BELLE
CORPORATION

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, 2022, 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, 2022 and 2021 and December 31, 2020, respectively, have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

WILLY N. OCIER
Chairman of the Board

JACKSON T. ONGSIP
President and Chief Executive Officer

MARIA NERIZA C. BANARIA
Chief Financial Officer/ Treasurer

Signed February 28, 2023

5th Floor Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City • Tel: 662-8888 • Fax: 662-8890

SUBSCRIBED AND SWORN to before me this ____ day of FEB 2 8 2023 ________2023 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	[redacted]	[redacted]	Manila
JACKSON T. ONGSIP	[redacted]	[redacted]	Manila
MARIA NERIZA CC. BANARIA	[redacted]	[redacted]	NCR

DOC NO. : 195

PAGE NO. : 30

BOOK NO. : 5

SERIES OF : 2023.

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376 / MCLE (EXEMPT)
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY
IBP NO. 251994 / JAN. 03, 2023 / PASIG CITY
1107 D. BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						5	2	4	1	2

COMPANY NAME

BELLE CORPORATION AND SUBSIDIARIES

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

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	Not Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@bellecorp.com	(02) 8662-8888	Not Applicable

No. of Stockholders	Annual Meeting	Calendar Year (Month / Day)
1,764	4th Monday of April	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number	Mobile Number
Michelle Angeli T. Hernandez	info@bellecorp.com	(02) 8662-8888	+63917-5691734

CONTACT PERSON'S ADDRESS

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Belle Corporation and Subsidiaries
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 statements of financial position as at December 31, 2022 and 2021 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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, 2022 and 2021 and its consolidated financial performance and its consolidated cash flows for the years 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 audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to 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, 2022. 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 Modification
The Group, as a lessor, agreed to a lease modification reducing the lease payments from 2022 onwards. In addition, the Group recognized its lease income to the extent collectible. The Group's accounting for leases, including lease modification 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 an understanding of the type, extent and periods covered on the lease modification and evaluated management's judgments, reviewed the calculation of the financial impact of the lease modification prepared by management and assessed the adequacy of the related disclosures in Note 3, *Significant Judgments, Accounting Estimates and Assumptions,* Note 10, *Investment Properties,* and Note 33, *Lease Commitments,* to the consolidated financial statements.

Assessing Recoverability of Goodwill in Pacific Online Systems Corporation (POSC)
The Group is required to assess at each reporting date the recoverability of goodwill. As at December 31, 2022, the carrying amount of goodwill arising from the acquisition of POSC amounted to ₱926.0 million. This matter is considered significant to our audit because the assessment of the recoverability of goodwill involves the exercise of significant management judgment and estimates such as the determination of forecasted cash flows and discount rate. These judgment and estimates are based on assumptions that are subject to high level of estimation uncertainty because of the prevailing challenges in the conduct of business brought about by the pandemic and imminent changes in the operations and sources of cash flows of the Group.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, 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, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 were audited by another auditor whose report dated April 14, 2021, expressed an unmodified opinion on those 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. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

(Amounts in Thousands)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱1,873,922**	₱2,082,301
Financial assets at fair value through profit or loss (FVPL)	6	**72,682**	73,054
Receivables	7	**3,844,556**	4,219,351
Contract assets	7	**4,000**	70,319
Real estate for sale - at cost	8	**163,189**	351,120
Land held for future development - at cost	8	**3,025,976**	3,021,120
Other current assets	9	**3,945,435**	2,426,928
Total Current Assets		**12,929,760**	12,244,193
Noncurrent Assets			
Installment receivables - net of current portion	7	**1,197,151**	941,115
Financial assets at fair value through other comprehensive income (FVOCI)	11	**9,321,093**	7,270,420
Investment properties	10	**23,239,249**	24,371,435
Intangible asset	12	**4,117,704**	4,233,538
Goodwill	15	**926,008**	926,008
Investments in and advances to associates - net	14	**119,272**	119,688
Property and equipment	13	**73,864**	86,082
Right-of-use assets	33	**77,226**	54,812
Deferred tax assets - net	32	**–**	21,399
Other noncurrent assets	16	**756,394**	758,887
Total Noncurrent Assets		**39,827,961**	38,783,384
		₱52,757,721	₱51,027,577

	Note	2022	2021
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	18	**₱450,017**	₱1,995,017
Trade and other current liabilities	17	**1,733,781**	1,809,301
Current portion of:			
Lease liabilities	33	**403,241**	345,679
Long-term debt	20	**29,000**	15,000
Total Current Liabilities		**2,616,039**	4,164,997

(Forward)

	Note	2022	2021
Noncurrent Liabilities			
Noncurrent portion of:			
Lease liabilities	33	**₱5,842,907**	₱6,196,415
Long-term debt	20	**4,908,500**	4,870,000
Deferred tax liabilities - net	32	**2,483,336**	2,377,323
Other noncurrent liabilities	19	**394,077**	409,409
Total Noncurrent Liabilities		**13,628,820**	13,853,147
Total Liabilities		**16,244,859**	18,018,144
Equity			
Common stock	21	**10,561,000**	10,561,000
Additional paid-in capital		**5,503,731**	5,503,731
Treasury stock - at cost	21	**(2,565,359)**	(2,476,697)
Cost of Parent Company shares held by subsidiaries	21	**(1,154,409)**	(1,464,322)
Equity share in cost of Parent Company shares held by associates	14	**(2,501)**	(2,501)
Other equity reserves	21	**7,763,073**	5,715,643
Excess of net assets over acquisition cost of acquired subsidiaries		**252,040**	252,040
Retained earnings	21	**13,501,329**	12,175,075
Equity Attributable to Equity Holders of the Parent Company		**33,858,904**	30,263,969
Noncontrolling Interests		**2,653,958**	2,745,464
Total Equity		**36,512,862**	33,009,433
		₱52,757,721	₱51,027,577

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Figures for 2020)
(Amounts in Thousands, Except for Earnings per Share)

	Note	**2022**	2021	2020
REVENUES				
Lease income	10	**₱2,054,273**	₱807,921	₱2,663,226
Gaming revenue share - net	22	**1,560,845**	1,300,291	635,217
Sale of real estate		**862,889**	587,812	234,965
Equipment rental	33	**519,051**	426,346	328,438
Revenue from property management		**211,548**	179,618	168,296
Others	23	**210,667**	118,946	143,258
		5,419,273	3,420,934	4,173,400
COSTS AND EXPENSES				
Cost of lease income	27	**(1,337,666)**	(1,294,948)	(1,206,514)
Cost of real estate sold	26	**(443,407)**	(301,406)	(134,934)
Cost of lottery services	24	**(247,548)**	(374,204)	(494,211)
Cost of services for property management	28	**(139,612)**	(113,574)	(100,957)
Cost of gaming operations	25	**(136,346)**	(135,895)	(135,692)
General and administrative expenses	29	**(766,549)**	(693,103)	(1,312,959)
		(3,071,128)	(2,913,130)	(3,385,267)
OTHER INCOME (CHARGES)				
Interest expense	30	**(516,342)**	(603,832)	(559,570)
Interest income	30	**22,831**	24,981	55,451
Unrealized loss on financial asset at fair value through profit or loss	6	**(372)**	(23,623)	(6,196)
Net foreign exchange gain (loss)		**(1,658)**	750	(1,994)
Others - net	31	**14,557**	310,493	843,194
		(480,984)	(291,231)	330,885
INCOME BEFORE INCOME TAX		**1,867,161**	216,573	1,119,018
PROVISION FOR (BENEFIT FROM) INCOME TAX	32			
Current		**28,585**	12,656	36,653
Deferred		**128,119**	(541,285)	190,664
		156,704	(528,629)	227,317
NET INCOME		**1,710,457**	745,202	891,701
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gain (loss) on financial assets at FVOCI	11	**2,087,382**	2,044,638	(713,764)
Remeasurement gain on pension asset/liability - net of tax		**2,116**	27,133	17,021
		2,089,498	2,071,771	(696,743)
TOTAL COMPREHENSIVE INCOME		**₱3,799,955**	₱2,816,973	₱194,958

(Forward)

	Note	**2022**	2021	2020
Net income attributable to:				
Equity holders of the Parent Company		**₱1,395,751**	₱576,983	₱1,001,281
Noncontrolling interests		**314,706**	168,219	(109,580)
		₱1,710,457	₱745,202	₱891,701
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**₱3,466,004**	₱2,633,997	₱302,824
Noncontrolling interests		**333,951**	182,976	(107,866)
		₱3,799,955	₱2,816,973	₱194,958
Basic/Diluted Earnings Per Share	37	**₱0.148**	₱0.061	₱0.106

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Figures for 2020)
(Amounts in Thousands, Except for Par Value and Number of Shares)

	Note	**2022**	2021	2020
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
CAPITAL STOCK	21	**₱10,561,000**	₱10,561,000	₱10,561,000
ADDITIONAL PAID-IN CAPITAL		**5,503,731**	5,503,731	5,503,731
TREASURY STOCK - at cost	21			
Balance at beginning of year		**(2,476,697)**	(2,476,700)	(2,476,700)
Purchase of treasury shares		**(88,662)**	–	–
Reissuance of treasury stock		–	3	–
Balance at end of year		**(2,565,359)**	(2,476,697)	(2,476,700)
COST OF PARENT COMPANY SHARES HELD BY SUBSIDIARIES	21			
Balance at beginning of year		**(1,464,322)**	(1,464,322)	(1,493,752)
Sale of Parent Company shares by a subsidiary		**309,913**	–	29,430
Balance at end of year		**(1,154,409)**	(1,464,322)	(1,464,322)
EQUITY SHARE IN COST OF PARENT COMPANY SHARES HELD BY ASSOCIATES	14	**(2,501)**	(2,501)	(2,501)
OTHER EQUITY RESERVES				
Balance at beginning of year		**5,715,643**	3,675,936	4,379,383
Unrealized valuation gain (loss) on financial assets at FVOCI		**2,073,126**	2,029,880	(713,683)
Remeasurement gain (loss) on pension asset/ liability - net of tax		**(2,873)**	27,133	15,226
Realized gain on sale of financial assets at FVOCI transferred to retained earnings	11	**(18,585)**	(17,306)	(4,990)
Reclassification of remeasurement gain on pension asset/ liability to retained earnings		**(4,238)**	–	–
Balance at end of year		**7,763,073**	5,715,643	3,675,936
EXCESS OF NET ASSETS OVER ACQUISITION COST OF ACQUIRED SUBSIDIARIES		**252,040**	252,040	252,040
RETAINED EARNINGS				
Balance at beginning of year		**12,175,075**	11,580,786	11,707,576
Net income		**1,395,751**	576,983	1,001,281
Sale of Parent Company shares by a subsidiary		**(93,733)**	–	–
Realized gain transferred to retained earnings	11	**18,585**	17,306	4,990
Reclassification of retirement liability		**5,651**	–	–
Cash dividends	21	**–**	–	(1,133,061)
Balance at end of year		**13,501,329**	12,175,075	11,580,786
		33,858,904	30,263,969	27,629,970

(Forward)

	Note	**2022**	2021	2020
NONCONTROLLING INTERESTS				
Balance at beginning of year		**₱2,745,464**	₱2,804,147	₱3,430,612
Net income (loss)		**314,706**	168,219	(109,580)
Share in dividends declared by a subsidiary	2	**(297,939)**	(241,660)	(298,169)
Sale of Parent Company shares by a subsidiary		**(127,518)**	–	–
Share in unrealized valuation gain (loss) on financial assets at FVOCI		**14,256**	14,758	(81)
Share in remeasurement gain on pension asset/liability		**4,989**	–	1,795
Purchase of treasury share of a subsidiary		**–**	–	(220,430)
Balance at end of year		**2,653,958**	2,745,464	2,804,147
		₱36,512,862	₱33,009,433	₱30,434,117

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Figures for 2020)
(Amounts in Thousands)

	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱1,867,161**	₱216,573	₱1,119,018
Adjustments for:				
Depreciation and amortization	10	**1,296,659**	1,289,243	1,277,876
Interest expense	30	**516,342**	603,832	559,570
Provision for (reversal of) probable losses	29, 31	**187,301**	(281,317)	(756,115)
Amortization of discount on trade receivables	7	**(105,051)**	(72,600)	(69,517)
Reversal of provisions for impairment losses on other current assets	9	**(33,640)**	(10,924)	(472)
Interest income	30	**(22,831)**	(24,981)	(55,451)
Pension cost	34	**12,709**	10,402	14,432
Dividend income	31	**(6,300)**	(5,275)	(13,995)
Gain on disposal of net assets of subsidiaries	31	**(543)**	–	(70,338)
Share in net loss of associates	14	**417**	1,671	2,519
Gain on sale of property and equipment	31	**(396)**	(176)	(16)
Unrealized marked-to-market loss on financial assets at FVPL	6	**372**	23,623	6,196
Provision for impairment of other current assets, goodwill and right-of-use assets	29	**62**	–	471,132
Unrealized foreign exchange loss (gain) - net		**4**	(750)	1,994
Gain on termination of leases	31	**–**	567	(13,114)
Provision for doubtful accounts	29	**–**	–	139,678
Operating income before working capital changes		**3,712,266**	1,749,888	2,613,397
Decrease (increase) in:				
Financial assets at FVPL		**–**	(12,416)	50,000
Receivables and contract assets		**290,129**	232,444	(2,186,572)
Real estate for sale and land held for future development		**183,075**	112,319	(152,006)
Other current assets		**(1,563,952)**	(645,466)	(287,951)
Other noncurrent assets		**58,759**	277,837	(218,070)
Increase (decrease) in trade and other current liabilities		**(264,479)**	(310,468)	(221,715)
Net cash generated from operations		**2,415,798**	1,404,138	(402,917)
Interest received		**22,831**	24,981	55,453
Income taxes paid		**(28,586)**	(6)	(1,895)
Contributions to plan asset	34	**(10,000)**	(5,000)	(1,810)
Net cash provided by operating activities		**2,400,043**	1,424,113	(351,169)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	13	**(22,656)**	(26,817)	(106,064)
Financial assets at FVOCI	11	**(19,258)**	(522,651)	(9,243)
Proceeds from disposal of:				
Financial assets at FVOCI		**55,966**	86,716	18,449
Property and equipment		**3,871**	1,749	9,243
Dividends received	31	**6,300**	5,275	13,995
Decrease (increase) in investments in and advances to associates and related parties		**2**	(2)	3
Expenditures on investment properties		**–**	–	(293,553)
Proceeds from disposal of net assets of subsidiaries		**–**	–	74,026
Net cash provided by (used in) investing activities		**24,225**	(455,730)	(293,144)

(Forward)

	Note	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt and loans payable	18, 20	**(₱2,010,000)**	(₱3,831,667)	(₱4,044,444)
Lease liabilities	33	**(608,769)**	(440,938)	(404,102)
Interest	30	**(233,435)**	(584,637)	(574,152)
Proceeds from availment of loans and long-term debt	18, 20	**517,500**	3,620,000	4,675,000
Dividends paid to noncontrolling interests		**(297,939)**	(241,660)	(298,169)
Acquisition of treasury shares by a subsidiary		**–**	–	(220,430)
Net cash used in financing activities		**(2,632,643)**	(1,478,902)	(866,297)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(4)**	750	(1,994)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(208,379)**	(509,769)	(1,512,604)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,082,301**	2,592,070	4,104,674
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱1,873,922**	₱2,082,301	₱2,592,070

See accompanying Notes to Consolidated Financial Statements.

1. **General Information**

Corporate Information

Belle Corporation (Belle or the Parent Company) is a stock corporation organized and registered in the Philippine Securities and Exchange Commission (SEC) 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:

		2022			2021			2020		
		Percentage of Ownership			Percentage of Ownership			Percentage of Ownership		
	Industry	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total	Direct	Indirect	Total
Subsidiaries:										
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**	79.8	–	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
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. (TGTISI)**	Gaming	**–**	**–**	**–**	–	100.0	100.0	–	100.0	100.0
Interest in a Joint Operation -										
PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	**–**	**50.0**	**50.0**	–	50.0	50.0	–	–	–

**Non-operating*
***Sold in 2022*

TGTISI. On June 9, 2022, POSC's BOD approved the transfer of all the rights, title and interests in TGTISI's shares to a third party for a consideration of ₱1.0 million.

Total gain on deconsolidation, which is the difference between the consideration received and the Group's share on TGTISI's net asset at the date of disposal, amounting to ₱0.5 million is presented under "Other income (charges)" account in the statements of comprehensive income (see Note 31).

PinoyLotto. On June 21, 2021, Pinoylotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated with the SEC. PinoyLotto was awarded with the five year-lease of the customized PCSO Lottery System (PLS Project) upon commencement of commercial operations, with a contract price of ₱5,800.0 million.

Commencement of commercial operations is 14 months after the issuance of the Notice to Proceed. In December 2021, the joint venture of POSC, PGMC and ILTS was issued the Notice to Proceed. In June 2022, PCSO approved the extension of commencement of commercial operations from 14 months to 22 months.

The Group's interest in PinoyLotto was accounted for as a joint operation (see Note 36).

Approval of the Consolidated Financial Statements

The consolidated financial statements as at and for the years ended December 31, 2022 and 2021 (with comparative figures and information for the year ended December 31, 2020) were approved and authorized for issuance by the Board of Directors (BOD) on February 28, 2023.

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. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

On December 15, 2020, the SEC issued Memorandum Circular (MC) No. 34, Series of 2020, which further extends the deferral of application of the provision of Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2018-12 with respect to accounting for significant financing component, exclusion of land in the calculation of percentage of completion and IFRIC Agenda Discussion on over time transfers of construction goods under PAS 23, *Borrowing Cost*, for another period of three years or until 2023.

The Company opted to avail the relief in connection with the accounting for significant financing component. The impact of the application of such financial reporting relief is discussed in "New and Amendments to PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted" section of notes to consolidated financial statements.

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), financial assets at fair value through other comprehensive income (FVOCI), and net pension asset (liability) which is measured at the fair value of plan assets less present value of the defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange of an asset 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 6, 10, 11, 14 and 38.

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 relevant amendments to PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include 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 ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination.

- 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. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). 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 component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS.

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from 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.

The adoption of the foregoing amendments to PFRS did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

New and Amendments to PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted

Relevant new and amendments to PFRS and PIC issuances, which are not yet effective as at December 31, 2022 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

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

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

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

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

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

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

- PIC Q&A 2018-12-D, *PFRS 15, Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-4)* – On December 15, 2020, the SEC issued 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 (with an addendum in PIC Q&A 2020-04)" until December 31, 2023.

  The Group availed of the SEC relief with respect to accounting for significant financing component. Management assessed that the adoption of this PIC on January 1, 2024 will not have a significant impact considering that the Group's ongoing project is estimated to be completed this 2023. Management also assessed that the adoption will not have a significant impact on any new projects that the Group will start in 2023.

  The Group did not avail of the relief provided by the SEC on the capitalization of borrowing costs and treatment of land in the determination of POC. The Group adopted these issuances starting January 1, 2021.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS and PIC issuances are 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 statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of comprehensive income. NCI represents the equity interest in 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. The financial statements of PinoyLotto, with a fiscal period ending June 30, are consolidated in the Parent Company's financial statements as of December 31. Adjustments and disclosures are made for the effects of significant transactions or events that occurred between the date of the subsidiaries' financial statements and the date of the consolidated financial statements. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group. 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 statements of comprehensive income.

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

Under pooling of interest method, 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 statements of financial position.

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.

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 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 entity'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 transaction, to determine the amount of goodwill associated with that transaction. Any adjustment to fair value relating to the previously held interest is a revaluation and is accounted for as such.

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

Joint Arrangements. Joint arrangements represent activities where the Group 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 Group's proportionate share of the assets, liabilities, revenues, expenses and cash flows of the joint arrangement. The Group 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. 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 Group'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 2022, 2021 (and 2020). NCI hold 20.2% as at December 31, 2022 and 2021. 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, 2022 and 2021:

	(In Thousands)	
	2022	2021
Total current assets	**₱6,194,382**	₱6,002,149
Total noncurrent assets	**10,791,524**	11,082,747
Total current liabilities	**(730,588)**	(653,483)
Total noncurrent liabilities	**(85,934)**	(32,880)
Total equity	**₱16,169,384**	₱16,398,533
Attributable to:		
Equity holders of the Parent	**₱15,754,061**	₱16,130,762
Non-controlling interests	**415,323**	267,771
Total	**₱16,169,384**	₱16,398,533

Summarized consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020:

	(In Thousands)		
	2022	2021	2020
Revenue	**₱2,079,897**	₱1,726,637	₱963,656
Costs and expenses	**(942,609)**	(963,909)	(1,697,851)
Other income – net	**153,744**	421,434	1,054,855
Income before income tax	**1,291,032**	1,184,162	320,660
Benefit from (provision for) income tax	**(35,084)**	(61,252)	3,056
Net income	**1,255,948**	1,122,910	323,716
Other comprehensive income (loss)	**64,215**	(25,243)	(43,462)
Total comprehensive income	**₱1,320,163**	₱1,097,667	₱280,254
Attributable to:			
Equity holders of the Parent	**₱1,221,562**	₱1,167,407	₱481,629
Non-controlling interests	**98,601**	(69,740)	(201,375)
Total	**₱1,320,163**	₱1,097,667	₱280,254

Below are the summarized consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020:

	(In Thousands)		
	2022	2021	2020
Operating activities	**₱1,545,302**	₱1,219,710	₱578,921
Investing activities	**59,215**	(507,539)	47,273
Financing activities	**(1,486,881)**	(1,269,549)	(1,944,958)
Net increase (decrease) in cash and cash equivalents	**₱117,636**	(₱557,378)	(₱1,318,764)

Dividends paid to non-controlling interests amounted to ₱297.9 million and ₱241.7 million in 2022 and 2021, respectively (₱298.2 million in 2020).

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements 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, 2022 and 2021, 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 associates, guarantee deposits, refundable deposits and construction bonds (presented as part of "Other current assets" and "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. Any dividend or interest earned on the financial asset is recognized in profit or loss.

Classified under this category are the Group's investments 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 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 effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Classified under this category are the Group's trade and other current liabilities (excluding withholding and output VAT payable, unearned income and customer deposits), refundable deposits, loans payable, long-term debt and lease liabilities.

Impairment of Financial Assets at Amortized Cost

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

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

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

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

Real Estate for Sale and Land Held for Future 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, deferred input VAT, advances to contractors and suppliers, prepayments, spare parts and supplies, refundable and guarantee deposits and advances for land acquisitions, among others.

Advances for Land Acquisitions. Advances for land acquisitions are payments made for land properties in which ownership has not been transferred to the Company as at reporting date. These are recognized at initial transaction cost and any directly attributable cost, less any impairment loss.

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.

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 statements of financial position.

Deferred Input VAT. Deferred input VAT represents tax credit from purchase of capital goods exceeding ₱1.0 million per month to be amortized over the estimated useful lives of the corresponding assets or 60 months, whichever is shorter.

The capitalization of deferred input VAT shall only be allowed until December 31, 2021, after which input VAT on capital goods purchased shall be claimed as input tax credits directly applied against output VAT. Any unutilized deferred input VAT as at December 31, 2021 shall be allowed to be amortized as scheduled until fully utilized.

Carrying amount of deferred input VAT recoverable from the taxation authority is presented under "Other noncurrent 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 statements 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 statements 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.

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 and Guarantee Deposits. Refundable deposits represent payments made as security deposits in relation to the Group's various leases. Guarantee deposits pertain to cash bonds held in escrow account as part of the agreement with PCSO.

Deposits that are expected to be refunded for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

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, amortization and any impairment losses. Land is stated at cost less any impairment losses.

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
Buildings	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 of 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 statements of comprehensive income in the year the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

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

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. 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 but rather as part of impairment assessment for investments in associates.

The profit or loss in the consolidated statements of comprehensive income reflects the Group's share of the results of operations of the associates. Any share in change in OCI of those investees is presented as part of the Group's OCI. 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 statements 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 (charges)" line item in the consolidated statements of comprehensive income.

If the Group's share of losses of an associate equals or exceeds the carrying amount of an investment, 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 statements 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 statements 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.

Property and Equipment

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

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

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.

Cost of Parent Company Common Shares Held by Subsidiaries
Parent Company'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.

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.

Other Equity Reserves
Other equity reserves comprise of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other equity reserves of the Group pertain to cumulative unrealized marked to market gains (losses) on financial assets at FVOCI, cumulative remeasurement gains (losses) on pension asset/liability, accumulated share in cumulative unrealized marked to market gain on financial assets at FVOCI of associates, which are not to be reclassified to profit or loss in subsequent periods, 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.

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

Revenue Recognition

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

The Group 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.

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 collections 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.

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 first 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 development 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.

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 reversal in the amount of cumulative revenue recognized will not occur and when the associated uncertainty with the variable consideration is subsequently resolved.

Interest Income. Interest income from trade receivables, installment receivables and contract assets are recognized as the interest accrues using the effective interest rate method. 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 in accordance with the agreement.

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

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 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 Group'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 related to buyers’ default and late payments. Income is recognized when penalty is actually collected.

Income from Sale of Club Shares and 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. The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include all direct materials and labor costs, and those indirect costs related to contract performance. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as cost of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Group recognizes as an asset, only to the costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Cost of Lottery Services, Cost of Gaming Operations, and Cost of Services for Property Management. Cost of lottery services, cost of gaming operations, and cost of services for property management are 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 identified asset; and
b) the right to direct the use of the identified asset.

Group as a Lessee. At the commencement date, the Group recognizes 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 follows:

Asset Type	Number of Years
Land and building improvements*	16 years and 4 months
Air rights	14 years and 6 months
Office and warehouse	1 to 5 years

**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:

- Allocates the consideration in the modified contract;
- Determines the lease term of the modified lease; and
- Remeasures 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 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 accounts 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. 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 construction project. The capitalization of borrowing costs is suspended if there are prolonged periods when the construction activity is interrupted

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.

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.

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 contracts to sell covering serviced lot. 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. Included also in this performance obligation is the Group's service 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.

  The Group's cost of sale from real estate sales are disclosed in Note 26.

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.

Management determines subsidiaries with material NCI as those with assets greater than 5% of consolidated assets, or 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 2022, 2021 (and 2020) (see Note 2).

Accounting for Leases

- *Determination of Lease Term of Contracts with Renewal Options – Group as a Lessee.* The Group has 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 and 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 (IBR).* The Group uses its 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. It also 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 are disclosed in Note 33.

- *Operating Lease – as a Lessor of Land and Building.* 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 are disclosed in Notes 10 and 33.

- *Operating Lease – as a Lessor of Lottery Equipment.* 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 they have 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 are disclosed in Note 33.

Assessing the Collectability of Lease Income. The Group assesses whether it is probable that it will collect the consideration to which it will be entitled in accordance with the lease agreement. In evaluating whether collectability of an amount of consideration is probable, the Group considers any lease modifications and the customer's ability and intention to pay the amount of consideration. 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 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 2022 and 2021, the Group, as a lessor, agreed to a concession wherein the minimum guaranteed rental payments were reduced and additional variable lease payments will be made subject to certain conditions. Accordingly, the rental income was recognized up to the extent collectible amounting to ₱2,054.3 million and ₱807.9 million in 2022 and 2021, respectively (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.

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

- Identify the specified goods or services to be provided to the customer (which for example, could be a right to a good or service to be provided by another party) and

- Assess whether it controls each specified good or service before that good or service is transferred to the customer.

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

<u>Estimates and Assumptions</u>
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, Contract Assets 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.

Allowance for doubtful accounts aggregated to ₱850.9 million as at December 31, 2022 and 2021 (see Notes 7 and 14). The carrying values of receivables, installment receivables, contract assets and advances to associates and allowance for doubtful accounts as at December 31, 2022 and 2021 are disclosed in Notes 7 and 14. There was no provision for ECL in 2022 and 2021.

Determining Impairment Losses on Other Financial Assets at Amortized Cost. The Group determines the allowance for impairment loss of other financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of the financial assets. The provision for impairment loss recognized during the period is limited to 12-month ECL since the Group's other financial assets at amortized cost are considered to have low credit risk.

The Group did not recognize impairment loss on other financial assets at amortized cost in 2022, 2021 (and 2020). The carrying values of other financial assets at amortized cost as at December 31, 2022 and 2021 are disclosed in the respective Notes, as follows:

		(in Thousands)	
	Note	**2022**	2021
Cash and cash equivalents	5	**₱1,873,922**	₱2,082,301
Guarantee deposits	9	**14,500**	14,500
Refundable deposits and construction bond	16	**127,227**	125,931

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.

In 2020, the Group recognized provision for impairment loss on spare parts and supplies amounting to ₱43.5 million. The Group recognized reversal of provision for impairment loss on spare parts and supplies amounting to ₱33.6 million and ₱10.9 million in 2022 and 2021, respectively. The carrying values of real estate for sale and spare parts and supplies inventory carried at lower of cost and NRV are disclosed in Note 8 and 9.

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

There were no changes in the estimated useful life of gaming license in 2022, 2021 and 2020. The carrying value of the gaming license is disclosed in 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 2022, 2021 (and 2020). The aggregate carrying amount of depreciable investment properties, property and equipment and ROU assets are disclosed in Notes 10, 13 and 33.

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

No impairment loss was recognized in 2022 and 2021. The carrying amount of goodwill as at December 31, 2022 and 2021 is disclosed in Note 15.

Assessing 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, ROU assets property and equipment and intangible assets 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 Group to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group did not recognize an impairment loss on right-of-use asset in 2022 and 2021. Impairment loss on right-of-use asset amounted to ₱9.3 million in 2020 (see Note 33). The carrying values of nonfinancial assets subjected to assessment of impairment indicators or review as at December 31, 2022 and 2021 are disclosed in the respective Notes, as follows:

		(in Thousands)	
	Note	**2022**	2021
Investment properties	10	**₱23,239,249**	₱24,371,435
Intangible asset	12	**4,117,704**	4,233,538
Investments in associates	14	**118,744**	119,161
Property and equipment	13	**73,864**	86,082
Right-of-use assets	33	**77,226**	54,812
Other assets*	9, 16	**4,560,102**	3,045,384

**Excludes refundable and guarantee deposits and construction bond.*

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 ₱1,844.3 million and ₱2,085.6 million as at December 31, 2022 and 2021, respectively. Unrecognized deferred tax assets amounted to ₱3,833.9 million and ₱3,821.1 million as at December 31, 2022 and 2021, respectively (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 (see Note 17).

4. **Segment Information**

The operating businesses of the Group 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, real estate for sale, land held for future development, investment properties, property and equipment and right of 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 the 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 assets and liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRS.

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

	(In Thousands)				
	2022				
	Real Estate Development and Property Management	**Gaming and Gaming Related Activities**	**Others**	**Eliminations/ Adjustments**	**Consolidated**
Earnings Information					
Revenue	**₱3,393,377**	**₱2,079,896**	**₱–**	**(₱54,000)**	**₱5,419,273**
Costs and expenses	**(2,305,358)**	**(942,548)**	**(86)**	**176,864**	**(3,071,128)**
Interest expense	**(641,454)**	**(221)**	**–**	**125,333**	**(516,342)**
Interest income	**728**	**147,434**	**2**	**(125,333)**	**22,831**
Other income – net	**1,257,694**	**6,468**	**230**	**(1,251,865)**	**12,527**
Income before income tax	**1,704,987**	**1,291,029**	**146**	**(1,129,001)**	**1,867,161**
Provision for income tax	**(121,620)**	**(35,084)**	**–**	**–**	**(156,704)**
Net income	**₱1,583,367**	**₱1,255,945**	**146**	**(1,129,001)**	**₱1,710,457**
Net income attributable to equity holders of the parent	**₱1,583,367**	**₱941,239**	**₱146**	**(₱1,129,001)**	**₱1,395,751**
Other Information					
Investments in and advances to associates	**₱10,253,148**	**₱–**	**₱–**	**(₱10,133,876)**	**₱119,272**
Investments at FVPL	**–**	**72,682**	**–**	**–**	**72,682**
Investments at FVOCI	**8,746,796**	**686,731**	**196,441**	**(308,876)**	**9,321,092**
Total assets	**54,073,314**	**16,985,906**	**347,896**	**(18,649,395)**	**52,757,721**
Total liabilities	**19,567,517**	**816,521**	**2,663,890**	**(6,803,070)**	**16,244,858**
Capital expenditures	**22,570**	**86**	**–**	**–**	**22,656**
Depreciation and amortization	**(1,158,414)**	**(261,109)**	**–**	**122,864**	**(1,296,659)**

	(In Thousands)				
	2021				
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
Earnings Information					
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 (loss) 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 (loss)	₱521,836	₱1,122,909	(₱3,174)	(₱896,369)	₱745,202
Net income (loss) attributable to equity holders of the parent	₱521,836	₱1,193,903	(₱3,174)	(₱1,135,582)	₱576,983
Other Information					
Investments in and advances to associates	₱10,252,972	₱–	₱–	(₱10,133,284)	₱119,688
Investments at FVPL	–	73,054	–	–	73,054
Investments at FVOCI	6,773,226	721,167	213,699	(437,672)	7,270,420
Total assets	52,046,935	17,084,896	364,770	(18,469,024)	51,027,577
Total liabilities	21,039,583	686,364	2,663,651	(6,371,454)	18,018,144
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
Earnings Information					
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	₱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
Other Information					
Investments in and advances to associates	₱10,290,623	₱–	₱–	(₱10,169,267)	₱121,356
Investments at FVPL	–	84,261	–	–	84,261
Investments at FVOCI	4,782,865	287,554	267,099	(547,671)	4,789,847
Total assets	50,531,172	17,793,014	418,139	(18,740,417)	50,001,908
Total liabilities	22,086,174	1,235,427	2,657,369	(6,411,179)	19,567,791
Capital expenditures	399,597	90,839	–	–	490,436
Depreciation and amortization	(1,057,206)	(343,309)	–	122,639	(1,277,876)

Revenues amounting to ₱3,615.1 million and ₱2,108.2 million in 2022 and 2021, respectively (₱3,298.4 million in 2020) are solely collectible from Melco and revenues amounting to ₱519.1 million and ₱426.3 million in 2022 and 2021, respectively (₱328.4 million in 2020) are solely collectible from PCSO.

The following shows the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Group's consolidated amounts:

	2022	2021	2020
Revenues			
Total revenue for reportable segments	**₱5,473,273**	₱3,474,934	₱4,227,400
Elimination for intercompany revenue	**(54,000)**	(54,000)	(54,000)
Total consolidated revenues	**₱5,419,273**	₱3,420,934	₱4,173,400
Net Profit for the Year			
Total profit for reportable segments	**₱2,839,458**	₱1,641,571	₱1,790,439
Elimination for intercompany profits	**(1,129,001)**	(896,369)	(898,738)
Consolidated net profit	**₱1,710,457**	₱745,202	₱891,701
Assets			
Total assets for reportable segments	**₱43,244,675**	₱43,564,415	₱45,006,444
Investments in and advances to associates	**119,272**	119,688	121,356
Investments at FVOCI	**72,682**	7,270,420	4,789,847
Investments at FVTPL	**9,321,092**	73,054	84,261
Total assets	**₱52,757,721**	₱51,027,577	₱50,001,908
Liabilities			
Total liabilities for reportable segments	**₱8,309,531**	₱8,700,767	₱9,469,096
Loans payable	**450,000**	1,995,017	2,525,017
Long-term debt	**4,937,500**	4,885,000	4,566,667
Deferred tax liabilities - net	**2,483,336**	2,377,323	2,968,910
Advances from related parties*	**64,491**	60,037	38,101
Total liabilities	**₱16,244,858**	₱18,018,144	₱19,567,791

**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:

	(In Thousands)		
	2022		
Type of service	**Real Estate Development and Property Management**	**Gaming and gaming related activities**	**Total**
Lease income	**₱2,054,273**	**₱–**	**₱2,054,273**
Gaming revenue share - net	**–**	**1,560,845**	**1,560,845**
Sale of real estate	**862,889**	**–**	**862,889**
Equipment rental	**–**	**519,051**	**519,051**
Revenue from property management	**211,548**	**–**	**211,548**
Other revenues	**210,667**	**–**	**210,667**
Revenue from contracts with customers	**₱3,339,377**	**₱2,079,896**	**₱5,419,273**

	(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
Lease income	807,921	–	807,921
Sale of real estate	587,812	–	587,812
Equipment rental	–	426,346	426,346
Revenue from property management	179,618	–	179,618
Other revenues	118,946	–	118,946
Revenue from contracts with customers	₱1,694,297	₱1,726,637	₱3,420,934

	(In Thousands)		
	2020		
Type of service	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Lease income	₱2,663,226	₱–	₱2,663,226
Gaming revenue share - net	–	635,217	635,217
Equipment rental	–	328,438	328,438
Sale of real estate	234,965	–	234,965
Revenue from property management	168,296	–	168,296
Other revenues	143,258	–	143,258
Revenue from contracts with customers	₱3,209,745	₱963,655	₱4,173,400

All revenue from contracts with customers pertains to revenue transferred over time.

5. Cash and Cash Equivalents

This account consists of:

	(In Thousands)	
	2022	2021
Cash on hand and in banks	**₱656,745**	₱678,621
Cash equivalents	**1,217,177**	1,403,680
	₱1,873,922	₱2,082,301

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 ₱19.2 million and ₱18.9 million in 2022 and 2021, respectively (₱49.9 million in 2020) (see Note 30).

6. Financial Assets at FVPL

This account consists of the Group's investments in quoted shares of stocks. Movements in this account are as follows:

	(In Thousands)	
	2022	2021
Balance at beginning of year	**₱73,054**	₱84,261
Unrealized marked-to-market loss	**(372)**	(23,623)
Additions	**–**	12,416
Balance at end of year	**₱72,682**	₱73,054

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 amounting to ₱0.4 million and ₱23.6 million in 2022 and 2021, respectively (₱6.2 million in 2020) were recognized under "Unrealized loss on financial asset at fair value through profit or loss" account in the consolidated statements of comprehensive income.

There was no dividend income received from financial assets at FVPL in 2022 and 2021. Dividend income from financial assets at FVPL amounted to ₱2.4 million in 2020 (see Note 31).

7. **Receivables and Contract Assets**

Receivables

This account consists of:

		(In Thousands)	
	Note	**2022**	2021
Trade receivables:			
Leases	33	**₱3,106,354**	₱3,523,861
Real estate sales and installment receivables		**1,740,042**	1,326,777
Equipment rental		**66,548**	51,730
Property management		**53,860**	107,053
Gaming revenue share		**14,807**	117,792
Loan assets		**422,342**	422,342
Advances to consultants		**127,500**	104,000
Others		**230,882**	227,539
		5,762,335	5,881,094
Less allowance for doubtful accounts		**720,628**	720,628
		5,041,707	5,160,466
Less installment receivables - noncurrent portion		**1,197,151**	941,115
		₱3,844,556	₱4,219,351

Trade receivables from leases, equipment rental 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.

Loan assets pertain to the PLC's receivable from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") and Legend International Resort H.K. Limited ("LIR-HK") amounting to ₱422.3 million as a result of the compensation to parties who were in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares. The loan assets were fully provided with allowance as at December 31, 2022 and 2021.

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

Other receivables are noninterest-bearing and generally have 30 to 90 days term.

Movements of unamortized discount on trade receivables from real estate sales are as follows:

		(In Thousands)	
	Note	**2022**	2021
Trade receivables at POC		**₱1,955,954**	₱1,499,336
Less discount on trade receivables:			
Balance at beginning of year		**172,559**	84,039
Discount recognized during the year		**148,404**	161,120
Amortization during the year	23	**(105,051)**	(72,600)
Balance at end of year		**215,912**	172,559
		₱1,740,042	₱1,326,777

As at December 31, 2022 and 2021, receivables from real estate at POC of ₱1,956.0 million and ₱1,449.3 million, respectively, 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 3.88% to 15.97% in 2022 and 4.11% to 18.23% in 2021.

No provision for doubtful accounts was recognized in 2022 and 2021 (₱139.7 million in 2020) (see Note 29).

Contract Assets

Contract assets amounted to ₱4.0 million and ₱70.3 million as at December 31, 2022 and 2021, respectively. 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 ₱3.7 million and ₱6.1 million in 2022 and 2021, respectively, (₱5.6 million in 2020) (see Notes 30 and 36).

8. Land Held for Future Development and Real Estate for Sale

These accounts, measured at cost, consist of:

	(In Thousands)	
	2022	2021
Land held for future development	**₱3,025,976**	₱3,021,120
Real estate for sale	**163,189**	351,120
	₱3,189,165	₱3,372,240

Land Held for Future Development

A summary of the movement in land held for development in 2022 and 2021 is set out below:

	(In Thousands)	
	2022	2021
Balance at beginning of year	**₱3,021,120**	₱3,013,950
Acquisitions during the year	**4,856**	7,170
Balance at end of year	**₱3,025,976**	₱3,021,120

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It includes certain parcels of land with a carrying value of ₱909.9 million as at December 31, 2022 and 2021, 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 statements of financial position amounted to ₱145.2 million and ₱169.1 million as at December 31, 2022 and 2021, respectively (see Note 17).

Real Estate for Sale
A summary of the movements in real estate for sale is set out below:

		(In Thousands)	
	Note	**2022**	2021
Balance at beginning of year		**₱351,120**	₱470,609
Cost of real estate sold	26	**(443,407)**	(301,406)
Repossession		**160,956**	60,556
Development costs incurred		**94,520**	121,361
Balance at end of year		**₱163,189**	₱351,120

As at December 31, 2022 and 2021, the cost of land held for future development and real estate held for sale were lower than its net realizable value. There were no provision for impairment losses recognized in 2022 and 2021.

9. Other Current Assets

This account consists of:

		(In Thousands)	
	Note	**2022**	2021
Advances for land acquisitions		**₱1,525,975**	₱196,900
CWT		**1,051,027**	875,484
Input VAT		**605,818**	702,296
Advances to contractors and suppliers		**558,393**	317,716
Prepaid expenses		**204,889**	307,866
Guarantee deposits	36	**14,500**	14,500
Spare parts and supplies		**4,283**	64,230
Advances to officers and employees		**3,916**	3,519
Others		**–**	1,361
		3,968,801	2,483,872
Less allowance for impairment losses		**23,366**	56,944
		₱3,945,435	₱2,426,928

Advances for land acquisitions pertain to downpayments made by the Group for its purchase of land.

CWT pertains to the withholding tax related to the goods sold and services rendered by the Group.

Advances to contractors and suppliers are noninterest-bearing and are expected to be applied against future billings.

Prepaid expenses and others pertain to various prepayments for insurance, commission and subscription.

Spare parts and supplies are carried at lower of cost or net realizable value. Reversals of provision for probable losses on spare parts and supplies are netted against related expense account under “Cost of lottery services” account in the statements of comprehensive income.

Guarantee deposits pertain to cash bonds held in escrow account as part of the agreement with PCSO (see Note 36).

Movements in allowance for impairment losses are as follows:

	(In Thousands)		
	2022	2021	2020
Balance at beginning of year	**₱56,944**	₱67,868	₱24,334
Provisions	**62**	–	44,006
Reversals	**(33,640)**	(10,924)	(472)
Balance at end of year	**₱23,366**	₱56,944	₱67,868

10. Investment Properties

This account consists of:

	(In Thousands)				
	2022				
	Land	**Building**	**ROU Building Improvements**	**ROU Land**	**Total**
Cost					
Balance at beginning and end of year	**₱1,869,025**	**₱18,434,220**	**₱2,509,013**	**₱6,964,513**	**₱29,776,771**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**–**	**3,631,677**	**887,958**	**885,701**	**5,405,336**
Depreciation and amortization	**–**	**382,365**	**221,187**	**528,634**	**1,132,186**
Balance at end of year	**–**	**4,014,042**	**1,109,145**	**1,414,335**	**6,537,522**
Carrying Amount	**₱1,869,025**	**₱14,420,178**	**₱1,399,868**	**₱5,550,178**	**₱23,239,249**

	(In Thousands)				
	2021				
	Land	Building	ROU Building Improvements	ROU Land	Total
Cost					
Balance at beginning and end of year	₱1,869,025	₱18,434,220	₱2,509,013	₱6,964,513	₱29,776,771
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	3,249,211	726,771	363,390	4,339,372
Depreciation and amortization	–	382,466	161,187	522,311	1,065,964
Balance at end of year	–	3,631,677	887,958	885,701	5,405,336
Carrying Amount	₱1,869,025	₱14,802,543	₱1,621,055	₱6,078,812	₱24,371,435

The fair values of investment properties as at December 31, 2022 and 2021, 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 ₱2,054.3 million and ₱807.9 million in 2022 and 2021, respectively, (₱2,663.2 million in 2020). Direct cost related to the investment properties amounted to ₱1,337.7 million and ₱1,294.9 million in 2022 and 2021, respectively, (₱1,206.5 million in 2020) (see Note 27).

Depreciation and amortization arise from the following:

		(In Thousands)		
	Note	**2022**	2021	2020
Investment properties		**₱1,132,186**	₱1,065,964	₱1,031,293
Intangible asset	12	**115,834**	115,834	115,834
Property and equipment	13	**31,399**	83,073	93,546
ROU asset	33	**17,240**	24,372	37,203
		₱1,296,659	₱1,289,243	₱1,277,876

Depreciation and amortization are allocated as follows:

		(In Thousands)		
	Note	**2022**	2021	2020
Cost of lease income	27	**₱1,132,186**	₱1,069,566	₱1,034,996
Cost of gaming operations	25	**115,834**	115,834	115,834
Cost of lottery services	24	**29,218**	71,071	97,893
Cost of services for property management	28	**10,549**	9,400	8,612
General and administrative expenses	29	**8,872**	23,372	20,541
		₱1,296,659	₱1,289,243	₱1,277,876

11. Financial Assets at FVOCI

This account consists of:

	(In Thousands)	
	2022	2021
Club shares	**₱6,399,100**	₱4,523,206
Shares of stock:		
Quoted	**2,806,023**	2,631,244
Unquoted	**115,970**	115,970
	₱9,321,093	₱7,270,420

The movements of financial assets at FVOCI in 2022 and 2021 are as follows:

	(In Thousands)	
	2022	2021
Cost		
Balance at beginning of year	**₱4,420,520**	₱3,967,279
Additions	**19,258**	522,651
Disposals	**(37,382)**	(69,410)
Balance at end of year	**4,402,396**	4,420,520
Cumulative unrealized marked to market gain on financial assets at FVOCI		
Balance at beginning of year	**2,849,900**	822,568
Unrealized gain during the year	**2,087,382**	2,044,638
Realized gain on disposal during the year	**(18,585)**	(17,306)
Balance at end of year	**4,918,697**	2,849,900
	₱9,321,093	₱7,270,420

The fair values of club shares and quoted equity 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 amounting to ₱6.3 million and ₱5.3 million in 2022 and 2021, respectively, (₱11.6 million in 2020) were recognized in "Other income (charges) – net" account in the consolidated statements of comprehensive income (see Note 31).

Realized gain from sale of financial assets at FVOCI amounting to ₱18.6 million and ₱17.3 million in 2022 and 2021, respectively, (₱5.0 million in 2020) were reclassified from "Other reserves" account to "Retained earnings" account in the consolidated statements of financial position.

12. Intangible Asset

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

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

The movements in intangible asset are as follows:

		(In Thousands)	
	Note	**2022**	2021
Cost			
Balance at beginning and end of year		**₱5,261,186**	₱5,261,186
Accumulated Amortization			
Balance at beginning of year		**1,027,648**	911,814
Amortization	10	**115,834**	115,834
Balance at end of year		**1,143,482**	1,027,648
Net Carrying Amount		**₱4,117,704**	₱4,233,538

The unamortized life of the license as at December 31, 2022 is 35.5 years.

13. **Property and Equipment**

The movements of this account are as follows:

		In Thousands						
		2022						
	Note	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost								
Balance at beginning of year		**₱527,640**	**₱269,138**	**₱320,098**	**₱245,361**	**₱82,237**	**₱140,846**	**₱1,585,320**
Additions		**–**	**–**	**16,590**	**3,594**	**–**	**2,472**	**22,656**
Disposal		**(32,534)**	**(10,116)**	**–**	**–**	**(20,580)**	**(21,579)**	**(84,809)**
Balance at end of year		**495,106**	**259,022**	**336,688**	**248,955**	**61,657**	**121,739**	**1,523,167**
Accumulated Depreciation and Impairment								
Balance at beginning of year		**515,170**	**266,523**	**269,728**	**242,828**	**69,236**	**135,753**	**1,499,238**
Depreciation	10	**13,023**	**528**	**8,274**	**937**	**4,677**	**3,960**	**31,399**
Disposal		**(33,087)**	**(9,439)**	**–**	**–**	**(16,587)**	**(22,221)**	**(81,334)**
Balance at end of year		**495,106**	**257,612**	**278,002**	**243,765**	**57,326**	**117,492**	**1,449,303**
Net Carrying Amount		**₱–**	**₱1,410**	**₱58,686**	**₱5,190**	**₱4,331**	**₱4,247**	**₱73,864**

		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
Cost								
Balance at beginning of year		₱814,177	₱283,785	₱308,686	₱245,361	₱97,246	₱140,895	₱1,890,150
Additions		10,796	701	11,412	–	1,978	1,930	26,817
Disposal		(297,333)	(15,348)	–	–	(16,987)	(1,979)	(331,647)
Balance at end of year		527,640	269,138	320,098	245,361	82,237	140,846	1,585,320
Accumulated Depreciation and Impairment								
Balance at beginning of year		750,319	280,250	262,507	242,007	77,226	133,930	1,746,239
Depreciation	10	61,350	1,620	7,221	821	8,259	3,802	83,073
Disposal		(296,499)	(15,347)	–	–	(16,249)	(1,979)	(330,074)
Balance at end of year		515,170	266,523	269,728	242,828	69,236	135,753	1,499,238
Net Carrying Amount		₱12,470	₱2,615	₱50,370	₱2,533	₱13,001	₱5,093	₱86,082

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2022 and 2021.

14. **Investments in and Advances to Associates**

This account mainly consists of investment in APC Group, Inc., an entity incorporated in the Philippines, where the Parent Company has an effective interest of 48.8%.

	(In Thousands)	
	2022	2021
Investments in associates - net of allowance for impairment in value of ₱354.0 million	**₱118,744**	₱119,161
Advances to associates - net of allowance for impairment loss of ₱130.3 million	**528**	527
Net Carrying Amount	**₱119,272**	₱119,688

Investment in associates as of December 31, 2022 and 2021 consist of:

		(In Thousands)	
	Note	**2022**	2021
Acquisition cost		**₱5,716,536**	₱5,716,536
Accumulated equity in net losses			
Balance at beginning of year		**(5,254,916)**	(5,253,245)
Share in net loss	31	**(417)**	(1,671)
Balance at end of year		**(5,255,333)**	(5,254,916)
Accumulated share in unrealized gain on financial assets at FVOCI of associates - Balance at beginning and end of year		**14,061**	14,061
		475,264	475,681
Allowance for impairment in value		**(354,019)**	(354,019)
Equity share in cost of Parent Company common shares held by associates		**(2,501)**	(2,501)
		₱118,744	₱119,161

The Group has an outstanding balance of subscription payable pertaining to these investments amounting to ₱45.9 million as at December 31, 2022 and 2021 (see Note 17).

The fair values of investment in APC Group, Inc., which is publicly listed in the PSE, amounted to ₱721.0 million and ₱770.0 million as at Dcember 31, 2022 and 2021, respectively. Fair values are determied by reference to quoted market price at the close of business as at reporting date.

The financial information of APC Group, Inc. is summarized below:

	(In Thousands)	
	2022	2021
Total current assets	**₱19,630**	₱16,636
Total noncurrent assets	**240,001**	242,442
Total current liabilities	**108,831**	108,121
Total noncurrent liabilities	**3,481**	3,281
Total equity	**147,319**	147,676
Revenue	**506**	401
Net loss	**(888)**	(8,548)
Total comprehensive loss	**(358)**	(5,153)

15. **Goodwill**

Goodwill acquired from business combinations as at December 31, 2022 and 2021 consist of (in thousands):

Acquisition of:	
POSC	₱1,717,644
FRI	110,934
	1,828,578
Allowance for impairment	(902,570)
	₱926,008

No provision for impairment loss on goodwill was recognized in 2022 and 2021. In 2020, provision for impairment loss on goodwill amounted to ₱417.8 million (see Note 29). Allowance for impairment loss on goodwill amounted to ₱902.6 million as at December 31, 2022 and 2021.

The goodwill from the acquisitions has been subjected to the annual impairment review in 2022 and 2021. 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 such as the Covid-19 pandemic on the macroeconomic factors used in developing the assumptions.

Key assumptions used in value in use calculations

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

POSC

Discount Rate. Discount rate reflects management's estimate of the risks specific to the CGU. The pre-tax discount rate of 9.79% and 5.08% was used in 2022 and 2021, respectively, based on the Weighted Average Cost of Capital of POSC.

Revenue Growth Rate, Long-Term Growth Rate and Terminal Values. No growth rate was applied in the 5-year cash flow projections in 2022 and 2021, considering the contract of PinoyLotto with PCSO and historical performance of POSC.

FRI

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

With the change in FRI's exclusivity arrangement with its principal goodwill in FRI was fully provided with allowance for impairment loss as at December 31, 2022 and 2021.

16. Other Noncurrent Assets

This account consists of:

	Note	(In Thousands) 2022	2021
CWT		**₱405,968**	₱374,792
Advances to contractors		**139,740**	139,740
Refundable deposits and construction bond		**127,227**	125,931
Deferred input VAT		**75,650**	96,765
Pension asset	34	**4,508**	17,384
Others		**3,301**	4,275
		₱756,394	₱758,887

Advances to contractors are advances that are expected to be refunded within two years after project's completion.

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:

	Note	(In Thousands) 2022	2021
Trade		**₱218,816**	₱315,282
Accrued expenses		**703,232**	525,101
Withholding and output tax payable		**255,739**	238,020
Unearned income		**209,080**	320,241
Payables for land acquisitions	8	**145,157**	169,095
Advances from related parties	35	**64,491**	60,037
Customers' deposits		**52,925**	54,949
Subscription payable	14	**45,928**	45,928
Consultancy, software and license and management fees payable		**22,551**	37,019
Refundable deposit and others		**15,862**	43,629
		₱1,733,781	₱1,809,301

Trade payables are non-interest bearing with an average term of 90 days.

Accrued expenses and other payables mainly represent provisions. Other than provisions, accruals are usually payable within a 30-day term upon receipt of billing. The Group provides for probable losses. Provisions represent estimated probable losses arising in the normal course of business. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, further information are not disclosed so as not to prejudice the Group's position on the matter. In 2022, the Group recognized provisions amounting to ₱187.3 million (see Note 29). In 2021 and 2020, reversal of provisions amounted to ₱281.3 million and ₱756.1 million, respectively (see Note 31).

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

Payables for 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.

18. Loans Payable

Loans payable represent unsecured peso-denominated loans obtained from local banks with annual interest rates ranging from 2.30% to 6.25% and 2.60% to 4.75% in 2022 and 2021, respectively. Loans payable have historically been renewed or rolled over.

The carrying amount of outstanding loans payable amounted to ₱450.0 million and ₱1,995.0 million as at December 31, 2022 and 2021, respectively.

Interest expense on loans payable charged to operations amounted to ₱30.3 million and ₱58.0 million in 2022 and 2021, respectively (₱81.0 million in 2020) (see Note 30).

19. Other Noncurrent Liabilities

This account consists of the following:

	Note	(In Thousands) 2022	2021
Refundable deposits		**₱225,583**	₱214,535
Deferred lease income		**150,591**	153,999
Pension liability	34	**17,903**	30,894
Others		**–**	9,981
		₱394,077	₱409,409

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) 2022	2021
Long-term debt	**₱4,937,500**	₱4,885,000
Current portion	**(29,000)**	(15,000)
Noncurrent portion	**₱4,908,500**	₱4,870,000

BDO Unibank, Inc.
On March 6, 2018, the Parent Company availed of ₱3,000.0 million facility for the purpose of refinancing its short-term loans with other banks and other general funding requirements. The loan is payable at the end of its seven-year term, is unsecured and bears an interest rate of 3.25% to 4.25% in 2022 and 4.00% to 4.90% in 2021.

The Parent Company drew down ₱800.0 million from the loan facility in 2018 and an additional ₱600.0 million in 2019. Outstanding balance of the loan amounted to ₱1,400.0 million as at December 31, 2022 and 2021.

Chinabank
The Parent Company availed of ₱3,500.0 million facility for the purpose of financing capital expenditures, refinancing existing debt obligations and other general corporate purposes. These are unsecured and payable within five years with an annual fixed interest rate of 4.75%.

The Parent Company drawn ₱1,000.0 million from the facility in 2020 and an additional ₱2,500.0 million in 2021. Outstanding balance of the loan amounted to ₱3,470.0 million and ₱3,485.0 million as at December 31, 2022 and 2021, respectively.

Unionbank
On October 15, 2022, PinoyLotto entered into a long-term loan agreement for a loan facility with a maximum aggregate principal amount of ₱1,000.0 million, the proceeds of which shall be used to partially finance the capital expenditure requirements of its PLS project.

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

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

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, the Parent Company and PinoyLotto should comply with the minimum current ratio of 1.0x to 1.3x and maximum debt to equity ratio of 2.0x to 3.5x.

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

As at December 31, 2022 and 2021, the Group is in compliance with the terms of its loan covenants.

Repayment Schedule
The repayment schedules of long-term debt are as follows:

	(In Thousands)	
	2022	2021
Within one year	**₱29,000**	₱15,000
Within one to five years	**4,841,000**	4,870,000
More than five years	**67,500**	–
	₱4,937,500	₱4,885,000

Interest expense on long-term debt amounted to ₱204.9 million and ₱225.2 million in 2022 and 2021, respectively (₱237.4 million in 2020) (see Note 30).

21. **Equity**

Preferred Stock
As at December 31, 2022 and 2021, the Parent Company has not issued any preferred stock out of the authorized 6,000,000,000 shares at ₱1 par value. Pursuant to 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, 2022 and 2021, the Parent Company's authorized common stock amounted to ₱14,000.0 million divided into 14,000,000,000 shares at ₱1 par value per share.

Movements in the number of issued, treasury and outstanding shares of the Parent Company are as follows:

	2022	2021	2020
Issued shares			
Balance at beginning and end of year	**10,560,999,857**	10,560,999,857	10,560,999,857
Treasury shares			
Balance at beginning of year	**797,873,560**	797,874,560	797,874,560
Purchase	**66,663,000**	–	–
Reissuance	**–**	(1,000)	–
Balance at end of year	**864,536,560**	797,873,560	797,874,560
Outstanding shares	**9,696,463,297**	9,763,126,297	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
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	

Cost of Parent Company Shares Held by Subsidiaries

On February 4, 2022, the Parent Company repurchased 66,663,000 Parent Company shares held by POSC for a consideration of ₱88.7 million and related cost of ₱309.9 million.

As at December 31, 2022 and 2021, subsidiaries collectively hold Parent Company common shares totaling 252,378,183 and 319,041,183, respectively, with cost aggregating to ₱1,154.4 million and ₱1,464.3 million, respectively. These are presented as "Cost of Parent Company shares held by subsidiaries" account in the consolidated statements of financial position.

Other Equity Reserves

Other equity reserves include transactions with noncontrolling interests pertaining to the proceeds and transaction costs related to the sale of the Group's interest in PLC without loss of control amounting to ₱3,044.1 million as at December 31, 2022 and 2021.

Retained Earnings

The consolidated retained earnings as at December 31, 2022 and 2021 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 ₱2,745.1 million and ₱1,926.2 million as at December 31, 2022 and 2021, respectively.

Dividends

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 on March 13, 2020 with the payment made on March 27, 2020.

On February 28, 2023, the Parent Company's BOD approved the declaration of cash dividends of ₱0.06 per share amounting to approximately ₱600.0 million to shareholders of record as at March 15, 2023. Total dividends are inclusive of dividends payable to subsidiaries which hold Parent Company shares amounting to ₱15.1 million.

22. **Gaming Revenue Share** - net

Gaming revenue share is determined as follows:

	(In Thousands)		
	2022	2021	2020
Gaming revenue share - gross	**₱1,973,906**	₱2,040,109	₱1,017,666
Less PAGCOR license fee paid by Melco	**413,061**	739,818	382,449
Gaming revenue share - net	**₱1,560,845**	₱1,300,291	₱635,217

23. **Other Revenue**

This account consists of:

	Note	(In Thousands) 2022	2021	2020
Amortization of discount on trade receivables	7	**₱105,051**	₱72,600	₱69,517
Gain on repossession		**46,691**	18,015	44,729
Income from forfeitures		**37,677**	1,152	269
Penalty		**3,297**	2,192	2,215
Income from playing rights		**1,161**	536	1,250
Gain on sale of model unit		**–**	–	10,153
Others		**16,790**	24,451	15,125
		₱210,667	₱118,946	₱143,258

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 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.

24. **Cost of Lottery Services**

This account consists of:

	Note	(In Thousands) 2022	2021	2020
Online lottery system expenses		**₱102,334**	₱112,725	₱99,095
Software and license fees	36	**60,508**	54,498	40,566
Communication fees		**52,107**	59,064	95,157
Depreciation and amortization	10	**29,218**	71,071	97,893
Marketing expenses		**3,381**	–	–
Rental and utilities	33	**–**	10,028	11,261
Technical, software development and service fees		**–**	66,818	126,590
Personnel costs		**–**	–	15,773
Operating supplies		**–**	–	7,876
		₱247,548	₱374,204	₱494,211

25. Cost of Gaming Operations

This account consists of:

	Note	2022	2021	2020
		(In Thousands)		
Depreciation and amortization	10	**₱115,834**	₱115,834	₱115,834
Payroll-related expenses		**12,207**	11,919	11,808
Transportation and travel		**4,272**	4,191	4,145
Others		**4,033**	3,951	3,905
		₱136,346	₱135,895	₱135,692

26. Cost of Real Estate Sold

The cost of real estate sold amounted to ₱443.4 million and ₱301.4 million in 2022 and 2021, respectively (₱134.9 million in 2020).

27. Cost of Lease Income

This account consists of:

	Note	2022	2021	2020
		(In Thousands)		
Depreciation and amortization	10	**₱1,132,186**	₱1,069,566	₱1,034,996
Taxes		**171,587**	171,587	137,680
Insurance		**25,650**	49,205	29,245
Maintenance		**8,243**	4,590	4,593
		₱1,337,666	₱1,294,948	₱1,206,514

28. Cost of Services for Property Management

This account consists of:

	Note	2022	2021	2020
		(In Thousands)		
Water services		**₱69,265**	₱51,625	₱50,178
Power and maintenance		**59,798**	52,549	42,167
Depreciation and amortization	10	**10,549**	9,400	8,612
		₱139,612	₱113,574	₱100,957

29. General and Administrative Expenses

This account consists of:

	Note	(In Thousands) 2022	2021	2020
Provisions		**₱187,301**	₱–	₱610,810
Security, janitorial and service fees	35	**179,239**	166,700	137,688
Personnel costs	34	**104,679**	128,413	168,142
Transportation and travel		**73,856**	95,574	104,417
Taxes and licenses		**43,871**	92,307	102,398
Management and professional fees	35, 36	**34,872**	30,459	18,093
Selling expenses		**25,423**	23,529	23,982
Representation and entertainment		**23,893**	29,203	50,480
Rentals and utilities	33, 35	**15,041**	7,327	22,257
Pre-operating expenses		**13,993**	48,630	–
Marketing and advertising		**12,692**	640	3,068
Depreciation and amortization	10	**8,872**	23,372	20,541
Repairs and maintenance		**7,517**	7,154	7,177
Insurance		**4,529**	5,182	5,848
Registration fees		**4,273**	6,339	5,322
Communication		**3,205**	4,819	5,689
Others		**23,293**	23,455	27,047
		₱766,549	₱693,103	₱1,312,959

Provisions represent estimated probable losses arising in the normal course of business in 2022 (see Note 17). In 2020, provisions pertain to impairment losses on goodwill, receivables, other current assets and right-of-use assets (see Notes 7, 9, 15 and 33).

Details of pre-operating expenses incurred by PinoyLotto are as follows:

	(In Thousands) 2022	2021	2020
Professional fees	**₱6,222**	₱–	₱–
Bank charges	**3,266**	–	–
Taxes and licenses	**2,741**	–	–
Rent and utilities	**921**	–	–
Entertainment and representation	**398**	–	–
Others	**445**	48,630	–
	₱13,993	₱48,630	₱–

Others pertain to office supplies, seminar fees and association dues incurred during the year.

30. Interest Income and Interest Expense

The sources of the Group's interest income follow:

	Note	(In Thousands) 2022	2021	2020
Cash and cash equivalents	5	**₱19,150**	₱18,868	₱49,861
Contract assets	7	**3,681**	6,113	5,590
		₱22,831	₱24,981	₱55,451

The sources of the Group's interest expense follow:

		(In Thousands)		
	Note	**2022**	2021	2020
Lease liabilities	33	**₱272,936**	₱288,653	₱214,408
Long-term debt	20	**204,891**	225,189	237,418
Loans payable	18	**30,274**	57,996	81,011
Others		**8,241**	31,994	26,733
		₱516,342	₱603,832	₱559,570

31. **Other Income (Charges)** - Net

This account consists of:

		(In Thousands)		
	Note	**2022**	2021	2020
Dividend income	6, 11	**₱6,300**	₱5,275	₱13,995
Gain from disposal of net assets of subsidiaries		**543**	–	70,338
Share in net loss of associates	14	**(417)**	(1,671)	(2,519)
Gain on sale of property and equipment		**396**	176	16
Reversal of provision for probable loss	17	**–**	281,317	756,115
Reversal of allowance for impairment loss on contract asset	36	**–**	26,000	–
Pre-termination gain (loss) on leases	33	**–**	(567)	13,114
Bank service charges		**–**	–	(10,174)
Others - net		**7,735**	(37)	2,309
		₱14,557	₱310,493	₱843,194

On February 13, 2020, POSC concluded the sale of all of its equity interest in Lucky Circle Corporation (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 amounted to ₱70.3 million in 2020.

32. **Income Taxes**

The provision for current income tax consists of the following:

	(In Thousands)		
	2022	2021	2020
RCIT	**₱14,627**	₱11,118	₱36,653
MCIT	**13,958**	1,538	–
	₱28,585	₱12,656	₱36,653

The components of the net deferred tax liabilities of the Group are as follows:

	(In Thousands)	
	2022	2021
Deferred tax assets:		
Lease liabilities	**₱1,559,843**	₱1,632,667
NOLCO	**174,617**	344,374
Discount on trade receivables	**53,798**	42,960
Deferred lease income	**37,648**	40,702
Accretion of refundable deposits	**9,331**	9,737
Doubtful accounts	**5,950**	5,950
Unamortized past service costs	**1,651**	4,018
Provision for dismantling cost	**1,221**	1,138
Unrealized foreign exchange loss	**126**	–
Pension liability	**111**	4,016
	1,844,296	2,085,562
Deferred tax liabilities:		
Excess of carrying amount of investment property over construction costs	**(1,836,920)**	(1,787,407)
Right-of-use assets	**(1,401,146)**	(1,497,483)
Lease incentives	**(450,712)**	(487,274)
Accrued rent income	**(331,636)**	(358,539)
Difference between tax and accounting for real estate transactions	**(237,324)**	(228,678)
Unaccreted discount on refundable deposits	**(41,817)**	(44,579)
Deferred income on real estate sales	**(16,841)**	(5,168)
Deferred lease expense	**(10,008)**	(10,214)
Contract assets	**(1,000)**	(17,580)
Unrealized foreign exchange gain	**(125)**	(218)
Pension asset	**(103)**	(4,346)
	(4,327,632)	(4,441,486)
Net deferred tax liabilities	**(₱2,483,336)**	(₱2,355,924)

The components of deferred tax are presented as follows:

	(In Thousands)	
	2022	2021
In profit or loss	**(₱2,476,514)**	(₱2,348,396)
In other comprehensive income	**(6,822)**	(7,528)
	(₱2,483,336)	(₱2,355,924)

The deferred taxes presented in the consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	(In Thousands)	
	2022	2022
Deferred tax assets	**₱–**	₱21,399
Deferred tax liabilities	**(2,483,336)**	(2,377,323)
Net deferred tax liabilities	**(₱2,483,336)**	(₱2,355,924)

The components of the Group's unrecognized deferred tax assets as at December 31, 2022 and 2021 are as follows:

	(In Thousands)	
	2022	2021
Allowances for:		
Impairment losses - project development costs and others	**₱2,967,275**	₱2,967,275
Doubtful accounts	**574,880**	574,880
Probable losses	**80,134**	33,309
NOLCO	**196,137**	244,079
Excess MCIT over RCIT	**15,496**	1,538
	₱3,833,922	₱3,821,081

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
2022	₱–	₱86	₱–	₱–	₱86	2025
2021	723,017	–	–	–	723,017	2026
2020	1,438,939	–	(679,028)	–	759,911	2025
2019	191,856	–	–	(191,856)	–	2022
	₱2,353,812	₱86	(₱679,028)	(₱191,856)	₱1,483,014	

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 deferred tax assets related to NOLCO amounting to ₱784.5 million and ₱976.3 million as at December 31, 2022 and 2021 were not recognized since management believes that there will be no sufficient future taxable income 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
2022	₱–	₱13,958	₱–	₱13,958	2025
2021	1,538	–	–	1,538	2024
	₱1,538	₱13,958	₱–	₱15,496	

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 statements of comprehensive income is as follows:

	(In Thousands)		
	2022	2021	2020
Income tax at statutory income tax rate	**₱466,790**	₱54,143	₱335,705
Income tax effects of:			
Nontaxable income	**(391,939)**	(404,596)	(194,737)
Nondeductible expenses and others	**51,518**	89,231	65,318
Expired NOLCO	**47,964**	1,427	29
Change in unrecognized deferred tax assets	**(12,841)**	97,027	2,881
Income subjected to final tax	**(4,788)**	(4,848)	(15,004)
Reversal of deferred tax assets	**–**	–	26,158
Others	**–**	–	6,967
Change in income tax rate	**–**	(361,013)	–
	₱156,704	(₱528,629)	₱227,317

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 became retrospectively 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 amounted to ₱361.0 million were recognized in 2021.

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 for a period of 10 years commencing on April 23, 2010. The lease rates are based on a fixed amount, subject to escalation. The contract may be renewed or extended upon such terms and conditions that are mutually acceptable to the parties. In 2012, the lease term was extended until April 2035.

In 2020, the Parent Company amended the lease agreement to shorten the lease term until July 31, 2023 and transferred the land improvements to Social Security System (SSS). Moreover, the lease rate will be subjected to repricing on its 6th year and 11th year. The Parent Company accounted for these amendments as a lease modification. Gain on the shortening of the lease term amounting to ₱13.1 million was recognized as part of "Pre-termination gain on leases" under "Other income (charges) - net" account in the consolidated statements of comprehensive income (see Note 31).

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.

The Parent Company has a lease agreement with SM Prime Holdings, 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, 2022, the operating lease agreement was renewed for another five years ending on July 31, 2027.

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 ₱15.0 million and ₱18.6 million in 2022 and 2021, respectively, (₱27.8 million in 2020) (see Notes 24 and 29).

Movements of right-of-use assets follows:

		(in Thousands)			
		2022			
	Note	**Air Rights**	**Office and Warehouse**	**Equipment**	**Total**
Cost					
Balance at beginning of year		**₱53,673**	**₱34,963**	**₱163,499**	**₱252,135**
Additions		**–**	**39,655**	**–**	**39,655**
Derecognition		**–**	**(28,291)**	**–**	**(28,291)**
Balance at end of year		**53,673**	**46,327**	**163,499**	**263,499**
Accumulated Depreciation, Amortization and Impairment					
Balance at beginning of year		**11,104**	**22,720**	**163,499**	**197,323**
Depreciation and amortization	10	**3,701**	**13,539**	**–**	**17,240**
Derecognition		**–**	**(28,290)**	**–**	**(28,290)**
Balance at end of year		**14,805**	**7,969**	**163,499**	**186,273**
Carrying amount		**₱38,868**	**₱38,358**	**₱–**	**₱77,226**

		(in Thousands)			
		2021			
	Note	Air Rights	Office and Warehouse	Equipment	Total
Cost					
Balance at beginning of year		₱53,673	₱37,051	₱163,499	₱254,223
Additions		–	8,926	–	8,926
Termination of lease		–	(11,014)	–	(11,014)
Balance at end of year		53,673	34,963	163,499	252,135
Accumulated Depreciation, Amortization and Impairment					
Balance at beginning of year		7,403	11,589	163,499	182,491
Depreciation and amortization	10	3,701	20,671	–	24,372
Termination of lease		–	(9,540)	–	(9,540)
Balance at end of year		11,104	22,720	163,499	197,323
Carrying amount		₱42,569	₱12,243	₱–	₱54,812

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

	Note	(In Thousands)		
		2022	2021	2020
Interest expense on lease liabilities	30	**₱272,936**	₱288,653	₱214,408
Amortization of right-of-use assets	10	**17,240**	24,372	37,203
Expenses relating to short-term leases	24, 29	**15,041**	17,335	33,518
Pre-termination loss (gain) on leases	31	**–**	567	(13,114)
Impairment loss of right-of-use assets		**–**	–	9,325
		₱305,217	₱330,927	₱281,340

Movements of lease liabilities follows:

	(In Thousands)	
	2022	2021
Balance at beginning of year	**₱6,542,094**	₱6,687,494
Interest expense	**272,936**	288,653
Additions	**39,887**	8,926
Payments	**(608,769)**	(440,938)
Termination of lease	**–**	(2,041)
Balance at end of year	**6,246,148**	6,542,094
Current portion of lease liabilities	**403,241**	345,679
Lease liabilities - net of current portion	**₱5,842,907**	₱6,196,415

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

	(In Thousands)	
	2022	2021
Within 1 year	**₱665,095**	₱627,948
After 1 year but not more than 5 years	**2,738,526**	1,942,988
After 5 years	**4,465,705**	5,865,696

Refundable Deposits

The Group paid deposits as security to various leases amounting to ₱88.4 million and ₱84.6 million as at December 31, 2022 and 2021, respectively. 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). The ELA was extended to July 31, 2022 and further extended on a month-to-month basis up to May 31, 2023. Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of all POSC's lotto terminals. Equipment rental income recognized in the consolidated statements of comprehensive income amounted to ₱512.8 million and ₱390.8 million in 2022 and 2021, respectively (₱245.9 million in 2020).

TGTI leases "Online KENO" equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. In 2021, the ELA was extended on a month-to-month basis not exceeding 1 year, commencing from April 1, 2021 and not exceeding April 1, 2022. The ELA expired and was not renewed in 2022. Rental payment by PCSO is based on a certain percentage of the gross amount of the "Online KENO" games from the operation of all TGTI's KENO terminals. Equipment rental income recognized in the consolidated statements of comprehensive income amounted to ₱6.3 million and ₱35.6 million in 2022 and 2021, respectively (₱47.2 million in 2020).

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 on the lease of land and building to Melco. The 2020 rental payments were reduced to ₱278.9 million from ₱2,349.6 million. The Parent Company accounted for this lease concession as a lease modification that gives rise to a new lease.

In 2022 and 2021, the Parent Company and Melco agreed to amend its lease contract whereby the 2021 rental payments were changed to include minimum guaranteed rental payments and an additional lease payment subject to certain conditions such as operating capacity and lifting of some restrictions. Total rental payments for 2022 amounted to ₱2,054.3 million and the subsequent rental payments will consist of a fixed base rent and a variable rent based on the percentage ratio of actual against target gross gaming revenues of City of Dreams Manila.

In 2022 and 2021, the Parent Company recognized lease income to the extent collectible. The Parent Company recognized lease income on the lease of land and building to Melco amounting to ₱2,054.3 million and ₱807.9 million in 2022 and 2021, respectively (₱2,663.2 million in 2020).

As at December 31, 2022 and 2021, the minimum lease payments to be received by the Parent Company on the lease on the land and building are as follows:

	(In Thousands)	
	2022	2021
Within one year	**₱2,235,101**	₱2,652,233
In more than one year and not more than five years	**9,870,926**	11,134,229
In more than five years	**16,658,787**	18,498,064
	₱28,764,814	₱32,284,526

The Group carried receivables relating to these leases amounting to ₱3,106.4 million and ₱3,523.9 million under the "Receivables" account in the consolidated statements of financial position as at December 31, 2022 and 2021, respectively (see Note 7).

Costs incurred for these leases, which consist of taxes, property insurance and other costs, are presented under "Cost of lease income" account in the consolidated statements of comprehensive income (see Note 27).

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, 2022.

PLC provides for a defined benefit minimum guarantee for its qualified employees based on Republic Act No. 7641.

Changes in the retirement benefits of the Group in 2022 are as follows:

	(In Thousands)		
	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Pension Asset (Liability)**
Balance at beginning of year	**(₱169,357)**	**₱155,847**	**(₱13,510)**
Net retirement income (costs) in profit or loss:			
Current service cost	**(12,092)**	**–**	**(12,092)**
Net interest	**(8,804)**	**8,187**	**(617)**
	(20,896)	**8,187**	**(12,709)**
Benefits paid	**32,751**	**(32,751)**	**–**
Contributions	**–**	**10,000**	**10,000**
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes from changes in:			
Experience adjustment	**14,679**	**–**	**14,679**
Financial assumptions	**(2,474)**	**–**	**(2,474)**
Demographic assumptions	**(1,098)**	**–**	**(1,098)**
Actual return excluding interest income	**–**	**(10,352)**	**(10,352)**
Effect of asset ceiling	**–**	**2,069**	**2,069**
	11,107	**(8,283)**	**2,824**
Balance at end of year	**(146,395)**	**₱133,000**	**(₱13,395)**

Changes in the retirement benefits of the Group 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	(₱227,480)	₱182,201	(₱45,279)
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 from changes in:			
Experience adjustment	18,158	–	18,158
Financial assumptions	12,067	–	12,067
Demographic assumptions	7,690	–	7,690
Actual return excluding interest income	–	925	925
Effect of asset ceiling	–	(1,669)	(1,669)
	37,915	(744)	37,171
Balance at end of year	(₱169,357)	₱155,847	(₱13,510)

The retirement benefits are presented in the consolidated statements of financial position as at December 31, 2022 and 2021 as follows:

		(In Thousands)	
	Note	**2022**	2021
Pension asset	16	**₱4,508**	₱17,384
Pension liability	19	**(17,903)**	(30,894)
Net pension liability		**(₱13,395)**	(₱13,510)

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)	
	2022	2021
Cash and cash equivalents	**47%**	9%
Debt instruments - government bonds	**33%**	55%
Unit investment trust funds	**12%**	30%
Mutual fund	**4%**	3%
Others	**4%**	3%
	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 defined benefit asset or obligation under the retirement plan.

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

	2022	2021
Discount rates	**5.05%-7.32%**	4.99%-5.19%
Future salary increases	**6.00%-8.00%**	5.00%-8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021 assuming all other assumptions were held constant:

	2022		2021	
	Increase (Decrease)	**Increase (Decrease) in Defined Benefit Obligation (In thousands)**	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation (In thousands)
Discount rate	**1.00%**	**(₱55,423)**	1.00%	(₱10,243)
	(1.00%)	**44,572**	(1.00%)	12,145
Salary increase rate	**1.00%**	**61,789**	100%	12,058
	(1.00%)	**(49,464)**	(1.00%)	(8,184)

The average duration of the Group's defined benefit obligation is 16.35 years in 2022.

The maturity analysis of the undiscounted benefit payments follows:

	(In Thousands)	
	2022	2021
Less than 1 year	**₱71,137**	₱86,621
More than 1 year to 5 years	**23,058**	18,215
More than 5 years	**424,528**	64,569

35. **Related Party Transactions**

In the ordinary course of business, the Group has the following transactions with related parties:.

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Conditions
				(In Thousands)			
APC	Associate	Reimbursable expenses (see Note 14)	**2022**	**₱1**	**₱79,977**	Noninterest-bearing, due and demandable	Unsecured, partially provided with allowance for impairment amounting to ₱79,449
			2021	₱–	₱79,976		
Belle Jai Alai	Associate	Advances to associate (see Note 14)	**2022**	**–**	**29,398**	Noninterest-bearing, due and demandable	Unsecured, fully provided with allowance for impairment
			2021	–	29,398		
Others	Associate	Advances to associates (see Note 14)	**2022**	**–**	**21,405**	Noninterest-bearing, due and demandable	Unsecured, fully provided with allowance for impairment
			2021	–	21,405		
Others	Associate	Advances from related parties (see Note 17)	**2022**	**4,454**	**64,491**	Noninterest-bearing, due and demandable	Unsecured
			2021	21,936	60,037		
SM Prime Holdings, Inc.	With common stockholders	Lease	**2022**	**16,068**	**–**	5 years, renewable	Unsecured
			2021	12,690	–		
			2020	9,774	–		
SM Investments Corporation	With common stockholders	Service fees	**2022**	**66,000**	**–**	1 year, renewable	Unsecured
			2021	66,000	–		
			2020	66,000	–		
Highlands Prime, Inc. (HPI)	With common stockholders	Service fees	**2022**	**77,140**	**–**	5 years, renewable	Unsecured
			2021	85,658	–		
			2020	3,884	–		
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement	**2022**	**–**	**–**	3 years	Unsecured
			2021	–	–		
			2020	4,500	–		
Directors and officers	Key management personnel	Short-term employee benefits	**2022**	**73,128**	**–**	Not applicable	Unsecured
			2021	67,441	–		
			2020	61,553	–		
		Long-term employee benefits	**2022**	**2,413**	**–**	Not applicable	Unsecured
			2021	4,691	–		
			2020	4,252	–		
		Professional fees	**2022**	**19,142**	**–**	Not applicable	Unsecured
			2021	15,499	–		
			2020	13,190	–		

There are 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.

Allowance provided on advances to associates charged to "Investments in and Advances to Associates" amounted to ₱130.3 million as at December 31, 2022 and 2021 (see Note 14).

Transactions with other related parties are as follows:

- In 2019, the Parent Company entered into a renewable one-year service agreement with SM Investments Corporation. Service fees charged by SMIC to the Parent Company amounted to ₱66.0 million in 2022 and 2021 (and 2020). These are recognized under "General and administrative expenses" in the consolidated statements of comprehensive income (see Note 29).

- 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 ₱77.1 million and ₱85.7 million in 2022 and 2021, respectively, (₱3.9 million in 2020). These are recognized under "General and administrative expenses" in consolidated statements of comprehensive income (see Note 29).

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. As at December 31, 2022 and 2021, the Group and its co-licensees have complied with the Investment Commitment.

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.

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 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 amounted to ₱1,560.8 million and ₱1,300.3 million in 2022 and 2021, respectively (₱635.2 million in 2020) (see Note 22).

Agreements with PCSO

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

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

Pursuant to the amended ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2022 and 2021, the total guarantee deposits, included under “Other current assets” account in the consolidated statements of financial position, amounted to ₱12.0 million (see Note 9).

Since July 31, 2019, the period covered by ELA had several extensions to allow 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. The last extension was for a month-to-month basis up to May 31, 2023.

The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO’s Luzon and VISMIN operations. The number of installed lotto terminals totaled 3,605 and 3,129 as at December 31, 2021 and 2020, respectively. POSC’s rental income amounted to ₱512.7 million and ₱390.8 million in 2022 and 2021, respectively (₱245.9 million in 2020) (see Note 33).

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

Since December 11, 2020, the ELA has several extensions until April 1, 2022 when the ELA expired and was not renewed.

The ELA also required TGTI to post a cash bond and performance security bond with an aggregate amount of ₱2.5 million. The guarantee deposit is in included under “Other current assets” account in the consolidated statements of financial position (see Note 9).

The number of installed online KENO terminals totaled 57 and 569 as at December 31, 2022 and 2021, respectively. TGTI’s revenue from equipment rental amounted to ₱6.3 million and ₱35.6 million in 2022 and 2021, respectively (₱47.2 million in 2020) (see Note 33).

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 the 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.

In 2020, management recognized an impairment loss of ₱26.0 million on contract assets because of the delays on the payment of accrued license fees equivalent to the months when the PCSO games were suspended. These were subsequently reversed in 2021 when payments were received (see Notes 29 and 31).

As at December 31, 2022 and 2021, contract asset recognized for the earned consideration but not yet collected amounted to ₱4.0 million and ₱70.3 million, respectively. Accreted interest income amounted to ₱3.7 million and ₱6.1 million in 2022 and 2021, respectively (₱5.6 million in 2020) (see Note 7).

POSC's Contracts with Scientific Games and Intralot

Scientific Games. As at December 31, 2022 and 2021, POSC has a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of Visayas-Mindanao Online Lottery System. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery operation using the computer hardware and operating system provided by Scientific Games. The contract shall continue as long as the POSC's ELA with PCSO is in effect.

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

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

Intralot. As at December 31, 2022 and 2021, 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 2022, the contract with POSC was extended until December 31, 2022 while the contract with TGTI was no longer renewed because TGTI's ELA with PCSO expired on April 1, 2022.

Software and license fee recognized pertaining to above contracts amounted to ₱60.5 million and ₱54.5 million in 2022 and 2021, respectively (₱40.6 million in 2020) (see Note 24).

Interest in a Joint Operation of PinoyLotto Technologies Corp. (PinoyLotto)

On June 21, 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' with a contract price of ₱5,800.0 million (see Note 1).

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, 2022 and 2021 are as follows:

	(in Thousands)			
	2022		2021	
	PinoyLotto	**Share in Joint Operation**	PinoyLotto	Share in Joint Operation
Cash	**₱51,785**	**₱25,892**	₱5,377	₱2,687
Advances to supplier	**418,472**	**209,236**	–	–
Other current assets	**4,579**	**2,289**	263	131
Intangible assets	**29**	**14**	–	–
Trade and other current liabilities	**(5)**	**(2)**	(4)	(2)
Advances from shareholder	**(26,222)**	**(13,111)**	–	–
Loans payable	**(135,000)**	**(67,500)**	–	–
Net loss (mainly pre-operating expenses)	**27,957**	**27,957**	**13,979**	97,264

In connection with the acquisition of property and equipment pursuant to the PLS Project, PinoyLotto entered into purchase, supply, implementation and maintenance support agreements in 2022. The estimated capital expenditure is ₱1.36 billion. Advances made to suppliers as at December 31, 2022 amounted to ₱418.5 million.

37. Basic/Diluted EPS

The basic/diluted earnings per share were computed as follows:

	(In Thousands, Except for EPS)		
	2022	2021	2020
Earnings attributable to Equity holders of the Parent (a)	**₱1,395,751**	₱576,983	₱1,001,281
Number of issued common shares at beginning of year	**10,561,000**	10,561,000	10,561,000
Number of common treasury shares at beginning of year	**(797,874)**	(797,874)	(797,875)
Number of parent company common shares held by subsidiaries at beginning of year	**(319,041)**	(319,041)	(319,041)
Weighted average number of treasury shares issued (purchased) during the year	**(60,271)**	500	–
Weighted average number of parent company common shares held by subsidiaries redeemed during the year	**60,271**	–	–
Weighted average number of issued common shares - basic, at end of year (b)	**9,444,085**	9,444,585	9,444,084
Basic/diluted EPS (a/b)	**₱0.148**	₱0.061	₱0.106

There are no common stock equivalents that would have a dilutive effect on the basic EPS.

38. Financial Risk Management Objectives and Policies, Capital Management and Fair Value of Financial Instruments

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, advances to associates, refundable deposits and construction bonds, guarantee deposits, loans payable, long-term debt and lease liability.

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)	
	2022	2021
Increase (decrease) in basis points:		
100	**(₱5,163)**	(₱6,038)
(100)	**5,163**	6,038
50	**(2,581)**	(3,019)
(50)	**2,581**	3,019

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, 2022 and 2021, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	(in Thousands)			
	2022		2021	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Cash and cash equivalents	**$1,963**	**₱109,435**	$209	₱10,679
Consultancy and software license fee payable*	**(838)**	**(46,733)**	(733)	(37,455)
Net foreign currency-denominated financial assets	**$1,125**	**₱62,702**	($524)	(₱26,776)

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

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱55.76 and ₱51.09 to US$1.0 as at December 31, 2022 and 2021, 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 income tax as at December 31, 2022 and 2021. 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.

	2022		2021	
	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)	**₱3,135**	**(₱3,135)**	₱1,339	(₱1,339)

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 financial assets at FVPL and FVOCI consisting of 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 2022 and 2021 consolidated total comprehensive income before income tax:

	(In Thousands)	
Increase (Decrease) in Equity Price	**2022**	2021
Impact in profit or loss		
5%	**₱3,634**	₱3,653
(5%)	**(3,634)**	(3,653)
Impact in comprehensive income		
5%	**₱466,055**	₱363,521
(5%)	**(466,055)**	(363,521)

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, receivables, advances to associates, deposits, refundable deposits and construction bonds, and guarantee deposits, 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)						
	2022						
	Neither	**Past Due but not Impaired**					
	Past Due nor Impaired	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
Cash and cash equivalents*	**₱1,773,922**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,773,922**
Receivables	**5,029,248**	**6,163**	**2,313**	**1,686**	**2,297**	**720,628**	**5,762,335**
Advances to associates**	**528**	**–**	**–**	**–**	**–**	**130,254**	**130,782**
Refundable deposits and construction bond***	**127,227**	**–**	**–**	**–**	**–**	**–**	**127,227**
Guarantee deposits****	**14,500**	**–**	**–**	**–**	**–**	**–**	**14,500**
	₱6,945,425	**₱6,163**	**₱2,313**	**₱1,686**	**₱2,297**	**₱850,882**	**₱7,808,766**

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

	(In Thousands)						
	2021						
	Neither	Past Due but not Impaired					
	Past Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	₱2,081,651	₱–	₱–	₱–	₱–	₱–	₱2,081,651
Receivables	5,099,896	–	9,407	5,181	45,982	720,628	5,881,094
Advances to associates**	527	–	–	–	–	130,254	130,781
Refundable deposits and construction bond***	125,931	–	–	–	–	–	125,931
Guarantee bonds****	14,500	–	–	–	–	–	14,500
	₱7,322,505	₱–	₱9,407	₱5,181	₱45,982	₱850,882	₱8,233,957

**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.*
*****Presented under "Other current 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)			
	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Cash and cash equivalents*	**₱1,773,922**	**₱–**	**₱–**	**₱1,773,922**
Receivables	**5,029,258**	**12,459**	**720,628**	**5,762,345**
Advances to associates**	**528**	**–**	**130,254**	**130,782**
Refundable deposits and construction bonds***	**127,227**	**–**	**–**	**127,227**
Guarantee deposits****	**14,500**	**–**	**–**	**14,500**
Gross Carrying Amount	**₱6,945,435**	**₱12,459**	**₱850,882**	**₱7,808,776**

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

	(In Thousands)			
	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Cash and cash equivalents*	₱2,081,651	₱–	₱–	₱2,081,651
Receivables	5,099,896	60,570	720,628	5,881,094
Advances to associates**	527	–	130,254	130,781
Refundable deposits and construction bonds***	125,931	–	–	125,931
Guarantee deposits****	14,500	–	–	14,500
Gross Carrying Amount	₱7,322,505	₱60,570	₱850,882	₱8,233,957

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

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, 2022 and 2021 based on contractual undiscounted cash flows.

	(In Thousands)					
	2022					
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
Trade and other current liabilities*	**₱1,216,037**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,216,037**
Loans payable	**450,017**	**–**	**–**	**–**	**–**	**450,017**
Long-term debt	**–**	**–**	**29,000**	**4,841,000**	**67,500**	**4,937,500**
Lease liability**	**–**	**331,590**	**331,590**	**1,369,263**	**5,834,967**	**7,867,410**
Refundable deposit***	**–**	**–**	**–**	**–**	**225,583**	**225,583**
	₱1,666,054	**₱331,590**	**₱360,590**	**₱6,210,263**	**₱6,128,050**	**₱14,696,547**

**Excluding withholding and output tax payable, unearned income and customers' deposits.*
***based on undiscounted payments*
****Presented under "Other noncurrent liabilities" account in the consolidated statement of financial position.*

	(In Thousands)					
	2021					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
Trade and other current liabilities*	₱1,196,091	₱–	₱–	₱–	₱–	₱1,196,091
Loans payable	1,995,017	–	–	–	–	1,995,017
Long-term debt	–	–	15,000	4,870,000	–	4,885,000
Lease liability**	–	299,399	315,494	1,323,775	6,501,123	8,439,791
Refundable deposit***	–	–	–	–	214,535	214,535
	₱3,191,108	₱299,399	₱330,494	₱6,193,775	₱6,715,658	₱16,730,434

**Excluding withholding and output tax payable, unearned income and customers' deposits.*
***based on undiscounted 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 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 2022 and 2021.

The Group considers the following as its capital:

	(In Thousands)	
	2022	2021
Common stock	**₱10,561,000**	₱10,561,000
Additional paid-in capital	**5,503,731**	5,503,731
Treasury stock	**(2,565,359)**	(2,476,697)
Cost of Parent Company common shares held by subsidiaries	**(1,154,409)**	(1,494,322)
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)
Retained earnings	**13,501,329**	12,175,075
	₱25,843,791	₱24,266,286

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)				
	2022				
	Carrying Value	**Fair Value**	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets					
Assets measured at fair value:					
Financial assets at FVOCI	**₱9,321,093**	**₱9,321,093**	**₱6,509,070**	**₱–**	**₱2,806,023**
Financial assets at FVPL	**72,682**	**72,682**	**72,682**	**–**	**–**
Assets for which fair value is disclosed -					
Investment properties	**23,239,249**	**41,782,462**	**–**	**–**	**41,782,462**
Liabilities					
Liabilities for which fair value is disclosed:					
Refundable deposits	**225,583**	**212,873**	**–**	**–**	**212,873**
Long-term debt	**4,908,500**	**4,695,311**	**–**	**–**	**4,695,311**

	(In Thousands)				
	2021				
	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Assets measured at fair value:					
Financial assets at FVOCI	₱7,270,420	₱7,270,420	₱4,639,176	₱–	₱2,631,244
Financial assets at FVPL	73,054	73,054	73,054	–	–
Assets for which fair value is disclosed -					
Investment properties	24,371,435	41,782,462	–	–	41,782,462
Liabilities					
Liabilities for which fair value is disclosed:					
Refundable deposits	214,535	202,448	–	–	202,448
Long-term debt	4,885,000	4,987,980	–	–	4,987,980

The Company has no financial liabilities measured at fair value as at December 31, 2022 and 2021. There were no transfers between fair value measurements in 2022 and 2021.

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 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 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.

Refundable Deposits. The fair value of refundable deposits is estimated at the present value of future cash flows discounted using the prevailing market rate of 5.21% and 2.68% in 2022 and 2021, respectively.

Long-term Debt. The fair value of long-term debt is determined by discounting the obligations' expected future cash flows using the discount rate of 5.21% to 6.47% in 2022 and 2.91% to 3.74% in 2021.

39. Supplemental Disclosure of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	(In Thousands)					
	2022					
	Balance at beginning of year	**Additions**	**Cash flows**	**Interest expense**	**Termination**	**Balance at end of year**
Dividends payable	**₱–**	**₱297,939**	**(₱297,939)**	**₱–**	**₱–**	**₱–**
Lease liability	**6,542,094**	**39,887**	**(608,769)**	**272,936**	**–**	**6,246,148**
Loans payable	**1,995,017**	**450,000**	**(1,995,000)**	**–**	**–**	**450,017**
Long-term debt	**4,885,000**	**67,500**	**(15,000)**	**–**	**–**	**4,937,500**
Interest payable	**19,195**	**–**	**(233,435)**	**243,406**	**–**	**29,166**
	₱13,441,306	**₱855,326**	**(₱3,150,143)**	**₱516,342**	**₱–**	**₱11,662,831**

	(In Thousands)					
	2021					
	Balance at beginning of year	Additions	Cash flows	Interest expense	Derecognition/ Termination	Balance at end of year
Dividends payable	₱–	₱241,660	(₱241,660)	₱–	₱–	₱–
Lease liability	6,687,494	8,926	(440,938)	288,653	(2,041)	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	–	–	(584,637)	603,832	–	19,195
	₱13,779,178	₱3,870,586	(5,098,902)	₱892,485	(2,041)	₱13,441,306

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4782 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

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 years ended December 31, 2022 and 2021 and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole.

The following supplementary schedules are the responsibility of the Group's management. These are presented for purposes of complying with Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements:

- Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration as at December 31, 2022
- Schedules required by Annex 68-J as at December 31, 2022
- Conglomerate Map as at December 31, 2022
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2022 and 2021

The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

The Schedule of Financial Soundness Indicators, including definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021.

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. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

BELLE CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2022 and 2021

(Amounts in Thousands, Except for Ratios)

Ratio	Formula	2022	2021
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		
	Total current assets	**₱12,929,760**	₱12,244,193
	Divide by: Total current liabilities	**2,616,039**	4,164,997
	Current ratio	**4.94**	2.94
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		
	Total current assets	**12,929,760**	12,244,193
	Less: Real estate for sale	**163,189**	(351,120)
	Land held for future development	**3,025,976**	(3,021,120)
	Other current assets	**3,945,435**	(2,426,928)
	Quick assets	**5,795,160**	6,445,025
	Divide by: Total current liabilities	**2,616,039**	4,164,997
	Acid test ratio	**2.22**	1.55
Debt-to-Equity Ratio	**Total Interest-Bearing debt divided by Total Equity**		
	Total interest-bearing debt	**5,387,517**	6,880,017
	Total equity	**36,512,862**	33,009,433
	Debt to equity ratio	**0.15**	0.21
Asset-to-Equity Ratio	**Total Assets divided by Total Equity**		
	Total assets	**52,757,721**	51,027,577
	Total equity	**36,512,862**	33,009,433
	Asset to equity ratio	**1.44**	1.55
Interest Rate Coverage Ratio	**Income Before Interest and Taxes divided by Total Interest Expense**		
	Net income before income tax	**1,867,161**	216,573
	Less: Interest income	**22,831**	24,981
	Add: Interest expense	**516,342**	603,832
	Income before interest and taxes	**2,360,672**	795,424
	Divide by: Interest expense	**516,342**	603,832
	Interest rate coverage ratio	**4.57**	1.32

Ratio	Formula	2022	2021
Return on Equity	**Net Income divided by Average Total Equity**		
	Net income	**₱1,710,457**	₱745,202
	Average total equity	**34,763,281**	31,721,775
	Return on equity	**4.92%**	2.35%
Return on Assets	**Net Income divided by Average Total Assets**		
	Net income	**1,710,457**	745,202
	Average total assets	**51,892,649**	50,514,743
	Return on assets	**3.30%**	1.48%
Solvency Ratio	**Net Income Before Non-Cash Expenses divided by Total Liabilities**		
	Net income	**1,710,457**	745,202
	Add: Non-cash expenses	**1,497,520**	1,324,939
	Net loss before non-cash expenses	**3,207,977**	2,070,141
	Total liabilities	**16,244,859**	18,018,144
	Solvency ratio	**14.75%**	11.49%
Net Profit Margin	**Net Income divided by Total Revenue**		
	Net income	**1,710,457**	745,202
	Total revenue	**5,419,273**	3,420,934
	Net profit margin	**31.56%**	21.78%

BELLE CORPORATION AND SUBSIDIARIES

PARENT COMPANY'S RECONCILIATON OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022

(Amounts in Thousands)

		Amount
Unappropriated retained earnings, as at December 31, 2021		₱14,276,628
Add (less):		
Excess of carrying amount of investment property over construction cost, net of tax	(₱5,362,223)	
Deferred tax asset, beginning	(2,046,308)	
Lease incentives, net of tax	(1,461,821)	
Accrued rental, net of tax	(1,075,616)	
Gain on share swap	(946,628)	
Accretion of security deposit, net of tax	(133,737)	(11,026,333)
Unappropriated retained earnings available for dividend distribution as at January 1, 2022, as adjusted		3,250,295
Net income during the period closed to retained earnings	1,583,366	
Less: Difference in depreciation on excess of carrying amount of investment property over construction cost	133,536	
Movement in deferred tax assets	125,956	
Lease incentives	109,686	
Accrued rental	80,708	
Accretion of security deposit	8,286	2,041,538
		5,291,833
Treasury shares		(2,565,359)
Realized gain on club shares transferred to retained earnings		18,585
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year		₱2,745,059

BELLE CORPORATION AND SUBSIDIARIES

SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF REVISED SRC RULE 68

DECEMBER 31, 2022

Table of Contents

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (In Thousands)	Value based on market quotations at balance sheet date (In Thousands)	Interest received and accrued (In Thousands)
Financial assets at fair value through profit or loss				
Vantage Equities, Inc.	43,376,750	₱36,003	₱36,003	₱–
Leisure & Resorts World Corporation	10,724,792	25,847	25,847	–
APC Group, Inc.	45,821,000	9,439	9,439	–
Share warrants	500,000	1,393	1,393	–
		72,682	72,682	–
Financial assets at fair value through other comprehensive income				
Tagaytay Midlands International Golf Club, Inc.	2,067	3,461,821	3,461,821	–
SM Prime Holdings, Inc.	61,795,413	2,193,737	2,193,737	–
Tagaytay Highlands International Golf Club, Inc.	1,313	1,444,100	1,444,100	–
The Country Club at Tagaytay Highlands, Inc.	2,056	1,502,729	1,502,729	–
Black Spade Acquisition, Inc.	1,000,000	558,665	558,665	–
Spa and Lodge at Tagaytay Highlands, Inc.	192	115,200	115,200	–
SM Investments Corporation	48,878	43,989	43,989	–
Costa De Hamilo	1	757	757	–
PLDT	1,605	83	83	–
Others		12	12	
		9,321,093	9,321,093	–
		₱9,393,775	₱9,393,775	₱–

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	₱1,306	₱19,327	(₱19,121)	₱–	₱1,512	₱–	₱1,512
Officers	4	–	–	–	4	–	4
	₱1,310	₱19,327	(₱19,121)	₱–	₱1,516	₱–	₱1,516

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	₱1,624,620	₱14	₱–	(₱1,624,558)	₱76	₱–	₱76
Metropolitan Leisure and Tourism Corp.	251,578	14	–	(251,569)	23	–	23
Belle Grande Resource Holdings, Inc.	137,642	352	–	(2,647)	135,347	–	135,347
Premium Leisure Corporation	3,294	897	–	–	4,191	–	4,191
SLW Development Corp.	28,435	24	–	–	28,459	–	28,459
Parallax Resources, Inc.	43,132	18	–	(750)	42,400	–	42,400
	₱2,088,701	₱1,319	₱–	(₱1,879,524)	₱210,496	₱–	₱210,496

Schedule D. Long-term debt

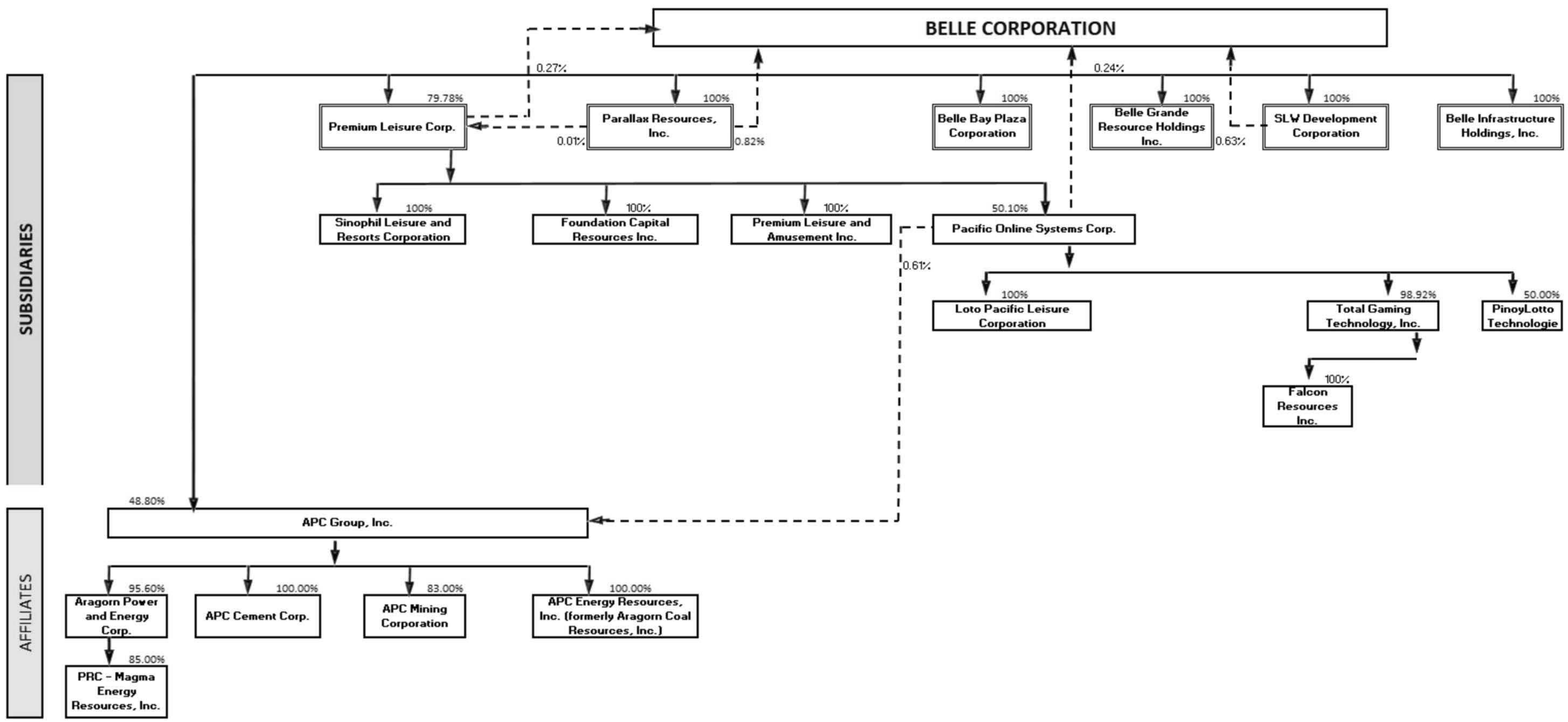
(In Thousands)

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	₱3,500,000	₱15,000	₱3,455,000
BDO Unibank Inc.	4,400,000	14,000	1,386,000
Unionbank	1,000,000	–	67,500
	₱8,900,000	₱29,000	₱4,908,500

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	9,696,464,297	–	4,951,400,851	207,495,034	4,537,567,412
Percentage held	–	–	–	51.06%	2.14%	46.80%
Preferred stock	6,000,000,000	–	–	–	–	–
Percentage held	–	–	–	–	–	–

Conglomerate Map
As at December 31, 2022



Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph (eafs@bir.gov.ph)

To: bellecorp_1@yahoo.com

Cc: bellecorp_1@yahoo.com

Date: Tuesday, April 4, 2023 at 02:55 PM GMT+8

Hi BELLE CORPORATION,

Valid files

- EAFS000156011TCRTY122022-03.pdf
- EAFS000156011ITRTY122022.pdf
- EAFS000156011TCRTY122022-02.pdf
- EAFS000156011AFSTY122022.pdf
- EAFS000156011TCRTY122022-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-6KHC9H7A0CE6F9C9LQSS3WPV20N1PP21WS**
Submission Date/Time: **Apr 04, 2023 02:34 PM**
Company TIN: **000-156-011**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

BELLE
CORPORATION

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, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, for the periods December 31, 2022 and 2021 have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

WILLY N. OCIER
Chairman of the Board

JACKSON T. ONGSIP
President and Chief Executive Officer

MARIA NERIZA C. BANARIA
Chief Financial Officer/ Treasurer

Signed February 28, 2023

5th Floor Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City • Tel: 662-8888 • Fax: 662-8890

FEB 2 8 2023

SUBSCRIBED AND SWORN to before me this ____ day of ________2023 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	[redacted]	[redacted]	Manila
JACKSON T. ONGSIP	[redacted]	[redacted]	Manila
MARIA NERIZA C. BANARIA	[redacted]	[redacted]	NCR

DOC NO. : 147

PAGE NO. : 31

BOOK NO. : 5

SERIES OF : 2023.

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376 / MCLE (EXEMPT)
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY
1107 D. BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

BELLE
CORPORATION

"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, 2022. 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, 2022 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

JACKSON T. ONGSIP
President and Chief Executive Officer

MARIA NERIZA C. BANARIA
Chief Financial Officer/ Treasurer

Signed February 28, 2023

5th Floor Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City • Tel: 662-8888 • Fax: 662-8890

FEB 2 8 2023

SUBSCRIBED AND SWORN to before me this ____ day of ________ 2023 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	[redacted]	[redacted]	Manila
JACKSON T. ONGSIP	[redacted]	[redacted]	Manila
MARIA NERIZA C. BANARIA	[redacted]	[redacted]	NCR

DOC NO. : 150
PAGE NO. : 31
BOOK NO. : 5
SERIES OF : 2023.

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376 / MCLE (EXEMPT)
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY
1107 D. BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						5	2	4	1	2

C O M P A N Y N A M E

B E L L E   C O R P O R A T I O N

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

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AASFS	CRMD	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
info@bellecorp.com	(02) 8662-8888	Not Applicable

No. of Stockholders	Annual Meeting	Calendar Year (Month / Day)
1,764	4th Monday of April	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number	Mobile Number
Michelle Angeli T. Hernandez	info@bellecorp.com	(02) 8662-8888	+63917-5691734

CONTACT PERSON'S ADDRESS

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
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 statements of financial position as at December 31, 2022 and 2021, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to separate financial statements, including a summary of 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, 2022 and 2021, and its separate financial performance and its separate cash flows for the years 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 audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess 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. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

BELLE CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	December 31 **2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱91,980**	₱418,379
Receivables	5	**3,618,488**	3,928,064
Real estate for sale - at cost	6	**163,189**	351,120
Land held for future development - at cost	6	**3,025,976**	3,021,120
Other current assets	7	**3,521,561**	2,212,798
Total Current Assets		**10,421,194**	9,931,481
Noncurrent Assets			
Installment receivables - net of current portion	5	**1,197,151**	941,115
Investment properties	8	**23,095,048**	24,227,234
Investments in and advances to subsidiaries and associates	9	**10,253,148**	10,252,972
Financial assets at fair value through other comprehensive income (FVOCI)	10	**8,746,796**	6,773,226
Right-of-use assets	26	**75,431**	48,139
Property and equipment	11	**73,411**	64,474
Pension asset	27	**4,508**	17,384
Other noncurrent assets	12	**203,391**	222,348
Total Noncurrent Assets		**43,648,884**	42,546,892
		₱54,070,078	₱52,478,373
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	14	**₱4,155,942**	₱5,700,942
Trade and other current liabilities	13	**960,974**	1,116,657
Subscription payable	9	**477,366**	477,366
Current portion of:			
Lease liabilities	26	**401,350**	340,792
Long-term debt	16	**29,000**	15,000
Total Current Liabilities		**6,024,632**	7,650,757

(Forward)

	Note	December 31 2022	2021
Noncurrent Liabilities			
Noncurrent portion of:			
Lease liabilities	26	**₱5,842,907**	₱6,194,429
Long-term debt	16	**4,841,000**	4,870,000
Deferred tax liabilities - net	25	**2,486,900**	2,377,323
Other noncurrent liabilities	15	**376,173**	378,513
Total Noncurrent Liabilities		**13,546,980**	13,820,265
Total Liabilities		**19,571,612**	21,471,022
Equity			
Common stock	17	**10,561,000**	10,561,000
Additional paid-in capital		**5,503,731**	5,503,731
Treasury stock	17	**(2,565,359)**	(2,476,697)
Other reserves		**5,127,846**	3,142,689
Retained earnings	17	**15,871,248**	14,276,628
Total Equity		**34,498,466**	31,007,351
		₱54,070,078	₱52,478,373

See accompanying Notes to Separate Financial Statements.

BELLE CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except for Earnings per Share)

		Years Ended December 31	
	Note	**2022**	2021
REVENUES			
Lease income	8	**₱2,054,273**	₱807,921
Dividend income	9	**1,257,522**	1,020,150
Sale of real estate		**862,889**	587,812
Revenue from property management		**211,548**	179,618
Others	18	**264,667**	172,946
		4,650,899	2,768,447
COSTS AND EXPENSES			
Cost of lease income	19	**(1,337,666)**	(1,294,948)
Cost of real estate sold	20	**(443,407)**	(301,406)
Cost of services for property management	21	**(139,612)**	(113,574)
General and administrative expenses	22	**(384,673)**	(412,793)
		(2,305,358)	(2,122,721)
OTHER INCOME (EXPENSES)			
Interest expense	23	**(641,455)**	(715,440)
Interest income	4	**728**	2,231
Other income (expenses) - net	24	**172**	(562)
		(640,555)	(713,771)
INCOME (LOSS) BEFORE INCOME TAX		**1,704,986**	(68,045)
PROVISION FOR (BENEFIT FROM) INCOME TAX	25		
Current		**17,195**	1,538
Deferred		**111,756**	(591,419)
		128,951	(589,881)
NET INCOME		**1,576,035**	521,836
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gain on financial assets at FVOCI	10	**2,010,279**	2,038,634
Remeasurement gain on pension asset/liability - net of tax	27	**(6,537)**	1,879
		2,003,742	2,040,513
TOTAL COMPREHENSIVE INCOME		**₱3,579,777**	₱2,562,349

See accompanying Notes to Separate Financial Statements.

BELLE CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except for Par Value and Number of Shares)

		Years Ended December 31	
	Note	**2022**	2021
CAPITAL STOCK - ₱1 par value			
Authorized - 14,000,000,000 shares			
Issued and subscribed - 10,560,999,857 shares	17	**₱10,561,000**	₱10,561,000
ADDITIONAL PAID-IN CAPITAL		**5,503,731**	5,503,731
TREASURY STOCKS - at cost	17		
Balance at beginning of year		**(2,476,697)**	(2,476,700)
Purchase		**(88,662)**	–
Reissuance		**–**	3
Balance at end of year		**(2,565,359)**	(2,476,697)
OTHER RESERVES			
Cumulative unrealized marked to market gain on financial assets at FVOCI	10		
Balance at beginning of year		**3,132,466**	1,111,138
Unrealized gain		**2,010,279**	2,038,634
Realized gain transferred to retained earnings		**(18,585)**	(17,306)
Balance at end of year		**5,124,160**	3,132,466
Cumulative remeasurement gains (losses) on pension asset			
Balance at beginning of year		**10,223**	8,344
Remeasurement gain (loss) on pension asset (net of tax)		**(6,537)**	1,879
Balance at end of year		**3,686**	10,223
		5,127,846	3,142,689
RETAINED EARNINGS			
Balance at beginning of year		**14,276,628**	13,737,486
Net income		**1,576,035**	521,836
Realized gain transferred to other reserves	10	**18,585**	17,306
Balance at end of year		**15,871,248**	14,276,628
TOTAL EQUITY		**₱34,498,466**	₱31,007,351

See accompanying Notes to Separate Financial Statements.

BELLE CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended December 31	
	Note	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**₱1,704,986**	(₱68,045)
Adjustments for:			
Dividend income	9	**(1,257,522)**	(1,020,150)
Depreciation and amortization	8	**1,158,414**	1,091,963
Interest expense	23	**641,455**	715,440
Amortization of discount on trade receivables	5	**(105,051)**	(72,600)
Interest income	4	**(728)**	(2,231)
Unrealized foreign exchange loss - net		**(172)**	(5)
Loss on termination of leases	26	**–**	567
Operating income before working capital changes		**2,141,382**	644,939
Decrease (increase) in:			
Receivables		**158,591**	28,393
Real estate for sale and land held for future development		**183,075**	112,319
Pension assets		**4,160**	(1,660)
Other assets		**(1,153,927)**	(556,435)
Decrease in trade and other current liabilities		**(157,882)**	(156,135)
Net cash generated from operations		**1,175,399**	71,421
Income taxes paid		**(153,074)**	(62,351)
Interest received		**728**	2,231
Net cash provided by operating activities		**1,023,053**	11,301
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	9	**1,257,522**	1,020,150
Proceeds from disposal of financial assets through FVOCI		**55,966**	86,715
Acquisitions of:			
Property and equipment	11	**(22,570)**	(14,745)
Financial assets at FVOCI	10	**(19,257)**	(38,442)
Collection of (additional) advances to subsidiaries and associates		**(176)**	37,651
Net cash provided by investing activities		**1,271,485**	1,091,329
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt and loans payable		**(1,560,000)**	(3,831,667)
Lease liabilities	26	**(603,566)**	(429,654)
Interest		**(368,881)**	(413,735)
Purchase of treasury stocks		**(88,662)**	–
Availment of loans payable and long-term debt		**–**	3,620,000
Net cash used in financing activities		**(2,621,109)**	(1,055,056)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**172**	5
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(326,399)**	47,579
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**418,379**	370,800
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱91,980**	₱418,379

See accompanying Notes to Separate Financial Statements.

BELLE CORPORATION

NOTES TO SEPARATE FINANCIAL STATEMENTS

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 and interest in a joint operation of the Company, which are all incorporated in the Philippines, as at December 31, 2022 and 2021 are as follows:

		2022			2021		
		Percentage of Ownership			Percentage of Ownership		
	Industry	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Subsidiaries:							
Belle Bay Plaza Corporation (Belle Bay Plaza)*	Investment	**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
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**	79.8	–	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
Interest in a Joint Operation - PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	**–**	**50.0**	**50.0**	–	50.0	50.0

**Non-operating*

TGTISI. On June 9, 2022, POSC's BOD approved the transfer of all the rights, title and interests in TGTISI's shares to a third party for a consideration of ₱1.0 million.

PinoyLotto. On June 21, 2021, Pinoylotto, a joint venture corporation owned by POSC, Philippine Gaming Management Corp. (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS), was incorporated with the SEC. PinoyLotto was awarded with the five year-lease of the customized PCSO Lottery System (PLS Project) upon commencement of commercial operations, with a contract price of ₱5,800.0 million.

Approval of the Separate Financial Statements

The separate financial statements as at and for the years ended December 31, 2022 and 2021 were approved and authorized for issuance by the Board of Directors (BOD) on February 28, 2023.

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 financial reporting relief issued and approved by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

In December 15, 2020, the SEC issued Memorandum Circular (MC) No. 34, Series of 2020, which further extends the deferral of application of the provision of Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2018-12 with respect to accounting for significant financing component and exclusion of land in the calculation of percentage of completion and IFRIC Agenda Discussion on over time transfers of construction goods under PAS 23, Borrowing Cost, for another period of three years or until 2023.

The Company opted to avail the relief in connection with the accounting for significant financing component. The impact of the application of such financial reporting relief is discussed in "New and Amendments to PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted" section of the notes to the financial statements.

Measurement Bases

The separate financial statements are presented in Philippine Peso, the Company's functional currency. All amounts are rounded to the nearest thousands (₱'000) unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for financial assets at FVOCI and net pension asset which is measured at the fair value of plan assets less present value of the defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange of an asset 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, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include 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 ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination.

- 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. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). 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 component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS.

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

- Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from 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.

The adoption of the foregoing amendments to PFRS did not have any material effect on the separate financial statements. Additional disclosures were included in the notes to separate financial statements, as applicable.

New and Amendments to PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted
Relevant new and amendments to PFRS and PIC issuances, which are not yet effective as at December 31, 2022 and have not been applied in preparing the separate financial statements, are summarized below.

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

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

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

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

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

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

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

- PIC Q&A 2018-12-D, *PFRS 15, Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-4)* – On December 15, 2020, the SEC issued 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 (with an addendum in PIC Q&A 2020-04)" until December 31, 2023.

  The Company availed of the SEC relief with respect to accounting for significant financing component. Management assessed that the adoption of this PIC on January 1, 2024 will not have a significant impact considering that the Company's ongoing project is estimated to be completed this 2023. Management also assessed that the adoption will not have a significant impact on any new projects that the Company will start in 2023.

  The Company did not avail of the relief provided by the SEC on the capitalization of borrowing costs and treatment of land in the determination of POC. The Company adopted these issuances starting January 1, 2021.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS and PIC issuances 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, 2022 and 2021, 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" account).

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

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are included under "Other comprehensive income" account in the equity section of the 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 (excluding withholding and output tax payable and customers' deposits), subscription payable, loans payable, long-term debt, lease liabilities and refundable deposits (presented as part of "Other noncurrent liabilities" account).

Reclassification
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).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

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 advances for land acquisitions, 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.

Advances for Land Acquisitions. Advances for land acquisitions are payments made for land properties in which ownership has not been transferred to the Company as at reporting date. These are recognized at initial transaction cost and any directly attributable cost, less any impairment loss.

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.

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 of 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 issuance 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, which are not to be reclassified to profit or loss in subsequent periods.

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. Revenue from the sale of these real estate projects spread over time across the course of the development or 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 consolidated 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.

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 first 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 is recognized as the interest accrues using as the interest accrues using the effective interest rate method. 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 risks 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. The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include all direct materials and labor costs, and those indirect costs related to contract performance. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as cost of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset, only to the costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

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 follows:

Asset Type	Number of Years
ROU on land*	16 years and 4 months
Building*	16 years and 4 months
Air rights	14 years and 6 months
Office spaces	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.

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.

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.

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 accounts 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. 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.

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.

Provisions

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

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

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

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

3. Significant 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 contains 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 actual costs incurred over the total estimated development costs 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 contracts to sell covering serviced lot. 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. Included also in this performance obligation is the Company's service 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.

  The Company's cost of sale from real estate sales are disclosed in Note 20.

Accounting for Leases

- *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). As at December 31, 2022 and 2021, the Company did not include any extension or termination options in the lease term of its existing lease agreements.

- *Estimating the Incremental Borrowing Rate.* The Company uses its 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. It also 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 Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

  The Company's lease liabilities are disclosed in Note 26.

- *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 are disclosed in Notes 8 and 26.

Assessing the Collectability of Lease Income. The Company assesses whether it is probable that it will collect the consideration to which it will be entitled in accordance with the lease agreement. In evaluating whether collectability of an amount of consideration is probable, the Company considers any lease modifications and the customer's ability and intention to pay the amount of consideration. 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 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 2022 and 2021, the Company, as a lessor, agreed to a concession wherein the minimum guaranteed rental payments were reduced and additional variable lease payments will be made subject to certain conditions. Accordingly, the rental income was recognized up to the extent collectible amounting to ₱2,054.3 million and ₱807.9 million in 2022 and 2021, respectively (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 30.

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 2022 and 2021. Allowance for ECL on receivables amounted to ₱177.1 million as at December 31, 2022 and 2021 (see Note 5).

The Company did not recognize provision for ECL on advances to subsidiaries and associates in 2022 and 2021. Allowance for ECL on advances to subsidiaries and associates amounted to ₱2,009.8 million as at December 31, 2022 and 2021 (see Note 9).

The aggregate carrying values of receivables, installment receivables and advances to subsidiaries and associates amounted to ₱5,026.8 million and ₱5,080.2 million as at December 31, 2022 and 2021, respectively (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 2022 and 2021. The carrying values of real estate for sale, land held for future development and supplies carried at lower of cost and NRV amounted to ₱3,193.1 million and ₱3,375.5 million as at December 31, 2022 and 2021, respectively (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 2022 and 2021. The aggregate carrying amount of depreciable investment properties, property and equipment and ROU assets are disclosed in 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.

The Company did not recognize provision for impairment loss in its nonfinancial assets in 2022 and 2021.

The carrying values of nonfinancial assets as at December 31, 2022 and 2021 are as follows:

		(In Thousands)	
	Note	**2022**	2021
Investment properties	8	**₱23,095,048**	₱24,227,234
Investments in subsidiaries and associates	9	**10,041,940**	10,041,940
Right-of-use assets	26	**75,411**	48,139
Property and equipment	11	**73,411**	64,474
Other current assets	7	**3,521,561**	2,212,798
Other noncurrent assets*	12	**114,956**	137,770

** excluding refundable deposits and construction bond*

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 ₱1,742.0 million and ₱2,046.3 million as at December 31, 2022 and 2021, respectively. Unrecognized deferred tax assets amounted to ₱1,257.9 million and ₱1,240.7 million as at December 31, 2022 and 2021, respectively (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.

4. Cash and Cash Equivalents

This account consists of:

	(In Thousands)	
	2022	2021
Cash on hand and in banks	**₱83,205**	₱385,239
Cash equivalents	**8,775**	33,140
	₱91,980	₱418,379

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 ₱0.7 million and ₱2.2 million in 2022 and 2021, respectively.

5. Receivables and Installment Receivables

This account consists of:

		(In Thousands)	
	Note	**2022**	2021
Trade receivables:			
Leases	26	**₱3,106,354**	₱3,523,861
Real estate sales and installment receivables		**1,740,042**	1,326,776
Property management		**53,612**	106,805
Others		**92,744**	88,850
		4,992,752	5,046,292
Less allowance for doubtful accounts		**177,113**	177,113
		4,815,639	4,869,179
Less installment receivables – noncurrent portion		**1,197,151**	941,115
		₱3,618,488	₱3,928,064

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 are noninterest-bearing and generally have 30 to 90 days term.

No provision for impairment loss on receivables were recognized in 2022 and 2021.

Movement of unamortized discount on trade receivables from real estate sales are as follows:

	Note	(In Thousands) 2022	2021
Trade receivables at POC		**₱1,955,954**	₱1,499,335
Less discount on trade receivables:			
Balance at beginning of year		**172,559**	84,038
Discount recognized during the year		**148,404**	161,121
Amortization during the year	18	**(105,051)**	(72,600)
Balance at end of year		**215,912**	172,559
		₱1,740,042	₱1,326,776

As at December 31, 2022 and 2021, receivables from real estate at POC of ₱1,956.0 million and ₱1,499.3 million, respectively, 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 3.88% to 15.97% in 2022 and 4.11% to 18.23% in 2021.

6. Land Held for Future Development and Real Estate for Sale

Land Held for Future Development

A summary of the movement in land held for development in 2022 and 2021 is set out below:

	(In Thousands) 2022	2021
Balance at beginning of year	**₱3,021,120**	₱3,013,950
Additional costs during the year	**4,856**	7,170
Balance at end of year	**₱3,025,976**	₱3,021,120

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, 2022 and 2021, 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 ₱145.2 million and ₱169.1 million as at December 31, 2022 and 2021, respectively (see Note 13).

Real Estate for Sale

A summary of the movement in real estate for sale is set out below:

	Note	(In Thousands) 2022	2021
Balance at beginning of year		**₱351,120**	₱470,609
Cost of real estate sold	20	**(443,407)**	(301,406)
Repossession		**160,955**	60,556
Development costs incurred		**94,521**	121,361
Balance at end of year		**₱163,189**	₱351,120

As at December 31, 2022 and 2021, the cost of land held for future development and real estate for sale were lower than its net realizable value. There was no provision for impairment losses recognized in 2022 and 2021.

Gain on repossessions amounted to ₱46.7 million and ₱18.0 million in 2022 and 2021, respectively (see Note 18).

7. Other Current Assets

This account consists of:

	(In Thousands)	
	2022	2021
Advances for land acquisitions	**₱1,528,929**	₱196,900
CWT	**853,364**	717,485
Input VAT	**592,019**	567,429
Advances to contractors and suppliers	**348,386**	317,716
Prepaid expenses	**213,437**	427,942
Advances to officers and employees	**4,281**	3,457
Supplies	**3,915**	3,217
Others	**–**	1,422
	3,544,331	2,235,568
Less allowance for impairment losses	**22,770**	22,770
	₱3,521,561	₱2,212,798

Advances for land acquisitions pertain to downpayments made by the Group for its purchase of land.

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 to be applied against future billings.

Prepaid expenses include prepaid expenses such as insurance, commission and subscription.

Advances to officers and employees pertain to cash advances which are noninterest bearing and are subject to liquidation.

Supplies pertain to inventories used for daily operations such as oil, fuel and other supply inventories.

No provision for impairment losses was recognized in 2022 and 2021.

8. **Investment Properties**

This account consists of:

	(In Thousands)				
	2022				
	Land	**Building**	**ROU - Building Improvements**	**ROU Land**	**Total**
Cost					
Balance at beginning and end of year	**₱1,724,824**	**₱18,434,220**	**₱2,509,013**	**₱6,964,513**	**₱29,632,570**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**–**	**3,631,677**	**887,958**	**885,701**	**5,405,336**
Depreciation and amortization	**–**	**382,365**	**221,187**	**528,634**	**1,132,186**
Balance at end of year	**–**	**4,014,042**	**1,109,145**	**1,414,335**	**6,537,522**
Net Carrying Amount	**₱1,724,824**	**₱14,420,178**	**₱1,399,868**	**₱5,550,178**	**₱23,095,048**

	(In Thousands)				
	2021				
	Land	Building	ROU - Building Improvements	ROU Land	Total
Cost					
Balance at beginning and end of year	₱1,724,824	₱18,434,220	₱2,509,013	₱6,964,513	₱29,632,570
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	3,249,311	726,771	363,390	4,339,472
Depreciation and amortization	–	382,366	161,187	522,311	1,065,864
Balance at end of year	–	3,631,677	887,958	885,701	5,405,336
Net Carrying Amount	₱1,724,824	₱14,802,543	₱1,621,055	₱6,078,812	₱24,227,234

The fair value of investment properties as at December 31, 2022 and 2021, are higher than its carrying value as determined by management and an independent appraiser who holds a recognized and relevant professional qualification (see Note 30). 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 an asset can be exchanged in an orderly transaction between market participants at the measurement date, 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 ₱2,054.3 million and ₱807.9 million in 2022 and 2021, respectively (see Note 26). Direct cost related to the investment properties amounted to ₱1,337.7 million and ₱1,294.9 million in 2022 and 2021, respectively (see Note 19).

Depreciation and amortization consist of the following:

		(In Thousands)	
	Note	**2022**	2021
Investment properties		**₱1,132,186**	₱1,065,864
Property and equipment	11	**13,633**	12,626
ROU assets	26	**12,595**	13,473
		₱1,158,414	₱1,091,963

Depreciation and amortization are allocated as follows:

		(In Thousands)	
	Note	**2022**	2021
Cost of lease income	19	**₱1,132,186**	₱1,069,566
General and administrative expenses	22	**15,679**	13,097
Cost of services for property management	21	**10,549**	9,300
		₱1,158,414	₱1,091,963

9. Investments in and Advances to Subsidiaries and Associates

This account consists of:

	(In Thousands)	
	2022	2021
Investments in subsidiaries and associates		
Cost	**₱15,207,040**	₱15,207,040
Allowance for impairment in value	**5,165,100**	5,165,100
	10,041,940	10,041,940
Advances to subsidiaries and associates		
Advances	**2,221,049**	2,220,873
Allowance for doubtful accounts	**2,009,841**	2,009,841
	211,208	211,032
	₱10,253,148	₱10,252,972

The Company has an outstanding balance of subscription payable pertaining to these investments amounting to ₱477.4 million as at December 31, 2022 and 2021.

Investment in PLC. PLC, a publicly listed company whose shares are traded in the PSE, is involved in the investment in gaming-related business.

Dividend income earned from PLC amounted to ₱1,251.2 million and ₱1,014.9 million in 2022 and 2021, respectively.

Investment in PLAI. PLAI, a subsidiary through PLC, and the Company are grantees 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 shares of stock are listed in the PSE. On June 21, 2021, POSC together with PGMC and ILTS, incorporated PinoyLotto, a joint venture corporation. PinoyLotto was awarded with the five year-lease of the customized PCSO Lottery System, with a contract price of ₱5,800.0 million.

Investment in APC. APC is engaged in renewable energy resource exploration, development and utilization. The fair values of investment in shares of stock of APC, which is publicly listed in the PSE, amounted to ₱721.0 million and ₱770.0 million as at December 31, 2022 and 2021, respectively. 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)	
	2022	2021
Total current assets	**₱19,630**	₱16,636
Total noncurrent assets	**240,001**	242,442
Total current liabilities	**108,831**	108,121
Total noncurrent liabilities	**3,481**	3,281
Total equity	**147,319**	147,676
Revenue	**506**	401
Net loss	**(888)**	(8,548)
Total comprehensive loss	**(358)**	(5,152)
Other comprehensive income	**530**	3,396

Sources of dividend income earned by the Company in 2022 and 2021 are as follows:

		(In Thousands)	
	Note	**2022**	2021
Investment in a subsidiary		**₱1,251,222**	₱1,014,875
Financial assets at FVOCI	10	**6,300**	5,275
		₱1,257,522	₱1,020,150

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, 2022 and 2021, respectively.

These accounts consist of:

	(In Thousands)	
	2022	2021
Club shares	**₱6,393,100**	₱4,516,300
Shares of stock:		
Quoted	**2,237,726**	2,140,956
Unquoted	**115,970**	115,970
	₱8,746,796	₱6,773,226

The movements of financial assets at FVOCI in 2022 and 2021 are as follows:

	(In Thousands)	
	2022	2021
Cost		
Balance at beginning of year	**₱3,640,760**	₱3,671,727
Additions	**19,257**	38,442
Disposals	**(37,381)**	(69,409)
Balance at end of year	**3,622,636**	3,640,760
Cumulative unrealized mark to market gain on financial assets at FVOCI		
Balance at beginning of year	**3,132,466**	1,111,138
Unrealized gain during the year	**2,010,279**	2,038,634
Realized gain on disposal during the year	**(18,585)**	(17,306)
Balance at end of year	**5,124,160**	3,132,466
	₱8,746,796	₱6,773,226

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 ₱6.3 million and ₱5.3 million in 2022 and 2021, respectively (see Note 9).

Realized gain from sale of financial assets at FVOCI amounting to ₱18.6 million and ₱17.3 million in 2022 and 2021, respectively, were reclassified from "Other reserves" account to "Retained earnings" account in the separate statements of financial position.

11. Property and Equipment

The movements of this account are as follows:

		(In Thousands)					
		2022					
	Note	**Land and Leasehold Improvements**	**Machinery and Equipment**	**Condominium Units and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost							
Balance at beginning of year		**₱252,980**	**₱322,498**	**₱245,361**	**₱45,865**	**₱101,467**	**₱968,171**
Additions		**–**	**16,590**	**3,594**	**–**	**2,386**	**22,570**
Balance at end of year		**252,980**	**339,088**	**248,955**	**45,865**	**103,853**	**990,741**
Accumulated Depreciation and Impairment							
Balance at beginning of year		**252,599**	**270,253**	**242,828**	**40,149**	**97,868**	**903,697**
Depreciation	8	**126**	**8,500**	**937**	**2,242**	**1,828**	**13,633**
Balance at end of year		**252,725**	**278,753**	**243,765**	**42,391**	**99,696**	**917,330**
Net Carrying Amount		**₱255**	**₱60,335**	**₱5,190**	**₱3,474**	**₱4,157**	**₱73,411**

		(In Thousands)					
		2021					
	Note	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost							
Balance at beginning of year		₱252,610	₱311,086	₱245,361	₱44,003	₱100,366	₱953,426
Additions		370	11,412	–	1,862	1,101	14,745
Balance at end of year		252,980	322,498	245,361	45,865	101,467	968,171
Accumulated Depreciation and Impairment							
Balance at beginning of year		252,437	263,032	242,007	37,411	96,184	891,071
Depreciation	8	162	7,221	821	2,738	1,684	12,626
Balance at end of year		252,599	270,253	242,828	40,149	97,868	903,697
Net Carrying Amount		₱381	₱52,245	₱2,533	₱5,716	₱3,599	₱64,474

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2022 and 2021.

12. Other Noncurrent Assets

This account consists of:

		(In Thousands)	
	Note	2022	2021
Refundable deposits and construction bond	26	₱88,435	₱84,578
Deferred input VAT		75,650	96,765
Others		39,306	41,005
		₱203,391	₱222,348

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.

13. Trade and Other Current Liabilities

This account consists of:

		(In Thousands)	
	Note	**2022**	2021
Trade		**₱176,938**	₱269,487
Accrued expenses		**271,139**	314,425
Withholding and output tax payable		**243,351**	235,149
Payables pertaining to land acquisitions	6	**145,157**	169,095
Payable to related parties	28	**61,965**	61,984
Customers' deposits		**52,925**	23,141
Current portion of contract liabilities		**6,828**	28,879
Others		**2,671**	14,497
		₱960,974	₱1,116,657

Trade payables are non-interest bearing with an average term of 90 days.

Accrued expenses pertain to accruals for land transfer fees, professional 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.

14. **Loans Payable**

Loans payable represents unsecured peso-denominated loans obtained from local banks and a related party with interest of 2.30% to 5.65% and 2.60% to 4.75% in 2022 and 2021, respectively. Loans payable have historically been renewed or rolled over.

The carrying amount of outstanding loans payable amounted to ₱4,155.9 million and ₱5,700.9 million as at December 31, 2022 and 2021, respectively.

Interest expense on loans payable charged to operations amounted to ₱155.6 million and ₱178.5 million as at 2022 and 2021, respectively (see Note 23).

15. **Other Noncurrent Liabilities**

This account consists of the following:

	(In Thousands)	
	2022	2021
Deferred lease income	**₱225,583**	₱214,535
Refundable deposits	**150,590**	153,999
Others	**–**	9,979
	₱376,173	₱378,513

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)	
	2022	2021
Loans	**₱4,870,000**	₱4,885,000
Current portion of long-term debt	**(29,000)**	(15,000)
Noncurrent long-term debt	**₱4,841,000**	₱4,870,000

BDO Unibank, Inc.
On March 6, 2018, the Company availed of ₱3,000.0 million facility for the purpose of refinancing its short-term loans with other banks and other general funding requirements. The loan is payable at the end of its seven-year term, unsecured and bears an interest rate of 3.25% to 4.25% in 2022 and 4.00% to 4.90% in 2021.

Outstanding balance of the loan amounted to ₱1,400.0 million as at December 31, 2022 and 2021.

Chinabank
The Company availed of ₱3,500.0 million facility for the purpose of financing capital expenditures, refinancing existing debt obligations and other general corporate purposes. These are unsecured and payable within five years with an annual fixed interest rate of 4.75%.

The Company drew down ₱1,000.0 million from the facility in 2020 and an additional ₱2,500.0 million in 2021. Outstanding balance of the loan amounted to ₱3,470.0 million and ₱3,485.0 million as at December 31, 2022 and 2021, respectively.

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, 2022 and 2021, 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)	
	2022	2021
2022	**₱–**	₱15,000
2023	**29,000**	29,000
2024	**2,029,000**	2,029,000
2025	**2,812,000**	2,812,000
	₱4,870,000	₱4,885,000

Interest expense on the loans from long-term debt amounted to ₱204.9 million and ₱217.0 million in 2022 and 2021, respectively (see Note 23).

17. Equity

Preferred Stock

As at December 31, 2022 and 2021, 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, 2022 and 2021, the authorized common stock of the Company is 14,000,000,000 shares with a ₱1 par value.

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
February 14, 1995	1,000,000,000	–	1.00
June 6, 1995	–	138,257,863	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	

Movements in the number of issued, treasury and outstanding shares of the Company are as follows:

	2022	2021
Issued shares		
Balance at beginning and end of year	**10,560,999,857**	10,560,999,857
Treasury shares		
Balance at beginning of year	**797,873,560**	797,874,560
Purchase	**66,663,000**	–
Reissuance	**–**	(1,000)
Balance at end of year	**864,536,560**	797,873,560
Outstanding shares	**9,696,463,297**	9,763,126,297

Retained Earnings

The Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC, amounted to ₱2,750.0 million and ₱1,926.2 million as at December 31, 2022 and 2021, respectively.

Dividends

On February 28, 2023, the Company's BOD approved the declaration of cash dividends of ₱0.06 per share amounting to approximately ₱600.0 million to shareholders of record as at March 15, 2023. Total dividends are inclusive of dividends payable to subsidiaries which hold Company shares amounting to ₱15.1 million.

18. Other Revenue

This account consists of:

		(In Thousands)	
	Note	**2022**	2021
Amortization of discount on trade receivables	5	**₱105,051**	₱72,600
Service fee	28	**54,000**	54,000
Gain on repossession		**46,691**	18,015
Income from forfeitures		**37,677**	1,152
Penalty		**3,297**	2,192
Income from playing rights		**1,161**	536
Others		**16,790**	24,451
		₱264,667	₱172,946

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.

19. Cost of Lease Income

This account consists of:

	Note	(In Thousands) 2022	2021
Depreciation and amortization	8	**₱1,132,186**	₱1,069,566
Taxes		**171,587**	171,587
Insurance		**25,650**	49,205
Maintenance		**8,243**	4,590
		₱1,337,666	₱1,294,948

20. Cost of Real Estate Sold

The cost of real estate sold amounted to ₱443.4 million and ₱301.4 million in 2022 and 2021, respectively (see Note 6).

21. Cost of Services for Property Management

This account consists of:

	Note	(In Thousands) 2022	2021
Water services		**₱69,264**	₱52,649
Power and maintenance		**59,799**	51,625
Depreciation and amortization	8	**10,549**	9,300
		₱139,612	₱113,574

22. General and Administrative Expenses

This account consists of:

	Note	(In Thousands) 2022	2021
Security, janitorial and service fees		**₱151,093**	₱152,928
Personnel costs		**62,111**	64,981
Taxes and licenses		**37,221**	69,464
Professional fees		**33,291**	17,779
Selling expense		**25,423**	23,529
Representation and entertainment		**21,419**	27,670
Depreciation and amortization	8	**15,679**	13,097
Subscription fees		**9,549**	6,503
Repairs and maintenance		**6,266**	4,980
Transportation and travel		**5,759**	12,338

(Forward)

	Note	2022 (In Thousands)	2021
Rental	26	**₱4,800**	₱3,725
Utilities		**4,429**	5,396
Listing, filing and registration fees		**2,899**	4,870
Insurance		**1,972**	2,290
Communication		**696**	899
Marketing and advertising		**656**	544
Office supplies		**628**	731
Others		**782**	1,069
		₱384,673	₱412,793

23. Interest Expense

The sources of the Company's interest expense are as follows:

	Note	2022 (In Thousands)	2021
Lease liability	26	**₱272,715**	₱285,001
Long-term debt	16	**204,891**	217,030
Loans payable	14	**155,607**	178,512
Others		**8,242**	34,897
		₱641,455	₱715,440

24. Other Income (Expenses) - net

This account consists of:

	Note	2022 (In Thousands)	2021
Net foreign exchange gain		**₱172**	₱5
Pre-termination loss on leases	26	**–**	(567)
		₱172	(₱562)

25. **Income Taxes**

The provision for current income tax pertains to MCIT in 2022 and 2021, respectively.

The components of the net deferred tax liabilities of the Company are as follows:

	(In Thousands)	
	2022	2021
Deferred tax assets:		
Lease liabilities	**₱1,559,843**	₱1,632,667
NOLCO	**72,860**	311,408
Discount on trade receivables	**53,798**	42,960
Deferred lease income	**37,648**	40,702
Accretion of refundable deposits	**9,331**	9,737
Doubtful accounts	**5,950**	5,950
Unamortized past service costs	**1,319**	1,746
Provision for dismantling cost	**1,221**	1,138
	1,741,970	2,046,308
Deferred tax liabilities:		
Excess of carrying amount of investment property over construction costs	**(1,644,594)**	(1,773,171)
Right-of-use assets	**(1,414,187)**	(1,511,648)
Difference between straight line accounting for lease income and contractual cash flows	**(782,348)**	(845,813)
Excess revenue per POC over cash collections	**(318,948)**	(228,678)
Unaccreted discount on refundable deposits	**(41,817)**	(44,579)
Deferred income on real estate sales	**(16,841)**	(5,168)
Deferred lease expense	**(9,908)**	(10,214)
Retirement	**(101)**	(4,346)
Unrealized foreign exchange gain - net	**(126)**	(14)
	(4,228,870)	(4,423,631)
Net deferred tax liabilities	**(₱2,486,900)**	(₱2,377,323)

The components of deferred tax are presented as follows:

	(In Thousands)	
	2022	2022
In profit or loss	**(₱2,485,671)**	(₱2,373,915)
In other comprehensive income	**(1,229)**	(3,408)
	(₱2,486,900)	(₱2,377,323)

The components of the Company's unrecognized deferred tax assets as at December 31, 2022 and 2021 for which deferred tax assets were not recognized follows:

	(In Thousands)	
	2022	2021
Allowances for:		
Doubtful accounts	**₱548,698**	₱548,698
Impairment in value of investments in subsidiaries and associates	**516,510**	516,510
Probable losses	**3,733**	3,733
NOLCO	**170,255**	170,255
Excess MCIT over RCIT	**18,733**	1,538
	₱1,257,929	₱1,240,734

The above deferred tax assets as at December 31, 2022 and 2021 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	Utilized	Ending Balance	Valid Until
2021	₱681,018	₱–	₱–	₱681,018	2026
2020	1,245,633	–	954,190	291,443	2025
	₱1,926,651	₱–	₱954,190	₱972,461	

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	Utilized	Ending Balance	Valid Until
2022	₱–	₱17,195	₱–	₱17,195	2025
2021	1,538	–	–	1,538	2024
	₱1,538	₱17,195	₱–	₱18,733	

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

	(In Thousands)	
	2022	2021
Income tax at statutory tax rate	**₱426,247**	(₱17,011)
Income tax effects of:		
Nontaxable income	**(314,381)**	(255,037)
Changes in unrecognized deferred tax assets	**17,195**	171,792
Interest income subjected to final tax	**(182)**	(558)
Nondeductible expenses	**72**	5,155
Effect of change in income tax rate	**–**	(494,222)
	₱128,951	(₱589,881)

26. **Lease Commitments**

<u>Company as Lessee</u>

The Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City for a period of 10 years commencing on April 23, 2010. The lease rates are based on a fixed amount, subject to escalation. The contract may be renewed or extended upon such terms and conditions that are mutually acceptable to the parties. In 2012, the lease term was extended until April 2035. In 2020, the Company amended the lease agreement to shorten the lease term until July 31, 2023.

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 onwards. 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.

The Company and Belle Bay City, through its Board of Liquidators, entered into a Memorandum of Agreement granting the 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 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.

The Company has 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, 2022, the operating lease agreement was renewed for another five years ending on July 31, 2027.

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 ₱4.8 million and ₱3.7 million in 2022 and 2021, respectively (see Note 22).

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

		(In Thousands)		
		2022		
	Note	**Air Rights**	**Office Spaces**	**Total**
Cost				
Balance at beginning of year		**₱53,673**	**₱28,290**	**₱81,963**
Additions		**–**	**39,887**	**39,887**
Retirement		**–**	**(28,290)**	**(28,290)**
Balance at end of year		**53,673**	**39,887**	**93,560**
Accumulated Amortization				
Balance at beginning of year		**11,103**	**22,721**	**33,824**
Amortization	8	**3,701**	**8,894**	**12,595**
Retirement		**–**	**(28,290)**	**(28,290)**
Balance at end of year		**14,804**	**3,325**	**18,129**
Carrying amount		**₱38,869**	**₱36,562**	**₱75,431**

		(In Thousands)		
		2021		
	Note	**Air Rights**	**Office Spaces**	**Total**
Cost				
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**
Accumulated Amortization				
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**
Carrying amount		**₱42,570**	**₱5,569**	**₱48,139**

The following are the amounts recognized in the separate statements of comprehensive income:

		(In Thousands)	
	Note	**2022**	2021
Interest expense on lease liabilities	23	**₱272,715**	₱285,001
Amortization of right-of-use assets	8	**12,595**	13,473
Rent expense relating to short-term leases	22	**4,800**	3,725
Pre-termination loss on leases	24	**–**	(567)
		₱290,110	₱301,632

The rollforward analysis of lease liabilities follows:

	(In Thousands)	
	2022	2021
Balance at beginning of year	**₱6,535,221**	₱6,675,888
Payments	**(603,566)**	(429,654)
Interest expense	**272,715**	285,001
Additions	**39,887**	4,553
Termination of lease	**–**	(567)
Balance at end of year	**6,244,257**	6,535,221
Current portion of lease liabilities	**401,350**	340,792
Lease liabilities - net of current portion	**₱5,842,907**	₱6,194,429

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

	(In Thousands)	
	2022	2021
Within 1 year	**₱663,179**	₱614,893
After 1 year but not more than 5 years	**2,738,526**	2,647,549
More than 5 years	**4,465,705**	5,177,349

Refundable Deposits

The Company paid deposits as security to various leases amounting to ₱88.4 million and ₱84.6 million as at December 31, 2022 and 2021, respectively (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 2022 and 2021, the Company and Melco agreed to amend its lease contract in response to the COVID-19 pandemic. The 2021 rental payments were changed to include minimum guaranteed rental payments and an additional lease payment subject to certain conditions such as operating capacity and lifting of some restrictions. In addition, the total rental payments for 2022 amounted to ₱2,054.3 million and the subsequent rental payments will consist of a fixed base rent and a variable rent based on the percentage ratio of actual against target gross gaming revenues of City of Dreams Manila.

The Company recognized lease income on the lease of land and building by Melco only to the extent collectible amounting to ₱2,054.3 million and ₱807.9 million in 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the minimum lease payments to be received by the Company on the lease on the land and building are as follows:

	(In Thousands)	
	2022	2021
Within one year	**₱2,235,101**	₱2,652,233
In more than one year and not more than five years	**9,870,926**	11,134,229
In more than five years	**16,658,787**	18,498,064
	₱28,764,814	₱32,284,526

The Company carried receivables relating to these leases under the "Receivables" account in the separate statements of financial position amounting to ₱3,106.4 million and ₱3,523.9 million as at December 31, 2022 and 2021, respectively (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 amounting to ₱1,337.7 million and ₱1,294.9 million in 2022 and 2021, respectively (see Note 19).

27. Pension Costs

The Company has a funded, noncontributory defined benefit pension plan 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, 2022.

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 2022 are as follows:

	(In Thousands)		
	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Pension Asset (Liability)**
Balance at beginning of year	**(₱85,171)**	**₱102,555**	**₱17,384**
Net retirement income (costs) in profit or loss:			
Current service cost	**(4,493)**	**–**	**(4,493)**
Net interest	**(4,250)**	**4,583**	**333**
	(8,743)	**4,583**	**(4,160)**
Benefits paid	**21,367**	**(21,367)**	**–**

(Forward)

	(In Thousands)		
	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Pension Asset (Liability)**
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes arising from changes in financial assumptions	**(₱1,098)**	**₱–**	**(₱1,098)**
Actuarial changes due to changes in demographic assumptions	**(221)**	**–**	**(221)**
Actuarial changes due to experience	**(4,014)**	**–**	**(4,014)**
Actual return excluding interest income	**–**	**(3,383)**	**(3,383)**
	(5,333)	**(3,383)**	**(8,716)**
Balance at end of year	**(₱77,880)**	**₱82,388**	**₱4,508**

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

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)	
	2022	2021
Cash and cash equivalents	**19%**	13%
Debt instruments - government bonds	**49%**	53%
Unit investment trust funds	**24%**	27%
Mutual fund	**6%**	5%
Others	**2%**	2%
	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:

	2022	2021
Discount rates	**7%**	5%
Future salary increases	**8%**	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, 2022 and 2021 assuming if all other assumptions were held constant:

	2022		2021	
	Increase (Decrease)	**Increase (Decrease) in Defined Benefit Obligation (In thousands)**	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation (In thousands)
Discount rate	**1.8%**	**₱1,364**	1.4%	₱1,160
	(1.3%)	**(1,271)**	(1.3%)	(1,090)
Salary increase rate	**1.7%**	**1,339**	1.3%	1,149
	(1.6%)	**(1,272)**	(1.3%)	(1,100)

The average duration of the Company's defined benefit obligation is 1.7 years in 2022. The Company does not expect to contribute to the plan assets in 2023.

The maturity analysis of the undiscounted benefit payments follows:

	(In Thousands)	
	2022	2021
Within 1 year	**₱66,409**	₱78,508
More than 1 year to 5 years	**13,372**	8,820
More than 5 years to 10 years	**18,806**	11,334

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.

Details of related party transactions are as follows:

Related Party	Relationship	Transaction		(In Thousands) Transaction Amounts	(In Thousands) Outstanding Balance	Terms	Condition
Advances to subsidiaries and associates (see Note 9):							
Belle Bay Plaza	Subsidiary	Reimbursable expenses	**2022**	**₱13**	**₱1,624,634**	Noninterest-bearing, due on demand	Unsecured, partially provided amounting to ₱1,624,558 as at December 31, 2022 and 2021
			2021	₱15	₱1,624,621		
BIHI	Subsidiary	Reimbursable expenses	**2022**	14	**251,592**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱251,569 as at December 31, 2022 and 2021
			2021	8	251,578		
BGRHI	Subsidiary	Reimbursable expenses	**2022**	**352**	**137,994**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱2,647 as at December 31, 2022 and 2021
			2021	–	137,642		
APC	Associate	Advances to associate	**2022**	**–**	**79,979**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 as at December 31, 2022 and 2021
			2021	–	79,979		
Parallax	Subsidiary	Reimbursable expenses	**2022**	**18**	43,150	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱750 as at December 31, 2022 and 2021
			2021	16	43,132		
Belle Jai Alai	Associate	Advances to associate	**2022**	**–**	**29,398**	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2022 and 2021
			2021	–	**29,398**		
SLW	Subsidiary	Reimbursable expenses	**2022**	**24**	**28,459**	Noninterest-bearing, due and demandable	Unsecured, no impairment
			2021	15	28,435		
PLC	Subsidiary	Reimbursable expenses	**2022**	**–**	**3,294**	Noninterest-bearing, due on demand	Unsecured, no impairment
			2021	–	3,294		
PLAI	Subsidiary	Reimbursable expenses	**2022**	**–**	**843**	Noninterest-bearing, due and demandable	Unsecured, no impairment
			2021	–	1,086		
POSC	Subsidiary	Reimbursable expenses	**2022**	–	**53**	Noninterest-bearing, due and demandable	Unsecured, no impairment
			2021	30	55		
Others	Subsidiaries and associates	Advances to subsidiaries and associates	**2022**	**–**	**21,653**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱21,467 as at December 31, 2022 and 2021
			2021	–	21,653		
			2022		**2,221,049**		
			2021		2,220,873		
		Less allowance for doubtful accounts	**2022**		**2,009,841**		
			2021		2,009,841		
			2022		**₱211,208**		
			2021		₱211,032		
Payable to related parties (see Note 13):							
Belle Jai Alai	Associate	Advances to associate	**2022**	**₱–**	**₱60,753**	Noninterest-bearing, due and demandable	Unsecured
			2021	₱–	₱60,753		
Others	Subsidiaries and associates	Advances to subsidiaries and associates	**2022**	**–**	**1,212**	Noninterest-bearing, due and demandable	Unsecured
			2021	–	1,231		
			2022		**₱61,965**		
			2021		₱61,984		
Loans payable -							
PLC	Subsidiary	Loans payable	**2022**	**₱–**	**₱3,705,925**	3.3% to 6.4%, due on demand	Unsecured
			2021	₱–	₱3,705,925		
Others:							
PLC	Subsidiary	Interest expense on loans payable	**2022**	**₱125,333**	**₱–**	Noninterest-bearing, 30 days	Unsecured
			2021	₱112,357	₱–		

(Forward)

Related Party	Relationship	Transaction		(In Thousands) Transaction Amounts	Outstanding Balance	Terms	Condition
PLC	Subsidiary	Dividend income	**2022**	**₱1,251,222**	**₱–**	Noninterest-bearing, due within 1 year	Unsecured
			2021	₱1,014,875	₱–		
PLC	Subsidiary	Service fees	**2022**	**54,000**	**–**	Noninterest-bearing, 30 days	Unsecured
			2021	54,000	–		
SM Prime Holdings, Inc.	With common stockholders	Lease	**2022**	**16,068**	**–**	Noninterest-bearing, 30 days	Unsecured
			2021	12,690	–		
		Management and professional fees	**2022**	**–**	**–**	Noninterest-bearing, 30 days	Unsecured
			2021	12,690	–		
		Dividend income	**2022**	**11,432**	**–**	Noninterest-bearing, due within 1 year	Unsecured
			2021	5,067	–		
Highlands Prime, Inc. (HPI)	With common stockholders	Service fees	**2022**	**77,140**	**–**	Noninterest-bearing, 30 days	Unsecured
			2021	85,658	–		
SM Investments Corporation	Stockholder	Service fees	**2022**	**66,000**	**–**	Noninterest-bearing, 30 days	Unsecured
			2021	60,500	–		
		Dividend income	**2022**	**208**	**–**	Noninterest-bearing, due within 1 year	Unsecured
			2021	208	–		
Directors and officers	Key management personnel	Salaries and wages	**2022**	**54,986**	**–**	Not applicable	Unsecured
			2021	31,442	–		
		Long-term employee benefits	**2022**	**2,413**	**–**	Not applicable	Unsecured
			2021	4,691	–		
		Professional fees	**2022**	**18,142**	**–**	Not applicable	Unsecured
			2021	15,499	–		

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, 2022 and 2021 (see Note 9).

Transactions with other related parties are as follows:

- In 2021, the Company entered into a renewable one-year marketing and sales support agreement with HPI. Service fees charged by HPI to the Company amounted to ₱77.1 million and ₱85.7 million in 2022 and 2021, respectively, which are recognized under "General and administrative expenses" in the separate statements of comprehensive income.

- 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 fees charged by the Company to PLC amounted to ₱54.0 million in 2022 and 2021, which are recognized under "Other revenue" in the separate statements of comprehensive income (see Note 18).

- 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 ₱66.0 million and ₱60.5 million in 2022 and 2021, respectively, which are recognized under "General and administrative expenses" in the separate statements of comprehensive income.

- 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 nil and ₱12.7 million in 2022 and 2021, respectively, which are recognized under "General and administrative expenses" in the separate statements of comprehensive income.

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. As at December 31, 2022 and 2021, the Group and its co-licensees have complied with the Investment Commitment.

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. 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, 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)	
	2022	2021
Increase (decrease) in basis points		
100	**(₱2,049)**	(₱2,252)
(100)	**2,049**	2,252

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)	
	2022	2021
Increase (decrease) in share price		
5%	**₱437,340**	₱338,661
(5%)	**(437,340)**	(338,661)

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) 2022						
	Neither Past Due nor Impaired	**Past Due but not Impaired: Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
Cash and cash equivalents*	**₱91,880**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱91,880**
Receivables	**4,614,652**	**4,019**	**2,399**	**1,550**	**193,019**	**177,113**	**4,992,752**
Advances to subsidiaries and associates**	**211,208**	**–**	**–**	**–**	**–**	**2,009,841**	**2,221,049**
Deposits***	**88,435**	**–**	**–**	**–**	**–**	**–**	**88,435**
	₱5,006,175	**₱4,019**	**₱2,399**	**₱1,550**	**₱193,019**	**₱2,186,954**	**₱7,394,116**

**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 Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
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
Deposits***	84,578	–	–	–	–	–	84,578
	₱5,522,493	₱–	₱9,407	₱5,181	₱45,982	₱2,186,954	₱7,770,017

**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.

<u>Credit Quality of Financial Assets</u>
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) 2022 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 ECL Credit Impaired	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents*	**₱91,880**	**₱–**	**₱–**	**₱91,880**
Receivables	**4,614,652**	**200,987**	**177,113**	**4,992,752**
Advances to subsidiaries and associates**	**211,208**	**–**	**2,009,841**	**2,221,049**
Deposits***	**88,435**	**–**	**–**	**88,435**
Gross Carrying Amount	**₱5,006,175**	**₱200,987**	**₱2,186,954**	**₱7,394,116**

**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 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 ECL Credit Impaired	Total
Financial Assets at Amortized Cost				
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
Gross Carrying Amount	₱5,531,900	₱51,163	₱2,186,954	₱7,770,017

**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 liabilities as at December 31, 2022 and 2021 based on contractual undiscounted cash flows.

	(In Thousands) 2022 On Demand	Less than 6 Months	6 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years	Total
Financial Liabilities						
Loans payable*	**₱3,705,925**	**₱558,055**	**₱104,692**	**₱–**	**₱–**	**₱4,368,672**
Trade and other current liabilities**	**664,698**	**–**	**–**	**–**	**–**	**664,698**
Subscription payable	**477,366**	**–**	**–**	**–**	**–**	**477,366**
Long-term debt*	**–**	**99,894**	**134,998**	**5,113,224**	**–**	**5,348,116**
Lease liability	**–**	**331,590**	**331,589**	**1,369,263**	**5,834,968**	**7,867,410**
Refundable deposit***	**–**	**–**	**–**	**–**	**149,473**	**149,473**
	₱4,847,989	**₱989,539**	**₱571,279**	**₱6,482,487**	**₱5,984,441**	**₱18,875,735**

**Including future interest payments.*
***Excluding withholding and output tax payable and customers' deposit.*
****Presented under "Other noncurrent liabilities" account in the separate statement of financial position.*

	(In Thousands)					
	2021					
	On Demand	Less than 6 Months	6 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years	Total
Financial Liabilities						
Loans payable*	₱3,705,925	₱1,595,017	₱–	₱–	₱–	₱5,300,942
Trade and other current liabilities**	858,367	–	–	–	–	858,367
Subscription payable	477,366	–	–	–	–	477,366
Long-term debt*	–	75,065	91,309	5,200,445	–	5,366,819
Lease liability	–	299,399	315,494	1,323,775	6,501,123	8,439,791
Refundable deposit***	–	–	–	–	153,999	153,999
	₱5,041,658	₱1,969,481	₱406,803	₱6,524,220	₱6,655,122	₱20,597,284

**Including future interest payments.*
***Excluding withholding and output tax payable and customers' deposit.*
****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 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 2022 and 2021.

The Company considers the following as its capital:

	(In Thousands)	
	2022	2021
Common stock	**₱10,561,000**	₱10,561,000
Additional paid-in capital	**5,503,731**	5,503,731
Treasury stock	**(2,565,359)**	(2,476,697)
Retained earnings	**15,871,248**	14,276,628
	₱29,370,620	₱27,864,662

The Company is required to maintain debt-to-equity ratios in accordance with its loan agreements (see Note 16) and its license issued by the PAGCOR (see Note 9). As at December 31, 2022 and 2021, the Company was compliant with the requirements.

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)				
	2022				
	Carrying Value	**Fair Value**	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets					
Assets measured at fair value -					
Financial assets at FVOCI	**₱8,746,796**	**₱8,746,796**	**₱8,630,826**	**₱–**	**₱115,970**
Assets for which fair value is disclosed -					
Investment properties	**23,095,048**	**41,782,462**	**–**	**–**	**41,782,462**
Liabilities					
Liabilities for which fair values are disclosed:					
Refundable deposits	**150,590**	**150,590**	**–**	**150,590**	**–**
Long-term debt	**4,870,000**	**4,695,311**	**–**	**–**	**4,695,311**

	(In Thousands)				
	2021				
	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Assets measured at fair value -					
Financial assets at FVOCI	₱6,773,226	₱6,773,226	₱6,657,256	₱–	₱115,970
Assets for which fair value is disclosed -					
Investment properties	24,227,234	41,782,462	–	–	41,782,462
Liabilities					
Liabilities for which fair values are disclosed:					
Refundable deposits	153,999	153,999	–	153,999	–
Long-term debt	4,885,000	4,987,980	–	–	4,987,980

The Company has no financial liabilities measured at fair value as at December 31, 2022 and 2021. There were no transfers between fair value measurements in 2022 and 2021.

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, Trade and Other Current Liabilities, Loans 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 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, Deposits and Refundable Deposits. The carrying amounts of advances to subsidiaries and associates, deposits and refundable 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 5.21% to 6.47% in 2022 and 2.91% to 3.74% in 2021.

31. Supplemental Disclosure of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	(In Thousands) 2022					
	Balance at beginning of year	**Additions**	**Cash flows**	**Interest expense**	**Noncash recognition of lease liability**	**Balance at end of year**
Lease liability	**₱6,535,221**	**₱–**	**(₱603,566)**	**₱272,715**	**₱39,887**	**₱6,244,257**
Loans payable	**5,700,942**	**–**	**(1,545,000)**	**–**	**–**	**4,155,942**
Long-term debt	**4,885,000**	**–**	**(15,000)**	**–**	**–**	**4,870,000**
Interest payable	**19,196**	**–**	**(368,881)**	**368,740**	**–**	**19,055**
	₱17,140,359	**₱–**	**(₱2,532,447)**	**₱641,455**	**₱39,887**	**₱15,289,254**

	(In Thousands) 2021					
	Balance at beginning of year	Additions	Cash flows	Interest expense	Noncash recognition and derecognition of lease liability	Balance at end of year
Lease liability	₱6,675,888	₱–	(₱429,654)	₱285,001	₱3,986	₱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	–	(413,735)	430,439	–	19,196
	₱17,475,989	₱3,620,000	(₱4,675,056)	₱715,440	₱3,986	₱17,140,359

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**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

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 separate financial statements of Belle Corporation (the Company) as at and for the year ended December 31, 2022 and have issued our report thereon dated February 28, 2023. Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying Supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2022 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic separate financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements 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

BELINDA B. FERNANDO
Partner
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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. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

BELLE CORPORATION

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands)

		Amount
Unappropriated retained earnings, as at December 31, 2021		₱14,276,628
Less:		
Excess of carrying amount of investment property over construction cost, net of tax	(₱5,319,514)	
Difference between straight line accounting for lease income and contractual cash flows, net of tax	(2,537,439)	
Deferred tax asset, beginning	(2,046,308)	
Gain on share swap	(946,628)	
Accretion of security deposit, net of tax	(133,737)	(10,983,626)
Unappropriated retained earnings available for dividend distribution as at January 1, 2022, as adjusted		3,293,002
Net income during the period closed to retained earnings	1,576,035	
Less: Difference in depreciation on excess of carrying amount of investment property over construction cost	385,733	
Movement in deferred tax assets	304,338	
Difference between straight line accounting for lease income and contractual cash flows	190,395	
Accretion of security deposit	8,286	2,464,787
		5,757,789
Treasury shares		(2,565,359)
Realized gain on club shares transferred to retained earnings		18,585
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year		₱3,211,015