

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 3 9 1 2 1

### COMPANY NAME

PHILWEB CORPORATION AND SUBSIDIARIES

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

41st Floor, One San Miguel Avenue Condo  
minium, San Miguel Avenue corner Shaw B  
oulevard, Ortigas Center, Pasig City

Form Type

A A C F S

Department Requiring the Report

C R M D

Secondary License Type, If Applicable

N / A

### COMPANY INFORMATION

Group's Email Address

corpsec@philweb.com.ph

Group's Telephone Number/s

(02) 8 845-4171

Mobile Number

0919-999-4816

No. of Stockholders

1,437

Annual Meeting (Month / Day)

Any day in May

Calendar Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Raymund S. Aquino

Email Address

rsaquino@philweb.com.ph

Telephone Number/s

(02) 8 845-4171

Mobile Number

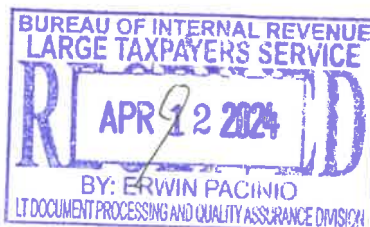
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### CONTACT PERSON'S ADDRESS

1528 Princeton Street, Wack-Wack Village, Mandaluyong 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.



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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

The Board of Directors is responsible in overseeing the Group's financial reporting process.

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

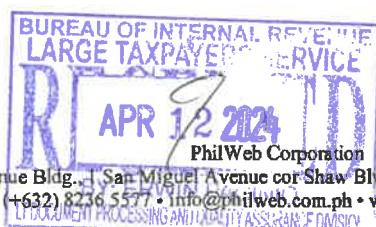
**Reyes Tacandong and Co.**, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

  
**GREGORIO MA. ARANETA III**  
Chairman

  
**EDGAR BRIAN K. NG**  
President

  
**ALEXIUS D. COLIAT**  
Chief Finance Officer & Treasurer

Signed this 21<sup>st</sup> day of March, 2024



SUBSCRIBED AND SWORN to before me this        day of MAR 21 2024,  
2024, in PASIG CITY, affiant exhibited to me the following SSS No.

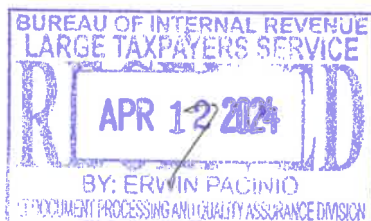
Gregorio Ma. Araneta III  
Edgar Brian K. Ng  
Alexius D. Coliat

SSS No. 03-2865157-1  
SSS No. 33-0410597-0  
SSS No. 33-2876066-3

Doc. No. 24 ;  
Page No. 6 ;  
Book No. II ;  
Series of 2024.



**RAYMOND NONATO S. AQUINO**  
Appointment No. 178  
Notary Public for Pasig City  
Until December 31, 2024  
41/F One San Miguel Cond., San Miguel Ave.  
Cor. Shaw Blvd., Ortigas Center, Pasig City  
Roll No. 39348  
PTR No. 1795934; 1-25-2024/ Pasig City  
IBP No. 428327; 1-23-2024/ RSM  
MCLE Comp. No.VII-0021006; 6-13-22 TIN 167-317-782





## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
PhilWeb Corporation and Subsidiaries  
41st Floor, One San Miguel Avenue Condominium  
San Miguel Avenue corner Shaw Boulevard  
Ortigas Center, Pasig City

### *Opinion*

We have audited the accompanying consolidated financial statements of PhilWeb 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.

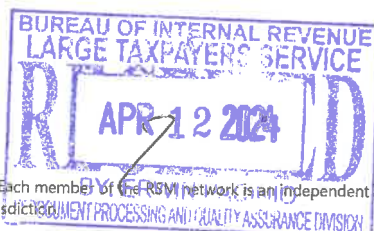
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, 2022 and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

### *Basis for Opinion*

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

### *Key Audit 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 audits 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.





#### Impairment Assessment of Goodwill

The Group is required to perform an annual impairment testing of goodwill, which has a carrying value of ₱599.0 million representing 48.85% of the total consolidated assets of the Group as at December 31, 2023. The annual impairment testing of goodwill is considered significant to our audit because the assessment process requires significant judgments and assumptions involving expected future financial performance. These include estimation of future cash flows that is highly dependent on management's strategies and business plans going forward.

Our audit procedures included, among others, an understanding of management's assessment on the recoverable amount of the goodwill. We reviewed cash flow projections considered in the impairment tests. We assessed and tested the assumptions, methodologies and other data used by comparing them to external and historical data. We analyzed sensitivities in the Group's valuation model and evaluated cash generating units whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and assessed the appropriateness of its expected cash flow projections. We also assessed the adequacy of the disclosures in the consolidated financial statements (see Note 8 to the consolidated financial statements).

#### Revenue Recognition

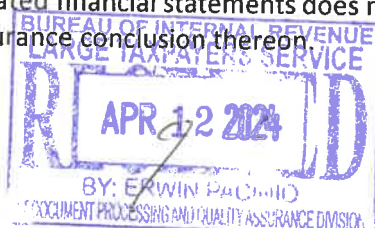
Revenue, a key driver of the Group's performance, is generated from the provision and maintenance of electronic gaming system (EGS), rendering of related services as an accredited EGS service provider of Philippine Amusement and Gaming Corporation (PAGCOR) and operating PAGCOR Electronic Gaming Sites (PeGS). Revenue is based on a percentage of the Gross Gaming Revenue (GGR) for the operator's share and the service provider's share. The accuracy and completeness of the revenue recognized is dependent on the effectiveness of the Information Technology (IT) general and application controls and the manual controls over revenue recognition.

We tested relevant IT and key manual controls over revenue. We recomputed the revenue allocation based on the provisions of the accreditation issued by PAGCOR and the related agreements with the supplier of gaming platforms and e-bingo operators. We reviewed and tested the reconciliation of the monthly GGR report and remittances to PAGCOR, supplier of gaming platforms and operators. We also performed analytical procedures and tested journal entries posted to revenue accounts to identify any unusual or irregular items. We also reviewed the disclosures included in Note 2 to the consolidated financial statements for the accounting policy related to revenue recognition and Note 25 regarding disaggregation of revenue.

#### *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 these 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.

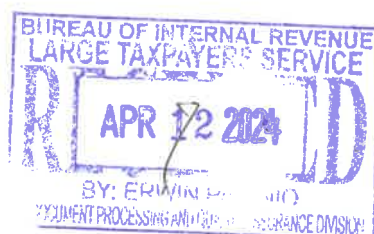
Those charged with governance are responsible for overseeing the Group's financial reporting process.

*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 the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



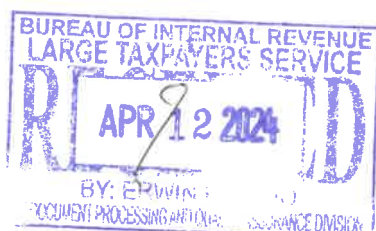


- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material 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 our 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 group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in our audits 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 Michelle R. Mendoza-Cruz.

**REYES TACANDONG & Co.**

  
MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

BIR Accreditation No. 08-005144-012-2023

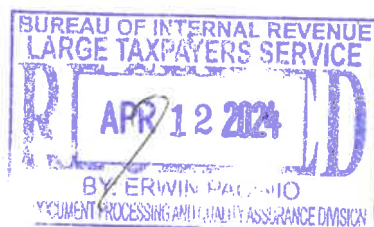
Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 21, 2024

Makati City, Metro Manila



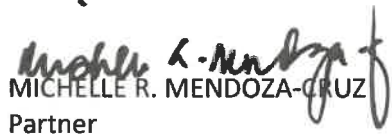
**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
PhilWeb Corporation and Subsidiaries  
41st Floor, One San Miguel Avenue Condominium  
San Miguel Avenue corner Shaw Boulevard  
Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of PhilWeb Corporation (the Parent Company) and Subsidiaries (the Group), as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, on which we have rendered our report dated March 21, 2024.

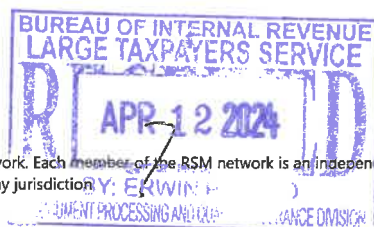
In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has 1,263 stockholders owning 100 or more shares each.

**REYES TACANDONG & Co.**

  
MICHELLE R. MENDOZA-CRUZ  
Partner

CPA Certificate No. 97380  
Tax Identification No. 201-892-183-000  
BOA Accreditation No. 4782; Valid until April 13, 2024  
BIR Accreditation No. 08-005144-012-2023  
Valid until January 24, 2026  
PTR No. 10072412  
Issued January 2, 2024, Makati City

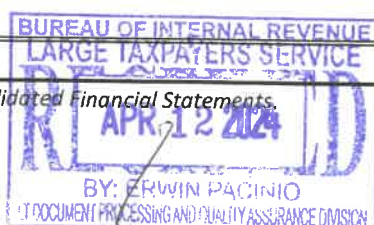
March 21, 2024  
Makati City, Metro Manila



**PHILWEB CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	P86,061,928	P61,406,632
Receivables	5	53,228,702	84,094,431
Other current assets	6	77,078,628	60,154,401
Total Current Assets		216,369,258	205,655,464
<b>Noncurrent Assets</b>			
Property and equipment	7	50,801,954	70,775,446
Right-of-use (ROU) assets	20	169,791,389	174,380,906
Goodwill	8	598,984,027	651,126,536
Net deferred tax assets	19	19,938,455	18,299,013
Other noncurrent assets	9	170,392,170	139,402,330
Total Noncurrent Assets		1,009,907,995	1,053,984,231
		<b>P1,226,277,253</b>	<b>P1,259,639,695</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Notes payable	11	P184,200,000	P178,000,000
Accounts payable and other current liabilities	10	228,356,238	198,491,197
Current portion of lease liabilities	20	59,698,169	53,240,783
Total Current Liabilities		472,254,407	429,731,980
<b>Noncurrent Liabilities</b>			
Lease liabilities - net of current portion	20	132,474,906	135,478,080
Net retirement benefits liability	17	51,938,000	51,051,082
Other noncurrent liability	12	13,283,456	13,683,456
Total Noncurrent Liabilities		197,696,362	200,212,618
Total Liabilities		669,950,769	629,944,598
<b>Equity</b>			
Capital stock	14	1,676,427,009	1,676,427,009
Additional paid-in capital		1,245,889,248	1,245,889,248
Treasury stock - at cost		(1,098,928,524)	(1,098,928,524)
Shares held by a subsidiary - at cost		(2,019,327,769)	(2,019,327,769)
Retained earnings		759,745,577	831,566,174
Cumulative remeasurement losses on net retirement benefits liability		(7,479,057)	(5,931,041)
Total Equity		556,326,484	629,695,097
		<b>P1,226,277,253</b>	<b>P1,259,639,695</b>

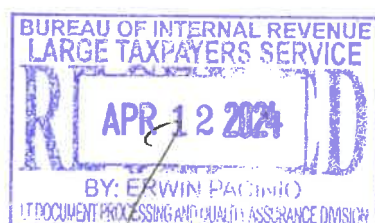
See accompanying Notes to Consolidated Financial Statements.



**PHILWEB CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Years Ended December 31		
		2023	2022	2021
<b>REVENUE</b>	25			
Service provider's share		P432,243,149	P418,885,171	P262,597,735
Operator's share		383,819,672	394,004,550	267,538,420
Others		-	-	7,646,775
		<b>816,062,821</b>	812,889,721	537,782,930
<b>COSTS AND EXPENSES</b>	15	<b>(842,525,286)</b>	(736,518,997)	(562,244,616)
<b>INTEREST EXPENSE</b>	11	<b>(43,496,417)</b>	(36,604,231)	(35,059,756)
<b>OTHER INCOME – Net</b>	18	<b>8,043,857</b>	7,203,662	29,830,869
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>(61,915,025)</b>	46,970,155	(29,690,573)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	19			
Current		11,029,010	10,523,459	216,102
Deferred		(1,123,438)	9,144,461	22,298,615
		<b>9,905,572</b>	19,667,920	22,514,717
<b>NET INCOME (LOSS)</b>		<b>(71,820,597)</b>	27,302,235	(52,205,290)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gain (loss) on net retirement benefits liability	17	(2,064,021)	4,277,221	(4,558,874)
Deferred tax effect on remeasurement loss (gain) on net retirement benefits liability	17	516,005	(1,069,306)	758,399
		<b>(1,548,016)</b>	3,207,915	(3,800,475)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>(P73,368,613)</b>	P30,510,150	(P56,005,765)
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b>	21	<b>(P0.06)</b>	P0.02	(P0.04)

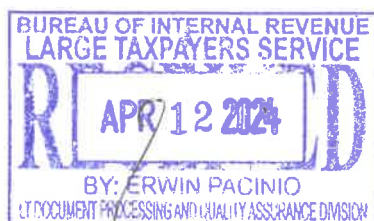
See accompanying Notes to Consolidated Financial Statements.



**PHILWEB CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Note	Years Ended December 31		
		2023	2022	2021
<b>CAPITAL STOCK - ₱1 par value</b>	14			
Common - issued 1,517,157,525 shares		₱1,517,157,525	₱1,517,157,525	₱1,517,157,525
Preferred - issued 159,269,484 shares				
Balance at beginning of year		159,269,484	159,269,484	-
Issuance of preferred stock		-	-	159,269,484
Balance at end of year		159,269,484	159,269,484	159,269,484
		<b>1,676,427,009</b>	<b>1,676,427,009</b>	<b>1,676,427,009</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>	14			
Balance at beginning of year		1,245,889,248	1,245,889,248	656,751,427
Issuance of preferred stock		-	-	590,730,516
Stock issuance costs		-	-	(1,592,695)
Balance at end of year		1,245,889,248	1,245,889,248	1,245,889,248
<b>TREASURY STOCK</b>	14			
Common - 81,380,792 shares		(1,098,928,524)	(1,098,928,524)	(1,098,928,524)
<b>SHARES HELD BY A SUBSIDIARY</b>	14			
Common - 157,044,156 shares		(1,727,327,769)	(1,727,327,769)	(1,727,327,769)
Preferred - 62,008,919 shares				
Balance at beginning of year		(292,000,000)	(292,000,000)	-
Issuance of preferred stock		-	-	(292,000,000)
Balance at end of year		(292,000,000)	(292,000,000)	(292,000,000)
		<b>(2,019,327,769)</b>	<b>(2,019,327,769)</b>	<b>(2,019,327,769)</b>
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		831,566,174	804,263,939	856,469,229
Net income (loss)		(71,820,597)	27,302,235	(52,205,290)
Balance at end of year		759,745,577	831,566,174	804,263,939
<b>CUMULATIVE REMEASUREMENT LOSSES ON NET RETIREMENT BENEFITS LIABILITY</b>	17			
Balance at beginning of year		(5,931,041)	(9,138,956)	(5,338,481)
Remeasurement gain (loss)		(2,064,021)	4,277,221	(4,558,874)
Deferred tax effect		516,005	(1,069,306)	758,399
Balance at end of year		(7,479,057)	(5,931,041)	(9,138,956)
		<b>₱556,326,484</b>	<b>₱629,695,097</b>	<b>₱599,184,947</b>

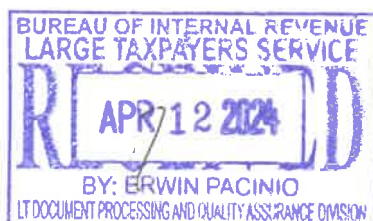
See accompanying Notes to Consolidated Financial Statements.



**PHILWEB CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

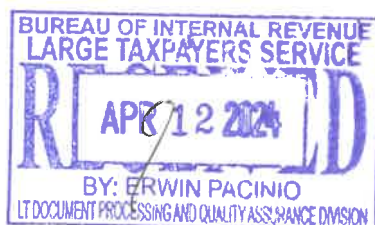
	Note	Years Ended December 31		
		2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		(P61,915,025)	P46,970,155	(P29,690,573)
Adjustments for:				
Depreciation and amortization	7	123,427,038	121,448,798	124,500,534
Impairment losses	15	66,131,199	12,881,717	7,622,676
Interest expense	11	43,496,417	36,604,231	35,059,756
Retirement benefits expense	17	8,822,897	7,828,337	6,153,541
Gain on:				
Lease modifications	20	(6,375,089)	-	-
Pretermination of lease	20	(1,302,786)	-	-
Rent concessions	20	-	(6,524,768)	(29,639,686)
Disposal of property and equipment	7	-	(95,675)	(80,357)
Retirement of ROU assets	18	-	-	(60,836)
Interest income	4	(372,906)	(560,078)	(48,550)
Operating income before working capital changes		171,911,745	218,552,717	113,816,505
Decrease (increase) in:				
Receivables		30,865,729	(36,336,741)	16,135,623
Other current assets		(31,382,647)	(21,422,210)	(24,075,940)
Increase (decrease) in accounts payable and other current liabilities		18,836,032	(48,732,300)	11,868,733
Net cash generated from operations		190,230,859	112,061,466	117,744,921
Interest paid	11	(17,997,799)	(13,044,105)	(16,590,481)
Contribution to retirement plan	17	(10,000,000)	(1,000,000)	-
Interest received		372,906	560,078	48,550
Net cash provided by operating activities		162,605,966	98,577,439	101,202,990
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Property and equipment	7	(37,220,766)	(18,343,493)	(18,466,347)
Subsidiaries	8	-	-	(730,703,500)
Increase in other noncurrent assets		(30,989,840)	(1,280,568)	(3,757,071)
Proceeds from disposal of property and equipment	7	-	95,675	80,357
Net cash used in investing activities		(68,210,606)	(19,528,386)	(752,846,561)

(Forward)



	Note	Years Ended December 31		
		2023	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Availment of notes payable	11	<b>₱149,000,000</b>	₱90,000,000	₱180,997,689
Issuance of preferred stock, net of stock issuance costs	14	–	–	456,407,305
Payments of:				
Notes payable	11	<b>(142,800,000)</b>	(106,347,689)	(187,000,000)
Lease liabilities	20	<b>(75,540,065)</b>	(73,215,226)	(58,834,773)
Decrease in other noncurrent liability		<b>(400,000)</b>	(750,000)	(317,544)
Collection of receivable from sale of Parent Company shares		–	–	292,000,000
<b>Net cash provided by (used in) financing activities</b>		<b>(69,740,065)</b>	(90,312,915)	683,252,677
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>24,655,296</b>	(11,263,862)	31,609,106
<b>CASH AT BEGINNING OF YEAR</b>		<b>61,406,632</b>	72,670,494	41,061,388
<b>CASH AT END OF YEAR</b>		<b>₱86,061,928</b>	₱61,406,632	₱72,670,494
<b>NONCASH FINANCIAL INFORMATION:</b>				
Recognition of ROU assets	20	<b>₱69,205,991</b>	₱70,646,594	₱164,764,931
Recognition of lease liabilities	20	<b>68,736,261</b>	70,695,313	161,693,770

See accompanying Notes to Consolidated Financial Statements.



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

**1. General Information**

**Corporate Information**

PhilWeb Corporation (the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 20, 1969. The Parent Company's primary purpose is to develop, design, build, operate and manage gaming systems, applications and operating platforms and facilities, including but not limited to integrated and online computer systems, terminals, servers and routers together with interconnecting and interlinking telecommunications systems.

On April 7, 2021, the SEC approved the amendment to the Parent Company's Articles of Incorporation reclassifying its capital stock from 2,600,000,000 common shares at ₱1.00 par value a share to 1,850,000,000 common shares and 750,000,000 preferred shares both at ₱1.00 par value a share (see Note 14).

The Parent Company is 57.78% owned by Gregorio Araneta, Inc. (GAI), a holding company incorporated in the Philippines. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) under the stock symbol "WEB".

The number of stockholders of such registered shares is 1,448 and 1,434 as at December 31, 2023 and 2022, respectively.

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries (collectively known as "the Group"). The following are the significant subsidiaries and the respective percentage of ownership and registered principal activities together with the place of incorporation, which are also the entity's principal place of business, as at December 31, 2023, 2022 and 2021:

Significant Subsidiaries	Principal Activities	Date and Place of Incorporation	Percentage of Ownership	
			Direct	Indirect
BigGame, Inc. (BGI)	Operates PeGS	February 11, 2005, Philippines	68	32
PhilWeb Casino Corporation (PCC)*	Develops and maintains gaming systems and applications for all types of casino operations	December 22, 2006, Philippines	100	–
Easy e-Bingo, Inc. (EEI)	Operates electronic bingo stations	October 23, 2009, Philippines	100	–
NDM Entities** (see Note 26)	Operates electronic bingo stations		100	–
UMIAC Inc.**	Engages in marketing and distribution of IT equipment, parts, supplies, and related software	May 10, 2011, Philippines	100	–
XO Corporation**	Engages in marketing and distribution of IT equipment, parts, supplies, and related software	May 23, 2012, Philippines	100	–

\*Not in commercial operations as at December 31, 2023 and 2022.

\*\*Acquired on March 8, 2021

The Group does not have any significant non-controlling interests as at December 31, 2023 and 2022. The information of the other subsidiaries are disclosed in Note 26.

### **Status of Operations**

The Parent Company is an accredited service provider of the Philippine Amusement and Gaming Corporation (PAGCOR) for its electronic gaming sites (PeGS). The number of sites serviced by the Parent Company increased from 69 in 2020 to 84 in 2021, 86 in 2022 and 92 in 2023.

In 2020, the country experienced a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. The Group incurred net losses of ₱52.2 million in 2021 and ₱59.5 million in 2020.

To lessen the impact of the stricter quarantine, the Parent Company launched PAGCOR-licensed remote gaming platform at the end of March 2021, which provided the Parent Company and its business partners, a continuing source of gaming revenue even as the gaming venues were shut down. This also allowed customers to access the gaming products outside the gaming venues.

In addition, on March 8, 2021, the Parent Company acquired sixteen (16) e-Bingo outlets and two (2) e-Bingo machine suppliers (see Note 8). Following this acquisition, the Parent Company now operates twenty-two (22) e-Bingo outlets. The acquisition of the two (2) accredited e-Bingo machine suppliers allowed the Group to expand its portfolio of gaming services into e-Bingo outlets. As at December 31, 2023, the two (2) e-Bingo machine suppliers are accredited suppliers to seventy-five (75) e-Bingo outlets across the country.

### **Approval of the Consolidated Financial Statements**

The consolidated financial statements of the Group as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were reviewed and recommended for approval by the Audit Committee on March 21, 2024, and were approved and authorized for issue by the Board of Directors (BOD) on the same date.

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## **2. Summary of Material Accounting Policy Information**

### **Basis of Preparation**

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation 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.

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso (Peso) which is the Group's functional currency. All values are rounded to the nearest Peso unless otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis, except for net retirement benefits liability which is carried at the present value of the defined benefit obligation and lease liabilities which are carried at the present value of future lease payments. Historical cost is generally based on the fair value of the consideration given in exchange for 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 transaction date.

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

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

- Level 1 - Quoted (unadjusted) 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.

Fair values of financial assets and liabilities are disclosed in Note 23 to the 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 which the Group adopted effective for annual periods beginning on or after January 1, 2023:

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

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

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

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

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

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

- Amendments to 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.

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 amendments to PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns. Control is presumed to exist when the Parent Company holds more than 50% percent of the voting power of another entity.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Non-controlling interests pertain to the portion of statements of comprehensive income and the net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

The Group has a Special Purpose Entity (SPE) for investment purposes. An SPE is consolidated when the substance of its relationship with the Group indicates that the SPE is controlled by the Group.

**Business Combination and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the related share issuance costs. Acquisition-related costs incurred are expensed and included in costs and expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in either in the consolidated statements of income or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of PFRS 9, *Financial Instruments*, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred over the net fair value of the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then gain is recognized in the consolidated statements of comprehensive income.

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

Where goodwill forms part of a CGU and part of the operation within CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

If necessary information, such as fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

### **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 and Measurement.* 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.

*Classification.* 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 fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

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

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statements of comprehensive income 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.

As at December 31, 2023 and 2022, the Group's cash, receivables (excluding advances to suppliers) and rental and other deposits presented under "Other noncurrent assets" account are classified under this category (see Notes 4, 5 and 9).

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

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

As at December 31, 2023 and 2022, the Group's accounts payable and other current liabilities (excluding statutory payable), notes payable, lease liabilities and other noncurrent liability are classified under this category (see Notes 10, 11, 12 and 20).

### **Derecognition of Financial Assets and Liabilities**

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

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

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

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

### **Impairment of Financial Assets**

The Group recognizes an allowance for expected credit losses (ECL) for all financial assets measured at amortized cost. ECL is 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.

*Trade Receivables.* For trade receivables without significant financing component, the Group has applied the simplified approach in measuring ECL.

Simplified approach requires that ECL should always be based on the lifetime ECL. The Group has established a provision matrix that is based on the Group’s 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 at Amortized Cost.* For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the 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 the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period 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 costs of property and equipment.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Computer equipment and software	3 - 10
Network and data communication equipment	3 - 5
Leasehold and site improvements	3 - 5 or term of lease, whichever is shorter
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3

The useful lives of the property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property and equipment's useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in the consolidated statements of comprehensive income in the year the item is derecognized.

### **Impairment of Nonfinancial Assets**

The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (except goodwill) may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and 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 group 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 assessment of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the 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 the consolidated statements of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charges are 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.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU, to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

### **Equity**

*Common Stock.* Common stock is measured at par value for all shares issued.

*Preferred Stock.* Preferred stock is cumulative, nonvoting, participating, convertible, and redeemable at the sole option of the Parent Company. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

*Additional Paid-in Capital.* This includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

*Other Comprehensive Income (Loss).* Other comprehensive income (loss) comprises items of income and expense that are not recognized in profit or loss for the year. Moreover, it pertains to cumulative remeasurement gains or losses on net retirement benefits liability.

*Treasury Stock.* Acquired treasury stock is accounted for at cost and shown as a deduction in the equity section of the consolidated statements of financial position. 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.

*Shares Held by a Subsidiary.* Shares held by a subsidiary are accounted for at cost and shown as a deduction in the equity section of the consolidated statements of financial position. 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.

#### **Revenue from Contracts with Customers**

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

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as an agent in its PeGS and e-bingo operations, including its gaming application services.

The Group recognized revenue from contracts with customers when it has met the following specific performance obligations:

*Operator's Share.* Operator's share from the operation of PeGS and e-bingo sites is computed based on the agreed percentage of gross gaming revenue (GGR) from PeGS and e-bingo operations and is recognized as the services are rendered. The Group determined that it acts in the capacity of an agent, rather than as the principal, in its PeGS and e-bingo operations, thus, the operator's share is the net amount of the GGR that it retains after paying PAGCOR and the service providers their proportionate shares in the GGR.

*Service Provider's Share.* Performance obligation is satisfied over time upon providing technical, marketing and cash management services for electronic casino operations of PAGCOR, particularly for sports betting and internet casino operations, and is based on agreed percentages of gross bets and net winnings from the sports betting and electronic casino operations, respectively.

Service provider's share is recognized net of PAGCOR share and site operator share since the Group is merely acting as an agent.

#### **Other Sources of Income**

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

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

*Other Income.* Income from other sources, except for those accounted under PFRS 16, is recognized when earned during the period.

### **Costs and Expenses Recognition**

Costs and expenses are recognized in the consolidated statements of comprehensive income upon consumption of the goods and/or utilization of the service or at the date these are incurred.

### **Leases**

The Group assesses whether the contract is, or contains, a lease. 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:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

*Right-of-Use (ROU) Assets.* At commencement date, the Group measures ROU assets at cost. The cost comprises:

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and,
- iv. an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. 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, except for changes in lease payments in which the practical expedient on COVID-19-related rent concessions is applied. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from two to eight years.

*Lease Liabilities.* At commencement date, the Group measures lease liabilities at the present value of future lease payments using the interest rate implicit in the 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 comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and,
- iv. the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee, a change in future lease payments resulting from a change in an index or a rate used to determine those payments or changes in lease payments in which the practical expedient on COVID-19 related rent concessions affecting rental payments originally due on or before June 30, 2022 is applied.

#### **Earnings (Loss) Per Share**

Basic earnings (loss) per share are computed based on weighted-average number of issued and outstanding common shares during the year.

Diluted earnings (loss) per share is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year.

#### **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 reporting year. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans of the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

*Retirement Benefits.* The Group has a funded, non-contributory defined benefit plan covering all permanent employees. The retirement benefits funded cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs and net interest expense or income in the consolidated statements of comprehensive income. Net interest is calculated by applying the discount rate to the net retirement benefits liability or asset.

Current service costs pertain to the increase in the present value of the defined benefit obligation arising from employee services in the current period, which are recognized in the consolidated statements of comprehensive income.

Past service costs are recognized in the consolidated statements of comprehensive income on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement benefits liability or asset) are recognized immediately in OCI in the year in which these arise. Remeasurements are not reclassified to the consolidated statements of comprehensive income in subsequent years.

The retirement benefits asset (liability) is the excess (deficiency) of fair value of plan assets on which the obligations are to be settled directly over the present value of the retirement obligation. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement benefits liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan.

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

#### **Related Party Relationships and Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Parent Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.

The key management personnel of the Group and post-employment benefit plan for the benefit of Group's employees, if any, are also considered to be related parties.

Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties. Related party transactions are considered material and/or significant if (i) these transactions amount to 10.0% 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 10.0% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed by the BOD in accordance with the Group's related party transactions policies.

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

### **Income Taxes**

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will be available to 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 year when the asset is realized or the liability is settled, based on tax rates (and tax law) that have been enacted or substantively enacted at the reporting date.

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

### **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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset but only when the receipt of the reimbursement is virtually certain.

### **Events after the Reporting Date**

Events after the reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements when material. Events after the reporting date that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

### **Segment Information**

The Group has aggregated the different business units of the Group to two operating segments, the domestic operations and foreign operations, according to the geographical location of the assets used to derive revenue. The Group's foreign operations are considered to be immaterial in relation to the consolidated financial statements.

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## **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make significant judgments, accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### **Judgments**

In the process of applying the Group's policies, the Group has made certain judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Accounting for Business Acquisition.* At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounted for the acquisition of the sixteen e-bingo companies, two (2) accredited e-bingo machine supplier companies, PeGS and e-bingo sites as an acquisition of a business since it has acquired an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting, which requires that the assets acquired and the liabilities assumed be recognized at their respective fair values at the date of acquisition.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired property and equipment, prepayments and deposits at the acquisition date. Moreover, the useful lives of the acquired property and equipment have to be determined.

Information on the Group's business combination transactions is disclosed in Note 8.

*Classifying the Lease Commitments - Group as a Lessee.* The Group has entered into lease agreements for its PeGS and e-bingo sites. For these leases, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate. The Group availed exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

The carrying amounts of ROU assets and lease liabilities as at December 31, 2023 and 2022 are disclosed in Note 20. Rent expense recognized in 2023, 2022 and 2021 are disclosed in Note 15.

*Determining the Incremental Borrowing Rate to Discount the Lease Payments.* The Group's ROU assets and lease liabilities were initially measured at the present value of lease payments. In determining the appropriate discount rate, the Group considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Group determined that the incremental borrowing rate will be used since the implicit rate in the lease agreements was not readily available.

*Assessing the Extension Options of Lease Commitments.* The Group's lease commitments contain extension options exercisable by the Group prior to the end of the non-cancelable contract period. Where practicable, the Group sought to include the extension options to provide operational flexibility. The Group assessed at lease commencement whether it is reasonably certain to exercise the extension options. A reassessment is made whether it is reasonably certain to exercise the extension options if there is a significant event or significant change in circumstances within its control.

For certain leases of PeGS and e-bingo sites, the financial effect of revising lease terms to reflect the effect of exercising options on these leases amounted to nil in 2023 and 2022, and ₱17.3 million in 2021.

*Determining the Agency Relationship in Revenue Recognition.* The Group determined that it acts in the capacity of an agent, rather than as the principal, in conducting its services as an accredited service provider and site operator of PAGCOR. Moreover, the Group determined that the significant risks and rewards associated to the rendering of services are not transferred to the Group. Thus, revenue recognized is net of PAGCOR share.

#### **Accounting Estimates and Assumptions**

The key accounting estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Assessing the ECL on Trade Receivables and Other Financial Assets at Amortized Cost.* The allowance for ECL of trade receivables and other financial assets at amortized cost are based on assumptions about risks of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward-looking estimates at the end of each reporting period.

#### *ECL of Trade Receivables*

The Group applies simplified approach in measuring ECL of trade receivables which uses a lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The information about the ECL assessment on the Group's trade receivables is disclosed in Note 22 to the consolidated financial statements. The Group has assessed that the ECL on trade receivables is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable companies with good credit standing and relatively low risk of defaults.

The carrying amounts of trade receivables as at December 31, 2023 and 2022 are disclosed in Note 5.

*ECL of Other Financial Assets at Amortized Cost*

The Group determines the allowance for ECL 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 financial assets. The provision for ECL recognized during the period is limited to 12 months ECL because the Group's other financial assets at amortized cost are considered to have low credit risk.

No loss allowance was provided on other financial assets at amortized cost in 2023, 2022 and 2021. The carrying amounts of cash in banks, advances to PeGS operators and other receivables, and rental and other deposits are disclosed in Notes 4, 5 and 9, respectively.

*Estimating the Useful Lives of Property and Equipment.* The Group estimates the useful lives of property and equipment based on the period over which they 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 the property and equipment. In addition, the estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets.

There have been no changes in the useful lives of property and equipment in 2023, 2022 and 2021. The carrying amounts of property and equipment as at December 31, 2023 and 2022 are disclosed in Note 7.

*Assessing Impairment of Goodwill.* The amount of goodwill arising from the excess of the consideration paid by the Parent Company less the total fair value of the identifiable net assets acquired from the operators are disclosed in Note 8.

The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with related accounting policy in Note 2. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs to sell and value in use calculations which require the use of estimates.

Based on the impairment testing conducted, the recoverable amounts of certain CGUs as at December 31, 2023 and 2022 which were calculated based on value in use are lower than the corresponding carrying amounts (including goodwill) of the CGUs. Impairment loss on goodwill recognized in 2023 and the carrying amounts of goodwill as at December 31, 2023 and 2022 are disclosed in Note 8.

*Estimating the Impairment of Other Nonfinancial Assets.* The Group also assesses impairment on other nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value in use. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value in use, the Group is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially, affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The amounts of impairment losses on other nonfinancial assets as at December 31, 2023 and 2022 are disclosed in Notes 6 and 9. The carrying amounts of other nonfinancial assets as at December 31, 2023 and 2022 are disclosed in Notes 6, 7, 9 and 20.

*Estimating the Net Retirement Benefits Liability.* The determination of the obligation and cost for provision for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 17. Actual results that differ from the assumptions are accumulated and are recognized as part of equity. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefits liability.

The carrying amounts of net retirement benefits liability are disclosed in Note 17.

*Estimating Provisions and Contingencies.* The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

Accordingly, no liability for probable losses arising from contingencies was recognized in the consolidated financial statements as at December 31, 2023 and 2022.

*Assessing the Recognition of Deferred Tax Assets.* The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of NOLCO and unused excess MCIT over RCIT is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

Details of the recognized and unrecognized deferred tax assets are disclosed in Note 19.

#### 4. Cash

This account consists of:

	2023	2022
Cash on hand	P24,208,639	P22,407,252
Cash in banks	61,853,289	38,999,380
	<b>P86,061,928</b>	<b>P61,406,632</b>

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

Interest income is earned from the following:

	Note	2023	2022	2021
Cash in banks		P38,046	P39,966	P48,550
Receivables	5	334,860	520,112	–
	18	<b>P372,906</b>	<b>P560,078</b>	<b>P48,550</b>

#### 5. Receivables

This account consists of:

	2023	2022
Trade	P13,994,192	P33,550,292
Advances to suppliers	43,440,058	53,118,526
Receivables from non-affiliated entities	34,072,306	34,072,306
Advances to PeGS operators	27,784,482	29,415,643
	<b>119,291,038</b>	<b>150,156,767</b>
Less allowance for impairment losses on:		
Receivables from non-affiliated entities	34,072,306	34,072,306
Advances to suppliers	31,990,030	31,990,030
	<b>66,062,336</b>	<b>66,062,336</b>
	<b>P53,228,702</b>	<b>P84,094,431</b>

Movements in the allowance for impairment losses are shown below:

	2023	2022	2021
Balance at beginning of year	P66,062,336	P66,062,336	P74,152,385
Write-off	–	–	(8,090,049)
Balance at end of year	<b>P66,062,336</b>	<b>P66,062,336</b>	<b>P66,062,336</b>

##### Trade Receivables

Trade receivables pertain to uncollected grosshold (cash) from PeGS operators. These are collected and deposited in the Parent Company's bank account on the banking day following the reporting date.

##### Advances to Suppliers

Advances to suppliers pertain to advance payments on services to be incurred or goods to be received in connection with the Group's operations which can be refunded or collected under the terms of agreement.

### **Receivables from Non-affiliated Entities**

Receivables from non-affiliated entities mainly pertain to the Parent Company's outstanding share in the foreign exchange gains of a note receivable. These were fully provided with valuation allowance as at December 31, 2023 and 2022.

### **Advances to PeGS Operators**

Advances to PeGS operators pertain to short-term, unsecured, interest-bearing advances extended to operators with interest rate of 10.0% to 13.0% a year that are expected to be settled in cash. Interest income earned from receivables amounted to ₱334,860 in 2023, ₱520,112 in 2022 and nil in 2021 (see Note 4). In 2021, the Group waived the interest related to these advances.

## **6. Other Current Assets**

This account consists of:

	Note	2023	2022
Input value added tax (VAT) - net of allowance for impairment losses		<b>₱61,292,057</b>	₱50,489,743
Prepayments for:			
Taxes and licenses		<b>12,514,418</b>	5,038,155
Outsourced services		<b>2,109,861</b>	3,376,123
Rent	20	<b>885,017</b>	1,163,868
Insurance		<b>277,275</b>	86,512
		<b>₱77,078,628</b>	₱60,154,401

Movements in the allowance for impairment losses on input VAT are shown below.

	Note	2023	2022	2021
Balance at beginning of year		<b>₱115,542,087</b>	₱114,428,658	₱113,749,436
Provision	15	<b>883,889</b>	1,113,429	679,222
Balance at end of year		<b>₱116,425,976</b>	₱115,542,087	₱114,428,658

## **7. Property and Equipment**

Movements in this account are as follows:

	2023 (In Thousands)					Total
	Computer Equipment and Software	Network and Data Communication Equipment	Leasehold and Site Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	
<b>Cost</b>						
Balance at beginning of year	₱153,666	₱17,937	₱253,173	₱57,615	₱141	₱482,532
Additions	12,786	–	17,472	6,963	–	37,221
Balance at end of year	166,452	17,937	270,645	64,578	141	519,753
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	118,113	17,714	223,448	52,341	141	411,757
Depreciation and amortization	32,847	219	19,381	4,747	–	57,194
Balance at end of year	150,960	17,933	242,829	57,088	141	468,951
<b>Carrying Amount</b>	<b>₱15,492</b>	<b>₱4</b>	<b>₱27,816</b>	<b>₱7,490</b>	<b>₱–</b>	<b>₱50,802</b>

2022 (In Thousands)						
	Computer Equipment and Software	Network and Data Communication Equipment	Leasehold and Site Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
<b>Cost</b>						
Balance at beginning of year	₱147,788	₱17,996	₱243,567	₱55,396	₱141	₱464,888
Additions	5,878	–	9,606	2,859	–	18,343
Disposals	–	(59)	–	(640)	–	(699)
Balance at end of year	153,666	17,937	253,173	57,615	141	482,532
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	87,550	16,638	201,992	48,882	141	355,203
Depreciation and amortization	30,563	1,135	21,456	4,099	–	57,253
Disposals	–	(59)	–	(640)	–	(699)
Balance at end of year	118,113	17,714	223,448	52,341	141	411,757
<b>Carrying Amount</b>	<b>₱35,553</b>	<b>₱223</b>	<b>₱29,725</b>	<b>₱5,274</b>	<b>₱–</b>	<b>₱70,775</b>

Depreciation and amortization are recognized from:

	Note	2023	2022	2021
Property and equipment		<b>₱57,194,257</b>	₱57,252,729	₱54,343,514
ROU assets	20	<b>66,232,781</b>	64,196,069	70,157,020
	15	<b>₱123,427,038</b>	₱121,448,798	₱124,500,534

The Group disposed property and equipment with original cost amounting to ₱0.7 million and ₱121.3 million in 2022 and 2021, respectively. Gain on disposal of property and equipment amounted to ₱95,675 and ₱80,357 in 2022 and 2021, respectively (see Note 18).

Fully-depreciated property and equipment still being used in operations amounted to ₱390.6 million and ₱296.9 million as at December 31, 2023 and 2022, respectively.

## 8. Goodwill

The Group's goodwill pertains to the excess of consideration over the fair value of the following assets acquired as follows:

	2023	2022
NDM Entities	<b>₱559,046,921</b>	₱611,189,430
PeGS and e-bingo Operators	<b>39,937,106</b>	39,937,106
	<b>₱598,984,027</b>	₱651,126,536

Movements in the account are as follows:

	Note	2023	2022	2021
Balance at beginning of year		<b>₱651,126,536</b>	₱651,126,536	₱39,937,106
Additions		–	–	611,189,430
Impairment	15	<b>(52,142,509)</b>	–	–
Balance at end of year		<b>₱598,984,027</b>	₱651,126,536	₱651,126,536

On March 8, 2021, the Group and Palmary Corporation and Subsidiaries (Palmary Group) executed a deed of sale for the acquisition of 100.0% of the issued capital stock of 16 e-Bingo companies for ₱450.0 million and two (2) accredited e-bingo machine supplier companies for ₱280.0 million to expand its electronic gaming business.

The goodwill of ₱611.2 million represents the fair value of the expected synergies arising from the acquisition of the business, which include higher revenue from the expansion of the Group's portfolio of gaming services into e-Bingo outlets.

The results of operations of the acquired PeGS, e-bingo sites, e-bingo companies and e-bingo machine supplier companies (the acquirees) were consolidated in the Group's books from dates of acquisition.

In addition, additional revenue and net income from the acquired e-bingo companies and e-bingo machine supplier companies amounting to ₱108.6 million and ₱9.4 million, respectively, in 2021, were consolidated in the Group's books from their respective dates of acquisition. Had the acquisitions occurred at the beginning of the year, revenues and net income would have increased in 2021 by ₱155.5 million and ₱1.0 million, respectively.

Management assessed that the recoverable amount of the CGU to which the goodwill was allocated exceeds its carrying amount. In estimating recoverable amounts which are based on value in use, management used a cash flow projection based on past experience with its existing PeGS and e-bingo sites covering a five-year period at a discount rate of 10.2% in 2023, 9.2% in 2022 and 6.9% in 2021. Cash flows beyond that five-year period have been extrapolated using the CGU's average historical growth rate. In 2023, management recognized impairment on goodwill pertaining to NDM entities amounting to ₱52.1 million, to reflect the estimated recoverable amount of the CGU.

The calculations of value in use are most sensitive to the following estimates and assumptions:

- a. Cash flow estimates - Value in use is primarily dependent on the cash flow estimates used in the computation. When developing cash flow estimates, management used as a basis the historical financial performance of PeGS and e-bingo sites being operated at similar or comparable locations.
- b. Discount rates - Discount rates were derived from the Group's weighted average cost of capital and reflect management's estimate of the risks within the CGU. This is the benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including but not limited to, the five-year government bond yield, bank lending rates and market risk premium and country risk premium.
- c. Growth rate estimates - The long-term rate used to estimate the terminal value excludes expansions and possible acquisitions in the future. Management considers expectations from the industry and possible government interventions, among others, in estimating a reasonable growth rate.

*Sensitivity Analysis.* Generally, an increase (decrease) in the incremental after-tax cash flows and growth rate will result in an increase (decrease) in the value in use. An increase (decrease) in discount rate will result in a decrease (increase) in the value in use.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of Group's goodwill calculated through value in use would not cause the CGU's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of the Group's goodwill is based, this would result in further impairment charge.

## 9. Other Noncurrent Assets

This account consists of:

	Note	2023	2022
Noncurrent input VAT		<b>₱265,251,060</b>	₱246,133,632
Rental and other deposits	20	<b>120,689,328</b>	95,712,115
Advances for projects		<b>5,378,199</b>	5,378,199
		<b>391,318,587</b>	347,223,946
Less allowance for impairment losses on:			
Noncurrent input VAT		<b>213,290,218</b>	200,185,417
Advances for projects		<b>5,378,199</b>	5,378,199
Rental and other deposits	20	<b>2,258,000</b>	2,258,000
		<b>220,926,417</b>	207,821,616
		<b>₱170,392,170</b>	₱139,402,330

### Noncurrent Input VAT

This account pertains to input VAT of the Group which is not expected to be utilized within one year. Movements in the allowance for impairment losses on noncurrent input VAT are shown below:

	Note	2023	2022	2021
Balance at beginning of year		<b>₱200,185,417</b>	₱188,417,129	₱181,473,675
Provision	15	<b>13,104,801</b>	11,768,288	6,943,454
Balance at end of year		<b>₱213,290,218</b>	₱200,185,417	₱188,417,129

### Advances for Projects

Advances for projects include receivables and related assets from the Group's internet service provider business which was discontinued when the Group focused operations on the gaming business. The Group has provided full allowance for impairment loss on these assets.

## 10. Accounts Payable and Other Current Liabilities

This account consists of:

	2023	2022
Accounts payable	<b>₱168,752,872</b>	₱139,307,418
Accruals for:		
Contractors	<b>19,571,903</b>	21,580,607
Utilities and communications	<b>7,669,072</b>	9,104,321
Manpower services	<b>6,545,874</b>	7,882,234
Advertising and promotion	<b>4,326,500</b>	3,099,739
Professional fees	<b>889,540</b>	936,298
Others	<b>4,533,260</b>	4,462,513
Statutory payable	<b>16,067,217</b>	12,118,067
	<b>₱228,356,238</b>	₱198,491,197

Accounts payable pertain mostly to payables to suppliers, PAGCOR and PeGS operators. The average credit period for payables to suppliers and PeGS operators are 30-60 days and 15 days, respectively. Payables to PAGCOR are remitted on the following business day.

Accrued expenses are normally settled within the next calendar year.

Statutory payable pertains to withholding taxes payable and payables to other government agencies. These are usually settled in the following month.

## 11. Notes Payable

The Group has peso-denominated short-term notes payable to a local bank amounting to ₱184.2 million and ₱178.0 million as at December 31, 2023 and 2022, respectively, and bear annual interest of 7% to 10.25% in 2023 and 7% to 8% in 2022 and 2021. As at December 31, 2023 and 2022, the outstanding loan is secured by the assignment of the Parent Company's shares held by the Group and a subsidiary at 300% cover based on prevailing market price (see Note 14).

Interest expense is incurred from the following:

	Note	2023	2022	2021
Lease liabilities	20	₱25,498,618	₱23,560,126	₱20,121,942
Notes payable		17,997,799	13,044,105	14,937,814
		₱43,496,417	₱36,604,231	₱35,059,756

### Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	December 31, 2022	Availments	Payments	Noncash Changes	December 31, 2023
Notes payable	₱178,000,000	₱149,000,000	(₱142,800,000)	₱-	₱184,200,000
Interest	-	-	(17,997,799)	17,997,799	-
Lease liabilities	188,718,863	-	(75,540,065)	78,994,277	192,173,075
Other noncurrent liability	13,683,456	-	(400,000)	-	13,283,456
	₱380,402,319	₱149,000,000	(₱236,737,864)	₱96,992,076	₱389,656,531

	December 31, 2021	Availments	Payments	Noncash Changes	December 31, 2022
Notes payable	₱194,347,689	₱90,000,000	(₱106,347,689)	₱-	₱178,000,000
Interest	-	-	(13,044,105)	13,044,105	-
Lease liabilities	174,203,418	-	(73,215,226)	87,730,671	188,718,863
Other noncurrent liability	14,433,456	-	(750,000)	-	13,683,456
	₱382,984,563	₱90,000,000	(₱193,357,020)	₱100,774,776	₱380,402,319

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## 12. Other Noncurrent Liability

This account consists of cash received from operators for the opening of PeGS amounting to ₱13.3 million and ₱13.7 million as at December 31, 2023 and 2022, respectively. This serves as a bond/security in case an operator defaults from payments. These deposits shall be returned to the operator when the contract is terminated. The carrying amount of the operators' refundable deposits approximates its amortized cost as the impact of discounting is not material.

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## 13. Compensation of Key Management Personnel

Compensation and short-term employee benefits of key management personnel of the Group amounted to ₱23.4 million in 2023, ₱25.4 million in 2022 and ₱25.0 million in 2021. The Group's key management compensation relating to post-employment benefits or other long-term benefits amounted to ₱2.4 million in 2023, ₱1.9 million in 2022 and ₱1.2 million in 2021.

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## 14. Equity

The details of the number of common and preferred stocks as at December 31, 2023 and 2022 are as follows:

	Preferred	Common
Authorized	750,000,000	1,850,000,000
Par value per share	₱1.00	₱1.00
Issued	159,269,484	1,517,157,525

On April 7, 2021, the SEC approved the amendment to the Parent Company's Articles of Incorporation reclassifying its capital stock from 2,600,000,000 common shares at ₱1.00 par value a share to 1,850,000,000 common shares and 750,000,000 preferred shares both at ₱1.00 par value a share. As at December 31, 2023 and 2022, the Group's outstanding loan is secured by the assignment of the Parent Company's outstanding shares held by the Group and a subsidiary at 300% cover based on prevailing market price (see Note 11).

### **Preferred Stock**

In 2021, the Parent Company issued 97.3 million and 62.0 million preferred stock to GAI and PCC, respectively, at an offer price of ₱4.71 a share. The excess of the proceeds over par value of the shares sold amounting to ₱590.7 million was recognized as additional paid-in capital. Total cost incurred in the offering and the issuance of preferred stock amounted to ₱1.6 million which was recognized as reduction from additional paid-in capital.

The preferred stock of the Parent Company is cumulative, nonvoting, participating, convertible, and redeemable at the sole option of the Parent Company.

### **Common Stock**

As at December 31, 2023 and 2022, the Parent Company has issued common stock of 1,517,157,525 amounting to ₱1,517.2 million. The Parent Company's outstanding common shares amounted to 1,435,776,733 as at December 31, 2023 and 2022.

	Preferred	Common
Issued	159,269,484	1,517,157,525
Less: Treasury stock	–	81,380,792
<b>Outstanding</b>	<b>159,269,484</b>	<b>1,435,776,733</b>
Stocks held by a subsidiary	62,008,919	157,044,156

The Group has 1,448 and 1,434 shareholders as at December 31, 2023 and 2022, respectively.

### **Additional Paid-In Capital**

Additional paid-in capital as at December 31, 2023 and 2022 are as follows:

Common stock -	
Balance at beginning and end of year	₱656,751,427
Preferred stock -	
Balance at beginning and end of year	589,137,821
	<b>₱1,245,889,248</b>

### **Treasury Stock and Stocks Held by a Subsidiary**

Treasury stock and shares held by a subsidiary as at December 31, 2023 and 2022 are as follows:

	Number of Shares	Amount
Treasury Stock - Common	81,380,792	₱1,098,928,524
Stocks Held by a Subsidiary		
Common stock	157,044,156	₱1,727,327,769
Preferred stock	62,008,919	292,000,000
	<b>219,053,075</b>	<b>₱2,019,327,769</b>

## **15. Costs and Expenses**

This account consists of:

	Note	2023	2022	2021
Outsourced services	20	₱193,367,219	₱198,116,751	₱139,534,865
Salaries and benefits	16	188,047,438	165,157,572	125,310,315
Depreciation and amortization	7	123,427,038	121,448,798	124,500,534
Advertising and promotion		80,129,569	75,177,719	36,870,671
Utilities and communications		71,807,632	70,400,589	47,365,701
Impairment losses		66,131,199	12,881,717	7,622,676
Taxes and licenses		37,693,078	19,692,154	24,286,483
Supplies		32,786,225	31,079,300	18,833,322
Representation and entertainment		20,441,268	18,387,762	21,341,885
Rental	20	17,526,338	16,309,267	9,465,443
Professional fees		3,889,018	2,489,055	2,632,371
Miscellaneous		7,279,264	5,378,313	4,480,350
		<b>₱842,525,286</b>	<b>₱736,518,997</b>	<b>₱562,244,616</b>

Impairment losses are incurred from the following:

	Note	2023	2022	2021
Goodwill	8	<b>₱52,142,509</b>	₱-	₱-
Noncurrent input VAT	9	<b>13,104,801</b>	11,768,288	6,943,454
Input VAT	6	<b>883,889</b>	1,113,429	679,222
		<b>₱66,131,199</b>	<b>₱12,881,717</b>	<b>₱7,622,676</b>

## 16. Salaries and Benefits

This account consists of:

	Note	2023	2022	2021
Salaries and wages		<b>₱179,224,541</b>	₱157,329,235	₱119,156,774
Retirement benefits expense	17	<b>8,822,897</b>	7,828,337	6,153,541
		<b>₱188,047,438</b>	<b>₱165,157,572</b>	<b>₱125,310,315</b>

## 17. Net Retirement Benefits Liability

The Group has a funded, noncontributory, defined benefit plan (the "Benefit Plan") covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plan. The Retirement Plan is administered by a local bank appointed as a trustee. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation for the year ended December 31, 2023 was dated February 14, 2024.

The Group's retirement plan is registered with the Bureau of Internal Revenue, and is based on the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as the Retirement Pay Law.

Retirement benefits recognized as part of the "Salaries and benefits" account under costs and expenses in the consolidated statements of comprehensive income are as follows (see Note 15):

	2023	2022	2021
Current service cost	<b>₱5,388,103</b>	₱5,349,692	₱4,774,760
Net interest cost	<b>3,434,794</b>	2,478,645	1,378,781
	<b>₱8,822,897</b>	<b>₱7,828,337</b>	<b>₱6,153,541</b>

Movements in net retirement benefits liability of the Group recognized in the consolidated statements of financial position are as follows:

	2023	2022
Balance at beginning of year	<b>₱51,051,082</b>	₱48,499,966
Current service cost	<b>5,388,103</b>	5,349,692
Net interest cost	<b>3,434,794</b>	2,478,645
Contributions	<b>(10,000,000)</b>	(1,000,000)
Net remeasurement loss (gain)	<b>2,064,021</b>	(4,277,221)
Balance at end of year	<b>₱51,938,000</b>	<b>₱51,051,082</b>

The status of the Benefit Plan recognized in the consolidated statements of financial position as at December 31 is as follows:

	2023	2022
Present value of retirement obligation	<b>₱67,676,072</b>	₱59,447,323
Fair value of plan assets	<b>(15,738,072)</b>	(8,396,241)
	<b>₱51,938,000</b>	₱51,051,082

The changes in the present value of retirement obligation are as follows:

	2023	2022
Balance at beginning of year	<b>₱59,447,323</b>	₱57,561,901
Current service cost	<b>5,388,103</b>	5,349,692
Interest cost	<b>4,292,097</b>	2,929,901
Benefits paid	<b>(3,044,484)</b>	(1,392,799)
Remeasurement loss (gain)	<b>1,593,033</b>	(5,001,372)
Balance at end of year	<b>₱67,676,072</b>	₱59,447,323

The changes in the fair value of the plan assets are as follows:

	2023	2022
Balance at beginning of year	<b>₱8,396,241</b>	₱9,061,935
Contribution	<b>10,000,000</b>	1,000,000
Benefits paid	<b>(3,044,484)</b>	(1,392,799)
Interest income	<b>857,303</b>	451,256
Remeasurement loss	<b>(470,988)</b>	(724,151)
Balance at end of year	<b>₱15,738,072</b>	₱8,396,241

The Group's plan assets are invested on the following:

	2023	2022
Deposits in bank	<b>₱6,665</b>	₱2,227
Investments	<b>15,731,407</b>	8,394,014
	<b>₱15,738,072</b>	₱8,396,241

The cumulative remeasurement losses recognized in OCI as at December 31 is as follows:

	Cumulative Remeasurement Losses	Deferred Tax (Note 19)	Net
Balance as at December 31, 2022	<b>(₱7,908,054)</b>	<b>₱1,977,013</b>	<b>(₱5,931,041)</b>
Net remeasurement loss	<b>(2,064,021)</b>	<b>516,005</b>	<b>(1,548,016)</b>
Balance as at December 31, 2023	<b>(₱9,972,075)</b>	<b>₱2,493,018</b>	<b>(₱7,479,057)</b>

	Cumulative Remeasurement Losses	Deferred Tax (Note 19)	Net
Balance as at December 31, 2021	(P12,185,275)	P3,046,319	(P9,138,956)
Net remeasurement gain	4,277,221	(1,069,306)	3,207,915
Balance as at December 31, 2022	(P7,908,054)	P1,977,013	(P5,931,041)

	Cumulative Remeasurement Losses	Deferred Tax (Note 19)	Net
Balance as at December 31, 2020	(P7,626,401)	P2,287,920	(P5,338,481)
Net remeasurement loss	(4,558,874)	1,139,719	(3,419,155)
Effect of change in tax rates	–	(381,320)	(381,320)
Balance as at December 31, 2021	(P12,185,275)	P3,046,319	(P9,138,956)

Principal actuarial assumptions used to determine retirement benefits are as follows:

	Valuation as at December 31	
	2023	2022
Discount rate	6.11%	7.22%
Expected rate of salary increase	5.00%	5.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31 is as follows:

	Change in Assumption	Effect on Net Retirement Benefits Liability	
		2023	2022
Discount rate	+100 basis points	(P4,468,372)	(P3,511,286)
	-100 basis points	5,037,964	3,923,698
Salary rate	+100 basis points	5,043,509	3,971,510
	-100 basis points	(4,553,728)	(3,614,070)
Attrition rate	No attrition rates	4,158,834	514,666

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement liability was expressed as a percentage change from the base retirement liability.

The changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed more responsible.

There are no unusual or significant risks to which the Benefit Plan exposes the Group.

Based on the Group's actuarial valuation report, the amount of expected contribution to the Benefit Plan in the next financial year is P12.0 million.

Weighted average duration of the defined benefit liability is 7.0 years and 6.3 years as at December 31, 2023 and 2022, respectively.

As at December 31, 2023, the expected future benefit payments are as follows:

Year	Amount
2024	₱9,605,489
2025	8,429,065
2026	6,420,871
2027	6,746,427
2028	11,085,569
2029 – 2033	50,325,064

The Group is not required to pre-fund the future defined benefits payable under the Benefit Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Group's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

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#### 18. Other Income (Charges) - Net

This account consists of:

	Note	2023	2022	2021
Gain on lease modifications	20	<b>₱6,375,089</b>	₱–	₱–
Gain on pretermination of lease	20	<b>1,302,786</b>	–	–
Interest income	4	<b>372,906</b>	560,078	48,550
Gain on rent concessions	20	–	6,524,768	29,639,686
Gain on disposal of property and equipment	7	–	95,675	80,357
Gain on retirement of ROU assets	20	–	–	60,836
Miscellaneous		<b>(6,924)</b>	23,141	1,440
		<b>₱8,043,857</b>	<b>₱7,203,662</b>	<b>₱29,830,869</b>

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#### 19. Income Taxes

The provision for current income tax pertains to RCIT in 2023 and 2022 and MCIT in 2021.

Certain subsidiaries of the Parent Company are exempt from corporate income tax pursuant to Presidential Decree No. 1869, as amended by Republic Act No. 9487. These subsidiaries pay 5% franchise tax on gross revenue (gross sales less pay-out) to PAGCOR.

The reconciliation of the income tax computed at statutory tax rate to provision for (benefit from) income tax as presented in the consolidated statements of comprehensive income is summarized as follows:

	2023	2022	2021
Income tax at statutory tax rate	<b>₱2,045,618</b>	₱11,742,539	(₱6,879,221)
Adjustment resulting from:			
Change in unrecognized deferred tax assets	<b>9,756,987</b>	23,201	2,940,267
Net loss (income) subject to franchise tax	<b>(3,823,502)</b>	5,159,299	(2,328,204)
Expired NOLCO	-	-	11,516,792
Add (deduct) tax effects of:			
Non-deductible expenses	<b>3,485,620</b>	2,752,873	5,270,241
Interest and other income already subjected to final tax	<b>(1,559,151)</b>	(9,992)	(11,890)
Stock issuance costs	-	-	(398,174)
Effect of changes in tax rates	-	-	12,404,906
	<b>₱9,905,572</b>	₱19,667,920	₱22,514,717

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) was approved and signed into law by the country’s president. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets and total amount of taxable profit. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years up to June 30, 2023. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. The Group has applied the changes in tax rates based on the provisions of the CREATE as at December 31, 2023 and 2022.

The effect of the reduction in tax rates in 2020 was recognized as part of the 2021 provision for income tax, as required by PAS 12, *Income Taxes* amounting to ₱12.4 million.

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

	Note	2023	2022
Items recognized in profit or loss:			
Net retirement benefits liability		<b>₱10,491,482</b>	₱10,785,757
Allowance for impairment losses on Receivables		<b>3,085,728</b>	3,085,728
Cumulative excess of amortization of ROU assets and accretion of interest on lease liabilities over rental payments, rent concessions and gain on retirement of ROU assets		<b>2,830,550</b>	2,450,515
Unamortized past service costs		<b>1,037,677</b>	-
		<b>17,445,437</b>	16,322,000
Item recognized directly in OCI - Remeasurement losses on net retirement benefits liability	17	<b>2,493,018</b>	1,977,013
		<b>₱19,938,455</b>	₱18,299,013

The Group did not recognize the deferred tax assets on the following temporary differences because management believes that these may not be realized because future taxable income may not be sufficient against which the tax benefits can be claimed or deducted:

	2023	2022
NOLCO	P25,160,362	P15,402,790
Allowance for impairment losses on receivables	13,577,740	13,577,740
Cumulative excess of amortization of ROU assets and accretion of interest on lease liabilities over rental payments, rent concessions	250,142	250,142
	<b>P38,988,244</b>	<b>P29,230,672</b>

The Group has NOLCO incurred from taxable years that can be carried forward and claimed as deduction against the regular taxable income as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2023	2026	P48,784,933	P-	P-	P48,784,933
2022	2025	23,175,683	-	-	23,175,683
2021	2026	25,487,387	-	-	25,487,387
2020	2025	28,350,880	-	-	28,350,880
Total		P125,798,883	P-	P-	P125,798,883

## 20. Significant Contracts

### Cooperation Agreement

On June 1, 2019, the Parent Company entered into a cooperation agreement with Palmary Group to jointly develop both party's e-bingo operations. The Parent Company's responsibilities include providing technical services and supervision of Palmary Group's operations for a fee.

On March 8, 2021, the Group and Palmary Group executed a deed of sale for the acquisition of 100.0% of the issued capital stock of 16 eBingo companies and two (2) accredited e-bingo machine supplier companies (see Note 8). Consequently, the cooperation agreement was terminated on the same date.

### Lease Agreements

#### *Group as Lessee - Short-term Lease*

The Group leases certain spaces for various events for a period of less than one year at a fixed rental rate and are renewable upon mutual agreement with the lessors.

Prepaid rent of the Group amounted to P0.9 million and P1.2 million as at December 31, 2023 and 2022, respectively (see Note 6). Total rent expense on short-term leases amounted to P17.5 million in 2023, P16.3 million in 2022 and P9.5 million in 2021 (see Note 15).

The Group has rental and other deposits amounting to P118.4 million and P93.5 million as at December 31, 2023 and 2022, respectively (see Note 9).

*Group as Lessee - Long-term Lease*

ROU Assets

The balance of and movements in ROU assets follow:

	Note	2023	2022
<b>Cost:</b>			
Balance at beginning of year		<b>₱377,228,598</b>	₱306,582,004
Additions		<b>69,205,991</b>	70,646,594
Retirement		<b>(29,612,660)</b>	–
Balance at end of year		<b>416,821,929</b>	377,228,598
<b>Accumulated amortization:</b>			
Balance at beginning of year		<b>202,847,692</b>	138,651,623
Amortization	7	<b>66,232,781</b>	64,196,069
Retirement		<b>(22,049,933)</b>	–
Balance at end of year		<b>247,030,540</b>	202,847,692
Carrying amount		<b>₱169,791,389</b>	₱174,380,906

Lease Liabilities

The balance and movements in lease liabilities follow:

	Note	2023	2022
Balance at beginning of year		<b>₱188,718,863</b>	₱174,203,418
Additions		<b>68,736,261</b>	70,695,313
Rental payments		<b>(75,540,065)</b>	(73,215,226)
Accretion of interest	11	<b>25,498,618</b>	23,560,126
Gain on lease modifications	18	<b>(6,375,089)</b>	–
Gain on rent concessions	18	–	(6,524,768)
Retirement		<b>(8,865,513)</b>	–
Balance at end of year		<b>192,173,075</b>	188,718,863
Less current portion		<b>59,698,169</b>	53,240,783
Noncurrent portion		<b>₱132,474,906</b>	₱135,478,080

Incremental borrowing rate ranging 9.77% to 13.10% was applied to determine the discounted amount of lease liabilities.

In line with the rental relief framework implemented by the Philippine government to support businesses and the broader economy due to the impact of COVID-19, the Group received rent concessions from its lessors such as lease payment holidays and discounts. The Group applied the practical expedient to account for these concessions and the related amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*. Consequently, gain on rent concessions amounting to ₱6.5 million and ₱29.6 million in 2022 and 2021, respectively, were recognized in the consolidated statements of comprehensive income.

The amounts recognized in the consolidated statements of comprehensive income follow:

	Note	2023	2022	2021
Amortization of ROU assets	7	<b>₱66,232,781</b>	₱64,196,069	₱70,157,020
Interest expense on lease liabilities	11	<b>25,498,618</b>	23,560,126	20,121,942
Rental	15	<b>17,526,338</b>	16,309,267	9,465,443
Gain on lease modifications	18	<b>(6,375,089)</b>	–	–
Gain on pretermination of lease	18	<b>(1,302,786)</b>	–	–
Gain on rent concessions	18	–	(6,524,768)	(29,639,686)
Gain on retirement of ROU assets	18	–	–	(60,836)
		<b>₱101,579,862</b>	₱97,540,694	₱70,043,883

The gross and present values of future minimum lease payments as at December 31 are as follows:

	2023		2022	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
Not later than one year	<b>₱84,631,909</b>	<b>₱59,698,169</b>	₱75,529,841	₱53,240,783
Later than one year but not more than five years	<b>157,844,422</b>	<b>129,464,866</b>	161,129,801	131,543,272
More than five years	<b>3,181,270</b>	<b>3,010,040</b>	9,388,966	3,934,808
	<b>245,657,601</b>	<b>192,173,075</b>	246,048,608	188,718,863
Finance charges	<b>(53,484,526)</b>	–	(57,329,745)	–
	<b>₱192,173,075</b>	<b>₱192,173,075</b>	₱188,718,863	₱188,718,863

#### **License Agreements**

The Parent Company entered into agreements with service providers for the use of the games in combination with the online casino platform, POS and the related software, and the back-office system for management of the website with the ability to integrate third party gaming providers.

In 2021, the Parent Company entered into agreements with service providers for the use of the remote gaming platform, including marketing, customer acquisition and customer relations management services, in connection with the Parent Company's online and mobile games.

The above license agreements provide for a certain percentage of gross gaming revenue to the service providers. Fees recognized from the agreements amounted to ₱95.9 million in 2023, ₱116.0 million in 2022 and ₱86.4 million in 2021 and were presented as part of "Outsourced services" in the consolidated statements of comprehensive income.

## 21. Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share is computed as follows:

	2023	2022	2021
Net income (loss) attributable to equity holders of the Parent Company	(P71,820,597)	P27,302,235	(P52,205,290)
Less: share of preferred shares	(7,780,845)	(7,780,845)	-
Net income (loss) attributable to equity holders of the Parent Company for basic earnings per share	(79,601,442)	19,521,390	(52,205,290)
Weighted average no. of outstanding shares for basic earnings (loss) per share	1,278,732,577	1,278,732,577	1,278,732,577
Basic/diluted earnings (loss) per share	(P0.06)	P0.02	(P0.04)

The Group's convertible preferred shares are potentially dilutive. However, these were not included in the above calculation of diluted earnings per share because they were antidilutive in 2023 and 2022. The Group has no dilutive potential share in 2021.

## 22. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are comprised of cash, receivables (excluding advances to suppliers), rental and other deposits presented under "Other noncurrent assets" account, accounts payable and other current liabilities (excluding statutory payable), notes payable, lease liabilities and other noncurrent liability. The main risks arising from the Group's financial instruments are credit, liquidity and interest rate risks. The BOD oversees management's policy of addressing risk exposures and determining credit concentrations.

### **Credit Risk**

Credit risk refers to the risk when a counterparty defaults on its contractual obligations resulting in a financial loss to the Group. Financial assets that potentially subject the Group to credit risk consist primarily of cash in banks, receivables and rental and other deposits.

### *Trade Receivables*

The Group trades mainly with recognized, creditworthy third parties. The Group obtains guarantees where appropriate to mitigate credit risk.

As discussed in Note 3 to the consolidated financial statements, the Group has adopted a lifetime expected loss allowance in estimating ECL to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning.

There are no guarantees against these trade receivables but the management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. Management provides for full allowance for ECL on receivables that are credit-impaired. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables.

*Other Financial Assets at Amortized Cost*

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades with recognized third parties and related parties, there is no requirement for collateral. There are no concentrations of credit risk within the Group.

As discussed in Note 3 to the consolidated financial statements, the Group considers credit risk in measuring ECL of other financial assets at amortized cost. Since these financial assets of the Group are considered to have low credit risk, impairment loss is limited to 12 months ECL.

Generally, receivables are written-off if collection cannot be made despite exhausting all extra-judicial and legal means of collection. The carrying values of the Group's financial assets at amortized cost represent the maximum exposure to credit risk as at the reporting date.

Default is defined as the failure of the counterparty to pay or to provide alternative payment or any security mutually agreed by the parties within the agreed terms.

The following table presents an analysis of the credit quality of the Group's other financial assets at amortized cost. It indicates whether the other financial assets at amortized cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired:

	2023			Total
	12-month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	
Cash in banks	P61,853,289	P-	P-	P61,853,289
Receivables from non-affiliated entities	-	-	34,072,306	34,072,306
Advances to PeGS operators	27,784,482	-	-	27,784,482
Rental and other deposits	118,431,328	-	2,258,000	120,689,328
	<b>P208,069,099</b>	<b>P-</b>	<b>P36,330,306</b>	<b>P244,399,405</b>

	2022			Total
	12-month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	
Cash in banks	P38,999,380	P-	P-	P38,999,380
Receivables from non-affiliated entities	-	-	34,072,306	34,072,306
Advances to PeGS operators	29,415,643	-	-	29,415,643
Rental and other deposits	93,454,115	-	2,258,000	95,712,115
	<b>P161,869,138</b>	<b>P-</b>	<b>P36,330,306</b>	<b>P198,199,444</b>

The breakdown of the Group's financial asset as to credit quality as at December 31 is as follows:

	2023			
	Neither Past Due Nor Impaired			Total
	High Grade	Standard Grade	Impaired	
Cash in banks	₱61,853,289	₱-	₱-	₱61,853,289
Receivables*	41,778,674	-	34,072,306	75,850,980
Rental and other deposits	118,431,328	-	2,258,000	120,689,328
	<b>₱222,063,291</b>	<b>₱-</b>	<b>₱36,330,306</b>	<b>₱258,393,597</b>

\*Excluding advances to suppliers amounting to ₱11.5 million

	2022			
	Neither Past Due Nor Impaired			Total
	High Grade	Standard Grade	Impaired	
Cash in banks	₱38,999,380	₱-	₱-	₱38,999,380
Receivables*	62,965,935	-	34,072,306	97,038,241
Rental and other deposits	93,454,115	-	2,258,000	95,712,115
	<b>₱195,419,430</b>	<b>₱-</b>	<b>₱36,330,306</b>	<b>₱231,749,736</b>

\*Excluding advances to suppliers amounting to ₱21.1 million

High grade pertains to receivable from clients or customers that consistently pay before the maturity date. Standard grade receivable includes those that are collected on their due dates even without an effort from the Group to follow them up. Impaired receivables include those that potentially cannot be collected even with persistent effort from the Group.

### Liquidity Risk

The Group seeks to manage its liquid funds through cash planning on a monthly basis. The Group uses historical figures and experiences, and forecasts from its collection and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. Moreover, it continuously assesses conditions in the financial markets for possible business opportunities.

The Group's objective is to maintain a balance between continuity of funding and flexibility using noninterest-bearing advances from its related parties. The Group considers its available funds and its liquidity in managing its financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of accounts payable and other current liabilities.

The tables below summarize the maturity profile of the Group's financial liability based on contractual undiscounted payments:

	2023				Total
	On Demand	1 Month to 3 Months	More than 3 Months to 12 Months	More than 12 Months	
Accounts payable and other current liabilities*	₱78,110,412	₱134,178,609	₱-	₱-	₱212,289,021
Notes payable	-	-	184,200,000	-	184,200,000
Lease liabilities	-	20,119,085	64,512,824	161,025,692	245,657,601
Other noncurrent liability	-	-	-	13,283,456	13,283,456
	<b>₱78,110,412</b>	<b>₱154,297,694</b>	<b>₱248,712,824</b>	<b>₱174,309,148</b>	<b>₱655,430,078</b>

\*Excluding statutory payables amounting to ₱16.1 million.

	2022				Total
	On Demand	1 Month to 3 Months	More than 3 Months to 12 Months	More than 12 Months	
Accounts payable and other current liabilities*	₱68,574,822	₱117,798,308	₱-	₱-	₱186,373,130
Notes payable	-	-	178,000,000	-	178,000,000
Lease liabilities	-	17,955,300	57,574,541	170,518,767	246,048,608
Other noncurrent liability	-	-	-	13,683,456	13,683,456
	₱68,574,822	₱135,753,608	₱235,574,541	₱184,202,223	₱624,105,194

\*Excluding statutory payables amounting to ₱12.1 million.

### Interest Rate Risk

As at December 31, 2023 and 2022, the Group's financial instruments that are exposed to cash flow interest rate risk represent short-term notes payable subject to fixed interest rates.

Short-term notes payable amounted to ₱184.2 million and ₱178.0 million as at December 31, 2023 and 2022, respectively, which bear interest at floating interest rates. Under existing loan agreements, principal payments are to be made in not more than six (6) months.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no other impact on the Group's equity other than those already affecting the profit and loss.

	Increase (Decrease) in Interest Rate	Effect on Profit or Loss before Tax
2023	19%	(₱225,134)
	(11%)	126,638
2022	11%	(₱1,964,994)
	(20%)	3,572,717

## 23. Fair Value Measurement

Set out below is the carrying amounts and fair values of all the Group's financial assets and liabilities as at December 31, 2023 and 2022.

### Financial Assets at Amortized Cost

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	₱86,061,928	₱86,061,928	₱61,406,632	₱61,406,632
Receivables*	41,778,674	41,778,674	62,965,935	62,965,935
Rental and other deposits	118,431,328	118,431,328	93,454,115	93,454,115
	₱246,271,930	₱246,271,930	₱217,826,682	₱217,826,682

\*Excluding advances to suppliers amounting to ₱11.5 million and ₱21.1 million as at December 31, 2023 and 2022, respectively.

### **Financial Liabilities at Amortized Cost**

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Accounts payable and other current liabilities*	<b>₱212,289,021</b>	<b>₱212,289,021</b>	₱186,373,130	₱186,373,130
Notes payable	<b>184,200,000</b>	<b>184,200,000</b>	178,000,000	178,000,000
Lease liabilities	<b>192,173,075</b>	<b>192,173,075</b>	188,718,863	188,718,863
Other noncurrent liability	<b>13,283,456</b>	<b>13,283,456</b>	13,683,456	13,683,456
	<b>₱601,945,552</b>	<b>₱601,945,552</b>	₱566,775,449	₱566,775,449

\*Excluding statutory payables amounting to ₱16.1 million and ₱12.1 million as at December 31, 2023 and 2022, respectively.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash, Receivables (excluding Advances to Suppliers), Accounts Payable and Other Current Liabilities (excluding Statutory Payable) and Notes Payable.* Due to the short-term nature of transactions, the carrying amounts approximate their fair values as at reporting date.

*Rental and Other Deposits and Other Noncurrent Liability.* The carrying amounts of these noncurrent financial asset and liability approximate their fair values as at reporting date.

*Lease Liabilities.* The fair value of lease liabilities is determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments and estimated using significant and unobservable inputs (Level 3 hierarchy).

Generally, an increase or decrease in the incremental after-tax cash flows will result in an increase or decrease in the fair value of these financial asset and liabilities. An increase or decrease in discount rate will result in a decrease or increase in the fair value of these financial asset and liabilities.

The fair value hierarchy groups the financial instruments into Levels 1 to 3 based on the degree to which the fair value is observable. There were no transfers to other levels in 2023 and 2022.

## **24. Capital Management**

The Group considers its total equity as its core capital. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group monitors its capital structure using debt-to-equity ratio which is gross debt divided by equity. The Group's debt-to-equity ratio is as follows:

	2023	2022
Total debt	<b>₱669,950,769</b>	₱629,944,598
Total equity	<b>556,326,484</b>	629,695,097
Debt-to-equity ratio	<b>1.20:1.00</b>	1.00:1.00

The Group manages the capital structure and makes adjustments when there are changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to externally imposed capital requirements.

Pursuant to the PSE's rules on minimum public ownership, at least 10.0% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is about 31.2% as at December 31, 2023 and 2022.

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## 25. Operating Segment Information and Disaggregation of Revenue

The Group operates in two (2) geographical segments, the domestic operations and the foreign operations. However, foreign operations are not a reportable operating segment since it does not meet the minimum quantitative threshold provided by PFRS 8.

The Group's foreign operations are considered to be immaterial in relation to the consolidated financial statements. Total assets and revenue are both below 1.0% in 2023, 2022 and 2021.

Bulk of the Group's revenue is coming from the domestic operations which is a group of related products or services that is subject to the same risks and returns. Its operations and sources of revenue are interdependent, share the use of the facilities of the Parent Company, particularly computer equipment, and are under agreements with PAGCOR, the Group's partner in the electronic gaming business.

The Group disaggregates revenue from contract with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disaggregation is as follows:

	<b>2023</b>	2022	2021
PeGS:			
Sites owned by subsidiaries	<b>₱384,565,448</b>	₱370,641,819	₱275,564,460
Independent operators	<b>220,481,375</b>	206,930,674	134,064,330
E-bingo sites	<b>211,015,998</b>	235,317,228	128,154,140
	<b>₱816,062,821</b>	₱812,889,721	₱537,782,930

## 26. Subsidiaries

The following are the other subsidiaries not in commercial operations and the respective percentage of ownership and registered principal activities together with the place of incorporation as at December 31, 2023, 2022 and 2021:

Subsidiaries	Principal Activities	Date and Place of Incorporation	Percentage of Ownership	
			Direct	Indirect
PhilWeb Software Solutions, Inc.	Computer software programming and development services	April 3, 2000, Philippines	100	–
PhilWeb Cyberworld Corporation	Operates internet cafes and kiosks	July 6, 2000, Philippines	100	–
PhilWeb Convergence Corporation	Internet access provider	September 6, 2000, Philippines	100	–
Premyo sa Resibo, Inc.	Develops and markets computer systems, applications, programs and operates gaming platforms	December 8, 2006, Philippines	100	–
PhilWeb Leisure and Tourism Corporation	Operates and maintains leisure and tourism-oriented activities	June 6, 2007, Philippines	100	–
PhilWeb Tourism and Entertainment Corporation	Operates and maintains leisure and tourism-related activities	July 26, 2007, Philippines	100	–
PhilWeb International Gaming Corporation	Engages in international gaming ventures	November 18, 2009, Philippines	100	–
PhilWeb Mobile Lottery Corp.	Operates mobile-based lottery games and other related mobile games offerings	February 3, 2010, Philippines	100	–
Best Choice Holdings, Inc. (BCHI)	Engages to purchase, own, and hold stock of other corporations	September 11, 2012, Philippines	100	–
Pure Corporate Investments Limited (PCIL)	Investment vehicle for foreign operations	N/A, Special Purpose Entity	100	–
PhilWeb Asia-Pacific Corporation (PAPC)	Engages in international gaming ventures	July 13, 2010, Philippines	96	3
PhilWeb Cambodia Ltd. (PCL)	Engages in international gaming ventures	N/A Cambodia	–	96
PhilWeb Lorosae, Lda. (PLL)	Engages in international gaming ventures	N/A Timor-Leste	–	67
Guam Sweepstakes Corporation (GSC)	Engages in international gaming ventures	N/A Guam, USA	–	49
e-Magine Gaming Corporation	Develops technology for the gaming industry	May 8, 2007, Philippines	90	–
Major Games and Amusement Corporation (MAGCOR)	Establishes, operates and provides consultancy services with regard to amusement, recreational, gaming, and gaming equipment facilities	July 29, 2008, Philippines	30	–

NDM entities acquired on March 8, 2021 include the following subsidiaries (see Note 1):

Subsidiaries	Principal Activities	Date and Place of Incorporation	Percentage of Ownership	
			Direct	Indirect
NDM Bingo Center 1, Inc.	Operates electronic bingo station	September 2, 2015, Philippines	100	–
NDM Bingo Center 2, Inc.	Operates electronic bingo station	September 16, 2015, Philippines	100	–
NDM Bingo Center 3, Inc.	Operates electronic bingo station	September 16, 2015, Philippines	100	–
NDM Bingo Center 5, Inc.	Operates electronic bingo station	September 16, 2015, Philippines	100	–
NDM Bingo Center 7, Inc.	Operates electronic bingo station	July 13, 2017, Philippines	100	–
NDM Bingo Center 8, Inc.	Operates electronic bingo station	July 13, 2017, Philippines	100	–
NDM Bingo Center AGP, Inc.	Operates electronic bingo station	July 8, 2014, Philippines	100	–
NDM Bingo Center Anonas, Inc.	Operates electronic bingo station	May 8, 2015, Philippines	100	–
NDM Bingo Center Antipolo, Inc.	Operates electronic bingo station	May 23, 2014, Philippines	100	–
NDM Bingo Center Bagbag, Inc.	Operates electronic bingo station	May 8, 2015, Philippines	100	–
NDM Bingo Center Blumentritt, Inc.	Operates electronic bingo station	May 23, 2014, Philippines	100	–
NDM Bingo Center LGP, Inc.	Operates electronic bingo station	May 23, 2014, Philippines	100	–
NDM Bingo Center Miramar, Inc.	Operates electronic bingo station	June 27, 2014, Philippines	100	–
NDM Bingo Center North Edsa, Inc.	Operates electronic bingo station	June 27, 2014, Philippines	100	–
NDM Bingo Center Tomas Morato, Inc.	Operates electronic bingo station	May 23, 2014, Philippines	100	–
NDM Bingo Center Visayas, Inc.	Operates electronic bingo station	May 23, 2014, Philippines	100	–

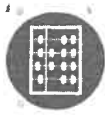
## 27. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA is computed at income (loss) before income tax after excluding the effect of interest, taxes, depreciation and amortization and other non-cash charges.

The following table presents the computation of EBITDA before the effect of PFRS 16 and EBITDA per share before the effect of PFRS 16, as derived from the Group's consolidated statements of comprehensive income:

	2023	2022	2021
Net income (loss) attributable to equity holders of the Parent Company	<b>(₱71,820,597)</b>	₱27,302,235	(₱52,205,290)
Add (deduct):			
Depreciation and amortization	<b>123,427,038</b>	121,448,798	124,500,534
Impairment losses	<b>66,131,199</b>	12,881,717	7,622,676
Interest expense	<b>43,496,417</b>	36,604,231	35,059,756
Provision for income tax	<b>9,905,572</b>	19,667,920	22,514,717
Interest income	<b>(372,906)</b>	(560,078)	(48,550)
EBITDA	<b>170,766,723</b>	217,344,823	137,443,843
Less:			
Rental payments	<b>(75,540,065)</b>	(73,215,226)	(58,834,773)
Gain on lease modifications	<b>(6,375,089)</b>	-	-
Gain on pretermination of lease	<b>(1,302,786)</b>	-	-
Gain on rent concessions	-	(6,524,768)	(29,639,686)
Gain on retirement of ROU assets	-	-	(60,836)
EBITDA before effect of PFRS 16	<b>87,548,783</b>	137,604,829	48,908,548
Issued and outstanding shares at end of year	<b>1,278,732,577</b>	1,278,732,577	1,278,732,577
EBITDA per share before effect of PFRS 16	<b>₱0.07</b>	₱0.11	₱0.04

EBITDA before the effect of PFRS 16 and EBITDA per share before the effect of PFRS 16 are non-PFRS measures. The information presented above are intended as additional information for management reporting purposes only.



**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
PhilWeb Corporation and Subsidiaries  
41st Floor, One San Miguel Avenue Condominium  
San Miguel Avenue corner Shaw Boulevard  
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PhilWeb Corporation and Subsidiaries (the Group) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, and have issued our report thereon dated March 21, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2023 are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration as at December 31, 2023
- Schedules as required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Map of Relationships of the Companies within the Group

These schedules are presented for purposes of complying with the Revised SRC Rule 68 Part II and are not part of the consolidated financial statements. This information have been subjected to the auditing procedures applied in the audits of the consolidated financial statements, including comparing and tracing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

  
MICHELLE R. MENDOZA-CRUZ  
Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 21, 2024  
Makati City, Metro Manila

**PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION  
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

**PHILWEB CORPORATION**  
41<sup>ST</sup> Floor, One San Miguel Avenue Condominium  
San Miguel Avenue corner Shaw Boulevard  
Ortigas Center, Pasig City

	Amount
<b>Deficit as at the beginning of reporting period</b>	(₱335,173,980)
Add: Net income for the current year	7,381,952
Add/less: <u>Category F</u> : 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	(826,677)
<b>Deficit as at the end of reporting period</b>	<b>(₱328,618,705)</b>

## PHILWEB CORPORATION AND SUBSIDIARIES

### SEC Supplementary Schedules as Required by Part II of the Revised SRC Rule 68 DECEMBER 31, 2023

#### Table of Contents

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Financial Assets	<u>N/A</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounts Receivable from and Payable to Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>2</u>
D	Long-term Debt	<u>N/A</u>
E	Indebtedness to Related Parties	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Share Capital	<u>3</u>

**Notes:**

**Schedule A** – The Group is not required to prepare the schedule because the information requirements are not applicable to the Group.

**Schedule B** – The Group does not have significant amounts of receivables from directors, officers, employees, related parties and principal stockholders as at and for the year ended December 31, 2023.

**Schedule D** – The Group has no long-term debt as at December 31, 2023.

**Schedule E** – The Company has no long-term loans from related parties as at December 31, 2023.

**Schedule F** – The Company did not guarantee any securities of other issuers as at December 31, 2023.

**PHILWEB CORPORATION AND SUBSIDIARIES**

**SCHEDULE C**

**Amounts Receivable from Related Parties which are Eliminated During the  
Consolidation of the Financial Statements**

**DECEMBER 31, 2023**

<i>Name and Designation of Debtor</i>	<i>Balance at Beginning of Year</i>	<i>Additions</i>	<i>Amounts Collected</i>	<i>Current</i>	<i>Noncurrent</i>	<i>Balance at End of Year</i>
Easy e-Bingo, Inc.	₱107,476,534	₱1,773,935	₱-	₱109,250,469	₱-	₱109,250,469
E-Magine Gaming Corporation	37,106,318	11,700	-	37,118,018	-	37,118,018
BigGame, Inc.	652,669	31,381,047	-	32,033,716	-	32,033,716
NDM Bingo Center Miramar Inc.	7,374,466	-	-	7,374,466	-	7,374,466
PhilWeb Asia Pacific Corporation	2,985,852	11,700	-	2,997,552	-	2,997,552
PhilWeb Casino Corporation	2,505,868	11,700	-	2,517,568	-	2,517,568
Best Choice Holdings Inc.	1,906,472	-	-	1,906,472	-	1,906,472
	<b>₱160,008,179</b>	<b>₱33,190,082</b>	<b>₱-</b>	<b>₱193,198,261</b>	<b>₱-</b>	<b>₱193,198,261</b>

**PHILWEB CORPORATION AND SUBSIDIARIES**

**SCHEDULE G**

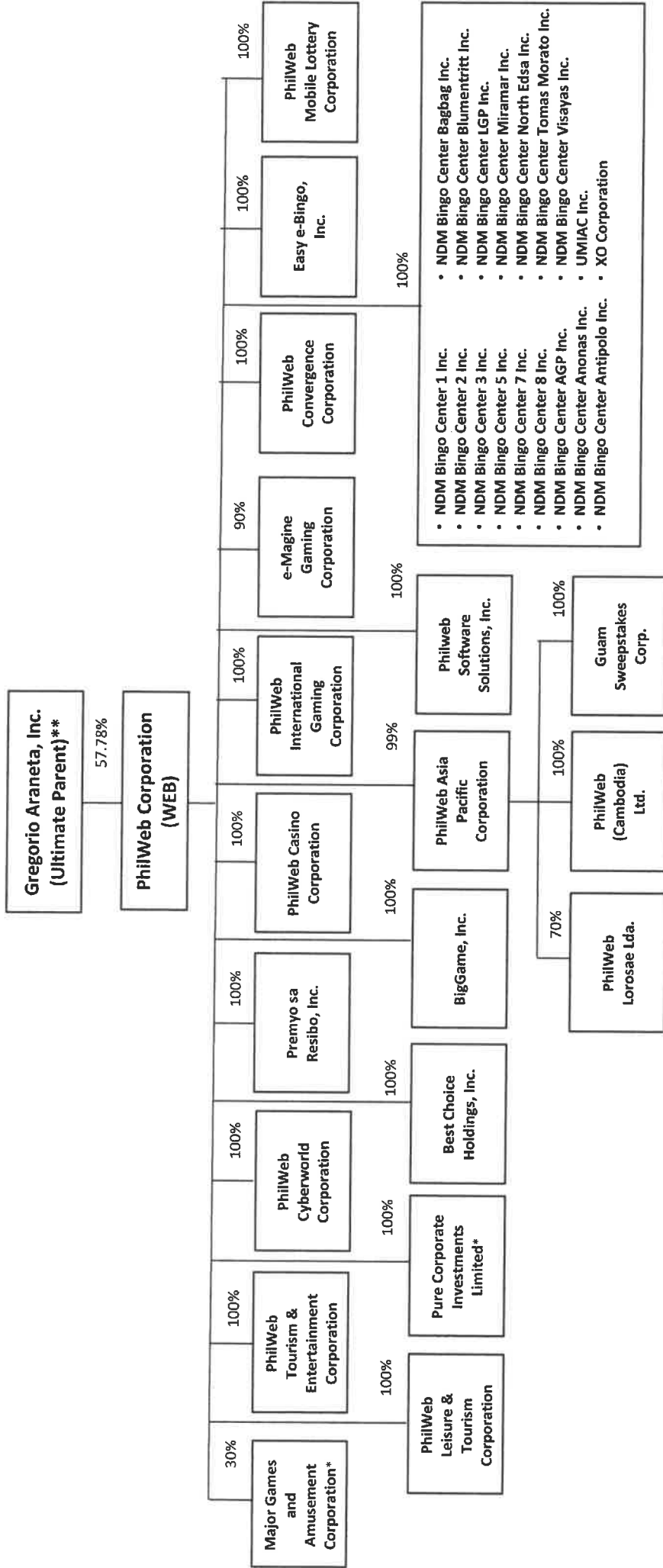
**SHARE CAPITAL**

**DECEMBER 31, 2023**

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related statements of financial position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common Stock - ₱1 par value	1,850,000,000	1,435,776,733	-	157,044,156	901,092,554	377,639,970
Preferred Stock - ₱1 par value	750,000,000	159,269,484	-	62,008,919	97,260,565	-

## PHILWEB CORPORATION AND SUBSIDIARIES

**Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries**  
**DECEMBER 31, 2023**



\* Special Purpose Entity

\*\* 10.94% is held by a subsidiary, PhilWeb Casino Corporation

**INDEPENDENT AUDITORS' REPORT ON  
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
PhilWeb Corporation and Subsidiaries  
41st Floor, One San Miguel Avenue Condominium  
San Miguel Avenue corner Shaw Boulevard  
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PhilWeb Corporation and Subsidiaries (the Group) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, and have issued our report thereon dated March 21, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years ended December 31, 2023, 2022, and 2021 and no material exceptions were noted.

**REYES TACANDONG & Co.**

  
MICHELLE R. MENDOZA-CRUZ  
Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 21, 2024  
Makati City, Metro Manila

**PHILWEB CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

Ratio	Formula	2023	2022
Current ratio	Total Current Assets	<b>₱216,369,258</b>	₱205,655,464
	Divided by: Total Current Liabilities	<b>472,254,407</b>	429,731,980
	Current ratio	<b>0.46:1</b>	0.48:1
Quick ratio	Total Current Assets	<b>₱216,369,258</b>	₱205,655,464
	Less: Other current assets	<b>77,078,628</b>	60,154,401
	Quick assets	<b>139,290,630</b>	145,501,063
	Divide by: Total Current Liabilities	<b>472,254,407</b>	429,731,980
	Quick ratio	<b>0.29:1</b>	0.34:1
Solvency ratio	Total Assets	<b>₱1,226,277,253</b>	₱1,259,639,695
	Divided by: Total Liabilities	<b>669,950,769</b>	629,944,598
	Solvency ratio	<b>1.83:1</b>	2.00:1
Debt ratio	Total Liabilities	<b>₱669,950,769</b>	₱629,944,598
	Divided by: Total Assets	<b>1,226,277,253</b>	1,259,639,695
	Debt ratio	<b>0.55:1</b>	0.50:1
Debt-to-equity ratio	Total Liabilities	<b>₱669,950,769</b>	₱629,944,598
	Divided by: Total Equity	<b>556,326,484</b>	629,695,097
	Debt-to-equity ratio	<b>1.20:1</b>	1.00:1
Interest coverage ratio	Net income (loss)	<b>(₱71,820,597)</b>	₱27,302,235
	Add: Interest expense	<b>43,496,417</b>	36,604,231
	Provision for income taxes	<b>9,905,572</b>	19,667,920
	Earnings before interest and taxes	<b>(18,418,608)</b>	83,574,386
	Divide by: Interest expense	<b>43,496,417</b>	36,604,231
	Interest coverage ratio	<b>(0.42):1</b>	2.28:1
Return on assets ratio	Net income (loss)	<b>(₱71,820,597)</b>	₱27,302,235
	Divided by: Total Assets	<b>1,226,277,253</b>	1,259,639,695
	Return on assets ratio	<b>(0.06):1</b>	0.02:1
Return on equity ratio	Net income (loss)	<b>(₱71,820,597)</b>	₱27,302,235
	Divided by: Total equity	<b>556,326,484</b>	629,695,097
	Return on equity ratio	<b>(0.13):1</b>	0.04:1