From: Philippine Stock Exchange

Subject: Material Information/Transactions
Date: Thursday, February 29, 2024 11:03:11 AM

Dear Sir/Madam:

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

Company Name: Belle Corporation
Reference Number: 0006388-2024
Date and Time: Thursday, February 29, 2024 11:02 AM
Template Name: Material Information/Transactions
Report Number: C01110-2024

Best Regards,
PSE EDGE

https://www.pse.com.ph/stockMarket/content.html?sec=privacypolicy

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)

   Feb 29, 2024

2. SEC Identification Number

   52412

3. BIR Tax Identification No.

   000-156-011-000

4. Exact name of issuer as specified in its charter

   Belle Corporation

5. Province, country or other jurisdiction of incorporation

   Metro Manila, Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila
   Postal Code
   1300

8. Issuer's telephone number, including area code

   (+632) 8662-8888

9. Former name or former address, if changed since last report

   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	9,696,464,297

11. Indicate the item numbers reported herein

   Item 9

Belle Corporation
BEL

PSE Disclosure Form 4-30 - Material Information/Transactions
References: SRC Rule 17 (SEC Form 17-C) and
Sections 4.1 and 4.4 of the Revised Disclosure Rules

Subject of the Disclosure
Audited Financial Statements for the period ended December 31, 2023
Background/Description of the Disclosure
In observance of best corporate governance standards and practices, we hereby submit our Audited Financial Statements for the period ended December 31, 2023 as approved by the Board of DIrectors on February 28, 2024.
Other Relevant Information
Kindly see attached.

Filed on behalf by:

Name	Michelle Angeli Hernandez
Designation	Vice President for Governance

BELLE
CORPORATION

February 29, 2024

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

Attention : **Mr. Vicente Graciano P. Felizmenio Jr.**
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
6/F PSE Tower, 5th Avenue corner 28th Street,
Bonifacio Global City, Taguig City

Attention : **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Subject : **Audited Financial Statement for the period ended December 31, 2023**

Gentlemen:

In observance of good corporate governance standards and practices, we hereby submit our Audited Financial Statement for the period ended December 31, 2023.

We trust you find everything in order.

Thank you.

MARIA NERIZA C. BANARIA
Chief Finance Officer and Treasurer

BELLE
CORPORATION

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 29, 2024**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **52412**

3. BIR Tax Identification No. **000-156-011**

4. **Belle Corporation**
   Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **5/F, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex CBP-1A, Pasay City**
   Address of principal office

   1300
   Postal Code

8. **(632) 8662-8888**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**9,696,464,297**

5th Floor Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City 1300 • Tel: (02) 8662-8888 • Fax: (02) 8662-8899

BELLE
CORPORATION

11. Indicate the item numbers reported herein:

Item No. 9 (Please refer to the attached)

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Belle Corporation

Maria Neriza C. Banaria
Chief Finance Officer

February 29, 2024
Date

5th Floor Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City 1300 • Tel: (02) 8662-8888 • Fax: (02) 8662-8899

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   A N D   S U B S I D I A R I E S

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	C R M D	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)
1,750	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.*

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

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

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022 and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, 2022 and 2021 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, 2023. 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 Leases – The Group as Lessor
After considering the effect of the downturn in the continuing economic and business conditions brought about by the pandemic which started in 2020, the Parent Company, as a lessor, has agreed to provide a series of concessions to its lessee, resulting in significant reductions in contractual cash flows up to 2023. Accordingly, 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 the application of significant judgment and estimates.

We obtained an understanding of the type, extent and periods covered in the lease modifications and evaluated management's judgments, reviewed management's calculation of the financial impact of lease modifications, 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, 2023, the carrying amount of goodwill arising from the acquisition of POSC amounted to ₱926.0 million. This matter is considered significant to our audit because the assessment of the recoverability of goodwill involves the exercise of significant management judgment and estimates such as determination of forecasted cash flows and discount rate. These judgment and estimates are based on assumptions that are subject to a high level of uncertainty because of the prevailing challenges in the conduct of business brought about by current economic conditions and imminent changes in the operations and sources of cash flows of POSC.

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

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of 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 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.

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
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 10072407
Issued January 2, 2024, Makati City

February 28, 2024
Makati City, Metro Manila

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	December 31 **2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱2,172,205**	₱1,873,922
Investments held for trading	6	**100,013**	72,682
Receivables	7	**3,826,351**	3,848,556
Real estate for sale - at cost	8	**155,656**	163,189
Land held for future development - at cost	8	**3,035,959**	3,025,976
Other current assets	9	**2,368,471**	3,945,435
Total Current Assets		**11,658,655**	12,929,760
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	11	**10,018,341**	9,321,093
Installment receivables - net of current portion	7	**1,053,079**	1,197,151
Investments in and advances to associates - net	14	**122,003**	119,272
Investment properties	10	**26,367,457**	23,239,249
Intangible assets	12	**4,001,870**	4,117,704
Goodwill	15	**926,008**	926,008
Property and equipment	13	**786,328**	73,864
Right-of-use assets	33	**64,273**	77,226
Deferred tax assets - net	32	**3,249**	–
Other noncurrent assets	16	**709,487**	756,394
Total Noncurrent Assets		**44,052,095**	39,827,961
		₱55,710,750	₱52,757,721
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other current liabilities	17	**₱1,751,419**	₱1,733,781
Loans payable	18	**1,300,017**	450,017
Current portion of:			
Long-term debt	20	**2,087,824**	29,000
Lease liabilities	33	**392,945**	403,241
Total Current Liabilities		**5,532,205**	2,616,039

(Forward)

		December 31	
	Note	**2023**	2022
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	20	**₱2,437,765**	₱4,908,500
Lease liabilities	33	**5,448,569**	5,842,907
Deferred tax liabilities – net	32	**2,479,013**	2,483,336
Other noncurrent liabilities	19	**397,116**	394,077
Total Noncurrent Liabilities		**10,762,463**	13,628,820
Total Liabilities		**16,294,668**	16,244,859
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)**	(2,565,359)
Cost of Parent Company shares held by subsidiaries	21	**(1,154,409)**	(1,154,409)
Equity share in cost of Parent Company shares held by associates	14	**(2,501)**	(2,501)
Other equity reserves		**9,198,493**	8,015,113
Retained earnings		**14,985,481**	13,501,329
Equity Attributable to Equity Holders of the Parent Company		**36,526,436**	33,858,904
Noncontrolling Interests		**2,889,646**	2,653,958
Total Equity		**39,416,082**	36,512,862
		₱55,710,750	₱52,757,721

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except for Earnings per Share)

		Years Ended December 31		
	Note	**2023**	2022	2021
REVENUES				
Gaming revenue share - net	22	**₱2,339,335**	₱1,560,845	₱1,300,291
Lease income	10	**1,988,767**	2,054,273	807,921
Equipment rental	33	**599,221**	519,051	426,346
Sale of real estate		**302,594**	862,889	587,812
Revenue from property management		**235,122**	211,548	179,618
Others	23	**136,336**	210,667	118,946
		5,601,375	5,419,273	3,420,934
COSTS AND EXPENSES				
Cost of lease income	27	**(1,355,969)**	(1,337,666)	(1,294,948)
Cost of lottery services	24	**(260,670)**	(247,548)	(374,204)
Cost of services for property management	28	**(170,064)**	(139,612)	(113,574)
Cost of real estate sold	26	**(142,002)**	(443,407)	(301,406)
Cost of gaming operations	25	**(137,774)**	(136,346)	(135,895)
General and administrative expenses	29	**(770,349)**	(766,549)	(693,103)
		(2,836,828)	(3,071,128)	(2,913,130)
OTHER INCOME (CHARGES)				
Interest expense	30	**(536,971)**	(516,342)	(603,832)
Interest income	30	**59,283**	22,831	24,981
Unrealized gain (loss) on investments held for trading	6	**54,078**	(372)	(23,623)
Net foreign exchange gain (loss)		**(2,303)**	(1,658)	750
Others – net	31	**228,033**	14,557	310,493
		(197,880)	(480,984)	(291,231)
INCOME BEFORE INCOME TAX		**2,566,667**	1,867,161	216,573
PROVISION FOR (BENEFIT FROM) INCOME TAX	32			
Current		**149,570**	28,585	12,656
Deferred		**(6,088)**	128,119	(541,285)
		143,482	156,704	(528,629)
NET INCOME		**2,423,185**	1,710,457	745,202
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gain on financial assets at FVOCI	11	**1,405,019**	2,087,382	2,044,638
Remeasurement gain (loss) on pension asset/liability - net of tax		**(9,236)**	2,116	27,133
		1,395,783	2,089,498	2,071,771
TOTAL COMPREHENSIVE INCOME		**₱3,818,968**	₱3,799,955	₱2,816,973

(Forward)

	Note	2023	2022	2021
		Years Ended December 31		
Net income attributable to:				
Equity holders of the Parent Company		**₱1,883,556**	₱1,395,751	₱576,983
Noncontrolling interests		**539,629**	314,706	168,219
		₱2,423,185	₱1,710,457	₱745,202
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**₱3,249,320**	₱3,466,004	₱2,633,996
Noncontrolling interests		**569,648**	333,951	182,977
		₱3,818,968	₱3,799,955	₱2,816,973
Basic/Diluted Earnings Per Share	37	**₱0.199**	₱0.148	₱0.061

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2023**	2022	2021
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
COMMON 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		**(2,565,359)**	(2,476,697)	(2,476,700)
Purchase of treasury shares		**–**	(88,662)	–
Reissuance of treasury stock		**–**	–	3
Balance at end of year		**(2,565,359)**	(2,565,359)	(2,476,697)
COST OF PARENT COMPANY SHARES HELD BY SUBSIDIARIES	21			
Balance at beginning of year		**(1,154,409)**	(1,464,322)	(1,464,322)
Sale of Parent Company shares by a subsidiary		**–**	309,913	–
Balance at end of year		**(1,154,409)**	(1,154,409)	(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		**8,015,113**	5,967,683	3,927,976
Unrealized valuation gain on financial assets at FVOCI	11	**1,374,064**	2,073,126	2,029,880
Remeasurement gain (loss) on retirement asset/ liability - net of tax		**(8,300)**	(2,873)	27,133
Realized gain on sale of financial assets at FVOCI transferred to retained earnings	11	**(182,384)**	(18,585)	(17,306)
Reclassification of remeasurement gain on retirement asset/ liability to retained earnings		**–**	(4,238)	–
Balance at end of year		**9,198,493**	8,015,113	5,967,683
RETAINED EARNINGS				
Balance at beginning of year		**13,501,329**	12,175,075	11,580,786
Net income		**1,883,556**	1,395,751	576,983
Dividends declared	21	**(581,788)**	–	–
Realized gain transferred to retained earnings	11	**182,384**	18,585	17,306
Reclassification of retirement liability		**–**	5,651	–
Sale of Parent Company shares by a subsidiary		**–**	(93,733)	–
Balance at end of year		**14,985,481**	13,501,329	12,175,075
		36,526,436	33,858,904	30,263,969

(Forward)

		Years Ended December 31		
	Note	**2023**	2022	2021
NONCONTROLLING INTERESTS				
Balance at beginning of year		**₱2,653,958**	₱2,745,464	₱2,804,147
Net income		**539,629**	314,706	168,219
Share in dividends declared by a subsidiary	2	**(333,960)**	(297,939)	(241,660)
Share in unrealized valuation gain on financial assets at FVOCI	11	**30,952**	14,256	14,758
Share in remeasurement gain (loss) on retirement asset/liability - net of tax	34	**(933)**	4,989	–
Sale of Parent Company shares by a subsidiary		**–**	(127,518)	–
Balance at end of year		**2,889,646**	2,653,958	2,745,464
		₱39,416,082	₱36,512,862	₱33,009,433

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	**2023**	2022	2021
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱2,566,667**	₱1,867,161	₱216,573
Adjustments for:				
Depreciation and amortization	10	**1,339,220**	1,296,659	1,289,243
Interest expense	30	**536,971**	516,342	603,832
Provision (reversal) for probable losses	29, 31	**124,685**	187,301	(281,317)
Amortization of discount on trade receivables	7	**(98,571)**	(105,051)	(72,600)
Interest income	30	**(59,283)**	(22,831)	(24,981)
Unrealized loss (gain) on investments held for trading	6	**(54,078)**	372	23,623
Reversal of provisions for impairment losses on receivables and other current assets	7, 9	**(21,200)**	(33,578)	(10,924)
Dividend income	31	**(15,012)**	(6,300)	(5,275)
Retirement cost	34	**9,732**	12,709	10,402
Share in net loss (income) of associates	14	**(2,733)**	417	1,671
Unrealized foreign exchange loss (gain) - net		**2,303**	4	(750)
Gain on sale of property and equipment	31	**(39)**	(396)	(176)
Gain on disposal of net assets of subsidiaries	31	**–**	(543)	–
Loss on termination of leases	31	**–**	–	567
Operating income before working capital changes		**4,328,662**	3,712,266	1,749,888
Decrease (increase) in:				
Receivables		**286,048**	290,129	232,444
Real estate for sale and land held for future development		**(2,450)**	183,075	112,319
Other current assets		**(42,960)**	(1,563,952)	(645,466)
Decrease in trade and other current liabilities		**(114,733)**	(264,479)	(310,468)
Net cash generated from operations		**4,454,567**	2,357,039	1,138,717
Interest received	30	**59,283**	22,831	24,981
Income taxes paid		**(262,607)**	(28,586)	(6)
Contributions to plan asset	34	**(23,934)**	(10,000)	(5,000)
Net cash provided by operating activities		**4,227,309**	2,341,284	1,158,692
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	13	**(564,380)**	(22,656)	(26,817)
Investments held for trading		**–**	–	(12,416)
Financial assets at FVOCI		**(9,958)**	(19,258)	(522,651)
Proceeds from disposal of:				
Investments held for trading		**26,747**	–	–
Financial assets at FVOCI		**717,729**	55,966	86,716
Property and equipment		**24**	3,871	1,749
Dividends received	31	**15,012**	6,300	5,275
Additions to investment properties		**(2,753,750)**	–	–
Increase in other noncurrent assets		**51,876**	58,759	277,837
Decrease (increase) in investments in and advances to associates and related parties		**2**	2	(2)
Net cash provided by (used in) investing activities		**(2,516,698)**	82,984	(190,309)

(Forward)

	Note	Years Ended December 31 **2023**	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt and loans payable	18, 20	**(₱1,311,912)**	(₱2,010,000)	(₱3,831,667)
Lease liabilities	33	**(664,566)**	(608,769)	(440,938)
Interest		**(267,798)**	(233,435)	(584,637)
Proceeds from availment of loans payable and long-term debt	18, 20	**1,750,000**	517,500	3,620,000
Dividends paid to shareholders of the Parent Company		**(581,788)**	–	–
Dividends paid to noncontrolling interests		**(333,960)**	(297,939)	(241,660)
Net cash used in financing activities		**(1,410,024)**	(2,632,643)	(1,478,902)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2,304)**	(4)	750
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**298,283**	(208,379)	(509,769)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,873,922**	2,082,301	2,592,070
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱2,172,205**	₱1,873,922	₱2,082,301

COMPONENTS OF CASH AND CASH EQUIVALENTS				
Cash on hand and in banks		**₱643,902**	₱656,745	₱678,621
Cash equivalents		**1,528,303**	1,217,177	1,403,680
		₱2,172,205	₱1,873,922	₱2,082,301
NONCASH FINANCIAL INFORMATION				
Reclassification of advances for land acquisitions to investment properties	9	**₱1,525,975**	₱–	₱–
Reclassification from advances to suppliers to property and equipment	9	**206,985**	–	–

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023 AND 2022 AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

1. General Information

Corporate Information

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. Belle and its subsidiaries collectively referred to as “the Group”, are mainly in real estate development, principally in the high-end leisure property market, gaming and various investment holdings.

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:

		2023			2022			2021		
		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	79.8	–	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
Futurelab Interactive Corp.		–	59.5	59.5	–	–	–	–	–	–
Interest in a Joint Operation -										
PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	–	50.0	50.0	–	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 ₱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 and registered with the SEC primarily to provide software support and online lottery equipment service.

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

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 December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the Board of Directors (BOD) and the audit committee on February 28, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with 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 Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

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:

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

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 to consolidated financial statements.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective January 1, 2023:

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

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

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

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

The adoption of the amendments to PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the 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, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

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

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

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the consolidated financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

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

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

Deferred effectivity -

- *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted. Under prevailing circumstances, the adoption of the foregoing 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 subsidiary's 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 and liabilities of the former subsidiary from the consolidated statements of financial position;
- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. That retained interest is remeasured, and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and
- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

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.

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).

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.

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.

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.

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

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.

The financial statements of PinoyLotto with a fiscal period ended June 30, are incorporated in the consolidated financial statements as at December 31. Adjustments and disclosures are made for the effects of significant transactions or events that occurred between the date of PinoyLotto's financial statements and the date of the consolidated financial statements.

Material Partly-owned Subsidiary

PLC. The non-controlling interests in PLC are material to the Group in 2023, 2022 and 2021. NCI hold 20.21% as at December 31, 2023, 2022 and 2021. The summarized financial information of PLC is provided below. This information is based on amounts before eliminations of related party balances and transactions.

Summarized consolidated statements of financial position as at December 31, 2023 and 2022:

	(In Thousands)	
	2023	2022
Total current assets	**₱4,993,365**	₱6,194,382
Total noncurrent assets	**13,327,386**	10,791,524
Total current liabilities	**(844,510)**	(730,588)
Total noncurrent liabilities	**(427,988)**	(85,934)
Total equity	**₱17,048,253**	₱16,169,384
Attributable to:		
Equity holders of the Parent	**₱16,587,482**	₱15,754,061
Non-controlling interests	**460,771**	415,323
Total	**₱17,048,253**	₱16,169,384

Summarized consolidated statements of comprehensive income for the years ended December 31, 2023, 2022 and 2021:

	(In Thousands)		
	2023	2022	2021
Revenue	**₱2,940,889**	₱2,079,897	₱1,726,637
Costs and expenses	**(978,705)**	(942,609)	(963,909)
Other income - net	**495,534**	153,744	421,434
Income before income tax	**2,457,718**	1,291,032	1,184,162
Provision for income tax	**(133,799)**	(35,084)	(61,252)
Net income	**2,323,919**	1,255,948	1,122,910
Other comprehensive income (loss)	**104,341**	64,215	(25,243)
Total comprehensive income	**₱2,428,260**	₱1,320,163	₱1,097,667
Attributable to:			
Equity holders of the Parent	**₱2,329,658**	₱1,221,562	₱1,167,407
Non-controlling interests	**98,601**	98,601	(69,740)
Total	**₱2,428,260**	₱1,320,163	₱1,097,667

Below are the summarized consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021:

	(In Thousands)		
	2023	2022	2021
Operating activities	**₱2,232,281**	₱1,545,302	₱1,219,710
Investing activities	**1,688,628**	59,215	(507,539)
Financing activities	**(4,228,369)**	(1,486,881)	(1,269,549)
Net increase (decrease) in cash and cash equivalents	**(₱307,460)**	₱117,636	(₱557,378)

Dividends paid to non-controlling interests amounted to ₱334.0 million, ₱297.9 million and ₱241.7 million in 2023, 2022 and 2021.

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, 2023 and 2022, 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", "Other noncurrent assets" and "Investment in and advances to associates").

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 at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss. 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 (presented as part of "Other noncurrent liabilities"), 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 Assets 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.

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, and advances for land acquisitions, among others.

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

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.

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.

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 or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Intangible Assets

Intangible asset acquired separately is measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible asset is carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible 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 life of intangible asset is assessed as either finite or indefinite.

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

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

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.

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.

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

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 and amortization 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 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.

Common Stock and Additional Paid-in Capital
Common 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 common 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 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 excess of acquisition cost over net assets of acquired subsidiaries, cumulative unrealized valuation gains (losses) on financial assets at FVOCI, cumulative remeasurement gains (losses) on retirement asset/liability, accumulated share in cumulative unrealized valuation gains 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.

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

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

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.

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

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.

Revenue from Property Management. Revenue is recognized as services of providing utilities and maintenance are performed.

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.

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.

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.

Dividends (presented under “Other income/charges” account). Revenue is recognized when the Group’s right to receive the payment is established.

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.

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

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 Lease Income. Cost of lease income are recognized as expense when services are rendered.

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, Gaming Operations, and 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 Right-of-Use (ROU) assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense in profit or loss on a straight-line basis. For leases with lease terms of 12 months or less but with an option to extend the lease, the management assesses whether there is reasonable certainty that the 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.

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.

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.

<u>Foreign Currency Denominated Transactions</u>
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. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

<u>Income Taxes</u>

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 accounting estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgment, accounting 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 accounting 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 to consolidated financial statements.

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 2023, 2022 and 2021 (see Note 2) and APC group as its material associate as at December 31, 2023 and 2022 (see Note 14).

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 to consolidated financial statements.

- *Operating Lease – Group 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 to the consolidated financial statements.

- *Operating Lease – Group 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 to consolidated financial statements.

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 the Group, as a lessor, agreed to a concession for the periods 2022 until the end of the lease term in 2033, 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.

Determining the Classification of Financial Instruments. Classification of financial assets under PFRS 9 depends on the results of the business model test and "sole payment of principal and interest" (SPPI) test performed by the Group. The Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

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 to consolidated financial statements.

Accounting 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 the Impairment of Receivables, Installment Receivables, Contract Assets and Advances to Associates. The Group uses the simplified approach for its impairment provisions for financial assets which 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 on the basis of current observable data to reflect the effects of current and forecasted economic conditions at the end of each reporting period.

Allowance for impairment losses and the carrying amounts of receivables, installment receivables, contract assets and advances to associates and allowance for doubtful accounts as at December 31, 2023 and 2022 are disclosed in Notes 7 and 14 to the consolidated financial statements. There was no provision for impairment losses in 2022 and 2021. In 2023, the Group recognized a reversal of allowance for impairment loss on receivables amounting to ₱21.2 million (see Note 7).

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 2023, 2022 and 2021. The carrying values of cash and cash equivalents, guarantee deposits and refundable deposits and construction bond as at December 31, 2023 and 2022 are disclosed in Notes 5, 9 and 16 to the consolidated financial statements, respectively.

Determining the 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.

The Group recognized a reversal of provision for impairment loss on spare parts and supplies. The carrying values of real estate for sale and spare parts and supplies inventory carried at lower of cost and NRV are disclosed in Notes 8 and 9 to the consolidated financial statements.

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 2023, 2022 and 2021. The carrying value of the gaming license is disclosed in Note 12 to the consolidated financial statements.

Estimating the Useful Lives of Depreciable Investment Properties, Property and Equipment Intangible Asset and ROU Assets. The Group estimates the useful lives of the depreciable investment properties, property and equipment, intangible asset 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 2023, 2022 and 2021. The aggregate carrying amount of depreciable investment properties, property and equipment, intangible asset and ROU assets are disclosed in Notes 10, 13 and 33 to consolidated financial statements.

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 2023, 2022 and 2021. The carrying amount of goodwill as at December 31, 2023 and 2022 is disclosed in Note 15 to consolidated financial statements.

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 2023, 2022 and 2021. The carrying values of nonfinancial assets subjected to assessment of impairment indicators or review as at December 31, 2023 and 2022 are disclosed in Notes 9, 10, 12, 13, 14, 16 and 33 to the consolidated financial statements.

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 and unrecognized deferred tax assets of the Group are disclosed in Note 32 to consolidated financial statements. 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 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)				
	2023				
	Real Estate Development and Property Management	**Gaming and Gaming Related Activities**	**Others**	**Eliminations/ Adjustments**	**Consolidated**
Earnings Information					
Revenue	**₱2,714,487**	**₱2,940,888**	**₱–**	**(₱54,000)**	**₱5,601,375**
Costs and expenses	**(2,022,167)**	**(991,162)**	**(363)**	**176,864**	**(2,836,828)**
Interest expense	**(724,651)**	**(17,903)**	**–**	**205,583**	**(536,971)**
Interest income	**10,849**	**254,012**	**5**	**(205,583)**	**59,283**
Other income - net	**1,267,829**	**271,883**	**9,373**	**(1,269,277)**	**279,808**
Income before income tax	**1,246,347**	**2,457,718**	**9,015**	**(1,146,413)**	**2,566,667**
Provision for income tax	**(9,683)**	**(133,799)**	**–**	**–**	**(143,482)**
Net income	**₱1,236,664**	**₱2,323,919**	**₱9,015**	**(₱1,146,413)**	**₱2,423,185**
Net income attributable to equity holders of the parent	**₱1,236,664**	**₱1,784,290**	**₱9,015**	**(₱1,146,413)**	**₱1,883,556**
Other Information					
Investments in and advances to associates	**₱10,249,423**	**₱–**	**₱–**	**(₱10,127,420)**	**₱122,003**
Investments held for trading	**–**	**100,013**	**–**	**–**	**100,013**
Investments at FVOCI	**9,981,060**	**129,667**	**205,776**	**(298,162)**	**10,018,341**
Total assets	**53,881,606**	**18,324,848**	**358,703**	**(16,854,407)**	**55,710,750**
Total liabilities	**17,547,045**	**1,276,596**	**2,664,630**	**(5,193,603)**	**16,294,668**
Depreciation and amortization	**(1,175,634)**	**(286,449)**	**–**	**122,863**	**(1,339,220)**

	(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 (loss) 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 (loss)	₱1,583,367	₱1,255,945	₱146	(₱1,129,001)	₱1,710,457
Net income (loss) 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 held for trading	–	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 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 held for trading	–	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

Revenues amounting to ₱4,457.6 million, ₱3,615.1 million and ₱2,108.2 million in 2023, 2022, and 2021,respectively are solely collectible from Melco and revenues amounting to ₱502.4 million, ₱519.1 million and ₱426.3 million in 2023 and 2022, and 2021 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:

	2023	2022	2021
Revenues			
Total revenue for reportable segments	**₱5,655,375**	₱5,473,273	₱3,474,934
Elimination for intercompany revenue	**(54,000)**	(54,000)	(54,000)
Total consolidated revenues	**₱5,601,375**	₱5,419,273	₱3,420,934
Net Profit for the Year			
Total profit for reportable segments	**₱3,569,598**	₱2,839,458	₱1,641,571
Elimination for intercompany profits	**(1,146,413)**	(1,129,001)	(896,369)
Consolidated net profit	**₱2,423,185**	₱1,710,457	₱745,202
Assets			
Total assets for reportable segments	**₱45,470,393**	₱43,244,675	₱43,564,415
Investments in and advances to associates	**122,003**	119,272	119,688
Investments at FVTPL	**100,013**	72,682	7,270,420
Investments at FVOCI	**10,018,341**	9,321,092	73,054
Total assets	**₱55,710,750**	₱52,757,721	₱51,027,577
Liabilities			
Total liabilities for reportable segments	**₱7,879,624**	₱8,309,531	₱8,700,767
Loans payable	**1,358,840**	450,000	1,995,017
Long-term debt	**4,466,765**	4,937,500	4,885,000
Deferred tax liabilities - net	**2,479,013**	2,483,336	2,377,323
Advances from related parties*	**110,426**	64,491	60,037
Total liabilities	**₱16,294,668**	₱16,244,858	₱18,018,144

**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)		
	2023		
Type of revenue	**Real Estate Development and Property Management**	**Gaming and gaming related activities**	**Total**
Lease income	**₱1,988,767**	**₱–**	**₱1,988,767**
Gaming revenue share - net	**–**	**2,339,335**	**2,339,335**
Sale of real estate	**302,594**	**–**	**302,594**
Equipment rental	**–**	**599,221**	**599,221**
Revenue from property management	**235,122**	**–**	**235,122**
Other revenues	**136,336**	**–**	**136,336**
Revenue from contracts with customers	**₱2,662,819**	**₱2,938,556**	**₱5,601,375**

	(In Thousands)		
	2022		
Type of revenue	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Gaming revenue share - net	₱2,054,273	₱–	₱2,054,273
Lease income	–	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 revenue	Real Estate Development and Property Management	Gaming and gaming related activities	Total
Lease income	₱–	₱1,300,291	₱1,300,291
Gaming revenue share - net	807,921	–	807,921
Equipment rental	587,812	–	587,812
Sale of real estate	–	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

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

5. **Cash and Cash Equivalents**

This account consists of:

	(In Thousands)	
	2023	2022
Cash on hand and in banks	**₱643,902**	₱656,745
Cash equivalents	**1,528,303**	1,217,177
	₱2,172,205	₱1,873,922

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 ₱59.3 million, ₱19.2 million and ₱18.9 million in 2023, 2022 and 2021, respectively (see Note 30).

6. **Investments Held for Trading**

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

	(In Thousands)	
	2023	2022
Balance at beginning of year	**₱72,682**	₱73,054
Unrealized marked-to-market gain (loss)	**54,078**	(372)
Disposals	**(26,747)**	–
Balance at end of year	**₱100,013**	₱72,682

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 valuation gain (loss) were recognized under "Unrealized gain (loss) on investment held for trading" account in the consolidated statements of comprehensive income.

There was no dividend income received from instruments held for trading in 2023, 2022 and 2021 respectively.

7. Receivables

This account consists of:

	Note	2023 (In Thousands)	2022
Trade receivables:			
Leases	33	**₱2,847,521**	₱3,106,354
Real estate sales and installment receivables		**1,540,884**	1,740,042
Gaming revenue share		**202,500**	14,807
Property management		**45,858**	53,860
Equipment rental		**119,185**	66,548
Receivable from a Share Swap Agreement		**422,342**	422,342
Advances to consultants		**127,500**	127,500
Contract assets		**–**	4,000
Others		**273,068**	230,882
		5,578,858	5,766,335
Less allowance for impairment losses		**699,428**	720,628
		4,879,430	5,045,707
Less installment receivables - noncurrent portion		**1,053,079**	1,197,151
		₱3,826,351	₱3,848,556

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 three to five 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.

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

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

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. This was billed and collected in full in 2023.

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

The movement and balances of allowance for impairment loss are as follows:

		(In Thousands)	
	Note	**2023**	2022
Balance at beginning of year		**₱720,628**	₱720,628
Reversal	29	**(21,200)**	–
Balance at end of year		**₱699,428**	₱720,628

The reversal is due to subsequent collection of receivables previously provided with allowance for impairment losses.

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

		(In Thousands)	
	Note	**2023**	2022
Trade receivables at POC		**₱1,707,452**	₱1,955,954
Less discount on trade receivables:			
Balance at beginning of year		**215,912**	172,559
Amortization	23	**(98,571)**	(105,051)
Discount		**49,227**	148,404
Balance at end of year		**166,568**	215,912
		₱1,540,884	₱1,740,042

As at December 31, 2023 and 2022, receivables from real estate at POC of ₱1,707.5 million and ₱1,956.0 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 3.68% to 21.22% in 2023 and 3.88% to 15.97% in 2022.

Interest income earned from contract assets amounted to nil, ₱3.7 million and ₱6.1 million in 2023, 2022 and 2021 respectively (see Notes 30 and 36).

8. 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 2023 and 2022 is set out below:

	(In Thousands)	
	2023	2022
Balance at beginning of year	**₱3,025,976**	₱3,021,120
Acquisitions	**9,983**	4,856
Balance at end of year	**₱3,035,959**	₱3,025,976

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 ₱911.1 million and ₱909.9 million as at December 31, 2023 and 2022, respectively, 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 ₱144.9 million and ₱145.2 million as at December 31, 2023 and 2022, 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	**2023**	2022
Balance at beginning of year		**₱163,189**	₱351,120
Cost of real estate sold	26	**(142,002)**	(443,407)
Repossession		**114,384**	160,956
Development costs incurred		**20,085**	94,520
Balance at end of year		**₱155,656**	₱163,189

As at December 31, 2023 and 2022, 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 2023, 2022 and 2021.

9. Other Current Assets

This account consists of:

		(In Thousands)	
	Note	**2023**	2022
CWT		**₱1,164,064**	₱1,051,027
Input VAT		**581,555**	605,818
Advances to contractors and suppliers		**346,289**	558,393
Prepaid expenses		**200,553**	204,889
Guarantee deposits	36	**91,201**	14,500
Advances to officers and employees		**4,310**	3,916
Spare parts and supplies		**3,873**	4,283
Advances for land acquisitions		**–**	1,525,975
		2,391,845	3,968,801
Less allowance for impairment losses		**23,374**	23,366
		₱2,368,471	₱3,945,435

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. This account includes advances for the acquisition of online lotto equipment by the PinoyLotto for the 2021 PLS Project. In 2023 the Group reclassified advances to suppliers amounting to ₱207.1 million to property and equipment.

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

Guarantee deposits pertain to cash bonds held in escrow account as part of the agreements with PCSO.

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 consolidated statements of comprehensive income.

Advances for land acquisitions pertain to downpayments made by the Group for its purchase of land. In 2023, the Group reclassified the advances for land acquisitions to investment properties.

Movements in allowance for impairment losses are as follows:

	(In Thousands)	
	2023	2022
Balance at beginning of year	**₱23,366**	₱56,944
Provisions	**8**	62
Reversals	**–**	(33,640)
Balance at end of year	**₱23,374**	₱23,366

10. **Investment Properties**

This account consists of:

	(In Thousands)				
	2023				
	Land	**Building**	**ROU Building Improvements**	**ROU Land**	**Total**
Cost					
Balances at beginning of year	**₱1,869,025**	**₱18,434,220**	**₱2,509,013**	**₱6,964,513**	**₱29,776,771**
Additions	**1,617,853**	**–**	**–**	**2,661,872**	**4,279,725**
Balances at end of year	**3,486,878**	**18,434,220**	**2,509,013**	**9,626,385**	**34,056,496**
Accumulated Depreciation and Amortization					
Balances at beginning of year	**–**	**4,014,042**	**1,109,145**	**1,414,335**	**6,537,522**
Depreciation and amortization	**–**	**403,155**	**215,390**	**532,972**	**1,151,517**
Balances at end of year	**–**	**4,417,197**	**1,324,535**	**1,947,307**	**7,689,039**
Carrying Amount	**₱3,486,878**	**₱14,017,023**	**₱1,184,478**	**₱7,679,078**	**₱26,367,457**

	(In Thousands)				
	2022				
	Land	Building	ROU Building Improvements	ROU Land	Total
Cost					
Balances at beginning of year	₱1,869,025	₱18,434,220	₱2,509,013	₱6,964,513	₱29,776,771
Accumulated Depreciation and Amortization					
Balances 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
Balances 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

The fair values of investment properties as at December 31, 2023 and 2022, 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 was determined 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 ₱1,988.8 million, ₱2,054.3 million and ₱807.9 million in 2023, 2022 and 2021, respectively. Direct cost related to the investment properties amounted to ₱1,356.0 million, ₱1,337.7 million and ₱1,294.9 million in 2023, 2022 and 2021, respectively, (see Note 27).

Depreciation and amortization arise from the following:

		(In Thousands)		
	Note	**2023**	2022	2021
Investment properties		**₱1,151,517**	₱1,132,186	₱1,065,964
Intangible asset	12	**115,834**	115,834	115,834
Property and equipment	13	**58,916**	31,399	83,073
ROU asset	33	**12,953**	17,240	24,372
		₱1,339,220	₱1,296,659	₱1,289,243

Depreciation and amortization are allocated as follows:

		(In Thousands)		
	Note	**2023**	2022	2021
Cost of lease income	27	**₱1,151,517**	₱1,132,186	₱1,069,566
Cost of gaming operations	25	**115,834**	115,834	115,834
Cost of lottery services	24	**39,125**	29,218	71,071
Cost of services for property management	28	**17,590**	10,549	9,400
General and administrative expenses	29	**15,154**	8,872	23,372
		₱1,339,220	₱1,296,659	₱1,289,243

11. Financial Assets at FVOCI

This account consists of:

	(In Thousands)	
	2023	2022
Club shares	**₱7,795,100**	₱6,399,100
Shares of stock:		
Quoted	**2,088,894**	2,806,023
Unquoted	**134,347**	115,970
	₱10,018,341	₱9,321,093

The movements of financial assets at FVOCI in 2023 and 2022 are as follows:

	(In Thousands)	
	2023	2022
Cost		
Balance at beginning of year	**₱4,402,396**	₱4,420,520
Additions	**9,958**	19,258
Disposals	**(489,608)**	(37,382)
Balance at end of year	**3,922,746**	4,402,396
Cumulative unrealized valuation gain on financial assets at FVOCI		
Balance at beginning of year	**4,918,697**	2,849,900
Unrealized gain	**1,405,019**	2,087,382
Realized loss (gain) on disposal	**(228,121)**	(18,585)
Balance at end of year	**6,095,595**	4,918,697
	₱10,018,341	₱9,321,093

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 ₱15.0 million, ₱6.3 million and ₱5.3 million in 2023, 2022 and 2021, respectively, were recognized in “Other income (charges)” account in the consolidated statements of comprehensive income (see Note 31).

Realized gain from sale of financial assets at FVOCI were reclassified from “Other reserves” account to “Retained earnings” account in the consolidated statements of financial position.

Black Spade Acquisition, Inc. (BSA)

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

On April 17, 2023, SLRC assigned all its rights and obligations to the investment in common shares and share warrants to PLAI. PLAI redeemed the common shares for ₱443.4 million and sold the remaining shares for ₱266.9 million. Share warrants was sold for ₱147.4 million resulting to a gain on sale amounting to ₱146.5 million in 2023 (see Note 31).

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

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”). 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 unamortized life of the license as at December 31, 2023 is 34.5 years.

The movements in intangible asset are as follows:

	Note	(In Thousands) 2023	2022
Cost			
Balance at beginning and end of year		**₱5,261,186**	₱5,261,186
Accumulated Amortization			
Balance at beginning of year		**1,143,482**	1,027,648
Amortization	10	**115,834**	115,834
Balance at end of year		**1,259,316**	1,143,482
Net Carrying Amount		**₱4,001,870**	₱4,117,704

13. **Property and Equipment**

The movements of this account are as follows:

	Note	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
		In Thousands 2023						
Cost								
Balance at beginning of year		**₱495,106**	**₱259,022**	**₱336,688**	**₱248,955**	**₱61,657**	**₱121,739**	**₱1,523,167**
Additions		**701,071**	**3,538**	**22,232**	**4,814**	**577**	**39,133**	**771,365**
Disposals		**(506,421)**	**–**	**–**	**–**	**(4,288)**	**(24,241)**	**(534,950)**
Balance at end of year		**689,756**	**262,560**	**358,920**	**253,769**	**57,946**	**136,631**	**1,759,582**
Accumulated Depreciation and Impairment								
Balance at beginning of year		**495,106**	**257,612**	**278,002**	**243,765**	**57,326**	**117,492**	**1,449,303**
Depreciation	10	**35,054**	**239**	**14,174**	**1,440**	**3,476**	**4,533**	**58,916**
Disposal		**(506,421)**	**–**	**–**	**–**	**(4,127)**	**(24,417)**	**(534,965)**
Balance at end of year		**23,739**	**257,851**	**292,176**	**245,205**	**56,675**	**97,608**	**973,254**
Net Carrying Amount		**₱666,017**	**₱4,709**	**₱66,744**	**₱8,564**	**₱1,271**	**₱39,023**	**₱786,328**

	Note	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
		In Thousands 2022						
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

Since the ELA was terminated on September 30, 2023, the Group retired fully depreciated lottery equipment at cost of ₱506.4 million.

Allowance for impairment loss on property and equipment amounted to ₱186.30 million as at December 31, 2023 and 2022.

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)	
	Note	**2023**	2022
Investments in associates - net of allowance for impairment in value of ₱354.0 million		**₱121,477**	₱118,744
Advances to associates and related parties - net of allowance for impairment loss of ₱130.3 million	35	**526**	528
		₱122,003	₱119,272

Investment in associates as of December 31, 2023 and 2022 consist of:

		(In Thousands)	
	Note	**2023**	2022
Acquisition cost		**₱5,716,536**	₱5,716,536
Accumulated equity in net losses			
Balance at beginning of year		**(5,255,333)**	(5,254,916)
Share in net income (loss)	31	**2,733**	(417)
Balance at end of year		**(5,252,600)**	(5,255,333)
Accumulated share in unrealized gain on financial assets at FVOCI of associates - Balance at beginning and end of year		**14,061**	14,061
		477,997	475,264
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)
		₱121,477	₱118,744

The Group has an outstanding balance of subscription payable pertaining to these investments amounting to ₱45.9 million as at December 31, 2023 and 2022 (see Note 17).

The fair values of investment in APC Group, Inc., which is publicly listed in the PSE, amounted to ₱822.5 million and ₱721.0 million as at Dcember 31, 2023 and 2022, respectively. Fair values are determined 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)	
	2023	2022
Total current assets	**₱27,468**	₱19,630
Total noncurrent assets	**241,521**	240,001
Total current liabilities	**111,662**	108,831
Total noncurrent liabilities	**3,948**	3,481
Total equity	**153,379**	147,319
Revenue	**13,663**	506
Net income (loss)	**5,034**	(888)
Total comprehensive income (loss)	**6,601**	(358)

15. **Goodwill**

Goodwill acquired from business combinations as at December 31, 2023 and 2022 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 2023, 2022 and 2021.

The goodwill from the acquisitions has been subjected to the annual impairment review in 2023 and 2022. The recoverable amounts of the operations have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years, taking into consideration the effect of significant events on the macroeconomic factors used in developing the assumptions.

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 7.00%, 9.79% and 5.08% was used in 2023, 2022, and 2021 respectively, based on the Weighted Average Cost of Capital (WACC) of POSC.

Revenue Growth Rate, Long-Term Growth Rate and Terminal Values. No growth rate was applied in the 5-year cash flow projections in 2023 and 2022, 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, 2023 and 2022.

16. Other Noncurrent Assets

This account consists of:

	Note	(In Thousands) 2023	2022
CWT		**₱518,629**	₱405,968
Refundable deposits and construction bonds		**130,022**	127,227
Deferred input VAT		**55,698**	75,650
Pension asset	34	**4,098**	4,508
Advances to contractors		**–**	139,740
Others		**1,040**	3,301
		₱709,487	₱756,394

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.

Advances to contractors are advances that are expected to be refunded within two years after project's completion. This was fully recouped against contractor billings in 2023.

17. Trade and Other Current Liabilities

This account consists of:

	Note	(In Thousands) 2023	2022
Trade		**₱370,892**	₱205,705
Accrued expenses		**749,645**	703,232
Withholding and output VAT payable		**219,588**	255,739
Payables for land acquisitions	8	**144,863**	145,157
Customers' deposits		**78,444**	52,925
Advances from joint operators		**67,500**	13,111
Advances from related parties	35	**63,062**	64,491
Subscription payable	14	**45,928**	45,928
Consultancy, software and license and management fees payable		**8,866**	22,551
Refundable deposit and others		**2,631**	15,862
Unearned income		**–**	209,080
		₱1,751,419	₱1,733,781

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 2023 and 2022, the Group recognized provisions amounting to ₱124.7 million and ₱187.3 million, respectively (see Note 29). In 2021, reversal of provisions amounted to ₱281.3 million (see Note 31).

Unearned income pertains to the advance payment from Melco, which was applied as payment of PLAI's gaming revenue share in 2023.

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 3.95% to 6.88% and 2.30% to 6.25% in 2023 and 2022, respectively.

The carrying amount of outstanding loans payable amounted to ₱1,300.0 million and ₱450.0 million as at December 31, 2023 and 2022, respectively.

Interest expense on loans payable charged to operations amounted to ₱27.7 million, ₱30.3 million and ₱58.0 million in 2023, 2022 and 2021, respectively (see Note 30).

19. **Other Noncurrent Liabilities**

This account consists of the following:

		(In Thousands)	
	Note	**2023**	2022
Deferred lease income		**₱237,225**	₱225,583
Refundable deposits		**138,136**	150,591
Retirement liability	34	**21,755**	17,903
		₱397,116	₱394,077

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)	
	2023	2022
Long-term debt	**₱4,525,589**	₱4,937,500
Current portion	**(2,087,824)**	(29,000)
Noncurrent portion	**₱2,437,765**	₱4,908,500

<u>BDO Unibank, Inc.</u>
On March 6, 2018, the Parent Company availed of ₱3,000.0 million credit 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 2023 and 4.00% to 4.90% in 2022.

Outstanding balance of the loan amounted to ₱600.0 million and ₱1,400.0 million as at December 31, 2023 and 2022, respectively

<u>China Banking Corporation</u>
On November 13, 2020, the Parent Company has 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 annually within five years with an annual fixed interest rate of 4.75%.

The Parent 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 ₱3,455.0 million and ₱3,470.0 million as at December 31, 2023 and 2022, respectively.

<u>Union Bank of the Philippines, Inc.</u>
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 7.96%.

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

The loan is secured by a continuing surety of POSC and PGMC and maintenance of a debt service reserve account. Outstanding balance of the loan amounted to ₱470.6 million and ₱67.5 million as at December 31, 2023 and 2022, 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, 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 needs to comply with certain parameters of the loan agreement such as required financial ratios and avoiding corporate acts that may result in the event of default.

As at December 31, 2023 and 2022, 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)	
	2023	2022
Within one year	**₱2,087,824**	₱29,000
Within one to five years	**2,437,765**	4,841,000
Beyond one year to five years	**–**	67,500
	₱4,525,589	₱4,937,500

Interest expense on long-term debt amounted to ₱219.3 million, ₱204.9 million and ₱225.2 million in 2023, 2022 and 2021, respectively (see Note 30).

21. Equity

Preferred Stock
As at December 31, 2023 and 2022, 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, 2023 and 2022, the Parent Company's authorized common stock amounted to ₱14,000.0 million divided into 14,000,000,000 shares at ₱1 par value a share.

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

	2023	2022	2021
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	**864,536,560**	797,873,560	797,874,560
Reissuance	**(1,000)**	(1,000)	(1,000)
Purchase	**–**	66,663,000	–
Balance at end of year	**864,535,560**	864,535,560	797,873,560
Outstanding shares	**9,696,464,297**	9,696,464,297	9,763,126,297

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, 2023 and 2022, subsidiaries collectively hold Parent Company common shares totaling and 252,378,183, with cost aggregating to ₱1,154.4 million. 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 in 2014 without loss of control amounting to ₱3,044.1 million as at December 31, 2023 and 2022.

Retained Earnings

The consolidated retained earnings as at December 31, 2023 and 2022 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.

Dividends

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)		
	2023	2022	2021
Gaming revenue share - gross	**₱3,170,197**	₱1,973,906	₱2,040,109
Less PAGCOR license fee paid by Melco	**830,862**	413,061	739,818
Gaming revenue share - net	**₱2,339,335**	₱1,560,845	₱1,300,291

23. **Other Revenue**

This account consists of:

		(In Thousands)		
	Note	**2023**	2022	2021
Amortization of discount on trade receivables	7	**₱98,571**	₱105,051	₱72,600
Income from forfeitures		**12,541**	37,677	1,152
Income from playing rights		**11,696**	1,161	536
Gain (loss) on repossession		**(3,206)**	46,691	18,015
Penalty		**2,875**	3,297	2,192
Administrative fees and other charges		**4,972**	–	–
Commission and distribution income		**2,333**	–	–
Others		**6,554**	16,790	24,451
		₱136,336	₱210,667	₱118,946

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.

24. **Cost of Lottery Services**

This account consists of:

		(In Thousands)		
	Note	**2023**	2022	2021
Software and license fees	36	**₱65,552**	₱60,508	₱54,498
Personnel costs		**47,841**	45,774	60,182
Communication fees		**35,853**	52,107	59,064
Depreciation and amortization	10	**39,125**	29,218	71,071
Repairs and maintenance		**36,253**	6,236	21,623
Rental and utilities	33	**15,955**	17,433	23,360
Transportation and travel		**15,999**	11,349	14,698
Others		**4,092**	24,923	69,708
		₱260,670	₱247,548	₱374,204

25. Cost of Gaming Operations

This account consists of:

	Note	(In Thousands) 2023	2022	2021
Depreciation and amortization	10	**₱115,834**	₱115,834	₱115,834
Payroll-related expenses		**13,071**	12,207	11,919
Transportation and travel		**4,554**	4,272	4,191
Others		**4,315**	4,033	3,951
		₱137,774	₱136,346	₱135,895

26. Cost of Real Estate Sales

The cost of real estate sales amounted to ₱142.0 million, ₱443.4 million and ₱301.4 million in 2023, 2022 and 2021, respectively (see Note 8).

27. Cost of Lease Income

This account consists of:

	Note	(In Thousands) 2023	2022	2021
Depreciation and amortization	10	**₱1,151,517**	₱1,132,186	₱1,069,566
Taxes		**171,587**	171,587	171,587
Insurance		**21,321**	25,650	49,205
Maintenance		**11,544**	8,243	4,590
		₱1,355,969	₱1,337,666	₱1,294,948

28. Cost of Services for Property Management

This account consists of:

	Note	(In Thousands) 2023	2022	2021
Power and maintenance		**₱82,387**	₱59,798	₱52,549
Water services		**70,087**	69,265	51,625
Depreciation and amortization	10	**17,590**	10,549	9,400
		₱170,064	₱139,612	₱113,574

29. General and Administrative Expenses

This account consists of:

	Note	(In Thousands) 2023	2022	2021
Security, janitorial and service fees		**₱133,216**	₱179,239	₱166,700
Provisions	17	**124,685**	187,301	–
Personnel costs		**109,574**	104,679	128,413
Taxes and licenses		**102,493**	43,871	92,307
Transportation and travel		**80,576**	73,856	95,574
Management and professional fees	35	**48,794**	34,872	30,459
Representation and entertainment		**26,540**	23,893	29,203
Registration fees		**22,344**	4,273	6,339
Reversal of allowance for impairment loss	7	**(21,200)**	–	–
Marketing and advertising		**19,935**	12,692	640
Rentals and utilities	33, 35	**18,561**	15,041	7,327
Depreciation and amortization	10	**15,154**	8,872	23,372
Pre-operating expenses		**14,362**	13,993	48,630
Repairs and maintenance		**7,721**	7,517	7,154
Communication		**2,996**	3,205	4,819
Insurance		**2,568**	4,529	5,182
Selling expenses		**439**	25,423	23,529
Others		**61,591**	23,293	23,455
		₱770,349	₱766,549	₱693,103

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

	(In Thousands) 2023	2022	2021
Taxes and licenses	**₱4,361**	₱2,741	₱–
Professional fees	**4,256**	6,222	–
Rent and utilities	**3,283**	921	–
Entertainment and representation	**536**	398	–
Bank charges	**3**	3,266	–
Others	**1,923**	445	48,630
	₱14,362	₱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:

		(In Thousands)		
	Note	**2023**	2022	2021
Cash and cash equivalents	5	**₱59,283**	₱19,150	₱18,868
Contract assets	7	**–**	3,681	6,113
		₱59,283	₱22,831	₱24,981

The sources of the Group's interest expense follow:

		(In Thousands)		
	Note	**2023**	2022	2021
Lease liabilities	33	**₱259,932**	₱272,936	₱288,653
Long-term debt	20	**219,334**	204,891	225,189
Loans payable	18	**27,740**	30,274	57,996
Others		**29,965**	8,241	31,994
		₱536,971	₱516,342	₱603,832

31. **Other Income (Charges)**

This account consists of:

		(In Thousands)		
	Note	**2023**	2022	2021
Gain on sale of investment in BSA	11	**₱146,545**	₱–	₱–
Sale of trademark	36	**26,786**	–	–
Net claims		**20,818**	–	–
Dividend income	11	**15,012**	6,300	5,275
Share in net income (loss) of associates	14	**2,733**	(417)	(1,671)
Gain on sale of property and equipment		**39**	396	176
Gain from disposal of net assets of subsidiaries		**–**	543	–
Reversal of provision for probable loss	17	**–**	–	281,317
Reversal of allowance for impairment loss on contract asset	36	**–**	–	26,000
Loss on termination of leases	33	**–**	–	(567)
Others - net		**16,100**	7,735	(37)
		₱228,033	₱14,557	₱310,493

Sale of trademark mainly pertains to assignment of trademark to Diamond Powerwinners.

Net claims pertain to TGTI's claims over lost revenues during the pandemic from PCSO net of related costs incurred.

32. **Income Taxes**

The provision for current income tax consists of the following:

	(In Thousands)		
	2023	2022	2021
RCIT	**₱133,537**	₱14,627	₱11,118
MCIT	**16,033**	13,958	1,538
	₱149,570	₱28,585	₱12,656

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

	(In Thousands)	
	2023	2022
Deferred tax assets:		
Lease liabilities	**₱1,458,926**	₱1,559,843
Discount on trade receivables	**41,462**	53,798
Deferred lease income	**34,534**	37,648
NOLCO	**12,910**	174,617
Accretion of refundable deposits	**8,843**	9,331
Unamortized past service costs	**6,255**	1,651
Pension liability	**1,518**	111
Provision for dismantling cost	**1,310**	1,221
Doubtful accounts	**650**	5,950
Unrealized foreign exchange loss	**–**	126
	1,566,408	1,844,296
Deferred tax liabilities:		
Excess of carrying amount of investment properties over construction costs	**(1,639,014)**	(1,836,920)
Right-of-use assets	**(1,303,240)**	(1,401,146)
Difference between straight line accounting for lease income and contractual cash flows	**(718,651)**	(782,348)
Excess revenue per POC over cash collections	**(329,978)**	(254,165)
Unaccreted discount on refundable deposits	**(38,906)**	(41,817)
Deferred lease expense	**(9,626)**	(10,008)
Pension asset	**(2,616)**	(103)
Unrealized foreign exchange gain	**(141)**	(125)
Contract assets	**–**	(1,000)
	(4,042,172)	(4,327,632)
Net deferred tax liabilities	**(₱2,475,764)**	(₱2,483,336)

The components of deferred tax are presented as follows:

	(In Thousands)	
	2023	2022
In profit or loss	**(₱2,470,426)**	(₱2,476,514)
In other comprehensive income	**(5,338)**	(6,822)
	(₱2,475,764)	(₱2,483,336)

The deferred taxes presented in the consolidated statements of financial position as at December 31, 2023 and 2022 are as follows:

	(In Thousands)	
	2023	2022
Deferred tax assets	**₱3,249**	₱–
Deferred tax liabilities	**(2,479,013)**	(2,483,336)
Net deferred tax liabilities	**(₱2,475,764)**	(₱2,483,336)

The components of the Group's unrecognized deferred tax assets as at December 31, 2023 and 2022 are as follows:

	(In Thousands)	
	2023	2022
Allowances for:		
Impairment losses	**₱574,880**	₱574,880
Probable losses	**80,134**	80,134
NOLCO	**164,017**	196,137
Excess MCIT over RCIT	**34,775**	15,496
	₱853,806	₱866,647

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
2023	₱–	₱16,358	₱–	₱–	₱16,358	2026
2022	86	–	–	–	86	2025
2021	723,017	–	(31,753)	–	691,264	2026
2020	759,911	–	(759,911)	–	–	2025
	₱1,483,014	₱16,358	(₱791,664)	₱–	₱707,708	

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 ₱656.1 million and ₱784.5 million as at December 31, 2023 and 2022 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
2023	₱–	₱19,279	₱–	₱19,279	2026
2022	13,958	–	–	13,958	2025
2021	1,538	–	–	1,538	2024
	₱15,496	₱19,279	₱–	₱34,775	

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)		
	2023	2022	2021
Income tax at statutory income tax rate	**₱641,666**	₱466,790	₱54,143
Income tax effects of:			
Nontaxable income	**(468,618)**	(391,939)	(404,596)
Income subjected to final tax	**(60,446)**	(4,788)	(4,848)
Nondeductible expenses and others	**46,574**	51,518	89,231
Effect of optional standard deduction	**(28,535)**	–	–
Change in unrecognized deferred tax assets	**12,841**	(12,841)	97,027
Expired NOLCO	**–**	47,964	1,427
Change in income tax rate	**–**	–	(361,013)
Income tax at effective income tax rate	**₱143,482**	₱156,704	(₱528,629)

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

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 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

In 2010, the Parent Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City for a period until July 31, 2033. 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. The related right-of-use assets are presented as part of “Investment properties” account in the consolidated statements of financial position.

In 2020, the lessor granted lease concession to the Parent Company, as a lessee, 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.

In November 2023, SLRC (sublessee) entered into a sublease agreement with Global Gateway Development Corporation (sublessor) for the lease of land. The lease term is 62 years. Rent is payable upon execution of the sublease agreement amounting to ₱2.7 billion (see Note 10).

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 ₱46.7 million, ₱15.0 million and ₱17.3 million in 2023, 2022 and 2021, respectively (see Notes 24 and 29).

Movements of right-of-use assets follows:

		(in Thousands)			
		2023			
	Note	**Air Rights**	**Office and Warehouse**	**Equipment**	**Total**
Cost					
Balance at beginning and end of year		**₱53,673**	**₱46,327**	**₱163,499**	**₱263,499**
Accumulated Depreciation and Amortization					
Balance at beginning of year		**14,805**	**7,969**	**163,499**	**186,273**
Depreciation and amortization	10	**3,701**	**9,252**	**–**	**12,953**
Balance at end of year		**18,506**	**17,221**	**163,499**	**199,226**
Carrying amount		**₱35,167**	**₱29,106**	**₱–**	**₱64,273**

		(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
Termination of lease		–	(28,291)	–	(28,291)
Balance at end of year		53,673	46,327	163,499	263,499
Accumulated Depreciation and Amortization					
Balance at beginning of year		11,104	22,720	163,499	197,323
Depreciation and amortization	10	3,701	13,539	–	17,240
Termination of lease		–	(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

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

	Note	(In Thousands) 2023	2022	2021
Interest expense on lease liabilities	30	**₱259,932**	₱272,936	₱288,653
Amortization of right-of-use assets	10	**12,953**	17,240	24,372
Expenses relating to short-term leases	24, 29	**42,963**	15,041	17,335
Pre-termination loss on leases	31	**–**	–	567
		₱315,848	₱305,217	₱330,927

Movements of lease liabilities follows:

	(In Thousands) 2023	2022
Balance at beginning of year	**₱6,246,148**	₱6,542,094
Payments	**(664,566)**	(608,769)
Interest expense	**259,932**	272,936
Additions	**–**	39,887
Balance at end of year	**5,841,514**	6,246,148
Current portion of lease liabilities	**392,945**	403,241
Lease liabilities - net of current portion	**₱5,448,569**	₱5,842,907

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

	(In Thousands) 2023	2022
Within 1 year	**₱662,441**	₱665,095
After 1 year but not more than 5 years	**2,812,192**	2,738,526
After 5 years	**3,729,598**	4,463,789

Refundable Deposits

The Group paid deposits as security to various leases amounting to ₱93.1 million and ₱88.4 million as at December 31, 2023 and 2022, 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

POSC leases online lotto equipment and accessories to PCSO for a period of one year until July 31, 2021 as provided in the 2020 Amended ELA. The ELA was extended until September 30, 2023, when it was concluded (see Note 36).

Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of POSC's lotto terminals. Rental income amounted to ₱469.8 million, ₱512.7 million and ₱390.8 million in 2023, 2022 and 2021, respectively.

On October 1, 2023, PinoyLotto started commercial operations for the five year-lease of the customized PCSO Lottery System at a contract price of ₱5,800.0 million. Pursuant to the contract with PCSO, 6,500 terminals have been installed and are in operation nationwide.

TGTI leases "Online KENO" equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. In 2021, the ELA was extended until April 1, 2022 and was not renewed. Rental payment by PCSO is based on certain percentage of gross amount of "Online KENO" games from the operation of all TGTI's KENO terminals.

Rental income amounted to nil, ₱6.3 million and ₱35.6 million in 2023, 2022 and 2021, respectively.

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 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. In 2022, the Parent Company and Melco further agreed to amend its lease contract wherein the minimum guaranteed lease payments were reduced and additional variable lease payments will be made subject to certain conditions. Total rental payments for 2023 and 2022 amounted to ₱1,988.8 million and ₱2,054.3 million, respectively, 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 2023, 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 ₱1,988.8 million, ₱2,054.3 million and ₱807.9 million in 2023, 2022 and 2021, respectively.

As at December 31, 2023 and 2022, the minimum lease payments to be received by the Parent Company on the lease on the land and building are as follows:

	(In Thousands)	
	2023	2022
Within one year	**₱2,324,505**	₱2,235,101
In more than one year and not more than five years	**10,265,763**	9,870,926
In more than five years	**13,939,490**	16,658,787
	₱26,529,758	₱28,764,814

The Group carried receivables relating to these leases amounting to ₱2,847.5 million and ₱3,106.4 million under the "Receivables" account in the consolidated statements of financial position as at December 31, 2023 and 2022, 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. **Retirement Plan**

The Parent Company and certain of its subsidiaries have funded, noncontributory defined benefit retirement 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, 2023.

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 2023 are as follows:

	(In Thousands)		
	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Pension Asset (Liability)**
Balance at beginning of year	**(₱146,395)**	**₱133,000**	**(₱13,395)**
Net retirement income (costs) in profit or loss:			
Current service cost	**(10,532)**	**–**	**(10,532)**
Past service cost	**1,941**	**–**	**1,941**
Net interest	**(10,008)**	**8,867**	**(1,141)**
	(18,599)	**8,867**	**(9,732)**
Benefits paid	**10,710**	**(10,481)**	**229**
Contributions	**–**	**23,705**	**23,705**
Actual return excluding amount included in net interest cost	**–**	**(1,670)**	**(1,670)**
Remeasurement loss recognized in OCI:			
Actuarial changes from changes in:			
Experience adjustment	**(10,133)**	**–**	**(10,133)**
Financial assumptions	**(6,449)**	**–**	**(6,449)**
Demographic assumptions	**(212)**	**–**	**(212)**
	(16,794)	**(1,670)**	**(18,464)**
Balance at end of year	**(₱171,078)**	**₱153,421**	**(₱17,657)**

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)
Interest on the effect on asset ceiling	(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)

The retirement liability are presented in the consolidated statements of financial position as at December 31, 2023 and 2022 as follows:

		(In Thousands)	
	Note	**2023**	2022
Retirement asset	16	**₱4,098**	₱4,508
Retirement liability	19	**(21,755)**	(17,903)
Net retirement liability		**(₱17,657)**	(₱13,395)

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)	
	2023	2022
Cash and cash equivalents	**38%**	47%
Debt instruments - government bonds	**27%**	33%
Unit investment trust funds	**27%**	12%
Mutual fund	**6%**	4%
Others	**2%**	4%
	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 benefit obligation under the retirement plan.

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

	2023	2022
Discount rates	**6.05%-6.11%**	5.05%-7.32%
Future salary increases	**8%**	6.00%-8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022 assuming all other assumptions were held constant:

	2023		2022	
	Increase (Decrease)	**Increase (Decrease) in Defined Benefit Obligation (In thousands)**	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation (In thousands)
Discount rate	**1.00%**	**(₱78,219)**	1.00%	(₱55,423)
	(1.00%)	**70,393**	(1.00%)	44,572
Salary increase rate	**1.00%**	**78,873**	1.00%	61,789
	(1.00%)	**(69,538)**	(1.00%)	(49,464)

The average duration of the Group's defined benefit obligation is 16.35 years in 2023.

The maturity analysis of the undiscounted benefit payments follows:

	(In Thousands)	
	2023	2022
Less than 1 year	**₱65**	₱71,137
More than 1 year to 5 years	**18**	23,058
More than 5 years	**23**	424,528

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)	**2023**	**₱–**	**₱79,975**	Noninterest-bearing, due and demandable	Unsecured, partially provided with allowance for impairment amounting to ₱79,449
			2022	₱1	₱79,977		
Belle Jai Alai	Entities under common control	Working capital advances	**2023**	**–**	**29,398**	Noninterest-bearing, due and demandable	Unsecured, fully provided with allowance for impairment
			2022	–	29,398		
Others	Entities under common control	Working capital advances	**2023**	**–**	**21,405**	Noninterest-bearing, due and demandable	Unsecured, fully provided with allowance for impairment
			2022	–	21,405		
Others	Associate	Advances from related parties (see Note 17)	**2023**	**–**	**63,242**	Noninterest-bearing, due and demandable	Unsecured
			2022	4,454	64,491		
SM Prime Holdings, Inc.	With common stockholders	Lease	**2023**	**13,947**	**–**	5 years, renewable	Unsecured
			2022	16,068	–		
			2021	12,690	–		
SM Investments Corporation	With common stockholders	Service fees	**2023**	**66,000**	**–**	1 year, renewable	Unsecured
			2022	66,000	–		
			2021	66,000	–		
Highlands Prime, Inc. (HPI)	With common stockholders	Service fees	**2023**	**37,697**	**–**	5 years, renewable	Unsecured
			2022	77,140	–		
			2021	85,658	–		
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement	**2023**	**–**	**–**	3 years	Unsecured
			2022	–	–		
			2021	4,500	–		
Directors and officers	Key management personnel	Short-term employee benefits	**2023**	**31,104**	**–**	Not applicable	Unsecured
			2022	73,128	–		
			2021	67,441	–		
		Long-term employee benefits	**2023**	**1,682**	**–**	Not applicable	Unsecured
			2022	2,413	–		
			2021	4,691	–		
		Professional fees	**2023**	**20,245**	**–**	Not applicable	Unsecured
			2022	19,142	–		
			2021	15,499	–		

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, 2023 and 2022 (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 2023, 2022 and 2021. 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 sales and marketing services. Service fees charged by HPI to the Parent Company amounted to ₱37.7 million, ₱77.1 million and ₱85.7 million in 2023, 2022 and 2021, respectively. These are recognized under "General and administrative expenses" in consolidated statements of comprehensive income (see Note 29).

36. **Significant Contracts and Commitments**

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 ₱2,339.3 million, ₱1,560.8 million and ₱1,300.3 million in 2023, 2022 and 2021, respectively (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 POSC was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. As at December 31, 2023 and 2022, the total guarantee deposits, included under "Other current assets" account in the consolidated statements of financial position, amounted to ₱91.2 million and ₱12.0 million, respectively (see Note 9).

Since July 31, 2019, the ELA has been extended for PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO. In 2023, the ELA was extended until September 30, 2023 and concluded also at the same date.

The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO’s Luzon and VISMIN operations. The number of installed lotto terminals totaled 3,716 and 3,605 as at December 31, 2023 and 2022, respectively. POSC’s rental income amounted to ₱469.8 million, ₱512.7 million and ₱390.8 million in 2023, 2022 and 2021, respectively (see Note 33).

On August 30, 2023, POSC was granted a 1-year trial period to provide a web-based betting platform for PCSO. Under the arrangement, POSC will be acting as PCSO’s exclusive agent and generates commissions based on a certain percentage of revenues. This was launched in December 15, 2023. The commissions is included as part of “Others” under “Revenues” in the consolidated statements of comprehensive income.

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.

The ELA 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 ELA was conluded and was not renewed in 2022.

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

<u>Brand and Trademark Agreement with PMLC</u>
In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC’s instant scratch tickets’ brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC’s agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC.

Due to the suspension of PCSO games on July 27, 2019 for two months and on March 17, 2020 for four and a half months, the PMLC was not able to supply and distribute the instant scratch tickets to its customers because the management assessed that the accrued license fee income equivalent to those months with no operations may not be recoverable. Impairment losses amounting to ₱26.0 million were recognized in 2020. However, this was reversed in 2021 because the amount was collected in 2022 (see Note 31).

POSC has entered a new contract with Diamond Powerwinners for Trademark Assignment with a total fee of ₱30.0 million (inclusive of VAT). The contract terms are for 10 months starting November 2023 to August 2024.

POSC's Contracts with Scientific Games and Intralot

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

The contract was extended since 2021 until September 30, 2023 when it was no longer renewed.

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

The contract has been extended since 2021 until September 30, 2023 when it was no longer renewed.

The contract with TGTI was no loner renewed after December 31, 2022.

Software and license fee recognized pertaining to above contracts amounted to ₱65.6 million, ₱60.5 million and ₱54.5 million in 2023, 2022 and 2021, respectively (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 five year lease commenced on October 1, 2023.

The contractual arrangements give the joint operators direct rights to the assets and obligations for the liabilities within the normal course of business.

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

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

	(In Thousands)	
	2023	2022
Cash and cash equivalents	**₱72,608**	₱25,892
Trade and other receivables	**96,667**	–
Other current assets	**29,488**	2,289
Total Current Assets	**198,831**	235,236
Property and equipment	**706,092**	14
ROU asset	**541**	–
Advances to supplier	**69**	207,054
Total Noncurrent Assets	**706,633**	14
Total Assets	**₱905,465**	₱235,251
Trade payables and other current liabilities	**(₱110,783)**	(₱2)
Nontrade payable	**(67,500)**	(13,111)
Loan payable – current	**(58,824)**	(67,500)
Lease liability – current	**(294)**	–
Total Current Liabilities	**(237,401)**	(80,613)
Loan payable net of current portion	**(411,765)**	–
Lease liability net of current portion	**(208)**	–
Total Noncurrent Liabilities	**(411,973)**	–
Total Liabilities	**(₱649,374)**	(₱80,613)
Revenue from equipment rental	**₱129,464**	₱–
Cost of services	**(52,270)**	–
Operating expenses	**(51,632)**	(13,979)
Other income (Charges)	**(20,107)**	–
Net income (loss)	**₱5,456**	(₱13,979)

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

Capital Expenditure Commitments
In connection with the acquisition of property and equipment pursuant to the PLS Project, PinoyLotto entered into purchase, supply, implementation and maintenance support agreements in 2022. The estimated capital expenditure is ₱1.36 billion. Capitalized property and equipment as at December 31, 2023 amounted to ₱1.43 billion.

37. Basic/Diluted EPS

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

	(In Thousands, Except for EPS)		
	2023	2022	2021
Earnings attributable to Equity holders of the Parent (a)	**₱1,883,556**	₱1,395,751	₱576,983
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	**(864,537)**	(797,874)	(797,874)
Number of parent company common shares held by subsidiaries at beginning of year	**(252,378)**	(319,041)	(319,041)
Weighted average number of treasury shares issued (purchased) during the year	**1,000**	(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)	**9,445,085**	9,444,085	9,444,585
Basic/diluted EPS (a/b)	**₱0.199**	₱0.148	₱0.061

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 Measurement

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)	
	2023	2022
Increase (decrease) in basis points:		
100	**(₱183,294)**	(₱5,163)
(100)	**183,294**	5,163
50	**(₱91,647)**	(2,581)
(50)	**91,647**	2,581

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

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

	(in Thousands)			
	2023		2022	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Cash and cash equivalents	**$1,028**	**₱56,899**	$1,963	₱109,435
Consultancy and software license fee payable*	**(161)**	**(8,898)**	(838)	(46,733)
Net foreign currency-denominated financial assets	**$867**	**48,001**	$1,125	₱62,702

**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 ₱55.37 and ₱55.76 to US$1.0 as at December 31, 2023 and 2022, respectively.

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

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

	2023		2022	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
Change in US$ rate*	**19%**	**19%**	5%	(5%)
Effect on income before income tax (in thousands)	**₱9,120**	**(₱9,120)**	₱3,135	(₱3,135)

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 2023 and 2022 consolidated total comprehensive income before income tax:

	(In Thousands)	
Increase (Decrease) in Equity Price	**2023**	2022
Impact in profit or loss		
5%	**₱5,000**	₱3,634
(5%)	**(5,000)**	(3,634)
Impact in comprehensive income		
5%	**₱500,917**	₱466,055
(5%)	**(500,917)**	(466,055)

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) 2023						
	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*	**₱2,171,692**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,171,692**
Receivables**	**4,737,998**	**4,188**	**8,764**	**1,183**	**127,297**	**699,428**	**5,578,858**
Advances to associates***	**526**	**–**	**–**	**–**	**–**	**130,254**	**130,780**
Refundable deposits and construction bond****	**130,022**	**–**	**–**	**–**	**–**	**–**	**130,022**
Guarantee deposits*****	**91,201**	**–**	**–**	**–**	**–**	**–**	**91,201**
	₱7,131,439	**₱4,188**	**₱8,764**	**₱1,183**	**₱127,297**	**₱829,682**	**₱8,102,553**

**Excluding cash on hand.*
***Excluding contract assets*
****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) 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 bonds*****	14,500	–	–	–	–	–	14,500
	₱6,945,425	₱6,163	₱2,313	₱1,686	₱2,297	₱850,882	₱7,808,766

**Excluding cash on hand.*
***Excluding contract assets*
****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.

<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 Group's financial assets are as follows:

	(In Thousands)			
	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Cash and cash equivalents*	₱2,171,692	₱–	₱–	₱2,171,692
Receivables	4,868,880	10,550	699,428	5,578,858
Advances to associates**	526		130,254	130,780
Refundable deposits and construction bonds***	130,022	–	–	130,022
Guarantee deposits****	91,201	–	–	91,201
Gross Carrying Amount	₱7,262,321	₱10,550	₱829,682	₱8,102,553

**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)			
	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.*

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, 2023 and 2022 based on contractual undiscounted cash flows.

	(In Thousands)					
	2023					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
Trade and other current liabilities*	₱1,453,386	₱–	₱–	₱–	₱–	₱1,453,386
Loans payable	–	1,300,017	–	–	–	1,300,017
Long-term debt	–	2,058,824	29,000	2,437,765	–	4,525,589
Lease liability**	–	543,291	327,645	2,284,580	4,465,705	7,621,221
Refundable deposit***	–	–	–	–	138,139	138,139
	₱1,453,386	₱3,902,131	₱356,645	₱4,722,345	₱4,603,844	₱15,038,352

**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) 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.*

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 2023 and 2022.

The Group considers the following as its capital:

	(In Thousands)	
	2023	2022
Common stock	**₱10,561,000**	₱10,561,000
Additional paid-in capital	**5,503,731**	5,503,731
Treasury stock	**(2,565,359)**	(2,565,359)
Cost of Parent Company common shares held by subsidiaries	**(1,154,409)**	(1,154,409)
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)
Retained earnings	**14,804,673**	13,501,329
	₱27,147,135	₱25,843,791

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)				
	2023				
	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	**₱10,018,341**	**₱10,018,341**	**₱9,883,994**	**₱–**	**₱134,347**
Financial assets at FVPL	**100,013**	**100,013**	**100,013**	**–**	**–**
Assets for which fair value is disclosed -					
Investment properties	**26,367,457**	**41,782,462**	**–**	**–**	**41,782,462**
Liabilities					
Liabilities for which fair value is disclosed:					
Refundable deposits	**138,137**	**138,137**	**–**	**–**	**138,137**
Long-term debt	**4,525,589**	**4,578,903**	**–**	**–**	**4,578,903**

	(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	225,583	–	–	212,873
Long-term debt	4,908,500	4,695,311	–	–	4,695,311

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

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

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

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 4.75% to 7.13% in 2023 and 5.21% to 6.47% in 2022.

39. Supplemental Disclosure of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

	(In Thousands)					
	2023					
	Balance at beginning of year	**Proceeds**	**Payments**	**Interest expense**	**Dividends declared**	**Balance at end of year**
Dividends payable	**₱–**	**₱–**	**(₱915,748)**	**₱–**	**₱915,748**	**₱–**
Lease liabilities	**6,246,148**	**–**	**(664,566)**	**259,932**	**–**	**5,841,514**
Loans payable	**450,017**	**1,750,000**	**(900,000)**	**–**	**–**	**1,300,017**
Long-term debt	**4,937,500**	**–**	**(411,911)**	**–**	**–**	**4,525,589**
Interest payable	**29,166**	**–**	**(267,798)**	**277,039**	**–**	**38,407**
	₱11,662,831	**₱1,750,000**	**(₱3,160,023)**	**₱536,971**	**₱915,748**	**₱11,705,527**

	(In Thousands)					
	2022					
	Balance at beginning of year	Proceeds	Payments	Interest expense	Dividends declared	Balance at end of year
Dividends payable to NCI	₱–	₱–	(₱297,939)	₱–	₱297,939	₱–
Lease liabilities	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	₱557,387	(₱3,150,143)	₱516,342	₱297,939	₱11,662,831

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

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

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, 2023 and 2022 and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the 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, 2023
- Schedules required by Annex 68-J as at December 31, 2023
- Conglomerate Map as at December 31, 2023
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2023 and 2022

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

The Schedule of Financial Soundness Indicators, including definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 10072407
Issued January 3, 2024, Makati City

February 28, 2024
Makati City, Metro Manila

BELLE CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2023 and 2022

(Amounts in Thousands, Except for Ratios)

Ratio	Formula	2023	2022
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		
	Total current assets	**₱11,658,655**	₱12,929,760
	Divide by: Total current liabilities	**5,532,205**	2,616,039
	Current ratio	**2.11**	4.94
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		
	Total current assets	**11,658,655**	12,929,760
	Less: Real estate for sale	**155,656**	163,189
	Land held for future development	**3,035,959**	3,025,976
	Other current assets	**2,368,471**	3,945,435
	Quick assets	**6,098,569**	5,795,160
	Divide by: Total current liabilities	**5,532,205**	2,616,039
	Acid test ratio	**1.10**	2.22
Debt-to-Equity Ratio	**Total Interest-Bearing debt divided by Total Equity**		
	Total interest-bearing debt	**5,825,605**	5,387,517
	Total equity	**39,416,082**	36,512,862
	Debt to equity ratio	**0.15**	0.15
Asset-to-Equity Ratio	**Total Assets divided by Total Equity**		
	Total assets	**55,710,750**	52,757,721
	Total equity	**39,416,082**	36,512,862
	Asset to equity ratio	**1.41**	1.44
Interest Rate Coverage Ratio	**Income Before Interest and Taxes divided by Total Interest Expense**		
	Net income before income tax	**2,566,667**	1,867,161
	Less: Interest income	**59,283**	22,831
	Add: Interest expense	**536,971**	516,342
	Income before interest and taxes	**3,044,355**	2,360,672
	Divide by: Interest expense	**536,971**	516,342
	Interest rate coverage ratio	**5.67**	4.57

Ratio	Formula	2023	2022
Return on Equity	**Net Income divided by Average Total Equity**		
	Net income	**2,423,185**	₱1,710,457
	Average total equity	**37,964,472**	34,763,281
	Return on equity	**6.38%**	4.92%
Return on Assets	**Net Income divided by Average Total Assets**		
	Net income	**2,423,185**	1,710,457
	Average total assets	**54,234,236**	51,892,649
	Return on assets	**4.47%**	3.30%
Solvency Ratio	**Net Income Before Non-Cash Expenses divided by Total Liabilities**		
	Net income	**2,423,185**	1,710,457
	Add: Non-cash expenses	**1,473,637**	1,497,520
	Net loss before non-cash expenses	**3,896,822**	3,207,977
	Total liabilities	**16,294,668**	16,244,859
	Solvency ratio	**23.91%**	19.75%
Net Profit Margin	**Net Income divided by Total Revenue**		
	Net income	**2,423,185**	1,710,457
	Total revenue	**5,601,375**	5,419,273
	Net profit margin	**43.26%**	31.56%

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

FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023

BELLE CORPORATION

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

		Amount (In thousands)
Unappropriated retained earnings, beginning of reporting period		₱4,157,643
Add: Category A: Items that are directly credited to unappropriated retained earnings		
Reversal of retained earnings appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Others:		
Realized gain on club shares transferred to Retained Earnings	1,756	1,756
		4,159,399
Less: Category B: Items that are directly debited to unappropriated retained earnings		
Dividend declaration during the reporting period	(581,788)	
Difference between straight line accounting for lease income and contractual cash flows	182,371	
Excess of carrying amount of investment property over construction cost, net of tax	16,738	
Accretion of Security deposit, net of tax	8,732	(373,947)
Unappropriated retained earnings, beginning of reporting period as adjusted		3,785,452
Add/less: Net income for the current year		1,236,662
		5,022,114
Add/less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	182,336	182,336
Total retained earnings, end of the reporting period available for dividend		₱5,204,450

BELLE CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2023

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Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (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	₱33,400,098	₱33,400,098	₱–
Digiplus Interactive Corp. (Leisure and Resorts World Corporation)	6,980,592	55,844,736	55,844,736	–
APC Group, Inc.	45,821,000	10,767,935	10,767,935	–
		100,012,769	100,012,769	–
Financial assets at fair value through other comprehensive income				
Tagaytay Midlands International Golf Club, Inc.	2,136	4,213,121	4,213,121	–
Tagaytay Highlands International Golf Club, Inc.	1,307	2,094,200	2,094,200	–
SM Prime Holdings, Inc.	61,795,413	2,033,069	2,033,069	–
The Country Club at Tagaytay Highlands, Inc.	2,056	1,494,679	1,494,679	–
Spa and Lodge at Tagaytay Highlands, Inc.	192	115,200	115,200	–
SM Investments Corporation	48,878	42,621	42,621	–
Costa De Hamilo	1	757	757	–
PLDT	1,605	83	83	–
Others		24,611	24,611	
		10,018,341	10,018,341	–
		₱110,031,110	₱110,031,110	₱–

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	₱1,397	(₱7,235)	₱7,678	₱–	₱1,840	₱–	₱1,840
Officers	4	–	–	–	4	–	4
	₱1,401	(₱7,235)	₱7,678	₱–	₱1,844	₱–	₱1,844

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	₱1,624,634	₱13	₱–	(₱1,624,558)	₱1,624,647	₱–	₱1,624,647
Metropolitan Leisure and Tourism Corp.	251,592	19	–	–	251,611	–	251,611
Belle Grande Resource Holdings, Inc.	137,994	467	–	–	138,461	–	138,461
Premium Leisure Corporation	3,294	106	(3,326)	–	74	–	74
SLW Development Corp.	28,458	25	–	–	28,483	–	28,483
Parallax Resources, Inc.	43,150	37	–	(750)	43,187	–	43,187
	₱2,089,122	₱667	(₱3,326)	(₱1,625,308)	₱2,086,463	₱–	₱2,086,463

Schedule D. Long-term debt

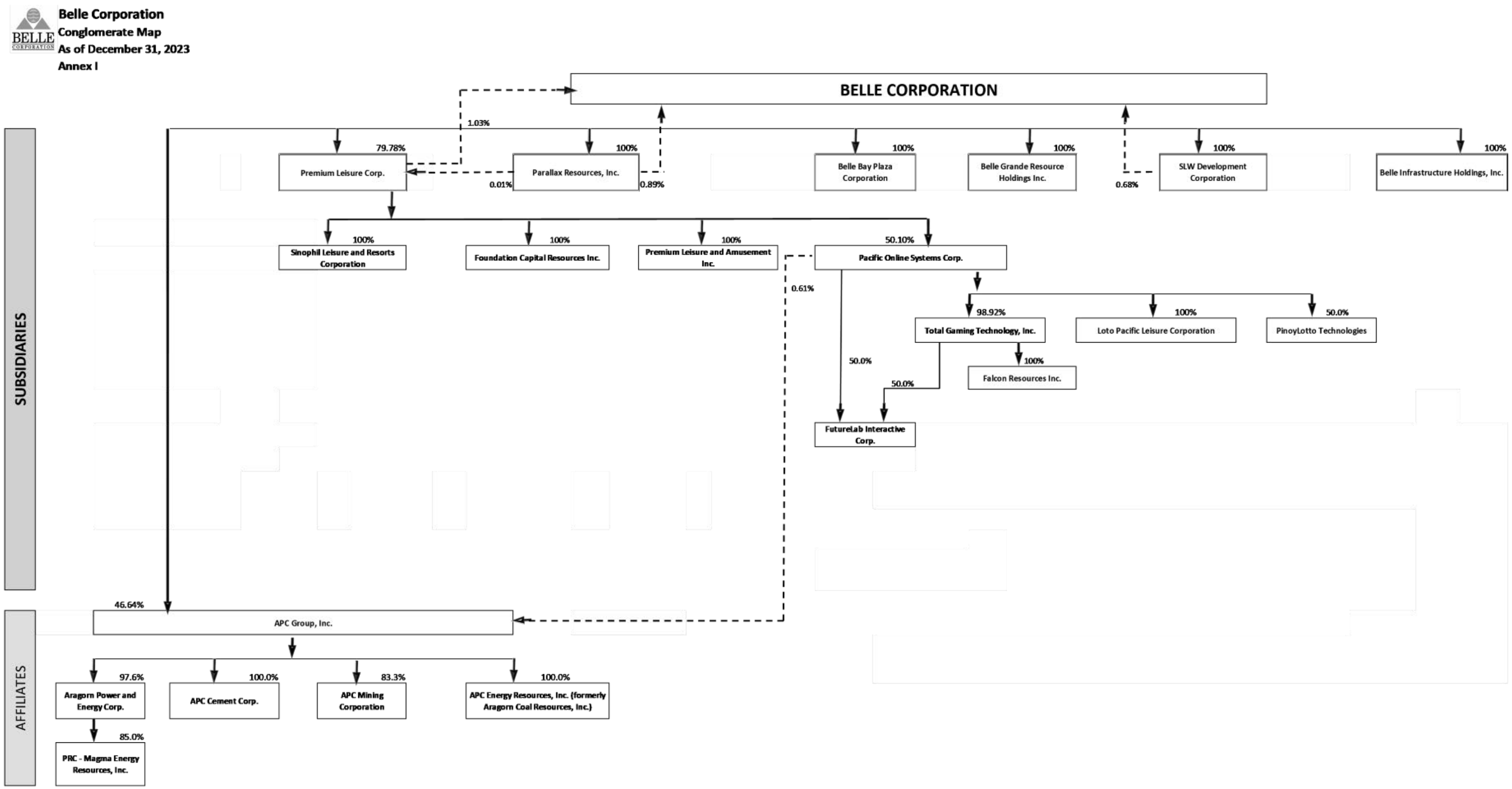
(In Thousands)

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	₱2,015,000	₱1,440,000
BDO Unibank Inc.	4,400,000	14,000	586,000
Unionbank	1,000,000	58,864	411,765
	₱8,900,000	₱2,087,864	₱2,437,765

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	–	5,018,114,851	220,022,034	4,458,327,412
Percentage held	–	–	–	51.75%	2.27%	45.98%
Preferred stock	6,000,000,000	–	–	–	–	–
Percentage held	–	–	–	–	–	–

Conglomerate Map
As at December 31, 2023



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