</b>	269,600
Investment properties	8	<b>24,227,234</b>	25,293,098
Investments in and advances to subsidiaries and associates	9	<b>10,252,972</b>	10,290,623
Financial assets at fair value through other comprehensive income (FVOCI)	10	<b>6,773,226</b>	4,782,865
Property and equipment	11	<b>64,474</b>	62,355
Right-of-use assets	26	<b>48,139</b>	61,612
Pension asset	27	<b>17,384</b>	14,012
Other noncurrent assets	12	<b>130,312</b>	122,933
Total Noncurrent Assets		<b>42,454,856</b>	40,897,098
		<b>₱52,478,373</b>	₱51,002,791

**LIABILITIES AND EQUITY**

**Current Liabilities**

Loans payable	14	<b>₱5,700,942</b>	₱6,230,942
Trade and other current liabilities	13	<b>1,116,657</b>	1,257,607
Subscription payable	9	<b>477,366</b>	477,366
Current portion of:			
Lease liabilities	26	<b>340,792</b>	140,936
Long-term debt	16	<b>15,000</b>	121,111
Total Current Liabilities		<b>7,650,757</b>	8,227,962

(Forward)

	Note	2021	2020
<b>Noncurrent Liabilities</b>			
Noncurrent portion of:			
Lease liabilities	26	<b>₱6,194,429</b>	₱6,534,951
Long-term debt	16	<b>4,870,000</b>	4,445,556
Deferred tax liabilities - net	25	<b>2,377,323</b>	2,968,910
Other noncurrent liabilities	15	<b>378,513</b>	380,413
Total Noncurrent Liabilities		<b>13,820,265</b>	14,329,830
Total Liabilities		<b>21,471,022</b>	22,557,792
<b>Equity</b>			
Common stock	17	<b>10,561,000</b>	10,561,000
Additional paid-in capital	17	<b>5,503,731</b>	5,503,731
Treasury stock	17	<b>(2,476,697)</b>	(2,476,700)
Other reserves		<b>3,142,689</b>	1,119,482
Retained earnings	17	<b>14,276,628</b>	13,737,486
Total Equity		<b>31,007,351</b>	28,444,999
		<b>₱52,478,373</b>	₱51,002,791

See accompanying Notes to Separate Financial Statements.

**BELLE CORPORATION**

**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**(With Comparative Figures for 2020)**

**(Amounts in Thousands, Except for Earnings per Share)**

	Note	2021	2020
<b>REVENUES</b>			
Dividend income	9	<b>₱1,020,150</b>	₱1,276,262
Lease income	8	<b>807,921</b>	2,663,226
Sale of real estate		<b>587,812</b>	234,965
Revenue from property management		<b>179,618</b>	168,296
Others	18	<b>172,946</b>	199,631
		<b>2,768,447</b>	4,542,380
<b>COSTS AND EXPENSES</b>			
Cost of lease income	19	<b>(1,294,948)</b>	(1,206,513)
Cost of real estate sold	20	<b>(301,406)</b>	(134,934)
Cost of services for property management	21	<b>(113,574)</b>	(100,957)
General and administrative expenses	22	<b>(412,793)</b>	(698,089)
		<b>(2,122,721)</b>	(2,140,493)
<b>OTHER INCOME (EXPENSES)</b>			
Interest expense	23	<b>(715,440)</b>	(719,113)
Interest income	4	<b>2,231</b>	3,820
Other income (expenses) - net	24	<b>(562)</b>	729
		<b>(713,771)</b>	(714,564)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>(68,045)</b>	1,687,323
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	25		
Current		<b>1,538</b>	8,577
Deferred		<b>(591,419)</b>	221,796
		<b>(589,881)</b>	230,373
<b>NET INCOME</b>		<b>521,836</b>	1,456,950
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Not to be reclassified to profit or loss in subsequent years:</i>			
Unrealized valuation gain (loss) on financial assets at FVOCI	10	<b>2,038,634</b>	(713,215)
Remeasurement gain on pension asset/liability - net of tax	27	<b>1,879</b>	13,422
		<b>2,040,513</b>	(699,793)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱2,562,349</b>	₱757,157
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	<b>30</b>	<b>₱0.053</b>	₱0.149

See accompanying Notes to Separate Financial Statements.

**BELLE CORPORATION**

**SEPARATE STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**(With Comparative Figures for 2020)**

**(Amounts in Thousands, Except for Par Value and Number of Shares)**

	Note	2021	2020
<b>CAPITAL STOCK</b> - ₱1 par value			
Authorized - 14,000,000,000 shares			
Issued and subscribed - 10,560,999,857 shares	17	<b>₱10,561,000</b>	₱10,561,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	17	<b>5,503,731</b>	5,503,731
<b>TREASURY STOCKS</b> – at cost			
Balance at beginning of year	17	<b>(2,476,700)</b>	(2,476,700)
Issuance of treasury stocks		<b>3</b>	–
Balance at end of year		<b>(2,476,697)</b>	(2,476,700)
<b>OTHER RESERVES</b>			
<b>Cumulative unrealized marked to market gain (loss) on financial assets at FVOCI</b>			
	10		
Balance at beginning of year		<b>1,111,138</b>	1,829,343
Unrealized gain (loss)		<b>2,038,634</b>	(713,215)
Realized gain transferred to retained earnings		<b>(17,306)</b>	(4,990)
Balance at end of year		<b>3,132,466</b>	1,111,138
<b>Cumulative remeasurement gain (loss) on pension asset</b>			
Balance at beginning of year		<b>8,344</b>	(5,078)
Remeasurement loss on pension asset (net of tax)		<b>1,879</b>	13,422
Balance at end of year		<b>10,223</b>	8,344
		<b>3,142,689</b>	1,119,482
<b>RETAINED EARNINGS</b>			
Balance at beginning of year		<b>13,737,486</b>	13,447,121
Net income		<b>521,836</b>	1,456,950
Realized gain transferred to retained earnings	10	<b>17,306</b>	4,990
Cash dividends	17	<b>–</b>	(1,171,575)
Balance at end of year		<b>14,276,628</b>	13,737,486
<b>TOTAL EQUITY</b>		<b>₱31,007,351</b>	₱28,444,999



**BELLE CORPORATION**

**SEPARATE STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(With Comparative Figures for 2020)**  
**(Amounts in Thousands)**

	Note	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax		(P68,045)	P1,687,323
Adjustments for:			
Dividend income	9	(1,020,150)	(1,276,262)
Depreciation and amortization	8	1,091,963	1,057,206
Interest expense	23	715,440	719,113
Amortization of discount on trade receivables	5	(72,600)	(69,517)
Interest income	4	(2,231)	(3,820)
Loss (gain) on termination of leases	26	567	(11,948)
Unrealized foreign exchange loss – net		(5)	1,044
Operating income before working capital changes		644,939	2,103,139
Decrease (increase) in:			
Receivables		28,393	(2,261,588)
Real estate for sale and land held for future development		112,319	(152,006)
Pension assets		(1,660)	(418)
Other assets		(618,788)	(459,922)
Increase (decrease) in trade and other current liabilities		(156,135)	100,695
Net cash generated from (used in) operations		9,068	(670,099)
Interest received		2,231	3,820
Income taxes paid		–	(8,577)
Net cash provided by (used in) operating activities		11,299	(674,856)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		1,020,150	1,253,490
Acquisitions of:			
Property and equipment	11	(14,745)	(9,243)
Financial assets at FVOCI	10	(4,905)	(15,229)
Expenditures on investment properties	8	–	(293,553)
Proceeds from disposal of financial assets through FVOCI		53,178	18,448
Decrease in investments in and advances to subsidiaries and associates		37,651	274,617
Net cash provided by investing activities		1,091,329	1,228,530

(Forward)

	Note	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Long-term debt and loans payable		(P3,831,667)	(P3,372,714)
Lease liabilities	26	(432,557)	(353,893)
Interest		(410,831)	(521,730)
Proceeds from availment of loans and long-term debt		3,620,000	4,675,000
Dividends paid	17	–	(1,171,575)
Net cash used in financing activities		(1,055,055)	(744,912)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>			
<b>ON CASH AND CASH EQUIVALENTS</b>		5	(1,043)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>47,578</b>	<b>(192,281)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>370,801</b>	<b>563,082</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P418,379</b>	<b>P370,801</b>

See accompanying Notes to Separate Financial Statements.

## BELLE CORPORATION

### NOTES TO SEPARATE FINANCIAL STATEMENTS (With Comparative Information for 2020)

#### 1. General Information

##### **Corporate Information**

Belle Corporation (Belle or the Company) is a stock corporation organized in the Philippines on August 20, 1973 and was listed at the Philippine Stock Exchange (PSE) on February 2, 1977. The businesses of Belle, direct and through subsidiaries and associates, include mainly real estate development, principally in the high-end leisure property market, gaming and various investment holdings. Belle and its subsidiaries are collectively referred to as “the Group”.

The registered office address of Belle is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City.

The subsidiaries of the Company, which are all incorporated in the Philippines, are as follows:

Subsidiaries	Industry	2021			2020		
		Percentage of Ownership			Percentage of Ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Belle Bay Plaza Corporation (Belle Bay Plaza)*	Investment	100.0	–		100.0	–	
Belle Infrastructure Holdings, Inc., (formerly Metropolitan Leisure and Tourism Corporation)*	Investment	100.0		100.0	100.0		100.0
Parallax Resources, Inc. (Parallax)*	Investment	100.0	–	100.0	100.0	–	100.0
SLW Development Corporation (SLW)*	Investment	100.0	–	100.0	100.0	–	100.0
Belle Grande Resource Holdings Inc. (BGRHI)	Investment	100.0	–	100.0	100.0	–	100.0
Premium Leisure Corp. (PLC) and Subsidiaries:	Gaming	79.8	–	79.8	79.5	0.3	79.8
PremiumLeisure and Amusement, Inc. (PLAI)	Gaming	–	100.0	100.0	–	100.0	100.0
Foundation Capital Resources Inc. *	Investment	–	100.0	100.0	–	100.0	100.0
Sinophil Leisure and Resorts Corporation*	Investment	–	100.0	100.0	–	100.0	100.0
Pacific Online Systems Corporation (POSC) and Subsidiaries:	Gaming	–	50.1	50.1	–	50.1	50.1
Loto Pacific Leisure Corporation (LotoPac)	Gaming	–	100.0	100.0	–	100.0	100.0
Total Gaming Technologies, Inc. (TGTI)	Gaming	–	98.9	98.9	–	98.9	98.9
Falcon Resources Inc. (FRI)	Gaming	–	100.0	100.0	–	100.0	100.0
TGTI Services, Inc.	Gaming	–	100.0	100.0	–	100.0	100.0

\*Non-operating

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

#### 2. Summary of Significant Accounting Policies

##### **Basis of Preparation and Statement of Compliance**

The separate financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as modified by the application of the financial reporting relief issued and approved by the SEC in response to the COVID-19 pandemic. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The following are the financial reporting reliefs issued and approved by the SEC:

SEC Memorandum Circular (MC) No. 34, Series of 2020, *Deferral of PIC Q&A No. 2018-12 (as amended by PIC Q&A 2020-05) and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23-Borrowing Cost) for Real Estate Industry*, provides relief to the real estate industry by deferring the application of SEC MC No. 14, Series of 2018 with respect to accounting for significant financing component and exclusion of land in the calculation of POC, for another period of three (3) years or until 2023.

SEC MC No. 8, Series of 2021, *Amendments to SEC MC No. 14 Series of 2018, SEC MC No. 3 Series of 2019, SEC MC No. 4 and 34 Series of 2020 to Clarify Transitory Provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when adopting the provisions of PIC Q&A and IFRIC pronouncements.

Among the financial reporting reliefs, the Company applied only the relief with respect to accounting for significant financing component. The impact of the application of such financial reporting relief is discussed in “Amendments to PFRS Issued But Not Yet Effective” section.

#### **Measurement Bases**

The separate financial statements are presented in Philippine Peso, the Company’s functional currency. All amounts are rounded to the nearest thousands 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) which are measured at fair value.

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Notes 8, 10 and 31.

#### **Adoption of Amendment to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendment to PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2021:

- *PIC Q&A 2018-12 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-05) - Treatment of Uninstalled Materials in the Calculation of POC* – The PIC Q&A provides guidance in recognizing revenue using a cost-based input method. Customized materials should be included in the measurement of the progress of work while materials that are not customized should be excluded. The adoption of this PIC Q&A did not have any material effect on the separate financial statements. Additional disclosures were included in the notes to separate financial statements, as applicable.
- *PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges* – The PIC Q&A provides guidance in assessing whether a real estate developer is acting as a principal or agent in certain services to its tenants. The assessment considers the indicators of when an entity controls the specified service (and is, therefore, a principal) such as whether the entity is primarily responsible for fulfilling the promise to provide the service, whether the entity has inventory risk and whether the entity has discretion in establishing the price.
- *Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023.

The Company did not avail of the relief provided by the SEC. The adoption of the IFRIC agenda decision did not have impact in the separate financial statements of the Company since there were no borrowing costs that were capitalized to projects.

- *PIC Q&A 2018-12-E Treatment of land in the determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the progress of completion of performance obligation and should be accounted for as fulfillment cost.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the PIC Q&A 2018-12-E until December 31, 2023.

The Company did not avail of the relief provided by the SEC. The adoption of the PIC Q&A did not have impact in the separate financial statements since the Company's accounting policy is already consistent with PIC Q&A No. 2018-12.

The adoption of the foregoing PIC Q&A and IFRIC Agenda Decision did not have any material effect on the separate financial statements. Additional disclosures were included in the notes to separate financial statements, as applicable.

#### **Amendments to PFRS Issued But Not Yet Effective**

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

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

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

that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

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.
- Deferral of PIC Q&A 2018-12-D, *PFRS 15 Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-04)*. On October 25, 2018 and December 15, 2020, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of "assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)" until December 31, 2020 and 2023, respectively.

The Company availed of the SEC relief with respect to accounting for significant financing component. The adoption of this guidance would have an impact to the interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings in the year of adoption. The Company is assessing if the mismatch between the percentage of completion (POC) and right to an amount of consideration constitutes a significant financing component.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS, except for the potential impact of assessing if the transaction price include a significant financing component as discussed in PIC Q&A No. 2018-12-D (as amended by PIC Q&A 2020-04), is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

### **Current versus Noncurrent Classification**

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

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

All other assets are classified as noncurrent.

A liability is classified as current when it is:

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

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

The Company classifies all other liabilities as noncurrent.

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

### **Financial Assets and Liabilities**

*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 of Financial Instruments.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends on the Company's business model and 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 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).

As at December 31, 2021 and 2020, 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.

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 Company's cash and cash equivalent, receivables, installment receivables, advances to subsidiaries and associates and refundable deposits and construction bonds (presented as part of "Other noncurrent assets").

*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 separate statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative valuation gains or losses will be reclassified to retained earnings.

Classified under this category are the Company's investment in quoted and unquoted shares of stock and club shares.

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

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

Classified under this category are the Company's trade payables and other current liabilities, subscription payable, loans payable, long-term debt and lease liabilities.

#### **Impairment of Financial Assets at Amortized Cost**

The Company records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

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

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

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

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

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

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

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

### **Derecognition of Financial Assets and Liabilities**

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

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

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

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

### **Offsetting Financial Assets and Liabilities**

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

**Classification of Financial Instrument between Liability and Equity**

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

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

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

**Real Estate for Sale and Land Held for Development**

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Costs include:

- Cost of the land;
- Construction and development costs; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

**Other Assets**

This account mainly consists of creditable withholding taxes (CWT), excess of input value-added tax (VAT) over output VAT, advances to contractors and suppliers, prepayments, supplies, refundable deposits and construction bond, among others.

**CWT.** CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at its net realizable amount. CWT that are expected to be utilized as payment for income taxes beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the separate statement of financial position.

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

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

The net amount of tax recoverable from the taxation authority is included as part of “Other current assets” account in the separate statement of financial position.

*Advances to Contractors and Suppliers.* Advances to contractors and suppliers represent advance payments on goods and services to be incurred in connection with the Company’s projects and operation. These are charged to expense or capitalized to projects in the separate statement of financial position, upon actual receipt of services or goods. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers. Refundable advances to contractors and suppliers are classified as financial assets. Advance payments to contractors and suppliers that will be applied against future billings or expected to be refunded beyond 12 months from the reporting date, are presented as part of “Other noncurrent assets” account in the separate statement of financial position.

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

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

*Refundable Deposits.* Refundable deposits represents payments made as security deposits in relation to the Company’s various leases. Deposits that are expected to be refunded for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

### **Investment Properties**

Investment properties comprise of land and building held by the Company to earn rentals or for capital appreciation, or both. Investment properties are 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. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Land is stated at cost less accumulated impairment loss, if any.

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

Asset Type	Number of Years
Building	17 to 40 years
Building improvements	15 years or the term of the lease, whichever is shorter

Transfers are made to or from investment property only when there is a change in use. Transfer between investment properties and owner occupied properties at cost model do not change the carrying amount of the property.

Investment properties are 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, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less accumulated impairment loss, 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 is computed on the straight-line basis over the estimated useful lives of the depreciable assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Land and leasehold improvements	15 years or the term of the lease, whichever is shorter
Machinery and equipment	5 years
Condominium units and improvements	17 years
Transportation equipment	4–5 years
Office furniture, fixtures and equipment	3–5 years

The estimated useful lives and depreciation 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.

Construction in progress, which includes cost of construction and other direct costs, is stated at cost and is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property and equipment when the construction and other related activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

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

#### **Investments in Subsidiaries and Associates**

Investments in subsidiaries and associates are carried at cost, less any impairment in value.

Subsidiaries are all entities controlled by the Company. The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or control are similar to those necessary to determine control over subsidiaries.

The Company recognizes income from investments in subsidiaries and associates only to the extent that the Company receives distribution from accumulated profits from the subsidiaries and associates arising after the date of acquisition.

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

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

### **Capital Stock and Additional Paid-in Capital**

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

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

### **Treasury Stock**

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

### **Other Reserves**

Other reserves comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other reserves of the Company pertains to cumulative unrealized marked to market gains (losses) on financial assets at FVOCI and cumulative remeasurement gains (losses) on pension asset.

### **Retained Earnings**

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

### **Revenue Recognition**

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

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

*Sales of Real Estate.* The Company derives its real estate revenue from sale of lots, house and lots and construction of house. Revenue from the sale of these real estate project spread over time across the course of the construction since the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In determining the transaction price, the Company considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties without consideration of significant financing component under PFRS 15 as allowed by the SEC as discussed in Note 2 to the separate financial statements.



In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using performance completed to date. This is based on the monthly project accomplishment report prepared by the Company's engineers which integrates the surveys of performance to date of the construction activities.

Estimated development costs include costs of land development, house construction costs, building costs, professional fees and payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

#### *Contract Balances*

*Receivables (Including Installment Receivables).* A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). It also includes the difference between the considerations received from the customer and the transferred goods or services to a customer.

*Contract Assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract Liabilities .*A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

The contract liabilities also include payments received by the Company from the customers for which revenue recognition has not yet commenced and payments in excess of percentage of completion.

*Cost to Obtain a Contract.* The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the separate statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

*Contract Fulfillment Asset.* Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Company's contract fulfillment assets pertain to land acquisition costs.

*Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract.* The Company amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

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

At each reporting date, the Company determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgments are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

*Interest Income.* Interest income from trade receivables and finance lease receivables is recognized as the interest accrues using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount. Interest income from bank deposits is recognized as it accrues.

*Lease Income.* Lease income arising from operating leases on investment properties is accounted for on a straight-line basis over the terms of the lease. If the collection of the rentals is not probable, operating lease income is recognized only to the extent collectable.

*Revenue from Property Management.* Revenue is recognized as services of providing utilities and maintenance are performed.

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

*Income from Forfeitures* (presented under “Other revenue” account). This represents income from forfeitures of the deposits and, to a certain extent, installments from customers in the event of a default and/or from cancellations of sales. Revenue is recognized upon approval of cancellation.

*Penalty* (presented under “Other revenue” account). Penalty pertains to income from surcharges for buyers’ default and late payments. Income is recognized when penalty is actually collected.

*Income from Playing Rights* (presented under “Other revenue” account). Revenue from sale of club shares and playing rights are recognized when the risk and rewards of ownership of the shares and playing rights have been passed to the buyer and the amount of revenue can be reliably measured.

*Other Income.* Revenue is recognized when there is an incremental economic benefit, other than the usual business operations, that will flow to the Company and the amount of the revenue can be measured reliably.

#### **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 Real Estate Sold.* Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of real estate sold includes all direct materials and labor costs, and those indirect costs related to contract performance. Cost of real estate sold before the completion of the development includes estimated costs for future development work, all estimated by the Company’s project engineers. When it is probable that the labor contract cost will exceed total contract revenue, the expected loss is recognized immediately. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the revisions are determined. The cost of inventory recognized in profit or loss in the separate statement of comprehensive income upon sale is determined with reference to the specific costs incurred on the property, allocated to the saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

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

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

#### **Leases**

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

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

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

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

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

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

Asset Type	Number of Years
Land*	16 years and 4 months
Building*	16 years and 4 months
Air rights	14 years and 6 months
Office spaces	1 year to 2 years

*\*presented as part of Investment Properties in the separate statement of financial position*

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

Lease payments included in the measurement of a lease liability consist of the following:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable by the lessee under residual value guarantees; and
- d) the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

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

The Company accounts for a lease modification as a separate lease if both:

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

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

- Allocate the consideration in the modified contract;
- Determine the lease term of the modified lease; and
- Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:
  - Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to partial or full termination of the lease.
  - Making corresponding adjustment to the right-of-use asset for all other lease modifications.

*Company as a Lessor.* Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income under operating leases are 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.

Operating income is recognized if it is probable that the entity will collect the consideration. In evaluating whether collectability of the amount of consideration is probable, the Company considers the customer's ability and intention to pay. If the collection of the rentals is not probable, operating lease income is recognized only to the extent collectible.

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

In case of a lease modification, the Company account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" accounts in the separate statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment of those borrowings.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

#### **Employee Benefits**

*Short-term 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 under short-term cash bonus or profit sharing plans 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.

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

*Pension Costs.* The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or 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 Company recognize 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 Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

### **Foreign Currency Denominated Transactions**

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

### **Income Taxes**

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

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

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

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

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

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



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

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

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

#### **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 Company 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 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 in accordance with the Company's related party transactions policy.

#### **Earnings Per Share (EPS)**

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

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

### **Operating Segments**

The Company is organized into business units wherein operating results are regularly monitored by the chief operating decision maker (CODM) for the purpose of making decisions about resource allocation and performance assessment. As permitted by PFRS 8, *Operating Segments*, the Company has aggregated these segments into a single operating segment to which it derives its revenues and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

- the nature of products and services;
- the nature of production processes;
- the type or class of customer for the products and services; and
- the methods used to distribute their products and services.

The Company organized based on its activities and has a single reportable segment which is the “real estate development and property management” segment.

### **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.

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## **3. Significant Judgment, 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 Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements.

#### *Recognizing Revenue and Cost of Sale from Real Estate Sales:*

- *Existence of a Contract.* The Company's primary document for a contract with a customer is a signed contract to sell, which contain all the criteria to qualify as contract with the customer under PFRS 15. In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history of customer, age of receivables and contract assets and pricing of the property. Management regularly evaluates the historical cancellations if it would still support its current threshold of customers' equity before commencing revenue recognition.
- *Revenue Recognition Method and Measure of Progress.* The Company concluded that revenue for real estate sales is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

- *Identifying Performance Obligation.* The Company has various contracts to sell covering (a) serviced lot and (b) condominium unit. The Company concluded that there is one performance obligation in each of these contracts because, for serviced lot, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract. For the contract covering condominium unit, the developer has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Company's service is to transfer the title of the real estate unit to the customer.
- *Recognition of Revenue and Cost of Sale of Real Estate.* Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on sufficiency of cumulative payments by the buyer, completion of development and existence of a binding sales agreement between the Company and the buyer. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the Company engineer's judgment and estimates on the physical portion of contract work done if the development cost is beyond preliminary stage.

*Determining Lease Term of Contracts with Renewal – Company as a Lessee.* The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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

The Company's lease liabilities amounted to ₱6,535.2 million as at December 31, 2021 (and ₱6,675.9 million as at December 31, 2020) (see Note 26).

*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.

*Operating Lease – as a Lessor.* The Company, as a lessor, has accounted for the lease agreements for its land and building under an operating lease. The Company has determined that it has not transferred the significant risks and rewards of ownership of the leased properties to the lessee because of the following factors:

- a) the lessee will not acquire ownership of the leased properties upon termination of the lease;
- b) the lessee was not given an option to purchase the assets at a price that is sufficiently lower than the fair value at the date of the option;
- c) the lease term is not a major part of the economic life of the asset; and
- d) the present value of the minimum lease payments is not substantially all of the fair value of the leased asset.

Lease income earned from lease of land and building amounted to ₱807.9 million in 2021 (and ₱2,663.2 million in 2020) (see Note 8 and 26).

*Assessing the Collectability of Contracts with Customers.* The Company assesses whether it is probable that it will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company considers the customer's ability and intention to pay the amount of consideration when it is due. The amount of consideration to which the Company will be entitled may also be less than the consideration stated in the contract because the parties may agree on a price concession.

The Company assesses the collectability of these contracts at the inception and reassesses if there is an indication of a significant change in facts and circumstances. In 2021, the Company, as a lessor, agreed to a concession wherein the minimum guaranteed rental payments were reduced by 65% of the original rent and additional lease payments are subject to certain conditions such as operating capacity, lifting of age restrictions and inbound international flight restrictions. Accordingly, the rental income in 2021 was recognized only up to the extent collectible amounting to ₱807.9 million (see Notes 8 and 26).

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

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

The fair value of the Company's financial assets and liabilities are disclosed in Note 31.

*Classifying Investment Properties and Owner-Occupied Properties.* The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

*Determining Transfers.* Transfers between investment properties, land and development costs and property and equipment of the Company are made after determining that there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or commencement of development with a view to sale. These transfers

are recorded using the carrying amounts of the investment properties, land and development costs and property and equipment at the date of change in use.

### **Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial 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.

*Determining Impairment of Receivables, Installment Receivables and Advances to Subsidiaries and Associates.* The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions 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.

The Company did not recognize provision for ECL on receivables in 2021 (and 2020). Allowance for doubtful accounts on receivables amounted to ₱117.1 million as at December 31, 2021 (and 2020) (see Note 5).

The Company did not recognize provision for ECL on advances to subsidiaries and associates in 2021. Provision for ECL on advances to subsidiaries and associates amounted to ₱254.3 million in 2020 (see Notes 9 and 22). Allowance for doubtful accounts on advances to subsidiaries and associates amounted to ₱2,009.8 million as at December 31, 2021 (and 2020) (see Note 9).

The aggregate carrying values of receivables, installment receivables and advances to subsidiaries and associates amounted to ₱5,080.2 million as at December 31, 2021 (and ₱5,073.7 million as at December 31, 2020) (see Notes 5 and 9).

*Determining NRV of Real Estate for Sale, Land Held for Future Development and Supplies.* Real estate for sale, land held for future development and supplies are stated at lower of cost and NRV. The Company writes down the carrying value of real estate for sale, land held for future development and supplies whenever the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. The carrying value is reviewed at least annually for any decline in value.

No provision for write-down of real estate for sale, land held for future development and supplies was recognized in 2021 (and 2020). The carrying values of real estate for sale, land held for future development and supplies carried at lower of cost and NRV amounted to ₱3,375.5 million as at December 31, 2021 (and ₱3,487.7 million as at December 31, 2020) (see Notes 6 and 7).

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

There were no changes in the estimated useful lives of depreciable investment properties, property and equipment and ROU assets in 2021 (and 2020). The aggregate carrying amount of depreciable investment properties, property and equipment and ROU assets amounted to ₱ 22,615.0 million as at December 31, 2021 (and ₱23,692.2 million as at December 31, 2020) (see Notes 8, 11 and 26).

*Determining Impairment of Nonfinancial Assets.* The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Right-of-use assets, Investments in subsidiaries and associates, investment properties and property and equipment are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Determining the value in use of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the separate financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's separate financial statements.

The Company did not recognize provision for impairment loss in its investment in subsidiaries and associates in 2021. Provision for impairment loss on its investment in subsidiaries and associates amounted to ₱12.5 million in 2020 (see Note 9).

The carrying values of nonfinancial assets subjected to impairment review as at December 31, 2021 and 2020 are as follows:

	Note	(In Thousands)	
		2021	2020
Investment properties	8	<b>₱24,227,234</b>	₱25,293,098
Investments in subsidiaries and associates	9	<b>10,041,940</b>	10,041,940
Property and equipment	11	<b>64,474</b>	62,355
Right-of-use assets	26	<b>48,139</b>	61,612

*Determining Pension Cost.* The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Pension asset amounted to ₱17.4 million as at December 31, 2021 (and ₱14.0 million as at December 31, 2020). Pension income recognized in profit or loss amounted to ₱1.7 million in 2021 and pension cost recognized in profit or loss amounted to ₱8.8 million in 2020. The remeasurement gain - net of tax recognized in other comprehensive income amounted to ₱1.9 million in 2021 (and ₱13.4 million in 2020) (see Note 27).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Further details about the assumptions used are provided in Note 27.

*Assessing the Realizability of Deferred Tax Assets.* The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

Recognized deferred tax assets of the Company amounted to ₱2,046.3 million as at December 31, 2021 (and ₱2,472.5 million as at December 31, 2020). Unrecognized deferred tax assets amounted to ₱1,240.7 million as at December 31, 2021 (and ₱1,179.4 million as at December 31, 2020 (see Note 25). Management believes that it is not probable that sufficient taxable income will be available to allow all these deferred tax assets to be utilized.

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

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#### 4. Cash and Cash Equivalents

This account consists of:

	(In Thousands)	
	2021	2020
Cash on hand and in banks	<b>₱385,239</b>	₱166,495
Cash equivalents	<b>33,140</b>	204,306
	<b>₱418,379</b>	<b>₱370,801</b>

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

Interest income earned from cash in banks and cash equivalents amounted to ₱2.2 million in 2021 (₱3.8 million in 2020).



## 5. Receivables and Installment Receivables

This account consists of:

		(In Thousands)	
	Note	2021	2020
Trade receivables:			
Leases	26	<b>₱3,523,861</b>	₱3,278,221
Real estate sales and installment receivables		<b>1,326,777</b>	1,448,245
Property management		<b>106,805</b>	187,853
Others		<b>88,849</b>	87,767
		<b>5,046,292</b>	5,002,086
Less allowance for doubtful accounts		<b>177,113</b>	177,113
		<b>4,869,179</b>	4,824,973
Less installment receivables – noncurrent portion		<b>941,115</b>	269,600
		<b>₱3,928,064</b>	₱4,555,373

Trade receivables from leases and property management are on a 30 to 60 days credit term.

Trade receivables from real estate sales are noninterest-bearing and are generally collected in installment within 3 to 5 years.

Other receivables pertain primarily to receivables from sale of land to third parties. These are noninterest-bearing and generally have 30 to 90 days term.

No provision for impairment loss on receivables were recognized in 2021 (and 2020).

Movement of unamortized discount on trade receivables from real estate sales are as follows:

		(In Thousands)	
	Note	2021	2020
Trade receivables at nominal amount		<b>₱1,499,336</b>	₱1,532,284
Less discount on trade receivables:			
Balance at beginning of year		<b>84,039</b>	98,035
Discount recognized during the year		<b>161,120</b>	55,521
Amortization during the year	18	<b>(72,600)</b>	(69,517)
Balance at end of year		<b>172,559</b>	84,039
		<b>₱1,326,777</b>	₱1,448,245

As at December 31, 2021 (and 2020), receivables from real estate with nominal amount of ₱1,499.3 million (and ₱1,532.3 million) were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using applicable interest rates ranging from 4.11% to 18.23% in 2021 (2.13% to 23.72% in 2020).

## 6. Real Estate for Sale and Land Held for Future Development

These accounts, measured at cost, consist of:

	(In Thousands)	
	2021	2020
Land held for future development	<b>₱3,021,120</b>	₱3,013,950
Real estate for sale	<b>351,120</b>	470,609
	<b>₱3,372,240</b>	₱3,484,559

### Real Estate for Sale

A summary of the movement in real estate for sale is set out below:

		(In Thousands)	
	Note	2021	2020
Balance at beginning of year		<b>₱470,609</b>	₱327,124
Cost of real estate sold	20	<b>(301,406)</b>	(134,934)
Construction/development costs incurred		<b>121,361</b>	108,586
Repossession		<b>60,556</b>	169,833
Balance at end of year		<b>₱351,120</b>	₱470,609

### Land Held for Future Development

A summary of the movement in land held for development in 2021 and 2020 is set out below:

	(In Thousands)	
	2021	2020
Balance at beginning of year	<b>₱3,013,950</b>	₱3,005,429
Land acquired/additional costs during the year	<b>7,170</b>	8,521
Balance at end of year	<b>₱3,021,120</b>	₱3,013,950

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It includes certain parcels of land with a carrying value amounting to ₱909.9 million as at December 31, 2021 (and 2020), which are already in the Company's possession but are not yet fully paid pending the transfer of certificates of title to the Company. Outstanding payable related to the acquisition shown under "Trade and other current liabilities" account in the separate statements of financial position amounted to ₱169.1 million as at December 31, 2021 (and 2020) (see Note 13).

As at December 31, 2021 (and 2020), the cost of real estate held for sale and land held for future development were lower than its net realizable value. There were no provision for impairment losses recognized in 2021 (and 2020).

## 7. Other Current Assets

This account consists of:

	(In Thousands)	
	2021	2020
CWT - net of allowance for impairment amounting to ₱4.3 million	₱713,165	₱652,352
Input VAT	699,599	570,801
Advances to contractors and suppliers - net of allowance for impairment amounting to ₱14.9 million	499,685	274,890
Prepaid expenses	387,808	182,665
Supplies	3,217	3,168
Advances to officers and employees - net of allowance for impairment amounting to ₱3.5 million	—	—
Others	1,360	11,084
	<b>₱2,304,834</b>	<b>₱1,694,960</b>

CWT pertains to the withholding tax related to the goods sold and services rendered by the Company.

Advances to contractors and suppliers are noninterest-bearing and are expected to be applied against future billings.

Prepaid expenses pertain to various prepaid expenses such as insurance, commission, subscription and refundable deposits for various contracts.

Supplies pertain to inventories used for daily operations such as oil, fuel and other supply inventories.

No provision for impairment losses were recognized in 2021 (and 2020).

## 8. Investment Properties

This account consists of:

	(In Thousands)				
	2021				
	Land	Building	ROU - Building Improvements	ROU Land	Total
<b>Cost</b>					
Balance at beginning and end of year	₱1,724,825	₱18,434,219	₱2,509,013	₱7,026,706	₱29,694,763
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	—	3,402,198	560,154	439,313	4,401,665
Depreciation and amortization	—	713,532	85,737	266,595	1,065,864
Balance at end of year	—	4,115,730	645,891	705,908	5,467,529
<b>Net Carrying Amount</b>	<b>₱1,724,825</b>	<b>₱14,318,489</b>	<b>₱1,863,122</b>	<b>₱6,320,798</b>	<b>₱24,227,234</b>

(In Thousands)					
2020					
Note	Land	Building	ROU - Building Improvements	ROU Land	Total
<b>Cost</b>					
Balance at beginning of year	₱1,724,825	₱20,943,232	₱–	₱815,717	₱23,483,774
Reclassifications	26	–	(2,509,013)	–	–
Additions	–	–	–	6,298,835	6,298,835
Termination of lease	–	–	–	(87,846)	(87,846)
Balance at end of year	1,724,825	18,434,219	2,509,013	7,026,706	29,694,763
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	–	3,320,434	–	49,938	3,370,372
Reclassification	26	–	(401,910)	–	–
Depreciation and amortization	–	483,674	158,244	389,375	1,031,293
Balance at end of year	–	3,402,198	560,154	439,313	4,401,665
<b>Net Carrying Amount</b>	<b>₱1,724,825</b>	<b>₱15,032,021</b>	<b>₱1,948,859</b>	<b>₱6,587,393</b>	<b>₱25,293,098</b>

The fair value of investment properties as at December 31, 2021 (and 2020), are higher than its carrying value as determined by management and an independent appraiser who holds a recognized and relevant professional qualification (see Note 31). The valuation of investment properties was based on income approach for the building and sales comparison approach for the land. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee and management's assessment.

In determining the fair value of the investment properties, management and the independent appraisers considered the neighborhood data, community facilities and utilities, land data, sales prices of similar or substitute properties and the highest and best use of investment properties. The Company assessed that the highest and best use of its properties does not differ from their current use.

Lease income generated from investment properties amounted to ₱807.9 million in 2021 (₱2,663.2 million in 2020) (see Note 26). Direct cost related to the investment properties amounted to ₱1,294.9 million in 2021 (₱1,206.5 million in 2020) (see Note 19).

Depreciation and amortization consist of the following:

(In Thousands)			
Note	2021	2020	
Investment properties	<b>₱1,065,864</b>	₱1,031,293	
ROU assets	<b>13,473</b>	13,472	
Property and equipment	<b>12,626</b>	12,441	
	<b>₱1,091,963</b>	₱1,057,206	

Depreciation and amortization are allocated as follows:

(In Thousands)			
Note	2021	2020	
Cost of lease income	<b>₱1,069,566</b>	₱1,034,996	
General and administrative expenses	<b>13,097</b>	13,600	
Cost of services for property management	<b>9,300</b>	8,610	
	<b>₱1,091,963</b>	₱1,057,206	

## 9. Investments in and Advances to Subsidiaries and Associates

This account consists of:

	(In Thousands)	
	2021	2020
Investments in subsidiaries and associates - net of impairment in value	<b>₱10,041,940</b>	₱10,041,940
Advances to subsidiaries and associates - net of allowance for doubtful accounts	<b>211,032</b>	248,683
	<b>₱10,252,972</b>	₱10,290,623

Investments in subsidiaries and associates as of December 31, 2021 (and 2020) consist of:

		(In Thousands)	
	Note	2021	2020
<b>Acquisition cost</b>			
Balance at beginning and end of year		<b>₱15,207,040</b>	₱15,207,040
<b>Allowance for impairment in value</b>			
Balance at beginning of year		<b>5,165,100</b>	5,152,600
Provisions during the year	22	—	12,500
Balance at end of year		<b>5,165,100</b>	5,165,100
		<b>₱10,041,940</b>	₱10,041,940

Movements of advances to subsidiaries and associates as of December 31, 2021 (and 2020) are as follows:

		(In Thousands)	
	Note	2021	2020
<b>Advances</b>			
Balance at beginning of year		<b>₱2,258,524</b>	₱2,266,363
Collections		<b>(37,651)</b>	(7,839)
Balance at end of year		<b>2,220,873</b>	2,258,524
<b>Allowance for doubtful accounts</b>			
Balance at beginning of year		<b>2,009,841</b>	1,755,563
Provisions during the year	22	—	254,278
Balance at end of year		<b>2,009,841</b>	2,009,841
		<b>₱211,032</b>	₱248,683

The Company has an outstanding balance of subscription payable pertaining to these investments amounting to ₱477.4 million as at December 31, 2021 (and 2020).

Reclassifications from “Investments in and advances to subsidiaries and associates” to “Subscription payable” were made in the 2020 financial statements to conform to the 2021 financial statements presentation.

*Investment in PLC.* PLC, a publicly listed company traded in the PSE, is involved in the investment in gaming-related business.

Dividend income earned from PLC amounted to ₱1,014.9 million in 2021 (₱1,251.2 million in 2020).

*Investment in PLAI.* PLAI, a subsidiary through PLC, is a grantee by the Philippine Amusement and Gaming Corporation (PAGCOR) of a license to operate integrated resorts, including casinos in the vicinity of Entertainment City. PLAI's license runs concurrent with PAGCOR's congressional franchise, set to expire in 2033, renewable for another 25 years by the Philippine Congress.

*Investment in POSC.* POSC, a subsidiary through PLC, is engaged in the development, design and management of online computer systems, terminals and software for gaming industry. POSC's stock are listed in PSE.

*Investment in APC.* Fair values of investment in APC, which is publicly listed in the PSE, amounted to ₱770.0 million as at December 31, 2021 (₱1,417.5 million as at December 31, 2020). Fair values are determined by reference to quoted market price at the close of business as at reporting date.

Condensed financial information of APC prepared on the historical basis of accounting are as follows:

	(In Thousands)	
	2021	2020
Current assets	<b>₱16,636</b>	₱25,194
Noncurrent assets	<b>242,442</b>	242,232
Current liabilities	<b>108,121</b>	108,631
Noncurrent liability	<b>3,282</b>	5,966
Revenue	<b>401</b>	1,266
Net loss	<b>(8,548)</b>	(5,881)
Other comprehensive income (loss)	<b>3,396</b>	(2,543)

*Investment in Parallax.* No dividend income was earned from Parallax in 2021. Dividend income earned from Parallax amounted to ₱10.6 million in 2020.

*Investment in SLW.* No dividend income was earned from SLW in 2021. Dividend income earned from SLW amounted to ₱2.8 million in 2020.

Sources of dividend income earned by the Company in 2021 (and 2020) are as follows:

		(In Thousands)	
	Note	2021	2020
Investments in subsidiaries and associates		<b>₱1,014,875</b>	₱1,264,622
Financial assets at FVOCI	10	<b>5,275</b>	11,640
		<b>₱1,020,150</b>	₱1,276,262

###### 10. Financial Assets at Fair Value Through Other Comprehensive Income

These accounts pertain to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2021 (and 2020).

These accounts consist of:

	(In Thousands)	
	2021	2020
Shares of stock:		
Quoted	<b>₱2,146,064</b>	₱2,430,408
Unquoted	<b>110,862</b>	115,957
Club shares	<b>4,516,300</b>	2,236,500
	<b>₱6,773,226</b>	₱4,782,865

The Company has a Development Agreement (DA) with TMGCI for the construction and development of a 36-hole golf course which was amended on December 15, 1999. The terms of the amended DA call for as many subscriptions as there are shares, such that the club shares issued by TMGCI to the Company as the development progresses were in proportion to pre-agreed amount of development cost, inclusive of the initial capital contribution.

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

	(In Thousands)	
	2021	2020
<b>Cost</b>		
Balance at beginning of year	<b>₱3,671,727</b>	₱3,675,943
Additions	<b>38,442</b>	9,243
Disposals	<b>(69,409)</b>	(13,459)
Balance at end of year	<b>3,640,760</b>	3,671,727
<b>Cumulative unrealized mark to market gain (loss) on financial assets at FVOCI</b>		
Balance at beginning of year	<b>1,111,138</b>	1,829,343
Unrealized gain (loss) during the year	<b>2,038,634</b>	(713,215)
Realized gain on disposal during the year	<b>(17,306)</b>	(4,990)
Balance at end of year	<b>3,132,466</b>	1,111,138
	<b>₱6,773,226</b>	₱4,782,865

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

Dividend income earned from financial assets at FVOCI amounted to ₱5.3 million in 2021 (₱11.6 million in 2020) (see Note 9).

Realized gain from sale of financial assets at FVOCI amounted to ₱17.3 million in 2021 (₱5.0 million in 2020) were reclassified from "Other reserves" account to "Retained earnings" account in the separate statement of financial position.

## 11. Property and Equipment

The movements of this account are as follows:

(In Thousands)						
2021						
Note	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>						
Balance at beginning of year	₱347,983	₱311,096	₱245,361	₱44,003	₱100,366	₱1,048,809
Additions	370	11,412	–	1,862	1,101	14,745
Balance at end of year	348,353	322,508	245,361	45,865	101,467	1,063,554
<b>Accumulated Depreciation and Impairment</b>						
Balance at beginning of year	347,811	263,044	242,008	37,409	96,182	986,454
Depreciation 8	162	7,221	821	2,738	1,684	12,626
Balance at end of year	347,973	270,265	242,829	40,147	97,866	999,080
<b>Net Carrying Amount</b>	<b>₱380</b>	<b>₱52,243</b>	<b>₱2,532</b>	<b>₱5,718</b>	<b>₱3,601</b>	<b>₱64,474</b>

(In Thousands)						
2020						
Note	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>						
Balance at beginning of year	₱347,983	₱299,620	₱245,268	₱42,235	₱98,475	₱1,033,581
Additions	–	11,476	93	1,768	1,891	15,228
Balance at end of year	347,983	311,096	245,361	44,003	100,366	1,048,809
<b>Accumulated Depreciation and Impairment</b>						
Balance at beginning of year	347,696	256,828	241,188	33,776	94,525	974,013
Depreciation 8	115	6,216	820	3,633	1,657	12,441
Balance at end of year	347,811	263,044	242,008	37,409	96,182	986,454
<b>Net Carrying Amount</b>	<b>₱172</b>	<b>₱48,052</b>	<b>₱3,353</b>	<b>₱6,594</b>	<b>₱4,184</b>	<b>₱62,355</b>

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2021 (and 2020).

## 12. Other Noncurrent Assets

This account consists of:

(In Thousands)		
	Note	
		2021
Refundable deposits and construction bond	26	₱84,578
Deferred input VAT		4,729
Others		41,005
		₱130,312
		2020
		₱70,825
		18,571
		33,537
		₱122,933

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

Deferred input VAT pertains to noncurrent portion of unamortized input VAT on purchases of capital goods.



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### 13. Trade and Other Current Liabilities

This account consists of:

	Note	(In Thousands)	
		2021	2020
Trade		<b>₱269,487</b>	<b>₱513,647</b>
Accrued expenses		<b>314,425</b>	207,946
Withholding and output tax payable		<b>235,149</b>	269,696
Payables pertaining to land acquisitions	6	<b>169,095</b>	169,096
Advances from related parties		<b>61,984</b>	62,098
Customers' deposits		<b>23,142</b>	15,768
Current portion of contract liabilities		<b>28,879</b>	15,692
Others		<b>14,496</b>	3,664
		<b>₱1,116,657</b>	<b>₱1,257,607</b>

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Trade payables are non-interest bearing with an average term of 90 days.

Accrued expenses pertain to accruals for land transfer fees, professional and management fees, selling, interest, salaries, communication, rent and utilities and other expenses which are normally settled with an average term of 30 to 90 days.

Payables pertaining to land acquisitions represent unpaid purchase price of land acquired from various land owners (see Note 6). These are noninterest-bearing and are due and demandable.

Customers' deposits and contract liabilities pertain to collections received from buyers for projects with pending recognition of sale.

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### 14. Loans Payable

Loans payable represents unsecured peso-denominated loans obtained from local banks and a related party with interest of 2.60% to 4.75% in 2021 (4.00% to 5.10% in 2020). Loans payable have historically been renewed or rolled over.

The carrying amount of outstanding loans payable amounted to ₱5,700.9 million as at December 31, 2021 (₱6,230.9 million as at December 31, 2020).

Interest expense on loans payable charged to operations amounted to ₱170.4 million in 2021 (₱237.4 million in 2020) (see Note 23).

## 15. Other Noncurrent Liabilities

This account consists of the following:

	(In Thousands)	
	2021	2020
Deferred lease income	<b>₱214,535</b>	₱204,052
Refundable deposits	<b>153,999</b>	167,333
Contract liabilities - net of current portion	<b>2,928</b>	4,741
Others	<b>7,051</b>	4,287
	<b>₱378,513</b>	₱380,413

Deferred lease income is recognized initially as the difference between the principal amount and present value of refundable deposits at the lease inception date and subsequently amortized on a straight-line basis over the lease term.

## 16. Long-term Debt

This account consists of the following:

	(In Thousands)	
	2021	2020
Loans	<b>₱4,885,000</b>	₱4,566,667
Current portion of long-term debt	<b>(15,000)</b>	(121,111)
Noncurrent long-term debt	<b>₱4,870,000</b>	₱4,445,556

### BDO Unibank, Inc.

On March 6, 2018, the Company availed ₱3,000.0 million facility for the purpose of refinancing its short-term loans with other banks and other general funding requirements. The seven-year term loan shall be availed within six months from the signing of the loan agreement. On September 12, 2018, ₱800.0 million was drawn from the facility. The seven-year term loan is unsecured and bears an interest rate of 4.9515% per annum fixed for 90 days, to be repriced every 30 to 180 days as agreed by the parties. Outstanding balance of the loan amounted ₱800.0 million as at December 31, 2021 (and 2020).

On July 5, 2019, the Company drew down an additional ₱600.0 million from the ₱3,000.0 million facility. The terms of the new drawdown will be co-terminus with the September 12, 2018 drawdown. The loan is unsecured and bears an interest rate of 5.50% per annum fixed for 90 days, to be repriced every 30 to 180 days as agreed by parties. Outstanding balance of the loan amounted to ₱600.0 million as at December 31, 2021 (and 2020).

### Chinabank

On November 14, 2020, the Company availed ₱1,500.0 million facility for the purpose of financing capital expenditures, refinancing of existing debt obligations and other general corporate purposes. These are unsecured five-year term loan with annual interest fixed rate 4.75%. On November 20, 2020, ₱1,000.0 million was drawn from the facility. In 2021, ₱500.0 million was drawn from the facility.

In 2021, the Company availed an additional ₱2,000.0 million facility from the bank of which ₱2,000.0 million were drawn from the facility. Outstanding balance of the loan amounted to ₱3,485.0 million as at December 31, 2021 (and ₱1,000 million as at December 31, 2020).

Maybank Philippines, Inc. (Maybank)

On May 26, 2017, the Company obtained an unsecured five-year term loan from Maybank in the amount of ₱500.0 million. The five-year term loan shall be availed within ninety days from the signing of the loan agreement and bears a fixed interest rate based on applicable 5-year Philippine Dealing System Treasury Reference Rate-R2 ("PDST-R2") plus spread or Bangko Sentral ng Pilipinas (BSP) Overnight Borrowing rate plus spread, whichever is higher. On June 23, 2017, ₱500.0 million was drawn from the facility. Outstanding balance of the loan amounting to ₱166.7 million as at December 31, 2020 was fully settled in 2021.

Robinsons Bank

In February and March 2017, the Company availed ₱1,000.0 million each month from its ₱2,000.0 million facility. These are unsecured five-year term loan with fixed annual interest rate based on applicable 5-year PDST-R2 plus spread. Outstanding balance of the loan amounting to ₱2,000.0 million as at December 31, 2020 was fully settled in 2021.

United Coconut Planters Bank (UCPB)

On February 11, 2015, the Company obtained an unsecured four-year term loan from UCPB in the amount of ₱1,000.0 million for the purpose of financing the construction of City of Dreams Manila. The term loan bears a fixed rate of 6.25% per annum. During the term of the loan, Belle agrees not to make investments in, or enter into any other business substantially different from the business in which the Company is presently engaged, or make capital investments in excess of two percent (2%) of the consolidated stockholder's equity as at end of the last fiscal year, except for the total capital expenditures for City of Dreams project in the amount not exceeding ₱4,000.0 million, and those allocated for the real estate development projects. Amounts of ₱500.0 million and ₱500.0 million were drawn on February 23, 2015 and December 29, 2015, respectively. The loan was fully settled in 2020.

EastWest Bank (EWB)

On January 30, 2015, Belle obtained an unsecured five-year term loan from EWB in the amount of ₱1,500.0 million for the purpose of financing its capital expenditures. The term loan bears a fixed rate of 5.75% per annum. On January 30, 2015, ₱1,500.0 million was drawn from the facility. The loan was fully settled in 2020.

Covenants

The loan agreements provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. During the term of the loan, Belle should comply with the minimum current ratio of 1.0x to 1.3x and maximum debt to equity ratio of 2.0x to 3.0x.

As at December 31, 2021 (and 2020), the Company is in compliance with the terms of its loan covenants.

### **Repayment Schedule**

The repayment schedules of long-term debt are as follows:

	(In Thousands)	
	2021	2020
2021	₱—	₱121,111
2022	15,000	2,065,556
2023	29,000	24,000
2024	2,029,000	24,000
2025	2,812,000	2,332,000
	<b>₱4,885,000</b>	<b>₱4,566,667</b>

Interest expense on the loans from long-term debt amounted to ₱225.2 million in 2021 (₱247.4 million in 2020) (see Note 23).

## **17. Equity**

### **Preferred Stock**

As at December 31, 2021 (and 2020), the Company has not issued any preferred stock out of the authorized 6,000,000,000 shares with a ₱1 par value. Under the provisions of the Company's articles of incorporation, the rights and features of the preferred stock shall be determined through a resolution of the BOD prior to issuance.

### **Common Stock**

As at December 31, 2021 (and 2020), the authorized common stock of the Company is 14,000,000,000 shares with a ₱1 par value.

Movements in the number of issued, treasury and outstanding shares of the Company are as follows:

	2021	2020
<b>Issued shares</b>		
Balance at beginning and end of year	<b>10,560,999,857</b>	10,560,999,857
<b>Treasury shares</b>		
Balance at beginning of year	<b>797,874,560</b>	797,874,560
Issuance of treasury shares	<b>(1,000)</b>	—
Balance at end of year	<b>797,873,560</b>	797,874,560
<b>Outstanding shares</b>	<b>9,763,126,297</b>	9,763,125,297

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
August 20, 1973	6,000,000,000	6,000,000,000	₱0.01
March 19, 1976	2,000,000,000	464,900,000	0.01
December 7, 1990	—	920,000,000	0.01
1990	—	833,500,000	0.01
October 19, 1990	(7,000,000,000)	(8,136,216,000)	1.00
June 18, 1991	—	3,381,840	1.00
1991	—	47,435,860	1.00
1992	—	11,005,500	1.00
December 7, 1993	—	473,550,000	1.00
1993	—	95,573,400	1.00
January 24, 1994	—	100,000,000	1.00
August 3, 1994	—	2,057,948	7.00
August 3, 1994	—	960,375	10.00
June 6, 1995	—	138,257,863	1.00
February 14, 1995	1,000,000,000	—	1.00
March 8, 1995	—	312,068,408	1.00
March 17, 1995	2,000,000,000	—	1.00
March 28, 1995	—	627,068,412	1.00
July 5, 1995	—	78,060,262	1.00
September 1, 1995	—	100,000,000	1.00
March 1, 1995	—	94,857,072	1.00
September 13, 1995	—	103,423,030	1.00
1995	—	123,990,631	1.00
1996	—	386,225,990	1.00
February 21, 1997	10,000,000,000	—	1.00
1997	—	57,493,686	1.00
1998	—	36,325,586	1.00
March 19, 1999	—	16,600,000	1.00
April 26, 1999	—	450,000,000	1.00
April 27, 1999	—	300,000,000	1.00
1999	—	306,109,896	1.00
2000	—	2,266,666	1.00
2001	—	2,402,003,117	1.00
April 14, 2011	—	2,700,000,000	1.95
July 18, 2011	—	119,869,990	3.00
July 18, 2011	—	1,388,613,267	3.00
October 6, 2015	—	1,617,058	1.00
	14,000,000,000	10,560,999,857	

#### **Additional paid-in capital**

This pertains to paid-in subscriptions in excess of par value.

#### **Treasury Shares**

The number of treasury shares held total to 797,873,560 shares with a cost amounting to ₱2,476.7 million as at December 31, 2021 (797,874,560 shares with a cost amounting to ₱2,476.7 million as at December 31, 2020).

### **Retained Earnings**

The Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC, amounted to ₱1,926.2 million as at December 31, 2021 (and ₱5,526.1 million as at December 31, 2020).

### **Dividends**

On February 27, 2020, the Company's BOD approved the declaration of cash dividends of twelve centavos (₱0.12) per share, totaling ₱1,171.6 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 13, 2020 with the payment made on March 27, 2020.

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## **18. Other Revenue**

This account consists of:

		(In Thousands)	
	Note	2021	2020
Amortization of discount on trade receivables	5	<b>₱72,600</b>	₱69,517
Management fee	28	<b>54,000</b>	54,000
Gain on repossession		<b>18,015</b>	44,729
Penalty		<b>2,192</b>	2,215
Income from forfeitures		<b>1,152</b>	269
Income from playing rights		<b>536</b>	2,372
Others		<b>24,451</b>	26,529
		<b>₱172,946</b>	<b>₱199,631</b>

Income from forfeitures represents deposits, and to a certain extent, installment payments from customers forfeited in the event of default and/or cancellations of real estate sales.

Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

Others pertain to revenues from sale of scrap supplies and various administrative fees, such as utilities charges and payroll processing fees, during the year.

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## **19. Cost of Lease Income**

This account consists of:

		(In Thousands)	
	Note	2021	2020
Depreciation and amortization	8	<b>₱1,069,566</b>	₱1,034,996
Taxes		<b>171,587</b>	137,680
Insurance		<b>49,205</b>	29,245
Maintenance		<b>4,590</b>	4,592
		<b>₱1,294,948</b>	<b>₱1,206,513</b>

## 20. Cost of Real Estate Sold

The cost of real estate sold amounted to ₱301.4 million in 2021 (and ₱134.9 million in 2020) (see Note 6).

## 21. Cost of Services for Property Management

This account consists of:

		(In Thousands)	
	Note	2021	2020
Power and maintenance		<b>₱52,649</b>	₱42,169
Water services		<b>51,625</b>	50,178
Depreciation and amortization	8	<b>9,300</b>	8,610
		<b>₱113,574</b>	₱100,957

## 22. General and Administrative Expenses

This account consists of:

		(In Thousands)	
	Note	2021	2020
Security, janitorial and service fees		<b>₱152,928</b>	₱108,394
Personnel costs		<b>64,981</b>	94,034
Taxes and licenses		<b>48,743</b>	78,645
Representation and entertainment		<b>27,670</b>	45,363
Selling expense		<b>23,529</b>	23,982
Professional fees		<b>17,779</b>	16,191
Transportation and travel		<b>12,338</b>	14,787
Depreciation and amortization	8	<b>13,097</b>	13,600
Subscription fees		<b>6,503</b>	7,300
Utilities		<b>5,396</b>	7,691
Repairs and maintenance		<b>4,980</b>	5,488
Listing, filing and registration fees		<b>4,870</b>	3,474
Rental	26	<b>3,725</b>	4,728
Insurance		<b>2,290</b>	1,791
Communication		<b>899</b>	1,131
Office supplies		<b>731</b>	976
Marketing and advertising		<b>544</b>	2,839
Provision for doubtful accounts on advances to subsidiaries and associates	9	—	254,278
Impairment of investment in subsidiaries and associates	9	—	12,500
Others		<b>21,790</b>	897
		<b>₱412,793</b>	₱698,089

Others pertain to office supplies, insurance, seminar fees, association dues incurred during the year and regular provisions of the Company.

## 23. Interest Expense

The sources of the Company's interest expense follow:

		(In Thousands)	
	Note	2021	2020
Lease liability	26	<b>₱287,905</b>	₱211,965
Long-term debt	16	<b>225,189</b>	247,355
Loans payable	14	<b>170,353</b>	237,418
Others		<b>31,993</b>	22,375
		<b>₱715,440</b>	₱719,113

## 24. Other Income (Expenses) - net

This account consists of:

		(In Thousands)	
	Note	2021	2020
Pre-termination gain (loss) on leases	26	<b>(₱567)</b>	₱11,948
Net foreign exchange loss		<b>5</b>	(1,044)
Bank service charges		<b>—</b>	(10,175)
		<b>(₱562)</b>	₱729

## 25. Income Taxes

The provision for current income tax pertains to MCIT in 2021 (and RCIT in 2020).

The components of the net deferred tax liabilities of the Company are as follows:

	(In Thousands)	
	2021	2020
<b>Deferred tax assets:</b>		
Lease liabilities	<b>₱1,632,667</b>	₱2,002,766
NOLCO	<b>311,408</b>	373,690
Discount on trade receivables	<b>42,960</b>	24,996
Deferred lease income	<b>40,702</b>	50,200
Accretion of refundable deposits	<b>9,737</b>	9,977
Doubtful accounts	<b>5,950</b>	7,140
Unamortized past service costs	<b>1,746</b>	2,443
Provision for dismantling cost	<b>1,138</b>	1,273
	<b>2,046,308</b>	2,472,485

(Forward)



	(In Thousands)	
	2021	2020
<b>Deferred tax liabilities:</b>		
Excess of carrying amount of investment property over construction costs	<b>(P1,787,407)</b>	(P2,219,450)
Right-of-use assets	<b>(1,497,412)</b>	(1,906,636)
Lease incentives	<b>(487,274)</b>	(600,983)
Accrued rent income	<b>(358,539)</b>	(442,206)
Unrealized gain on sale of real estate	<b>(228,678)</b>	(200,776)
Unaccreted discount on refundable deposits	<b>(44,579)</b>	(56,640)
Deferred lease expense	<b>(10,214)</b>	(9,664)
Deferred income on real estate sales	<b>(5,168)</b>	(797)
Retirement	<b>(4,346)</b>	(4,204)
Unrealized foreign exchange gain - net	<b>(14)</b>	(39)
	<b>(4,423,631)</b>	(5,441,395)
<b>Net deferred tax liabilities</b>	<b>(P2,377,323)</b>	<b>(P2,968,910)</b>

The components of deferred tax are presented as follows:

	(In Thousands)	
	2021	2020
In profit or loss	<b>(P2,373,915)</b>	(P2,965,334)
In other comprehensive income	<b>(3,408)</b>	(3,576)
	<b>(P2,377,323)</b>	<b>(P2,968,910)</b>

The components of the Company's unrecognized deferred tax assets as at December 31, 2021 (and 2020) for which deferred tax assets were not recognized follows:

	(In Thousands)	
	2021	2020
Allowances for:		
Doubtful accounts	<b>P548,698</b>	P658,438
Impairment in value of investments in subsidiaries and associates	<b>516,510</b>	516,510
Probable losses	<b>3,733</b>	4,479
NOLCO	<b>170,255</b>	—
Excess MCIT over RCIT	<b>1,538</b>	—
	<b>P1,240,734</b>	<b>P1,179,427</b>

The deferred tax assets as at December 31, 2021 (and 2020) are not recognized in the books since management believes that it is not probable that taxable income will be available against which the deferred tax assets can be utilized.

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

(In Thousands)					
Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2021	₱—	₱681,018	₱—	₱681,018	2026
2020	1,245,633	—	—	1,245,633	2025
	<b>₱1,245,633</b>	<b>₱681,018</b>	<b>₱—</b>	<b>₱1,926,651</b>	

The details of the Company's MCIT which can be claimed as deduction against income tax liability during the stated validity are as follows:

(In Thousands)					
Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2021	₱—	₱1,538	₱—	₱1,538	2024

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

	(In Thousands)	
	2021	2020
Income tax at statutory tax rate	<b>(₱17,011)</b>	₱506,197
Change in income tax rate	<b>(494,222)</b>	—
Income tax effects of:		
Nontaxable income	<b>(255,037)</b>	(382,880)
Changes in unrecognized DTA	<b>171,792</b>	80,033
Nondeductible expenses	<b>5,155</b>	28,169
Interest income subjected to final tax	<b>(558)</b>	(1,146)
	<b>(₱589,881)</b>	₱230,373

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, the CREATE was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The enactment of CREATE subsequent to reporting date is considered as a non-adjusting subsequent event for financial reporting. Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The amount of current and deferred tax expense (benefit) relating to change in income tax rate in 2020 which were recognized in 2021 amounted to nil and ₱494.2 million, respectively.

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## 26. Lease Commitments

### Company as Lessee

The Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City. The 20,218 square meter (sqm) land lease shall be for a period of 10 years commencing on April 23, 2010, inclusive of two years construction period. The contract may be renewed or extended by written agreement of the parties and upon such terms and conditions that are mutually acceptable to the parties. In 2012, the lease term was extended until April 2035. The rental payments are based on a fixed amount and subject to annual escalation until its 10th year. The annual rate on the 11th year shall be repriced in accordance with the terms of the agreement but in no case that the lease be less than the 10th year rental rate plus 10% escalation. The rental rate is subject to review and conformity of both the lessor and lessee every 5 years, based on 4% average fair rental value or the escalated rate, whichever is higher. The annual escalation rate within the appraisal cycle is 5%.

In 2020, pursuant to providing continued and uninterrupted use of the Leased Premises to its Lessee, the Company entered into amendment of lease agreements for the lease of land until July 31, 2033 and transfer of land improvements to Social Security System (SSS). The lease rates are based on fixed amount, subject to annual escalation. The lease of the land will be subjected to repricing on its 6th year and 11th year in accordance with the terms of the agreement. The Company accounted for these agreements as linked transactions resulting to a lease modification, considering the gain on the partial termination of the lease for the shortening of the lease term and adjustment to right-of-use asset for the remeasurement of lease liability by discounting the revised lease payments using a revised discount rate. The Company derecognized the right-of-use asset and lease liabilities due to shortening of the lease term from April 22, 2035 to July 31, 2033 amounting to ₱87.8 million and ₱99.8 million, respectively (see Note 8). Gain on the shortening of the lease term amounting to ₱11.9 million was recognized as part of "Pre-termination gain on leases" under "Other income (loss) – net" account in the separate statement of comprehensive income (see Note 24). Adjustment to right of use assets and lease liabilities as a result of the lease modification amounted to ₱6,298.8 million and ₱6,020.1 million, respectively.

In 2020, SSS granted lease concession to the Company by deferring the lease payments due from December 2020 to May 2021 totaling ₱100.0 million, which will be paid in 2022. The Company applied the practical expedient under amendment to PFRS 16, the revised timing of lease payments was not accounted for as a lease modification.

On May 12, 2012, the Company entered into a lease agreement with SM Prime Holdings, Inc. (formerly SM Land, Inc.) covering its office space. The lease term is five years, with option to renew subject to mutually agreed upon terms and conditions. Rent is payable within 30 days upon receipt of the billing. On August 1, 2017, the operating lease agreement was renewed for another five years ending on July 31, 2022.

The Company also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases. Rent expense related to short-term leases amounted to ₱3.7 million in 2021 (₱4.7 million in 2020) (see Note 22).

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

(In Thousands)			
2021			
Note	Right-of-use Air Rights	Right-of-use Office Spaces	Total
<b>Cost</b>			
Balance at beginning of year	₱53,673	₱34,883	₱88,556
Termination of lease	—	(6,593)	(6,593)
Balance at end of year	53,673	28,290	81,963
<b>Accumulated Amortization</b>			
Balance at beginning of year	7,402	19,542	26,944
Amortization 8	3,701	9,772	13,473
Termination of lease	—	(6,593)	(6,593)
Balance at end of year	11,103	22,721	33,824
<b>Carrying amount</b>	<b>₱42,570</b>	<b>₱5,569</b>	<b>₱48,139</b>

(In Thousands)			
2020			
Note	Right-of-use Air Rights	Right-of-use Office Spaces	Total
<b>Cost</b>			
Balance at beginning and end of year	₱53,673	₱34,883	₱88,556
<b>Accumulated Amortization</b>			
Balance at beginning of year	3,701	9,771	13,472
Amortization 8	3,701	9,771	13,472
Balance at end of year	7,402	19,542	26,944
<b>Carrying amount</b>	<b>₱46,271</b>	<b>₱15,341</b>	<b>₱61,612</b>

The following are the amounts recognized in the separate statement of comprehensive income:

(In Thousands)			
Note	2021	2020	
Interest expense on lease liabilities 23	₱287,905	₱211,965	
Amortization of right-of-use assets 8	13,473	13,472	
Expenses relating to short-term leases 22	3,725	4,728	
Pre-termination gain (loss) on leases 24	(567)	11,948	
	<b>₱304,536</b>	<b>₱242,113</b>	

The rollforward analysis of lease liabilities follows:

(In Thousands)		
	2021	2020
Balance at beginning of year	₱6,675,887	₱912,327
Additions	4,553	6,005,283
Interest expense	287,905	211,965
Payments	(432,557)	(353,894)
Termination of lease	(567)	(99,794)
Balance at end of year	6,535,221	6,675,887
Current portion of lease liabilities	340,792	140,936
<b>Lease liabilities - net of current portion</b>	<b>₱6,194,429</b>	<b>₱6,534,951</b>

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

	(In Thousands)	
	2021	2020
Within 1 year	<b>₱627,948</b>	₱519,947
After 1 year but not more than 5 years	<b>1,982,988</b>	3,880,609
more than 5 years	<b>5,865,696</b>	4,505,151

#### Refundable Deposits

The Company paid deposits as security to various leases amounting to ₱84.6 million as at December 31, 2021 (₱70.9 million as at December 31, 2020) (see Note 12). These are refundable at the end of the lease term. The deposits are initially recognized at their present values and subsequently carried at amortized cost using effective interest method.

#### Company as Lessor

On October 25, 2012, the Company, as a lessor, entered into a lease agreement with Melco for the lease of land and building structures to be used in the City of Dreams Manila project ("the Project"). The lease period is co-terminus with the operating agreement between the Company and Melco which is effective on March 13, 2013 until the expiration of the License on July 11, 2033.

In 2020, the Company granted lease concessions (i.e., lease reduction) on the lease of land and building to Melco as a response to the call by the government to offer lease concessions during the coronavirus pandemic. The 2020 rental payments were reduced to ₱278.9 million from ₱2,349.6 million and 2021 rental payments were changed to include a minimum guaranteed rental payments equivalent to 35% of the rent and additional lease payments subject to operating capacity and lifting of age restrictions and inbound international flight restrictions. Accordingly, 2021 rental payments amounted to ₱897.4 million.

In 2020, the Company accounted for the lease concessions as a lease modification to the operating lease that gives rise to a new lease from the effective date of the modification, considering the accrued lease payments relating to the original lease as part of the lease payments for the new lease. The lease concession resulted to a decrease in 2020 lease income by ₱8.9 million. In 2021, the Company recognized lease income only to the extent collectible.

The Company recognized lease income on the lease of land and building by Melco amounting to ₱807.9 million in 2021 (and ₱2,663.2 million in 2020).

As at December 31, 2021 (and 2020), the minimum lease payments to be received by the Company on the lease on the land and building are as follows:

	(In Thousands)	
	2021	2020
Within one year	<b>₱2,652,233</b>	₱897,443
In more than one year and not more than five years	<b>11,134,229</b>	10,976,420
In more than five years	<b>18,498,064</b>	21,308,106
	<b>₱32,284,526</b>	₱33,181,969

The Company carried receivables relating to these leases of ₱3,523.9 million (and ₱3,278.2 million) under the “Receivables” account in the separate statements of financial position as at December 31, 2021 (and 2020) (see Note 5).

Costs incurred for these leases, which consists of taxes, property insurance and other costs, are presented under “Cost of lease income” account in the separate statements of comprehensive income (see Note 19).

## 27. Pension Costs

The Company and certain of its subsidiaries have funded, noncontributory defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees’ projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 31, 2021.

The following tables summarize the components of pension costs recognized in the separate statements of comprehensive income and the pension asset and pension liability recognized in the separate statement of financial position.

Changes in the retirement benefits of the Company in 2021 are as follows:

	(In Thousands)		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Asset (Liability)
Balance at beginning of year	(₱103,930)	₱117,942	₱14,012
Net retirement income (costs) in profit or loss:			
Current service cost	(5,481)	–	(5,481)
Past service costs - curtailment	6,199	–	6,199
Net interest	(2,975)	3,917	942
	(2,257)	3,917	1,660
Benefits paid	17,352	(17,352)	–
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes arising from changes in financial assumptions	2,835	–	2,835
Actuarial changes due to changes in demographic assumptions	2,669	–	2,669
Actuarial changes due to experience	(1,840)	–	(1,840)
Actual return excluding interest income	–	(283)	(283)
Effect of asset ceiling	–	(1,669)	(1,669)
	3,664	(1,952)	1,712
Balance at end of year	(₱85,171)	₱102,555	₱17,384

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

	(In Thousands)		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Asset (Liability)
Balance at beginning of year	(P115,808)	P110,228	(P5,580)
Net retirement income (costs) in profit or loss:			
Current service cost	(8,406)	–	(8,406)
Net interest	(5,440)	5,300	(140)
Settlement loss	(228)	–	(228)
	(14,074)	5,300	(8,774)
Benefits paid	5,727	(5,727)	–
Settlements	2,360	(2,360)	–
Contributions	–	9,191	9,191
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience	15,533	–	15,533
Actuarial changes due to changes in demographic assumptions	1,206	–	1,206
Actuarial changes arising from changes in financial assumptions	1,126	–	1,126
Actual return excluding interest income	–	1,939	1,939
Effect of asset ceiling	–	(629)	(629)
	17,865	1,310	19,175
Balance at end of year	(P103,930)	P117,942	P14,012

The major categories of plan assets as a percentage of the fair value of total plan assets as at December 31 are as follows:

	(In Thousands)	
	2021	2020
Cash and cash equivalents	13%	28%
Debt instruments - government bonds	53%	43%
Unit investment trust funds	27%	9%
Mutual fund	5%	1%
Others	2%	19%
	100%	100%

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

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

	2021	2020
Discount rates	5%	3%
Future salary increases	5%	5%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 (and 2020) assuming if all other assumptions were held constant:

	2021		2020	
	Increase (Decrease) in Defined Benefit		Increase (Decrease) in Defined Benefit	
	Increase (Decrease)	Obligation (In thousands)	Increase (Decrease)	Obligation (In thousands)
Discount rate	1.4% (1.3%)	(P1,090) 1,160	2.2% (2.4%)	(P2,300) 2,505
Salary increase rate	1.3% (1.3%)	1,149 (1,100)	2.3% (2.2%)	2,431 (2,279)

The average duration of the Company's defined benefit obligation is 1.3 years in 2021.

The maturity analysis of the undiscounted benefit payments follows:

	(In Thousands)	
	2021	2020
Within 1 year	P78,508	P85,437
More than 1 year to 5 years	8,820	9,691
More than 5 years to 10 years	11,334	25,327

## 28. Related Party Transactions

In the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances. The outstanding balances at year-end are payable on demand. There have been no guarantees provided or received for any related party receivables or payables. Related party transactions are generally settled in cash. Related party transactions amounting to 10% or higher of the Company's separate total assets are subject to the approval of the BOD.

Related Party	Relationship	Transaction		(In Thousands)		Terms	Condition
				Transaction Amounts	Outstanding Balance		
Belle Bay Plaza	Subsidiary	Reimbursable expenses	2021 2020	P15 10	P1,624,621 1,624,606	Noninterest-bearing, due on demand	Unsecured, partially provided amounting to P1,624,558 in 2021 (and 2020)
PLC	Subsidiary	Reimbursable expenses	2021 2020	— 82	3,295 3,393	Noninterest-bearing, due on demand	Unsecured, no impairment
		Loans payable	2021 2020	— —	3,705,925 3,705,925	3.3% to 6.4%, due on demand	Unsecured
		Interest expense on loans payable	2021 2020 2019	112,357 166,344 214,129	— — —	Noninterest-bearing, 30 days	Unsecured
		Dividend income	2021 2020 2019	1,014,875 1,251,222 1,251,222	— — —	Noninterest-bearing, due within 1 year	Unsecured
		Management fee	2021 2020	54,000 54,000	— —	Noninterest-bearing, 30 days	Unsecured
		Reimbursable expenses	2021 2020	— 192	1,086 1,198	Noninterest-bearing, due and demandable	Unsecured, no impairment

(Forward)



Related Party	Relationship	Transaction		(In Thousands)		Terms	Condition
				Transaction Amounts	Outstanding Balance		
SLW	Subsidiary	Reimbursable expenses	2021	<b>₱7,435</b>	<b>₱28,435</b>	Noninterest-bearing, due and demandable	Unsecured, no impairment
			2020	—	21,000		
		Dividend income	2021	—	—	Noninterest-bearing, due within 1 year	Unsecured
			2020	7,892	45,108		
BIHI	Subsidiary	Reimbursable expenses	2021	<b>8</b>	<b>251,578</b>	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱251,570 in 2021 (and 2020)
			2020	10	251,570		
BGRHI	Subsidiary	Reimbursable expenses	2021	—	<b>89,892</b>	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱2,709 in 2021 (and 2020)
			2020	15	89,927		
		Dividend income	2021	—	<b>47,750</b>	Noninterest-bearing, due within 1 year	Unsecured
			2020	—	47,750		
Parallax	Subsidiary	Reimbursable expenses	2021	<b>16</b>	<b>32</b>	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱750 in 2021 (and 2020)
			2020	16	16		
		Dividend income	2021	—	<b>43,100</b>	Noninterest-bearing, due within 1 year	Unsecured
			2020	10,600	43,100		
POSC	Subsidiary	Reimbursable expenses	2021	<b>30</b>	<b>55</b>	Noninterest-bearing, due and demandable	Unsecured, no impairment
			2020	—	25		
APC	Associate	Advances to associate	2021	—	<b>79,979</b>	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2021 (and 2020)
			2020	—	79,979		
Belle Jai Alai	Associate	Advances to associate	2021	—	<b>29,398</b>	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2021 (and 2020)
			2020	—	29,398		
Others	Subsidiaries and associates	Advances to subsidiaries and associates	2021	—	<b>21,654</b>	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱21,404 in 2021 (and 2020)
			2020	—	21,654		
Belle Jai Alai	Associate	Advances from associate	2021	—	<b>(61,984)</b>	Noninterest-bearing, due and demandable	Unsecured
			2020	1,345	(62,098)		
SM Prime Holdings, Inc.	With common stockholders	Lease	2021	<b>12,690</b>	—	Noninterest-bearing, 30 days	Unsecured
			2020	9,774	—		
		Management and professional fees	2021	<b>12,690</b>	—	Noninterest-bearing, 30 days	Unsecured
			2020	14,568	—		
		Dividend income	2021	<b>5,067</b>	—	Noninterest-bearing, due within 1 year	Unsecured
			2020	11,432	—		
HPI	With common stockholders	Servicer fees	2021	<b>85,658</b>	—	Noninterest-bearing, 30 days	Unsecured
			2020	3,844	—		
SM Investments Corporation	Stockholder	Servicer fees	2021	<b>60,500</b>	—	Noninterest-bearing, 30 days	Unsecured
			2020	66,000	—		
		Dividend income	2021	<b>208</b>	—	Noninterest-bearing, due within 1 year	Unsecured
			2020	208	—		
Directors and officers	Key management personnel	Salaries and wages	2021	<b>31,442</b>	—	Not applicable	Unsecured
			2020	37,223	—		
		Long-term employee benefits	2021	<b>4,691</b>	—	Not applicable	Unsecured
			2020	4,252	—		
		Professional fees	2021	<b>15,499</b>	—	Not applicable	Unsecured
			2020	13,190	—		

Allowance provided on advances to subsidiaries and associates charged to “Investments in and Advances to Subsidiaries and Associates” account amounted to ₱2,009.8 million as at December 31, 2021 and 2020 (see Note 9).

Transactions with other related parties are as follows:

- In 2018, the Company entered into a service agreement with PLC wherein the Company shall provide sufficient personnel and other resources for accounting and administrative functions. Service and management fees amounting to ₱54.0 million were recognized in 2021 (and 2020) presented as part of “Other revenue” (see Note 18).

- In 2014, the Company entered into a renewable one-year management and professional service agreement with SMPH. Management and professional fees charged by SMPH to the Company amounted to ₱12.7 million and ₱14.6 million in 2021 and 2020, respectively, which are recognized under “General and administrative expenses” in separate statements of comprehensive income.
- In 2015, the Company entered into a renewable one-year service agreement with HPI for manpower supervision. Service fees charged by HPI to the Company amounted to ₱85.7 million in 2021 (₱3.9 million and 2020) which are recognized under “General and administrative expenses” in separate statements of comprehensive income.
- In 2018, the Company entered into a renewable one-year professional service agreement with SM Investments Corporation (SMIC). Service fees charged by SMIC to the Company amounted to ₱60.5 million in 2021 (and 2020), which are recognized under “General and administrative expenses” in separate statements of comprehensive income.

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## 29. Significant Contracts and Commitments

### **Investment Commitment with PAGCOR**

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

### **Cooperation Agreement with Melco**

On October 25, 2012, the Company together with PLAI (“Philippine Parties”), formally entered into a Cooperation Agreement with Melco which governs their cooperation in the development and operation of the City of Dreams Manila. The Cooperation Agreement places the Company as a co-licensee and the owner of the site’s land and buildings, while Melco will be a co-licensee and operator of all the facilities within the resort complex.

### **Operating Agreement with Melco**

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

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

### 30. Basic/Diluted EPS

As at December 31, 2021 (and 2020), the basic/diluted earnings per share were computed as follows:

	(In Thousands)	
	2021	2020
Company's net income (a)	<b>₱521,836</b>	₱1,456,950
Weighted average number of issued common shares at beginning of year	<b>10,561,000</b>	10,561,000
Weighted average number of treasury shares at beginning of year	<b>(797,874)</b>	(797,874)
Weighted average number of treasury shares issued during the year	<b>500</b>	—
Weighted average number of issued common shares - basic, at end of year (b)	<b>9,763,626</b>	9,763,126
<b>Basic / diluted EPS (a/b)</b>	<b>₱0.053</b>	₱0.149

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

### 31. Financial Assets and Financial Liabilities

#### **Financial Risk Management Objectives and Policies**

The Company's principal financial liabilities are composed of trade and other current liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents, receivables and installment receivables. The Company also holds financial assets at FVOCI, deposits, refundable deposits and construction bonds, guarantee deposits, loans payable, long-term debt, lease liability, and obligations under finance lease.

The main risks arising from the Company's financial assets and financial liabilities are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Company's BOD and management review and agree on the policies for managing each of these risks and these are summarized below.

*Interest Rate Risk.* Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial assets and financial liabilities. The Company's exposure to interest rate risk relates primarily to the Company's long-term debt which are subject to cash flow interest rate risk.

The Company's policy is to manage its interest cost by limiting its borrowings and entering only into borrowings at fixed and variable interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with other variables held constant of the Company's income before income tax:

	(In Thousands)	
	2021	2020
Increase (decrease) in basis points		
100	<b>(P7,154)</b>	(P8,750)
(100)	<b>7,154</b>	8,750
50	<b>(3,577)</b>	(5,250)
(50)	<b>3,577</b>	5,250

*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 Company's 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 other comprehensive income:

	(In Thousands)	
	2021	2020
Increase (decrease) in share price		
5%	<b>P338,661</b>	P239,567
(5%)	<b>(338,661)</b>	(239,567)

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

In the Company's real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments/deposits made by the customer in favor of the Company and retain ownership of the property. The Company has the right to sell, assign or transfer to third party and any interest under sales contract, including its related receivables from the customers. The Company's primary target customers are high-income individuals and top corporations, in the Philippines and overseas. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

Trade receivables from sale of real estate units are secured with pre-completed property units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from sale of club shares are secured by the shares held by the Company. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral.

With respect to credit risk arising from the financial assets of the Company, which comprise of cash and cash equivalents, receivables, advances to subsidiaries and associates, financial assets at FVOCI, deposits, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

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

	(In Thousands)						
	2021						
	Neither Past Due nor Impaired	Past Due but not Impaired					Total
	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired		
Cash and cash equivalents*	₱418,274	₱–	₱–	₱–	₱–	₱–	₱418,274
Receivables	4,808,609		9,407	5,181	45,982	177,113	5,046,292
Advances to subsidiaries and associates**	211,032	–	–	–	–	2,009,841	2,220,873
Financial assets at FVOCI	6,773,226	–	–	–	–	–	6,773,226
Deposits***	84,578	–	–	–	–	–	84,578
	₱12,295,719	₱–	₱9,407	₱5,181	₱45,982	₱2,186,954	₱14,543,243

\*Excluding cash on hand amounting to ₱0.1 million.

\*\*Presented under "Investments in and advances to subsidiaries and associates" account in the separate statement of financial position.

\*\*\*Presented under "Other noncurrent assets" account in the separate statement of financial position.

	(In Thousands)						
	2021						
	Neither Past	Past Due but not Impaired					
	Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	₱370,697	₱–	₱–	₱–	₱–	₱–	₱370,697
Receivables	1,985,870	24,909	9,658	30,973	323,571	177,113	2,552,094
Advances to subsidiaries and associates**	248,683	–	–	–	–	2,009,841	2,258,524
Financial assets at FVOCI	4,782,865	–	–	–	–	–	4,782,865
Deposits***	70,825	–	–	–	–	–	70,825
	₱7,458,940	₱24,909	₱9,658	₱30,973	₱323,571	₱2,186,954	₱10,035,005

\*Excluding cash on hand amounting to ₱0.1 million.

\*\*Presented under "Investments in and advances to subsidiaries and associates" account in the separate statement of financial position.

\*\*\*Presented under "Other noncurrent assets" account in the separate statement of financial position.

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

Past due accounts which pertain to trade receivables from sale of real estate units and club shares are recoverable since the legal title and ownership of the real estate units and club shares will only be transferred to the customers upon full payment of the contract price.

#### 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:

(In Thousands)				
2021				
ECL Staging				
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱418,274	₱-	₱-	₱418,274
Receivables	4,818,016	51,163	177,113	5,046,292
Advances to subsidiaries and associates**	211,032	-	2,009,841	2,220,873
Deposits***	84,578	-	-	84,578
<b>Financial assets at FVOCI</b>	<b>6,773,226</b>	<b>-</b>	<b>-</b>	<b>6,773,226</b>
<b>Gross Carrying Amount</b>	<b>₱12,305,126</b>	<b>₱51,163</b>	<b>₱2,186,954</b>	<b>₱14,543,243</b>

\*Excluding cash on hand amounting to ₱0.1 million.

\*\*Presented under "Investments in and advances to subsidiaries and associates" account in the separate statement of financial position.

\*\*\*Presented under "Other noncurrent assets" account in the separate statement of financial position.

(In Thousands)				
2020				
ECL Staging				
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱370,697	₱-	₱-	₱370,697
Receivables	2,020,437	354,544	177,113	2,552,094
Advances to subsidiaries and associates**	248,683	-	2,009,841	2,258,524
Deposits***	70,825	-	-	70,825
<b>Financial assets at FVOCI</b>	<b>4,782,865</b>	<b>-</b>	<b>-</b>	<b>4,782,865</b>
<b>Gross Carrying Amount</b>	<b>₱7,493,507</b>	<b>₱354,544</b>	<b>₱2,186,954</b>	<b>₱10,035,005</b>

\*Excluding cash on hand amounting to ₱0.1 million.

\*\*Presented under "Investments in and advances to subsidiaries and associates" account in the separate statement of financial position.

\*\*\*Presented under "Other noncurrent assets" account in the separate statement of financial position.

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

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2021 (and 2020) based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

(In Thousands)						
2021						
	On Demand	< 6 Months	6 Months to 1 Year	1-3 Years	> 3 Years	Total
<b>Financial Liabilities</b>						
Loans payable*	₱5,300,942	₱-	₱-	₱-	₱-	₱5,300,942
Trade and other current liabilities**	883,436	-	-	-	-	883,436
Long-term debt*	-	75,065	91,309	5,200,445	-	5,366,819
Refundable deposit***	-	-	-	-	153,999	153,999
	<b>₱6,661,744</b>	<b>₱75,065</b>	<b>₱91,309</b>	<b>₱5,200,445</b>	<b>₱153,999</b>	<b>₱12,182,562</b>

\*Including future interest payments.

\*\*Excluding withholding and output tax payable.

\*\*\*Presented under "Other noncurrent liabilities" account in the separate statement of financial position.

	(In Thousands)					
	2020					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
<b>Financial Liabilities</b>						
Loans payable*	₱6,230,942	₱–	₱–	₱–	₱–	₱6,230,942
Trade and other current liabilities**	231,253	538,440	24,759	717,706	–	1,512,158
Subscription payable	477,366	–	–	–	–	477,366
Long-term debt*	–	121,111	–	2,065,556	2,380,000	4,566,667
Refundable deposit***	–	–	–	–	167,333	167,333
	<b>₱6,939,561</b>	<b>₱659,551</b>	<b>₱24,759</b>	<b>₱2,783,262</b>	<b>₱2,547,333</b>	<b>₱12,954,466</b>

\*Including future interest payments.

\*\*Excluding withholding and output tax payable.

\*\*\*Presented under “Other noncurrent liabilities” account in the separate statement of financial position.

The Company expects to settle its maturing obligations on long-term debt from its rental income on land and casino building and expected profits from real estate development operations.

### Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2021 (and 2020).

The Company considers the following as its capital:

	(In Thousands)	
	2021	2020
Common stock	<b>₱10,561,000</b>	₱10,561,000
Additional paid-in capital	<b>5,503,731</b>	5,503,731
Treasury stock	<b>(2,476,697)</b>	(2,476,700)
Retained earnings	<b>14,276,628</b>	13,737,486
	<b>₱27,864,662</b>	<b>₱27,325,517</b>

### 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 Company’s assets and financial liabilities:

	(In Thousands)					
	2021					
	Valuation Date	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>						
Assets measured at fair value:						
Financial assets at FVOCI	December 31, 2021	₱6,773,226	₱6,773,226	₱6,773,226	₱–	₱–
Assets for which fair value is disclosed:						
Investment properties	December 31, 2021	24,227,234	41,782,462	–	–	41,782,462
<b>Liabilities</b>						
Liabilities for which fair value is disclosed:						
Refundable deposits	December 31, 2021	153,999	223,431	–	–	223,431
Long-term debt	December 31, 2021	4,885,000	4,987,980	–	–	4,987,980
Lease liability	December 31, 2021	6,535,221	6,474,460	–	–	6,474,460

(In Thousands)						
2020						
	Valuation Date	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>						
Assets measured at fair value:						
Financial assets at FVOCI	December 31, 2020	₱4,782,865	₱4,782,865	₱4,782,865	₱-	₱-
Assets for which fair value is disclosed:						
Investment properties	December 31, 2020	25,293,098	43,609,782	-	-	43,609,782
<b>Liabilities</b>						
Liabilities for which fair value is disclosed:						
Refundable deposits	December 31, 2020	163,751	215,564	-	-	215,564
Long-term debt	December 31, 2020	4,566,667	4,946,284	-	-	4,946,284
Lease liability	December 31, 2020	6,675,888	7,243,504	-	-	7,243,504

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

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

*Cash and Cash Equivalents, Receivables and Trade and Other Current Liabilities.* 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.

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

*Advances to Subsidiaries and Associates and Deposits.* The carrying amounts of advances to subsidiaries and associates and deposits approximate their fair values due to unavailability of information as to the repayment date that would provide a reasonable basis for fair value measurement.

*Long-term Debt.* The fair value long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of 2.91% to 3.74% in 2021 (1.75% to 2.49% in 2020).

*Lease Liabilities.* The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used are 0.99% to 4.87% in 2021 (0.99% to 3.95% in 2020).



### 32. Supplemental Disclosure of Cash Flow Information

#### Changes in Liabilities Arising from Financing Activities

(In Thousands)						
2021						
	Balance at beginning of year	Additions	Cash flows	Interest expense	Derecognition/ Termination	Balance at end of year
Lease liability	₱6,675,887	₱4,553	(₱432,557)	₱287,905	(₱567)	₱6,535,221
Loans payable	6,230,942	2,020,000	(2,550,000)	-	-	5,700,942
Long-term debt	4,566,667	1,600,000	(1,281,667)	-	-	4,885,000
Interest payable	2,492	-	(410,831)	427,535	-	19,196
	<b>₱17,475,988</b>	<b>₱3,624,553</b>	<b>(₱4,675,055)</b>	<b>₱715,440</b>	<b>(₱7,161)</b>	<b>₱17,140,359</b>

(In Thousands)						
2020						
	Balance at beginning of year	Additions	Cash flows	Interest expense	Derecognition/ Termination	Balance at end of year
Dividends payable	₱-	₱1,431,230	(₱1,431,230)	₱-	₱-	₱-
Lease liability	912,327	6,005,283	(353,894)	211,965	(99,794)	6,675,887
Loans payable	5,655,942	3,675,000	(3,100,000)	-	-	6,230,942
Long-term debt	4,511,111	1,000,000	(944,444)	-	-	4,566,667
Interest payable	17,074	-	(521,730)	507,148	-	2,492
	<b>₱11,096,454</b>	<b>₱12,111,513</b>	<b>(₱6,351,298)</b>	<b>₱719,113</b>	<b>(99,794)</b>	<b>₱17,475,988</b>

Interest expense for 2021 (and 2020) pertains to accretion of lease liability.

### 33. Supplementary Information Required Under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue

The information for the year 2021 as required by the Regulations is presented below:

#### Output VAT

The Company's output VAT declared for the year ended December 31, 2021 are as follows:

	Gross Amount	Output VAT
Vatable sales	₱1,088,080,023	₱130,569,603
Zero-rated sales	489,768,885	–
	₱1,577,848,908	₱130,569,603

#### Input VAT

The Company's input VAT claimed for the year ended December 31, 2021 are as follows:

Balance at beginning of year	₱530,620,521
Input VAT deferred on capital goods from previous years	18,570,751
Add current year's purchases/payments for:	
Domestic purchase of services	99,848,986
Purchase of capital goods exceeding ₱1.0 million	94,512,000
Domestic purchase of goods other than capital goods	745,529
Purchase of capital goods not exceeding ₱1.0 million	353,897
Total input VAT	744,651,684
Less:	
Input VAT applied against output VAT	130,569,603
Deferred input VAT at end of year	115,181,118
Total available input VAT	₱498,900,963

#### Taxes and Licenses

Details of the Company's taxes and licenses paid or accrued during the year are as follows:

	Cost of lease income	General and administrative expenses	Total
Real property tax	₱171,587,153	₱6,700,302	₱178,287,455
Documentary stamp tax	–	32,901,986	32,901,986
Business permits	–	8,952,885	8,952,885
Others	–	187,753	187,753
	₱171,587,153	₱1,143,084	₱220,330,079

**Withholding Taxes**

Details of taxes paid and accrued during the year are as follows:

	Paid	Accrued	Total
Expanded withholding taxes	₱30,287,772	₱3,139,518	₱33,427,290
Withholding taxes on compensation	9,202,133	1,143,084	10,345,217
	₱39,489,905	₱4,282,602	₱43,772,507

**Tax Assessments and Tax Cases**

The Company received preliminary assessment notice covering taxable year 2020 of which it paid ₱20.7 million. There are no tax cases as at and for the year ended December 31, 2021.



**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
BUREAU OF INTERNAL REVENUE**

The Stockholders and the Board of Directors  
Belle Corporation  
5th Floor, Tower A, Two E-Com Center  
Palm Coast Avenue, Mall of Asia Complex  
CPB-1A, Pasay City

We have audited the accompanying financial statements of Belle Corporation (the Company as at and for the year ended December 31, 2021, on which we have rendered our report dated February 24, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

**REYES TACANDONG & Co.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

SEC Accreditation No. 81207-SEC Group A

Issued January 30, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8851706

Issued January 3, 2022, Makati City

February 24, 2022

Makati City, Metro Manila