From: Philippine Stock Exchange <no-reply@pse.com.ph>
Sent: Friday, 21 February 2025 8:15 am

Subject: Material Information/Transactions

Dear Sir/Madam:

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

Company Name: Pacific Online Systems Corporation
Reference Number: 0006106-2025
Date and Time: Friday, February 21, 2025 08:14 AM
Template Name: Material Information/Transactions
Report Number: C01010-2025

Best Regards,
PSE EDGE

To know about your rights as a data subject under the Data Privacy Act of 2012 and how the PSE processes and protects the Personal Data it collects and stores, you may visit the Privacy Policy page of PSE's website at https://www.pse.com.ph/stockMarket/content.html?sec=privacypolicy

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

C01010-2025

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. Date of Report (Date of earliest event reported)
   Feb 20, 2025
2. SEC Identification Number
   AS093008809
3. BIR Tax Identification No.
   003-865-392-000
4. Exact name of issuer as specified in its charter
   Pacific Online Systems Corporation
5. Province, country or other jurisdiction of incorporation
   Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   28F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila
   Postal Code
   1605
8. Issuer's telephone number, including area code
   (+632) 8584-1700
9. Former name or former address, if changed since last report
   Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	895,330,946

11. Indicate the item numbers reported herein
    Item 9

Pacific Online Systems Corporation

LOTO

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

Subject of the Disclosure
Results of Board of Directors' Meeting
Background/Description of the Disclosure
Please be informed that during its meeting held on February 20, 2025, our Board of Directors has approved the Audited financial statements of the Company for the year 2024
Other Relevant Information
Kindly see attached.

Filed on behalf by:

Name	Irene Bautista
Designation	Controller

PACIFIC ONLINE
SYSTEMS CORPORATION
LOTO

February 20, 2025

SECURITIES AND EXCHANGE COMMISSION
Salcedo Village #7907 Makati Ave.,
Makati City

Attention : **Mr. Oliver O. Leonardo**
Director, Markets and Securities Regulation Department

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

Attention : **Ms. Stefanie Ann B. Go**
OIC Disclosure Department

Subject : **Results of Board Meeting**

Gentlemen:

Please be informed that during its meeting held on February 20, 2025, our Board of Directors has approved the Audited financial statements of the Company for the year 2024.

Thank you.

Very truly yours,

ARMIN ANTONIO B. RAQUEL SANTOS
President

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **February 20, 2025**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **AS093008809**

3. BIR Tax Identification No. **003-865-392-000**

4. **Pacific Online Systems Corporation**
   Exact name of issuer as specified in its charter

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

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **28F East Tower, PSE Centre, Exchange Road, Ortigas, Center, Pasig City, Metro Manila**
   Address of principal office

   1605
   Postal Code

8. **(+632) 8584-1700**
   Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock[1]	**895,330,946**

11. Indicate the item numbers reported herein:

Item No. 9

Please be advised that at a meeting of the Company's Board of Directors held on February 20, 2025, the Board approved the 2024 Audited Financial Statements of the Company.

[1]PhP1.00 par value

SIGNATURES

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

Pacific Online Systems Corporation

Armin Antonio B. Raquel Santos
President

February 20, 2025
Date

The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: February 21, 2025 06:02:34 PM

Company Information

SEC Registration No.: AS93008809
Company Name: PACIFIC ONLINE SYSTEMS CORP.
Industry Classification: G51000
Company Type: Stock Corporation

Document Information

Document ID: OST10221202583077649
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2024
Submission Type: Consolidated
Remarks: None

Acceptance of this document is subject to review of forms and contents

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

SEC Registration Number

A	S	O	9	3	0	0	8	8	0	9

C O M P A N Y N A M E

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

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

28th Floor East Tower Philippine Stock Exchange Centre, Exchange Road, Ortigas Centre, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
momendoza@pacificonline.com.ph	(02) 8584-1700	0918-906-0138

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
61	Second Friday of April	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Michelle Angeli T. Hernandez	michelle.hernandez@bellecorp.com	(02) 8662-8888	0917-5691734

CONTACT PERSON'S ADDRESS

28th Floor East Tower Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig 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.*

PACIFIC ONLINE
SYSTEMS CORPORATION LOTO

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Pacific Online Systems 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, 2024 and 2023**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditors appointed by the stockholders for the periods December 31, 2024 and 2023, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature: **WILLY N. OCIER**
Chairman of the Board

Signature: **ARMIN ANTONIO B. RAQUEL SANTOS**
President

Signature: **DIOVILLE M. VILLARIAS**
Chief Financial Officer

Signed this 20th day of February 2025

SUBSCRIBED AND SWORN to before me this 20th day of February 2025 at Pasig City, Metro Manila, affiants exhibiting to me their competent evidences of identity, as follows:

Name	Competent Evidence of Identity
Willy N. Ocier	[redacted]
Armin Antonio B. Raquel Santos	[redacted]
Dioville M. Villarias	[redacted]

Doc No. 266;
Page No. 54;
Book No. 05;
Series of 2025

GAUDENCIO A. BARBOZA, JR
NOTARY PUBLIC
Cities of Pasig, San Juan and
In the Municipality of Pateros, Metro Manila
Until December 31, 2025
PTR No. 2663261 / 01/ 02/ 2025 Pasig City
IBP No. 461377/10/04/2024 for the year 2025/RSM
Roll No. 41969
MCLE Comp. VII-0028857 / April 19, 2023
No. 11, Unit J. Freemont Arcade Bldg.
Shaw Blvd. Brgy. San Antonio, Pasig City
Appointment No. 29 (2025-2026)

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Pacific Online Systems Corporation and Subsidiaries
28th Floor East Tower, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of Pacific Online Systems Corporation (POSC) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, 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, 2024, 2023, and 2022, 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2024. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Proper Accounting and Recognition of Interest in a Joint Operation
The Group accounted for its 50% ownership in Pinoylotto Technologies Corp. (PinoyLotto), a joint venture entity that was awarded with a five-year lease of the customized Philippine Charity Sweepstakes Office (PCSO) Lottery System (PLS Project), as a joint operation. Accordingly, the Group's corresponding share in the assets, liabilities, revenues, and expenses of PinoyLotto was recognized in the consolidated financial statements. PinoyLotto commenced its commercial operations in October 2023. The proper accounting and recognition of interest in joint operation is significant to our audit because of the substantial amount of the Group's share in PinoyLotto's financial position and results of operations and the difference in the financial reporting period of PinoyLotto with the Group.

Our audit procedures included, among others, obtaining the relevant financial information of PinoyLotto and reviewing the alignment with the group financial reporting period, and checking compliance with the provisions of the significant contracts and agreements. We also gathered sufficient audit evidence to assess the reasonableness of significant account balances and transactions, focusing on key audit areas such as measurement of lease revenue, determining the validity and proper classification of capital expenditures and operating costs, completeness of liabilities, among others.

We also sent instructions to the statutory auditors of PinoyLotto to perform an audit of the relevant financial information of PinoyLotto for the purpose of our audit of the Group's consolidated and separate financial statements. These audit instructions contained a discussion of their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the statutory auditors of PinoyLotto their identified key audit risk areas, including their significant areas of estimation and judgment, planning and execution of audit procedures, and results of their work for the fiscal year ended June 30, 2024. We reviewed their audit working papers and obtained relevant conclusion statements related to their audit procedures. We have evaluated the sufficiency and appropriateness of audit evidence obtained and concluded that there are no inconsistencies with the information gathered from and representation provided by the management.

We also reviewed the adequacy of the related disclosures in Note 2, *Summary of Material Policy Information*, Note 3, *Significant Judgments, Accounting Estimates and Assumptions*, and Note 5*, Interest in Joint Operation* of the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782/P-005; Valid until June 6, 2026
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 10467126
Issued January 2, 2025, Makati City

February 20, 2025
Makati City, Metro Manila

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31	
		2024	2023
ASSETS			
Current Assets			
Cash and cash equivalents	6	**₱592,197,741**	₱343,945,679
Investments held for trading	7	**42,744,518**	100,012,769
Trade and other receivables	8	**185,727,790**	284,426,917
Creditable withholding taxes (CWTs)	9	**125,345,588**	101,764,077
Other current assets	9	**136,162,353**	118,272,603
Total Current Assets		**1,082,177,990**	948,422,045
Noncurrent Assets			
Property and equipment	11	**652,001,139**	706,208,497
Net deferred tax assets	16	**–**	426,979
Financial assets at fair value through other comprehensive income (FVOCI)	10	**–**	237,600,090
Net retirement asset	18	**–**	4,098,008
Other noncurrent assets	9	**2,345,875**	5,023,601
Total Noncurrent Assets		**654,347,014**	953,357,175
		₱1,736,525,004	₱1,901,779,220
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	12	**₱214,495,568**	₱254,980,348
Current portion of loans payable	5	**138,980,392**	58,823,529
Current portion of lease liabilities	17	**57,445**	294,303
Total Current Liabilities		**353,533,405**	314,098,180
Noncurrent Liabilities			
Loans payable - net of current portion	5	**277,960,784**	411,764,707
Net retirement liability	18	**2,339,801**	–
Net deferred tax liabilities	16	**4,882,801**	–
Lease liabilities - net of current portion	17	**–**	208,495
Total Noncurrent Liabilities		**285,183,386**	411,973,202
Total Liabilities		**638,716,791**	726,071,382

(Forward)

		December 31	
	Note	**2024**	2023
Equity Attributable to Equity Holders of the Parent Company	13		
Capital stock		**₱895,330,946**	₱895,330,946
Additional paid-in capital		**254,640,323**	254,640,323
Cost of Parent Company common shares held by a subsidiary		**(384,595,174)**	(285,267,558)
Other equity reserves		**15,502,056**	(224,052,317)
Retained earnings		**313,959,794**	530,917,448
		1,094,837,945	1,171,568,842
Non-controlling Interest		**2,970,268**	4,138,996
Total Equity		**1,097,808,213**	1,175,707,838
		₱1,736,525,004	₱1,901,779,220

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2024**	2023	2022
REVENUES				
Equipment rental	17	**₱527,482,143**	₱599,221,040	₱519,051,226
Commission income	20	**–**	2,332,616	–
		527,482,143	601,553,656	519,051,226
COST OF SERVICES	14	**(294,229,052)**	(260,670,197)	(247,547,583)
GROSS PROFIT		**233,253,091**	340,883,459	271,503,643
GENERAL AND ADMINISTRATIVE EXPENSES	14	**(177,631,621)**	(124,144,648)	(95,773,077)
OPERATING INCOME		**55,621,470**	216,738,811	175,730,566
FINANCE CHARGES	5, 17	**(36,577,881)**	(17,903,206)	(220,505)
INTEREST INCOME	6	**13,780,944**	5,753,505	437,289
MARKED-TO-MARKET GAINS (LOSSES) ON INVESTMENTS HELD FOR TRADING	7	**(952,007)**	54,078,646	9,659,082
DIVIDEND INCOME	10	**–**	18,947,664	18,947,664
OTHER INCOME (CHARGES) - Net	15	**(326,573)**	54,045,681	10,579,308
INCOME BEFORE INCOME TAX		**31,545,953**	331,661,101	215,133,404
PROVISION FOR INCOME TAX	16	**14,568,128**	56,796,285	24,033,891
NET INCOME		**16,977,825**	274,864,816	191,099,513
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains on financial assets at FVOCI	10	**82,971,460**	58,457,165	16,971,435
Remeasurement gains (losses) on retirement benefits, net of deferred tax	18	**5,162,703**	(9,233,066)	8,655,956
		88,134,163	49,224,099	25,627,391
TOTAL COMPREHENSIVE INCOME		**₱105,111,988**	₱324,088,915	₱216,726,904

		Years Ended December 31		
	Note	**2024**	2023	2022
Net income (loss) attributable to:				
Equity holders of the Parent Company		**₱18,146,553**	₱272,701,996	₱191,117,272
Non-controlling interest		**(1,168,728)**	2,162,820	(17,759)
		₱16,977,825	₱274,864,816	₱191,099,513
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		**₱106,280,716**	₱321,926,095	₱216,744,663
Non-controlling interest		**(1,168,728)**	2,162,820	(17,759)
		₱105,111,988	₱324,088,915	₱216,726,904
Basic/Diluted Earnings per Share	21	**₱0.0219**	₱0.3228	₱0.2262

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATIONS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2024**	2023	2022
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
CAPITAL STOCK	13	**₱895,330,946**	₱895,330,946	₱895,330,946
ADDITIONAL PAID-IN CAPITAL	13	**254,640,323**	254,640,323	254,640,323
COST OF PARENT COMPANY SHARES HELD BY SUBSIDIARIES	13			
Balance at beginning of year		**(285,267,558)**	(285,267,558)	(285,267,558)
Additions		**(99,327,616)**	–	–
Balance at end of year		**(384,595,174)**	(285,267,558)	(285,267,558)
OTHER EQUITY RESERVES				
Cumulative Remeasurement Gains on Retirement Benefits	18			
Balance at beginning of year		**7,728,999**	16,962,065	12,544,349
Net remeasurement gains (losses)		**5,162,703**	(9,233,066)	8,655,956
Reclassification of retirement benefit reserve		**–**	–	(4,238,240)
Balance at end of year		**12,891,702**	7,728,999	16,962,065
Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI	10			
Balance at beginning of year		**(234,391,670)**	(292,848,835)	(492,266,311)
Realized portion of the fair value reserve		**151,420,210**	–	182,446,041
Unrealized valuation gains		**82,971,460**	58,457,165	16,971,435
Balance at end of year		**–**	(234,391,670)	(292,848,835)
Other Reserves	13	**2,610,354**	2,610,354	2,610,354
		15,502,056	(224,052,317)	(273,276,416)
RETAINED EARNINGS				
Balance at beginning of year		**530,917,448**	342,701,848	329,713,024
Realized portion of the fair value reserve	10	**(151,420,210)**	–	(183,779,301)
Dividends declared	13	**(83,683,997)**	(84,486,396)	–
Net income		**18,146,553**	272,701,996	191,117,272
Reclassification of retirement benefit reserve	18	**–**	–	5,650,853
Balance at end of year		**313,959,794**	530,917,448	342,701,848
		1,094,837,945	1,171,568,842	934,129,143
NON-CONTROLLING INTEREST				
Balance at beginning of year		**4,138,996**	1,976,176	1,993,935
Share in net income (loss)		**(1,168,728)**	2,162,820	(17,759)
Balance at end of year		**2,970,268**	4,138,996	1,976,176
		₱1,097,808,213	₱1,175,707,838	₱936,105,319

See accompanying Notes to Consolidated Financial Statements

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2024**	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱31,545,953**	₱331,661,101	₱215,133,404
Adjustments for:				
Depreciation and amortization	11	**155,159,852**	40,796,382	33,728,316
Finance charges	5, 17	**36,577,881**	17,903,206	220,505
Interest income	6, 15	**(13,780,944)**	(5,753,505)	(437,289)
Retirement benefits cost	18	**3,937,534**	2,718,689	5,920,800
Provision for impairment loss	8	**1,413,910**	–	61,744
Marked-to-market losses (gains) on investments held for trading	7	**952,007**	(54,078,646)	(9,659,082)
Unrealized foreign exchange loss (gain)		**996,948**	(2,351,403)	(170,916)
Gain on disposal of:				
Investments held for trading	15	**(885,410)**	(2,200,087)	–
Property and equipment	11	**(290,267)**	(38,845)	(395,719)
Subsidiaries	15	**–**	–	(542,645)
Accretion of accrued license fee	15	**–**	–	(3,680,915)
Dividend income	10	**–**	(18,947,664)	(18,947,664)
Operating income before working capital changes		**215,627,464**	309,709,228	221,230,539
Decrease (increase) in:				
Trade and other receivables		**106,669,096**	(83,228,786)	18,188,886
Other current assets		**(17,889,750)**	(98,861,209)	(213,765,951)
Increase (decrease) in trade payables and other current liabilities		**(39,140,988)**	145,492,981	14,857,878
Net cash generated from operations		**265,265,822**	273,112,214	40,511,352
Income taxes paid		**(39,916,119)**	(26,833,821)	–
Interest received on cash and cash equivalents		**13,780,944**	5,753,505	437,289
Contributions to the plan assets	18	**–**	(19,569,605)	(10,000,000)
Net cash flows provided by operating activities		**239,130,647**	232,462,293	30,948,641

(Forward)

	Note	2024	2023	2022
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Financial assets at FVOCI	10	**₱320,571,550**	₱–	₱88,661,790
Investments held for trading	7	**57,201,654**	27,554,541	–
Property and equipment	11	**373,591**	1,362,047	3,869,285
Acquisitions of property and equipment	11	**(100,456,643)**	(537,444,800)	(36,000)
Decrease (increase) in other noncurrent assets		**2,121,538**	(1,712,356)	1,855,161
Dividends received	10	**–**	18,947,664	18,947,664
Disposal of subsidiaries, net of cash of the disposed subsidiaries		**–**	–	(3,910,087)
Net cash flows provided by (used in) investing activities		**279,811,690**	(491,292,904)	109,387,813
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan payments	5	**(133,647,059)**	(29,411,764)	–
Acquisition of treasury shares	13	**(99,327,616)**	–	–
Cash dividends paid	13	**(83,683,997)**	(84,486,396)	–
Proceeds from loan availments	5	**80,000,000**	432,500,000	67,500,000
Finance charges paid	23	**(32,535,518)**	(17,878,309)	–
Payments of lease liabilities	17	**(499,137)**	(1,955,027)	(4,989,872)
Net cash flows provided by (used in) financing activities		**(269,693,327)**	298,768,504	62,510,128
NET INCREASE IN CASH AND CASH EQUIVALENTS		**249,249,010**	39,937,893	202,846,584
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		**(996,948)**	2,351,403	170,916
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**343,945,679**	301,656,383	98,638,883
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱592,197,741**	₱343,945,679	₱301,656,383
NONCASH FINANCIAL INFORMATION				
Reclassification from advances to suppliers to property and equipment	11	**₱68,850**	₱207,054,331	₱–
Impact of lease modification on right-of-use assets and lease liabilities	17	**22,987**	–	–

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2024 AND 2023
AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

1. **General Information**

Corporate Information

Pacific Online Systems Corporation ("POSC" or "Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 6, 1993. The Parent Company is a public company under Section 17.2 of the Revised Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE) starting on April 12, 2007.

The Parent Company's registered office address is at 28th Floor East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The Parent Company is a 50.1%-owned subsidiary of Premium Leisure Corporation (PLC or the "Immediate Parent Company") and its Ultimate Parent Company is Belle Corporation (Belle). Both Belle and PLC are corporations incorporated and domiciled in the Philippines. Belle's shares are listed on the PSE as at December 31, 2024 and 2023. On July 9, 2024, PLC's shares were delisted from the PSE after a successful tender offer by Belle.

As at December 31, the subsidiaries of the Parent Company and its interest in a joint operation, which are all incorporated and domiciled in the Philippines, are as follows:

		Percentage of Ownership		
	Industry	**2024**	2023	2022
Subsidiaries				
Total Gaming Technologies, Inc. (TGTI)	Gaming	**98.9**	98.9	98.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	**100.0**	100.0	100.0
Falcon Resources Inc. (FRI)[(a)]	Gaming	**100.0**	100.0	100.0
Futurelab Interactive Corp. (FIC)[(b)]	Gaming	**100.0**	100.0	100.0
Interest in Joint Operation				
PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	**50.0**	50.0	50.0

(a) Indirect ownership through TGTI
(b) 50%-owned by POSC and 50%-owned by TGTI

<u>POSC</u>

The Parent Company is engaged in the development, design and management of online computer systems, terminals and software for the gaming industry. The Parent Company can also engage in any lawful arrangement for sharing profits, union of interest, unitization or formal agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person on governmental, municipal or public authority, domestic or foreign.

Prior to October 1, 2023, the Parent Company's primary source of revenue arises from the Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO) for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment. The ELA was concluded on September 30, 2023 (see Notes 17 and 20).

POSC remains committed to looking for opportunities in the industry. These opportunities include the lease of Web-based Application Betting Platform (WABP). On August 30, 2023, the Parent Company signed a Memorandum of Agreement with PCSO in connection with the latter's implementation of a trial run for a WABP during which the Parent Company will be acting as PCSO's exclusive agent.

On June 19, 2024, POSC received a Notice of Award from PCSO after a bidding process for a five-year lease of WABP. With the issuance of the Notice of Award, the Parent Company will now have to comply with the post-Notice of Award requirements of the PCSO; thereafter, the contract between the Parent Company and PCSO covering the terms and conditions of the WABP project will be executed. The commercial operations will commence 76 days from the receipt of the Notice to Proceed.

On July 12, 2024, the trial period for the WABP ended upon the instruction of PCSO as it gears toward making the E-lotto services better as it transitions to a new platform.

As at December 31, 2024, PCSO has not yet issued the Notice to Proceed (see Note 20).

<u>TGTI</u>
TGTI was incorporated and registered with the SEC on October 23, 2002. The primary purpose of TGTI is to lease gaming equipment and provide consultancy services relative to online gaming to those engaged in gaming business among others, non-profit institutions, and other entities.

TGTI's primary source of revenue arises from the ELA with PCSO which provides for the lease of equipment for PCSO's Online KENO games. The ELA concluded last April 1, 2022, and was no longer renewed (see Notes 17 and 20). TGTI is still evaluating its future operating plans and management continues to actively look for other viable opportunities within the gaming industry.

<u>LotoPac</u>
LotoPac was incorporated on March 16, 2007, primarily to acquire, establish, operate and manage amusement, recreational and gaming equipment facilities, as well as places for exhibitions, recreational, gaming amusement and leisure of the general public, and to acquire, hold and operate any and all privileges, rights, franchises and concessions as may be proper, necessary, advantageous, or convenient in the conduct of its business.

In 2020, LotoPac ceased its operations as an investment holding entity.

<u>FRI</u>
FRI was incorporated on May 25, 1999 primarily to engage in the business of trading or selling of goods on wholesale or retail basis, such as sweepstakes, instant game tickets, and other lottery and gaming tickets, including, but not limited to, those introduced by PCSO as well as tickets of shows, concerts and other events.

In 2020, FRI ceased its scratch ticket distribution operations with the intention to diversify to projects that are more aligned with the Parent Company's strategy and to focus on technology driven games and related support services that will be more viable and sustainable in the long term.

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

As at December 31, 2024, FIC has not started its commercial operations.

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

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

The Group's interest in PinoyLotto was accounted for as a joint operation (see Note 5).

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

Approval of the Consolidated Financial Statements
The consolidated financial statements as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 were endorsed by the Audit Committee to the Board of Directors (BOD) on February 19, 2025 and were approved and authorized by the BOD for issuance on February 20, 2025.

2. Summary of Material Policy Information

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

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

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

- investments held for trading which are measured at fair value;
- financial assets at fair value through other comprehensive income (FVOCI); and

- retirement asset or liability which is measured as the difference between the present value of defined benefit obligation and the fair value of plan assets.

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 7, *Investments Held for Trading,* Note 10, *Financial Assets at FVOCI* and Note 22, *Financial Instruments*.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendments to PFRS effective January 1, 2024:

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

- Amendments to PAS 1, *Presentation of Financial Statements - 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.

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

The adoption of the foregoing 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.

<u>Amendments to PFRS in Issue But Not Yet Effective</u>
Relevant amendments to PFRS, which are not yet effective as at December 31, 2024 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

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

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9, *Financial Instruments,* and PFRS 7– *Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at FVOCI. Earlier application is permitted.

- Amendments to PFRS 9, *Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to *'transaction price as defined by PFRS 15'* to *'the amount determined by applying PFRS 15'* to remove potential confusion. Earlier application is permitted.

- Annual Improvements to PFRS Accounting Standards Volume 11:
    - Amendments to PFRS 7– The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.
    - Amendments to PFRS 10, *Consolidated Financial Statements - Determination of a 'de facto agent'* – The amendments remove inconsistencies by clarifying that an entity must use judgment to determine whether other parties are acting as de facto agents. Earlier application is permitted.
    - Amendments to PAS 7, *Cost Method* – The amendments replace the term 'cost method' with 'at cost' following the deletion of the definition of 'cost method'. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1 and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity's assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10 and PAS 28, *Investment in Associates - 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, its subsidiaries and its corresponding share in the joint operation.

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

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

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

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

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

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

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

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

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

Business Combinations and Goodwill. Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used.

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

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

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

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

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

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

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

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

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

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

The Group accounted for its interest in PinoyLotto as a joint operation. Accordingly, the Group recognizes (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenues and share in revenues from the output of the joint operation, and (iv) its expenses, including its share of any expenses incurred jointly. The Parent Company reports items of a similar nature to those on the financial statements of the joint arrangement, on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

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

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends its contractual cash flow characteristics and on the Group's business model for managing them.

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

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

Equity securities that have been designated to be measured at FVOCI can no longer be reclassified to a different category.

As at December 31, 2024 and 2023, the Group does not have financial liabilities at FVPL and debt instruments measured at FVOCI.

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

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

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

Classified under this category are the Group's investments in listed equity securities included under "Investments held for trading" account.

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 SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Classified under this category are the Group's cash and cash equivalents, trade and other receivables (excluding advances to contractors, suppliers, officers and employees), and guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets").

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of changes in value.

Financial Assets at FVOCI. On initial recognition, equity securities which are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI.

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

Classified under this category are the Group's investments in equity securities issued by the Parent Company.

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

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

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

Impairment of Financial Assets at Amortized Cost

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

Advances to Officers and Employees
Advances to officers and employees represent cash advances made for use in the operations. These are noninterest-bearing and are settled through liquidation within the year.

Creditable Withholding Taxes (CWTs)
CWTs represent the amount withheld by the Group’s customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs are stated at its net realizable amount.

Prepayments
Prepayments are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred.

Spare Parts and Supplies

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

Value-Added Tax (VAT)

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from (payable to) the taxation authority is included as part of "Other current assets" account or "Trade payables and other current liabilities" account in the consolidated statements of financial position.

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

Property and Equipment

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

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

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

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

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

Asset Type	Number of Years
Lottery equipment	5 - 10 or term of lease, whichever is shorter
Leasehold improvements	4 or term of the lease, whichever is shorter
Office furniture, fixtures and equipment	4 - 5
Transportation equipment	4 - 5

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

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

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

Software Development

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

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

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

Impairment of Nonfinancial Assets (excluding Goodwill)

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

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

Equity

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

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

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

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

Retained Earnings. Retained earnings represent the cumulative balance of the Group's results of operations and reclassification of realized equity reserves, net of dividends declared.

Revenue Recognition

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

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

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

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

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

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

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

Service Income. Revenue is recognized at a point in time when the service to the customer is performed.

Other Income. Income from other sources is recognized when earned.

The related contract balances are the trade receivables which represent the Group's right to an amount of consideration that is unconditional i.e., only the passage of time is required before payment of the consideration is due.

Contract Costs

Costs to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Costs Incurred to Fulfil a Contract. Costs incurred to fulfil a contract are recognized as an asset if they are (a) directly related to a contract or to an anticipated contract that can be specifically identified by the Group, (b) generate or enhance resources of the Group that will be used in satisfying
(or in continuing to satisfy) future performance obligations, and (c) are expected to be recovered.

Amortization, Derecognition and Impairment of Contract Costs. Costs recognized as an asset is amortized on a systematic basis consistently with the transfer of services related to the asset.

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

At each reporting date, the Group determines whether there is an indication that contract costs maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

Cost and Expense Recognition

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

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

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

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

Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Group as a Lessee. At the commencement date, the Group recognizes ROU assets and lease liabilities.

ROU Assets. ROU assets are initially measured at cost, which comprises the initial amount of lease liabilities adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred, less any incentives received. ROU assets are subsequently amortized using the straight-line method from the commencement date to the end of the lease term. In addition, ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

Lease Liabilities. Lease liabilities are initially measured 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 the lease liability comprise the fixed payments, including in-substance fixed payments, and if applicable:

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the lessee under residual value guarantees; and

- 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.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The lease liabilities are subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the ROU assets, or is recorded in profit or loss if the carrying amount of the ROU assets has been reduced to zero.

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

Employee Benefits

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

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

Retirement Benefits. The Group has a funded, non-contributory defined benefit plan covering all qualified employees. Retirement benefit costs are actuarially 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.

Retirement benefits cost recognized in profit or loss include: (a) the service cost of the defined benefit plan, i.e., current service costs, past service costs (including curtailment gains or losses) and any gain or loss on settlement; and (b) net interest on the retirement liability or asset.

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

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

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

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

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

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

Income Taxes

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

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

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

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Related Parties and Transactions

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

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

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

Earnings per Share

Basic earnings per share is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

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

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

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

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

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

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

Relevant details of the lease commitments are disclosed in Note 17.

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

Revenue from equipment rental is disclosed in Notes 17 and 20.

Determining Capitalizable Contract Costs. Assessing whether costs to obtain a contract will be recognized as an asset depends on the Group's judgment which costs are considered as incremental, i.e., those expenditures which would not have been incurred if the contract had not been secured. On the other hand, the primary focus when deciding on the capitalization of costs incurred to fulfil a contract is determining which costs generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future

The carrying amount of capitalized contract costs is disclosed in Note 9.

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

The fair value of the Group's financial assets and liabilities are disclosed in Note 22.

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

Assessing Impairment Losses on Financial Assets. Impairment losses on financial assets are determined based on ECL. In assessing the ECL, the Group uses historical loss experience adjusted for the forward-looking factors, as appropriate.

The Group's cash and cash equivalents are maintained at reputable financial institutions with good industry rating and score.

The Group maintains allowance for impairment losses on trade and other receivables at a level considered adequate to provide for potential uncollectible accounts. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the age and status of receivables, the length of relationship with the customers, the customer’s payment behavior and known market factors. The Group reviews the allowance on a continuous basis.

For other financial assets at amortized cost, the Group has applied the general approach and calculated the ECL by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime ECL.

In 2024, the Group recognized a provision for impairment loss amounting to ₱1.4 million (see Note 8). No provision for impairment losses on trade and other receivables was recognized by the Group in 2023 and 2022. The allowance for impairment losses on financial assets at amortized cost are disclosed in Note 8.

The carrying amounts and credit quality of financial assets at amortized cost that were subjected to impairment assessment are disclosed in Note 22.

Determining the Impairment of Significant Nonfinancial Assets. The Group assesses whether there are any indicators of the impairment for significant nonfinancial assets at each reporting date. Significant nonfinancial assets are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Determining the recoverable amount of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets which will necessitate the Group to make estimates and assumptions that can materially affect the consolidated financial statements.

While it is believed that the assumptions used in the estimation of recoverable values are appropriate and reasonable, future events could cause the Group to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group’s consolidated financial statements.

No provision for impairment losses on nonfinancial assets was recognized in 2024, 2023 and 2022 (see Note 9).

The carrying amounts of nonfinancial assets and related allowance for impairment for losses, if any. are disclosed in the following notes:

	Note
Property and equipment	11
CWTs	9
Other current assets*	9
Other noncurrent assets*	9
ROU assets	17

**Excluding guarantee and/or refundable deposits.*

Estimating the Useful Lives of Property and Equipment and ROU Assets. The Group estimates the useful lives of the property and equipment and ROU assets based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property and equipment and ROU assets in 2024, 2023 and 2022. The carrying amount of property and equipment and ROU assets are disclosed in Notes 11 and 17, respectively.

Assessing the Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

Details of recognized and unrecognized deferred tax assets are disclosed in Note 16.

Evaluating Contingencies. The Group recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel. Management believes that any potential claims against the Group arising from the normal course of business will not have any material adverse effect on its consolidated financial position and consolidated financial performance.

4. Segment Information

The primary segment reporting format is presented based on business segments in which the Group’s risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Performance is measured based on segment income before income tax, as included in the internal management reports that are reviewed by the Group’s President. Segment net income is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In 2024, 2023, and 2022 the Group’s segment pertains solely to equipment leasing and other related services.

5. Interest in Joint Operation

Interest in joint operation pertains to the Group’s 50% ownership in PinoyLotto. As discussed in Note 1, PinoyLotto was awarded a five-year lease of the customized PCSO Lottery System, also known as ‘2021 PLS Project’ at a contract price of ₱5,800.0 million.

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

PinoyLotto started nationwide operations on October 1, 2023. Pursuant to the contract, 6,500 terminals were installed and are in operation nationwide. Pre-operating expenses amounted to nil, ₱14.4 million and ₱14.0 million in 2024, 2023 and 2022, respectively (see Note 14).

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

	2024	2023
Cash and cash equivalents	**₱54,993,770**	₱72,608,057
Trade and other receivables	**49,737,037**	99,395,044
CWTs	**16,680,804**	–
Other current assets	**72,724,507**	26,759,374
Total Current Assets	**194,136,118**	198,762,475
Property and equipment	**652,001,130**	706,091,820
Deferred tax assets	**428,878**	–
ROU assets	**54,149**	541,486
Advances to suppliers	**–**	68,850
Total Noncurrent Assets	**652,484,157**	706,702,156
Total Assets	**₱846,620,275**	₱905,464,631

	2024	2023
Trade payables and other current liabilities	**(₱131,845,610)**	(₱110,782,832)
Current portion of loans payable	**(138,980,392)**	(58,823,529)
Current portion of lease liabilities	**(57,445)**	(294,303)
Nontrade payable	**–**	(67,500,000)
Total Current Liabilities	**(270,883,447)**	(237,400,664)
Loan payables - net of current portion	**(277,960,784)**	(411,764,706)
Net retirement liability	**(662,330)**	–
Lease liabilities - net of current portion	**–**	(208,495)
Total Noncurrent Liabilities	**(278,623,114)**	(411,973,201)
Total Liabilities	**(₱549,506,561)**	(₱649,373,865)
Revenue from equipment rental	**₱517,857,143**	₱129,464,286
Cost of services	**(264,209,114)**	(57,535,027)
General and administrative expenses	**(130,901,005)**	(46,366,911)
Finance cost	**(36,577,881)**	(17,878,309)
Interest income	**158,808**	84,322
Other charges	**(960,463)**	(2,312,579)
Provision for income taxes	**(13,098,869)**	–
Net income	**₱72,268,619**	₱5,455,782

Loan Agreement

On October 15, 2022, PinoyLotto entered into a long-term loan agreement with a local bank for a loan facility with a maximum aggregate principal amount of ₱1.0 billion, the proceeds of which shall be used to partially finance the capital expenditure requirements of the PLS Project. The loan has a term of five years, payable in equal quarterly installments beginning on the second year from initial drawdown up to the maturity. The loan bears an annual interest ranging from 6.54% to 7.45% in 2024 and 2023.

In 2024, PinoyLotto obtained additional bank loan amounting to ₱160.0 million from the same local bank for the same purpose. The additional loan has a term of four years, payable in equal quarterly installments and bears an annual interest of 8.63%.

Interest expense on loan payable which was recognized as "Finance charges" amounted to ₱36.5 million and ₱17.9 million in 2024 and 2023, respectively. The related accrued interest as at December 31, 2024 amounting to ₱4.0 million was presented as "Accrued expenses" under "Trade payables and other current liabilities" account in the consolidated statements of financial position (see Note 12).

The loan is secured by a continuing surety of the Parent Company and PGMC and maintenance of a debt service reserve account (see Note 6).

The movements in the loans payable recognized in the consolidated statements of financial position are presented below:

	2024	2023
Balance at beginning of year	**₱470,588,235**	₱67,500,000
Availments	**80,000,000**	432,500,000
Repayments	**(133,647,059)**	(29,411,765)
Balance at end of year	**₱416,941,176**	₱470,588,235

Pursuant to the terms of these loan agreements, PinoyLotto is required to comply with certain financial covenants starting June 30, 2024 which includes (a) bank debt to equity ratio not exceeding 3.0x, (b) debt-to-equity ratio not exceeding 3.5x and (c) debt service coverage ratio not falling below 1.2x. PinoyLotto is also restricted from performing certain corporate acts including declaration of dividends, material change in business and ownership, among others, without prior consent of the bank and must adhere to all financial and funding requirements. As at December 31, 2024 and 2023, PinoyLotto is compliant with the financial covenants and agreements.

Surety Bond

As at December 31, 2024, PinoyLotto has an existing surety bond agreement with Milestone Guaranty and Assurance Corp. to ensure compliance with its obligations related to the 2021 PLS Project. The surety bond agreement is valid until September 30, 2028.

6. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	**₱354,730**	₱397,065
Cash in banks	**96,575,560**	281,705,944
Cash equivalents	**451,444,854**	61,842,670
Restricted cash	**43,822,597**	–
	₱592,197,741	₱343,945,679

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

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

Under its loan agreement, PinoyLotto is required to maintain a debt service reserve account for the security of interest and/or principal repayments to the lenders. PinoyLotto is required to deposit cash to the debt service reserve account equivalent to the upcoming interest and/or principal repayment (see Note 5).

Interest income earned from cash and cash equivalents amounted to ₱13.8 million, ₱5.8 million and ₱437,289 in 2024, 2023 and 2022, respectively.

7. Investments Held for Trading

This account consists of investments in quoted shares of stock of Vantage Equities, Inc., APC Group, Inc. and DigiPlus Interactive Corp.

Movements in this account are as follows:

	2024	2023
Balance at beginning of year	**₱100,012,769**	₱71,288,577
Disposals	**(56,316,244)**	(25,354,454)
Marked-to-market gains (losses)	**(952,007)**	54,078,646
Balance at end of year	**₱42,744,518**	₱100,012,769

Proceeds from disposal of investment held for trading amounted to ₱57.2 million and ₱27.6 million resulting to a gain of ₱885,410 and ₱2.2 million in 2024 and 2023, respectively (see Note 15).

The fair values of these securities are based on closing quoted market prices on the last market day of the year (see Note 22).

8. Trade and Other Receivables

This account consists of:

	2024	2023
Trade	**₱48,333,333**	₱126,533,972
Nontrade receivables:		
Lucky Circle Corporation (LCC) Group	**131,464,214**	133,583,193
Third parties	**109,043,400**	127,594,421
Advances to:		
Contractors and suppliers	**2,404,797**	2,742,545
Officers and employees	**1,792,047**	872,035
Other receivables	**10,455,217**	9,452,059
	303,493,008	400,778,225
Less allowance for impairment loss	**117,765,218**	116,351,308
	₱185,727,790	₱284,426,917

Trade receivables are generally on a 30-to-60 day credit terms. The risks associated on this account are disclosed in Note 22.

Nontrade receivables from the LCC Group are amounts due from former investees which are substantially provided with allowance for impairment, because of the delayed payments and disposal of ownership interest in LCC Group.

Nontrade receivables from third parties primarily pertain to noninterest-bearing advances to a consultant intended for exploration of projects and business opportunities. As at report date, the Group decided to discontinue the project and has ongoing negotiations with the consultant to immediately finalize the terms and manner of recovery of the outstanding receivables.

Advances to contractors, suppliers, officers and employees are noninterest-bearing and are generally subject to liquidation.

Other receivables primarily arise from shared services rendered in 2024 and disposal of trademark in 2023 which are collectible in the following financial period (see Note 15).

The movements in allowance for impairment loss on trade and other receivables are as follows:

	Note	2024	2023
Balance at beginning of year		**₱116,351,308**	₱116,351,308
Provision	14	**1,413,910**	–
Balance at end of year		**₱117,765,218**	₱116,351,308

9. CWTs and Other Assets

CWTs

This account consists of:

	2024	2023
CWTs	**₱125,878,754**	₱102,297,243
Less allowance for impairment loss	**533,166**	533,166
	₱125,345,588	₱101,764,077

Current Assets

This account consists of:

	Note	2024	2023
Guarantee deposits	20	**₱79,000,000**	₱91,000,000
Prepayments		**46,541,898**	3,499,269
Spare parts and supplies		**8,170,480**	606,075
Input VAT		**411,344**	22,965,845
Current portion of refundable deposits		**–**	201,414
Others		**2,038,631**	–
		₱136,162,353	₱118,272,603

Guarantee deposits include cash bonds held in escrow account as part of the agreement with PCSO (see Note 20).

Prepayments represent mainly insurance and rent. It also includes prepaid technical training, advisory and maintenance services. As at December 31 2024, prepayments also include contract costs amounting to ₱30.7 million, which pertains to costs incurred to fulfil the obligations under the five-year lease of WABP (see Note 20).

Spare parts and suppliers are generally used for providing maintenance and repair services on the leased lottery equipment to PCSO.

<u>Noncurrent Assets</u>
This account consists of:

	Note	**2024**	2023
Refundable deposits - net of current portion		**₱2,291,727**	₱2,835,115
ROU assets	17	**54,148**	541,486
Others		**–**	1,647,000
		₱2,345,875	₱5,023,601

Refundable deposits are subject to adjustments every year if rent rates increase and shall be returned to the lessee without interest.

10. **Financial Assets at FVOCI**

As at December 31, 2023, the financial assets at FVOCI pertains to the Group's investment in shares of the Parent Company (see Note 19). The movements in this account are as follows:

	2024	2023
Balance at beginning of year	**₱237,600,090**	₱179,142,925
Disposal	**(320,571,550)**	–
Unrealized valuation gains	**82,971,460**	58,457,165
Balance at end of year	**₱–**	₱237,600,090

The fair values of these securities are based on the quoted prices on the last market day of the year (see Note 22).

In 2024, the Group sold its investment in shares of the Parent Company for ₱320.6 million as a result of the tender offer conducted by the Ultimate Parent Company for the purpose of voluntary delisting the Parent Company shares from the Main Board of PSE.

Movements in cumulative unrealized valuation losses on financial asset at FVOCI are as follows:

	2024	2023
Balance at beginning of year	**(₱234,391,670)**	(₱292,848,835)
Realized portion	**151,420,210**	–
Unrealized valuation gain	**82,971,460**	58,457,165
Balance at end of year	**₱–**	(₱234,391,670)

Dividend income from the financial assets at FVOCI amounted to nil in 2024 and ₱18.9 million in 2023 and 2022.

11. Property and Equipment

The movement in this account is as follows:

	2024				
	Lottery Equipment	**Office Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost					
Balance at beginning of year	**₱716,564,344**	**₱40,505,187**	**₱3,537,822**	**₱12,557,629**	**₱773,164,982**
Additions	**98,304,976**	**1,434,879**	**57,004**	**728,634**	**100,525,493**
Disposals and retirement	**–**	**(311,607)**	**–**	**(2,059,610)**	**(2,371,217)**
Balance at end of year	**814,869,320**	**41,628,459**	**3,594,826**	**11,226,653**	**871,319,258**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**35,833,622**	**18,497,817**	**176,890**	**12,448,156**	**66,956,485**
Depreciation and amortization	**149,001,119**	**4,829,654**	**713,266**	**105,488**	**154,649,527**
Disposals and retirement	**–**	**(311,607)**	**–**	**(1,976,286)**	**(2,287,893)**
Balance at end of year	**184,834,741**	**23,015,864**	**890,156**	**10,577,358**	**219,318,119**
Carrying Amount	**₱630,034,579**	**₱18,612,595**	**₱2,704,670**	**₱649,295**	**₱652,001,139**

	2023				
	Lottery Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱501,864,242	₱16,108,222	₱6,732,232	₱16,360,639	₱541,065,335
Additions	716,564,344	24,396,965	3,537,822	–	744,499,131
Disposals and retirement	(501,864,242)	–	(6,732,232)	(3,803,010)	(512,399,484)
Balance at end of year	716,564,344	40,505,187	3,537,822	12,557,629	773,164,982
Accumulated Depreciation and Amortization					
Balance at beginning of year	501,864,242	16,108,222	5,576,547	15,502,773	539,051,784
Disposals and retirement	(501,864,242)	–	(5,576,547)	(3,635,493)	(511,076,282)
Depreciation and amortization	35,833,622	2,389,595	176,890	580,876	38,980,983
Balance at end of year	35,833,622	18,497,817	176,890	12,448,156	66,956,485
Carrying Amount	₱680,730,722	₱22,007,370	₱3,360,932	₱109,473	₱706,208,497

Advances made to suppliers in 2023 and 2022 amounting to ₱68,850 and ₱207.1 million were reclassified to property and equipment in 2024 and 2023, respectively.

The Group sold certain equipment with a carrying amount of ₱83,324, ₱1.3 million and ₱3.5 million for a total consideration of ₱373,591, ₱1.4 million and ₱3.9 million in 2024, 2023 and 2022, respectively, resulting to a gain on sale amounting to ₱290,267, ₱38,845 and ₱395,719 in 2024, 2023 and 2022, respectively (see Note 15).

Since the ELA was terminated on September 30, 2023, the Group retired fully depreciated lottery equipment with an aggregate cost of ₱501.9 million in 2023.

Depreciation and amortization recognized in the consolidated statements of comprehensive income arises from:

	Note	**2024**	2023	2022
Property and equipment		**₱154,649,527**	₱38,980,983	₱17,946,924
ROU assets	17	**510,325**	1,815,399	4,645,028
Software development		**–**	–	11,136,364
		₱155,159,852	₱40,796,382	₱33,728,316

Depreciation and amortization are allocated as follows (see Note 14):

	2024	2023	2022
Cost of services	**₱149,001,119**	₱37,901,647	₱29,217,792
General and administrative expenses	**6,158,733**	2,894,735	4,510,524
	₱155,159,852	₱40,796,382	₱33,728,316

12. **Trade Payables and Other Current Liabilities**

This account consists of:

	Note	**2024**	2023
Accounts payable		**₱159,248,509**	₱144,505,658
Accrued expenses:			
Communications and outside services		**31,495,378**	1,039,126
Salaries and other employee benefits		**7,151,885**	3,245,706
Interest	5	**4,011,566**	–
Professional fees		**3,104,262**	2,656,000
Software and license fees payable	20	**–**	8,865,861
Statutory payables		**6,450,827**	18,718,599
Advances from joint operators	5	**–**	67,500,000
Others		**3,033,141**	8,449,398
		₱214,495,568	₱254,980,348

Accounts payable generally has a 30-to-45 day credit terms.

Accrued expenses are normally settled in the following month.

Statutory payables mainly pertain to statutory contributions, withholding taxes, VAT payable and other liabilities to the government agencies, which are payable within the next financial year.

Others primarily pertain to dividends payable

13. **Equity**

Capital Stock and Additional Paid-in Capital

The composition and movements of the Parent Company's capital stock consisting of common shares as at December 31 are as follows:

	2024		2023	
	Shares	**Amount**	Shares	Amount
Authorized - ₱1 par value	**2,288,000,000**	**₱2,288,000,000**	2,288,000,000	₱2,288,000,000
Issued	**895,330,946**	**₱895,330,946**	895,330,946	₱895,330,946
Cost of Parent Company Common Shares Held by a Subsidiary:				
Balance at beginning of year	**(50,466,984)**	**(285,267,558)**	(50,466,984)	(285,267,558)
Additions	**(22,224,200)**	**(99,327,616)**	–	–
Balance at end of year	**(72,691,184)**	**(384,595,174)**	(50,466,984)	(285,267,558)
Outstanding	**822,639,762**	**₱510,735,772**	844,863,962	₱610,063,388

Additional paid-in capital amounted to ₱254.6 million as at December 31, 2024 and 2023.

Cost of Parent Company Common Shares Held by Subsidiary

As at December 31, 2023, TGTI holds Parent Company common shares totaling 50,466,984 equivalent to ₱285.3 million. In 2024, TGTI acquired additional 22,224,200 Parent Company shares for a consideration of ₱99.3 million. These are presented as "Cost of Parent Company common shares held by subsidiary" account in the consolidated statements of financial position. Related other reserves amounted to ₱2.6 million as at December 31, 2024 and 2023.

The Parent Company listed its shares in the PSE on April 12, 2007. As at December 31, 2024 and 2023, all issued shares are listed in the PSE.

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2024 and 2023, public ownership over the Parent Company is 34.83% and 35.75%, respectively.

As at December 31, 2024 and 2023, the Parent Company has 61 stockholders of record.

Retained Earnings

On February 28, 2024, the Parent Company's BOD approved the declaration of cash dividends of ₱0.10 per share amounting to approximately ₱89.5 million to shareholders of record as at March 14, 2024. Total dividends are inclusive of dividends payable to a subsidiary which holds Parent Company shares amounting to ₱5.8 million. POSC paid dividends to shareholders of record on March 26, 2024.

On February 28, 2023, the Parent Company's BOD approved the declaration of cash dividends of ₱0.10 per share amounting to approximately ₱89.5 million to shareholders of record as at March 15, 2023. Total dividends are inclusive of dividends payable to a subsidiary which holds Parent Company shares amounting to ₱5.0 million. POSC paid dividends to shareholders of record on March 28, 2023.

14. **Costs and Expenses**

Cost of Services

This account consists of:

	Note	2024	2023	2022
Depreciation and amortization	11	**₱149,001,119**	₱37,901,647	₱29,217,792
Communication		**67,316,596**	35,853,495	52,106,865
Software and license fees	20	**43,447,330**	65,552,553	60,508,456
Personnel costs		**13,046,949**	47,840,647	45,774,005
Service charge		**6,679,913**	–	–
Repairs and maintenance		**4,963,355**	36,253,335	6,236,267
Rent and utilities		**4,772,410**	15,954,914	17,432,832
Travel and accommodation		**4,764,921**	15,998,823	11,348,845
Operating supplies		**66,070**	2,633,609	21,621,140
Professional fees		**–**	1,531,173	3,231,886
Taxes and licenses		**–**	799,920	–
Others		**170,389**	350,081	69,495
		₱294,229,052	₱260,670,197	₱247,547,583

General and Administrative Expenses

This account consists of:

	Note	2024	2023	2022
Personnel costs		**₱66,124,666**	₱38,246,725	₱36,848,072
Rent and utilities	17	**24,898,221**	14,813,288	8,266,557
Other external services		**19,414,987**	7,792,285	–
Travel and accommodation		**15,806,927**	9,314,153	8,575,837
Taxes and licenses		**12,358,002**	8,607,318	4,712,080
Professional fees		**6,667,189**	5,015,570	4,451,336
Depreciation and amortization	11	**6,158,733**	2,894,735	4,510,524
Entertainment and representation		**4,328,438**	415,045	342,917
Repairs and maintenance		**3,023,139**	1,598,131	2,695,171
Communication		**2,907,889**	10,103,445	2,598,167
Operating supplies		**2,642,886**	1,703,393	1,266,847
Director's fee		**1,994,118**	4,849,346	5,049,020
Provision for impairment losses	8	**1,413,910**	–	61,744
Pre-operating expenses	5	**–**	14,362,121	13,993,257
Others		**9,892,516**	4,429,093	2,401,548
		₱177,631,621	₱124,144,648	₱95,773,077

Other external services primarily pertain to outsourcing of contractual and logistics personnel and janitorial services.

Other general and administrative expenses include non-incremental contract costs and other miscellaneous expenses.

Pre-operating expenses of PinoyLotto is as follows:

	2023	2022
Taxes and licenses	₱4,360,942	₱2,740,990
Professional fees	4,255,645	6,221,510
Rent and utilities	3,283,261	920,890
Entertainment and representation	535,557	398,094
Bank charges	2,976	3,266,241
Depreciation and amortization	2,224	7,200
Others	1,921,516	438,332
	₱14,362,121	₱13,993,257

Personnel costs are as follows:

	Note	**2024**	2023	2022
Salaries and wages		**₱56,183,099**	₱61,265,423	₱57,272,452
Post-employment benefits	18	**3,937,534**	2,718,689	5,920,800
Other short-term employee benefits		**19,050,982**	22,103,260	19,428,825
		₱79,171,615	₱86,087,372	₱82,622,077

15. Other Income (Charges)

This account consists of:

	Note	**2024**	2023	2022
Foreign exchange loss - net		**(₱996,948)**	(₱2,351,019)	(₱1,833,336)
Gain on disposal of:				
Investments held for trading	7	**885,410**	2,200,087	–
Property and equipment	11	**290,267**	38,845	395,719
Scrap items		**365,126**	–	2,892,120
Sale of trademark		**–**	26,785,714	–
Net claims		**–**	20,218,195	–
Accreted interest income		**–**	–	3,680,915
Service income		**–**	–	2,035,056
Gain on deconsolidation		**–**	–	542,645
Others		**(870,428)**	7,153,859	2,866,189
		(₱326,573)	₱54,045,681	₱10,579,308

In November 2023, the Parent Company entered into a Trademark Assignment agreement with Diamond Powerwinners Corp. (DPC) where the Parent Company conveys the subject trademarks and assigns all of its rights, title and interest therein to DPC for a total consideration of ₱30.0 million (inclusive of VAT) payable in ten equal monthly installments. Gain on trademark assignment amounted to ₱26.8 million. All outstanding receivable was collected in 2024.

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

Accreted interest income recognized in 2022 arise from Brand and Trademark License Agreement which was accounted for as sale of right to use the brand and trademark.

Others mainly consist of miscellaneous income, bank charges and others.

16. **Income Taxes**

The components of income taxes as reported in the consolidated statements of comprehensive income are as follows:

	2024	2023	2022
Current	**₱16,334,608**	₱54,676,728	₱3,576,689
Deferred	**(1,766,480)**	2,119,557	20,457,202
	₱14,568,128	₱56,796,285	₱24,033,891

Current income tax expense pertains to RCIT of POSC and PinoyLotto and MCIT of TGTI.

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

	2024	2023
Items recognized in profit or loss		
Costs incurred to fulfil a contract	**(₱7,665,028)**	₱–
Retirement benefits	**4,655,694**	1,771,374
Unamortized past service costs	**1,941,191**	2,049,004
Temporary differences attributable to joint operation	**428,878**	–
Unrealized foreign exchange gain	**(7,210)**	(587,851)
Others	**–**	(9,672)
	(646,475)	3,222,855
Items recognized in other comprehensive income		
Remeasurement of retirement liability	**(4,236,326)**	(2,795,876)
Net deferred tax assets (liabilities)	**(₱4,882,801)**	₱426,979

The components of the unrecognized deferred tax assets are as follows:

	2024	2023
NOLCO	**₱44,683,570**	₱35,756,921
Excess MCIT over RCIT	**1,410,786**	312,034
Allowance for impairment losses on receivables	**819,630**	819,630
Unamortized past service costs	**589,776**	979,844
	₱47,503,762	₱37,868,429

On September 30, 2020, the Bureau of Internal Revenue issued RR No. 25-2020 to implement Section 4 of the Republic Act No. 11494, *Bayanihan to Recover as One Act* allowing the net operating loss of a business or enterprise incurred for the taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

The details of the Group's NOLCO are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Applied	Ending Balance	Valid Until
2024	₱–	₱88,904,536	₱–	₱–	₱88,904,536	2027
2023	106,351	–	–	–	106,351	2026
2022	13,937,584	–	–	–	13,937,584	2025
2021	52,946,908	–	–	–	52,946,908	2026
2020	77,708,405	–	–	(53,165,750)	24,542,655	2025
	₱144,699,248	₱88,904,536	₱–	(₱53,165,750)	₱180,438,034	

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

	2024	2023	2022
Provision for (benefit from) income tax at statutory income tax rate	**(₱26,881,616)**	₱82,915,275	₱53,783,351
Income tax effects of:			
Marked-to-market losses (gains) on securities	**39,364,889**	(13,519,662)	1,874,923
Nontaxable income	**(9,926,631)**	(6,100,862)	(4,736,916)
Nondeductible expenses and others	**5,781,667**	689,145	3,982,839
Interest income subjected to final tax	**(3,405,514)**	(1,438,376)	(4,846,202)
Changes in unrecognized deferred tax assets	**9,635,333**	(5,749,235)	(26,024,104)
Provision for income tax at effective tax rate	**₱14,568,128**	₱56,796,285	₱24,033,891

Under the Corporate Recovery and Tax Incentives for Enterprises ("CREATE"), the RCIT of domestic corporations was reduced from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. MCIT was changed from 2% to 1% of gross income for a period of three years up to June 30, 2023.

17. **Lease Commitments**

Group as Lessor

POSC leased online lotto equipment and accessories to PCSO starting July 31, 2021 as provided in the 2020 Amended ELA, with a series of extensions until September 30, 2023 in time for the commencement of PinoyLotto's nationwide operations.

Rental income amounted to ₱9.6 million, ₱469.8 million and ₱512.7 million in 2024, 2023 and 2022, respectively, (see Note 20). The rental income in 2023 and 2022 is based on a percentage of gross sales of lotto tickets from PCSO's Luzon and VISMIN operations while the rental income in 2024 is primarily due to continuing costs incurred from ticket validations.
On October 1, 2023, PinoyLotto commenced its commercial operations for a five year-lease of the customized PCSO Lottery System at a contract price of ₱5,800.0 million. Pursuant to the contract, 6,500 terminals were installed and are in operation nationwide.

Rental income amounted to ₱517.9 million and ₱129.5 million in 2024 and 2023, respectively (see Note 5).

TGTI leased "Online KENO" equipment and accessories to PCSO until April 1, 2022 and was not renewed. Rental payment by PCSO was based on certain percentage of the gross amount of "Online KENO" games from the operation of all TGTI's KENO terminals.

Rental income amounted to nil in 2024 and 2023 and ₱6.3 million in 2022 (see Note 20).

Group as Lessee
POSC and TGTI leases office space and warehouses. The leases typically run for a period of two to five years, with an option to renew the lease after expiration date upon mutual agreement of the parties.

Amounts recognized in the consolidated statements of comprehensive income follow:

	Note	**2024**	2023	2022
Rent expense		**₱17,266,475**	₱18,092,195	₱12,592,852
Amortization on ROU assets	11	**510,325**	1,815,399	4,645,028
Interest expense on lease liabilities		**30,797**	24,897	220,505
		₱17,807,597	₱19,932,491	₱17,458,385

Interest expense on lease liabilities is recognized under "Finance charges" account in the consolidated statements of comprehensive income.

Rent expense pertains to low-value asset leases on storage and short-term leases on warehouses.

The movements in the ROU assets are presented below:

	2024	2023
Balance at beginning of year	**₱541,486**	₱1,815,399
Amortization	**(510,325)**	(1,815,399)
Modification	**22,987**	–
Addition	**–**	541,486
Balance at end of year	**₱54,148**	₱541,486

The movements in the lease liabilities are presented below:

	2024	2023
Balance at beginning of year	**₱502,798**	₱1,891,442
Payments	**(499,137)**	(1,955,027)
Interest expense	**30,797**	24,897
Modification	**22,987**	–
Additions	–	541,486
	57,445	502,798
Current portion	**57,445**	294,303
Noncurrent portion	**₱–**	₱208,495

Refundable deposits amounted to ₱2.3 million and ₱3.0 million as at December 31, 2024 and 2023, respectively.

The future minimum lease payments under noncancellable leases are as follows:

	2024	2023
Within one year	**₱114,890**	₱294,303
After one year but not more than five years	**–**	208,495
	₱114,890	₱502,798

18. **Retirement Benefits**

The Group have funded, noncontributory defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 2024.

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

	2024		
	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
Balance at beginning of year	**₱68,930,669**	**₱73,028,677**	**(₱4,098,008)**
Net retirement costs (income) in profit or loss:			
Current service cost	**3,998,240**	**–**	**3,998,240**
Past service income	**(383,673)**	**–**	**(383,673)**
Interest expense	**2,402,859**	**–**	**2,402,859**
Interest income	**–**	**2,079,892**	**(2,079,892)**
	6,017,426	**2,079,892**	**3,937,534**
Benefits paid	**(35,555,580)**	**(44,939,459)**	**9,383,879**
Remeasurement gain recognized in other comprehensive income:			
Actuarial changes due to experience adjustment	**(5,841,880)**	**–**	**(5,841,880)**
Actuarial changes arising from changes in financial assumptions	**(153,801)**	**–**	**(153,801)**
Actual return excluding amount included in net interest cost	**–**	**887,923**	**(887,923)**
	(5,995,681)	**887,923**	**(6,883,604)**
Balance at end of year	**₱33,396,834**	**₱31,057,033**	**₱2,339,801**

	2023		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Retirement Asset
Balance at beginning of year	₱51,053,812	₱50,611,659	₱442,153
Net retirement costs (income) in profit or loss:			
Current service cost	4,306,251	–	4,306,251
Past service income	(1,940,828)	–	(1,940,828)
Interest expense	3,572,295	–	3,572,295
Interest income	–	3,219,029	(3,219,029)
	5,937,718	3,219,029	2,718,689
Contributions	–	19,569,605	(19,569,605)
Remeasurement loss recognized in other comprehensive income:			
Actuarial changes due to experience adjustment	7,263,106	–	7,263,106
Actuarial changes arising from changes in financial assumptions	4,676,033	–	4,676,033
Actual return excluding amount included in net interest cost	–	(371,616)	371,616
	11,939,139	(371,616)	12,310,755
Balance at end of year	₱68,930,669	₱73,028,677	(₱4,098,008)

The following table presents the fair values of the plan assets of the Group as at December 31:

	2024	2023
Cash and cash equivalents	**₱7,266**	₱651,170
Debt instruments - government bonds	**16,560,599**	39,659,754
Debt instruments - other bonds	**4,529,172**	4,317,196
Unit investment trust funds	**9,763,744**	21,424,722
Others	**196,252**	6,975,835
	₱31,057,033	₱73,028,677

The Group's plan assets are administered by a Trustee. The Group and the retirement plan have no specific matching strategies between the retirement plan assets and define benefit asset or obligation under the retirement plan.

Movements in retirement benefit reserve consist of the following:

	2024		
	Retirement Benefits Reserve	**Deferred Tax** (see Note 16)	**Total**
Balance at beginning of year	**₱10,524,875**	**(₱2,795,876)**	**₱7,728,999**
Remeasurement gain	**6,883,604**	**(1,720,901)**	**5,162,703**
Reversal of deferred tax	**–**	**280,451**	**–**
Balance at end of year	**₱17,408,479**	**(₱4,236,326)**	**₱12,891,702**

	2023		
	Retirement Benefits Reserve	Deferred Tax (see Note 16)	Total
Balance at beginning of year	₱22,835,630	(₱5,873,565)	₱16,962,065
Remeasurement gain	(12,310,755)	3,077,689	(9,233,066)
Balance at end of year	₱10,524,875	(₱2,795,876)	₱7,728,999

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

	2024	2023
Discount rates	**6.15%**	6.11%
Future salary increases	**8.00%**	8.00%

The Group is not expected to contribute to the plan in 2024.

The retirement benefits expose the Group to the following risks:

- *Salary risk* - any increase in the qualified employees' salary will increase the net retirement liability.
- *Longevity risk* – any increase in the qualified employees' life expectancy will increase the net retirement liability.
- *Interest rate risk* - a decrease in the bond interest rate will increase the present value of the net retirement liability.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2024 and 2023 assuming all other assumptions were held constant:

	2024		2023	
	Increase (Decrease)	**Increase (Decrease) in Defined Benefit Obligation**	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	**-1.00%**	**₱36,686,128**	-1.00%	₱73,532,250
	+1.00%	**(29,512,371)**	+1.00%	(64,864,095)
Salary increase rate	**+1.00%**	**36,760,480**	+1.00%	73,605,475
	-1.00%	**(29,387,653)**	-1.00%	(65,003,908)

The average duration of the Group's defined benefit obligation is 14.64 years in 2024.

The maturity analysis of the undiscounted benefit payments follows:

	2024	2023
Within one year	**₱1,833,197**	₱30,074,267
More than one year to five years	**3,528,693**	8,297,618
More than five years to ten years	**170,662,201**	199,462,807

19. Related Party Transaction and Balances

The financial assets at FVOCI pertains to the Group's investment in shares of the Parent Company totaling nil and ₱237.6 million as at December 31, 2024 and 2023, respectively (see Note 10).

As the primary supplier of the lottery equipment, the Group has transactions with ILTS, a party to the joint operation as follows:

	Nature of Transactions	Amount of Transactions		Outstanding Balance	
		2024	2023	**2024**	2023
Accounts Payable	Acquisition of lottery equipment	**₱420,733,620**	₱112,249,750	**₱82,635,722**	₱80,043,978

Compensation of the Group's key management personnel are as follows:

	2024	2023	2022
Salaries and wages	**₱15,050,945**	₱9,817,230	₱9,319,577
Retirement benefits	**795,704**	881,108	1,565,098
	₱15,846,649	₱10,698,338	₱10,884,675

20. Significant Contracts and Commitments

Agreements with PCSO

POSC. The Parent Company had an ELA with the PCSO for the lease of lotto terminals, which includes central computer, communications equipment, and the right to use the application software and manuals for the central computer system and draw equipment of PCSO. This also includes the supply of betting slips and ticket paper rolls. The ELA was concluded on September 30, 2023.

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

Pursuant to the amended ELA, the Parent Company was required to deposit cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The cash bond under the ELA, included under "Other current assets" account in the consolidated statements of financial position as at December 31, 2023 amounting to ₱12.0 million was refunded in 2024 (see Note 9).

The rental fee presented as "Equipment rental" in the consolidated statements of comprehensive income is disclosed in Note 17.

On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO. Under the arrangement, POSC will be acting as PCSO's exclusive agent and generated fees based on a certain percentage of revenues. This was launched on December 15, 2023 and ended on July 12, 2024 upon the instruction of PCSO as it gears toward making the E-lotto services better and as it transitions to a new platform (see Note 1).

Cash bond for the e-lottery system, included under “Other current assets” account in the consolidated statements of financial position as at December 31, 2024 and 2023 amounted to ₱79.0 million (see Note 9).

Fees presented as “Commission income” in the consolidated statements of comprehensive income amounted to ₱2.3 million in 2023 which is based on 14.0% of e-lotto sales. In 2024, the terms of arrangement were revised to indicate that the Parent Company, instead of receiving commission, shall be reimbursed for reasonable actual costs as may be determined by the PCSO BOD, but in no case, shall it exceed 8.0% of the generated sales less any taxes due. In relation to this, the Parent Company billed PCSO ₱35.4 million, net of taxes, in September 2024. Upon request of PCSO, the Parent Company has already submitted the supporting documentations for the amount billed. As at December 31, 2024, these documents are still under the review by the PCSO, accordingly, no revenue was recognized in 2024.

On June 19, 2024, POSC received a Notice of Award from PCSO after a bidding process for a five-year lease of its WABP. With the issuance of the Notice of Award, the Parent Company will now have to comply with the post-Notice of Award requirements of the PCSO; thereafter, the contract between the Company and PCSO covering the terms and conditions of the WABP project will be executed. The commercial operation will commence 76 days from the receipt of the Notice to Proceed. As at December 31, 2024, PCSO has not yet issued the Notice to Proceed. The related costs incurred to fulfill a contract amounting to ₱30.7 million included under “Other current assets” account in the consolidated statements of financial position will be amortized over the term of the lease (see Note 9).

TGTI. TGTI had an ELA with PCSO for the lease of equipment and accessories for PCSO’s Online KENO games. The rental fee, presented as “Equipment rental” in the consolidated statements of comprehensive income, is based on a percentage of the gross sales of the “Online KENO” terminals. The ELA concluded and was not renewed in 2022.

Cash bond and performance security bond required under the ELA of ₱2.5 million is included under “Other current assets” in the consolidated statements of financial position (see Note 9).

The number of installed online KENO terminals totaled 57 as at December 31, 2022. Pinoylotto’s revenue from equipment rental amounted to ₱129.4 million in 2023. TGTI’s revenue from equipment rental nil, nil and ₱6.3 million in 2024, 2023 and 2022, respectively (see Note 17).

Contracts with Scientific Games and Intralot and Management Agreement

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

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

The contracts with Scientific Games and Intralot shall continue as long as POSC's and TGTI's ELA with PCSO are in effect. The ELA between the Parent Company and PCSO expired last September 30, 2023 while the ELA between TGTI and PCSO ended on March 31, 2022.

Software and license fee recognized arising from Scientific Games contract and Intralot contracts above amounted to nil, ₱59.6 million and ₱60.5 million in 2024, 2023, and 2022 respectively (see Note 14).

21. Basic/Diluted Earnings per Share

As at December 31, 2024, 2023 and 2022, the basic/diluted earnings per share was computed as follows:

	2024	2023	2022
Income attributable to Equity holders of the Parent (a)	**₱18,146,553**	₱272,701,996	₱191,117,272
Weighted average number of outstanding common shares (b)	**829,396,616**	844,863,962	844,863,962
Basic/diluted earnings per share (a/b)	**₱0.0219**	₱0.3228	₱0.2262

The weighted average number of common shares outstanding are computed as follows:

	2024	2023	2022
Number of outstanding shares at beginning of year	**844,863,962**	844,863,962	844,863,962
Weighted average number of Parent Company shares acquired by a subsidiary during the year	**(15,467,346)**	–	–
	829,396,616	844,863,962	844,863,962

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

22. Financial Instruments

Financial Risk Management Objectives and Policies

The financial instruments mainly comprise cash and cash equivalents, trade and other receivables (excluding advances to contractors, suppliers, officers and employees), guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets" account), investments held for trading, financial assets at FVOCI, trade payables and other current liabilities (excluding statutory payables), loans payable and lease liabilities. The main purpose of these financial instruments is to finance the Group's projects and operations.

The main risks arising from the financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing these risks.

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

With respect to credit risk arising from the financial assets of the Group, which comprise of cash (excluding cash on hand) trade and other receivables (excluding advances to suppliers) and guarantee and refundable deposits (presented as part of "Other current assets" or "Other noncurrent assets"), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

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

	2024						
	Neither Past Due nor Impaired	**Past Due but not Impaired**					
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
Cash and cash equivalents*	**₱591,843,011**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱591,843,011**
Trade and other receivables**	**181,530,946**	**–**	**–**	**–**	**–**	**117,765,218**	**299,296,164**
Guarantee deposits***	**79,000,000**	**–**	**–**	**–**	**–**	**–**	**79,000,000**
Refundable deposit***	**2,291,727**	**–**	**–**	**–**	**–**	**–**	**2,291,727**
	₱854,665,684	**₱–**	**₱–**	**₱–**	**₱–**	**₱117,765,218**	**₱972,430,902**

**Excluding cash on hand.*
***Excluding advances to contractors, suppliers, officers and employees.*
****Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statements of financial position.*

	2023						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
Cash and cash equivalents*	₱343,548,614	₱–	₱–	₱–	₱–	₱–	₱343,548,614
Trade and other receivables**	280,812,337	–	–	–	–	116,351,308	397,163,645
Refundable deposit***	3,036,529	–	–	–	–	–	3,036,529
Guarantee deposits***	91,000,000	–	–	–	–	–	91,000,000
	₱718,397,480	₱–	₱–	₱–	₱–	₱116,351,308	₱834,748,788

**Excluding cash on hand.*
***Excluding advances to contractors, suppliers, officers and employees.*
****Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statements of financial position.*

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

<u>Credit Quality of Financial Assets</u>
The financial assets are grouped according to stage whose description is explained as follows:

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

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

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

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

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents*	**₱591,843,011**	**₱–**	**₱–**	**₱591,843,011**
Trade and other receivables**	**181,530,946**	**–**	**117,765,218**	**299,296,164**
Guarantee deposit***	**79,000,000**	**–**	**–**	**79,000,000**
Refundable deposit***	**2,291,727**	**–**	**–**	**2,291,727**
Gross Carrying Amount	**₱854,665,684**	**₱–**	**₱117,765,218**	**₱972,430,902**

**Excluding cash on hand.*
***Excluding advances to contractors, suppliers, officers and employees.*
****Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents*	₱343,548,614	₱–	₱–	₱343,548,614
Trade and other receivables**	280,812,337	–	116,351,308	397,163,645
Refundable deposit***	3,036,529	–	–	3,036,529
Guarantee deposit***	91,000,000	–	–	91,000,000
Gross Carrying Amount	₱718,397,480	₱–	₱116,351,308	₱834,748,788

**Excluding cash on hand.*
***Excluding advances to contractors, suppliers, officers and employees.*
****Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.*

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

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

Quoted marketable securities and financial assets at FVOCI are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2024 and 2023 consolidated total comprehensive income before income tax:

	2024		2023	
	Increase (Decrease in Equity Price)	**Financial Impact**	Increase (Decrease in Equity Price)	Financial Impact
Impact in profit or loss	**30.61%**	**₱13,084,249**	28.02%	₱28,021,381
	(30.61%)	**(13,084,249)**	(28.02%)	(28,021,381)
Impact in comprehensive income	**30.61%**	**₱–**	28.02%	₱66,570,326
	(30.61%)	**–**	(28.02%)	(66,570,326)

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

The table also analyzes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	2024				
	Less than 3 months	**3-6 months**	**6-12 months**	**More than 12 months**	**Total**
Trade payables and other current liabilities*	**₱208,044,741**	**₱–**	**₱–**	**₱–**	**₱208,044,741**
Loan payable	**–**	**–**	**138,980,392**	**277,960,784**	**416,941,176**
Lease liabilities	**57,445**	**–**	**–**	**–**	**57,445**
	₱208,102,186	**₱–**	**₱138,980,392**	**₱277,960,784**	**₱625,043,362**

**Excluding statutory payables*

	2023				
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade payables and other current liabilities*	₱168,761,750	₱–	₱67,500,000	₱–	₱236,261,750
Loan payable	–	–	58,823,529	411,764,707	470,588,236
Lease liabilities	73,576	73,756	146,971	208,495	502,798
	₱168,835,326	₱73,756	₱126,470,500	₱411,973,202	₱707,352,784

**Excluding statutory payables*

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

As at December 31, 2024 and 2023, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2024		2023	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Cash and cash equivalents	**$1,088,814**	**₱63,162,106**	$989,831	₱54,608,951
Accounts payable and other current liabilities	**(2,180,257)**	**(126,127,922)**	(160,700)	(8,865,861)
Net foreign currency-denominated assets (liabilities)	**($1,091,443)**	**(₱62,965,816)**	$829,131	₱45,743,090

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱57.85 to US$1.0 and ₱55.17 to US$1.0, as at December 31, 2024 and 2023, respectively.

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

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2024 and 2023. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2024		2023	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
Change in US$ rate*	**5%**	**(5%)**	5%	(5%)
Effect on income before income tax	**(₱3,331,160)**	**₱3,331,160**	₱2,287,155	(₱2,287,155)

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2024 and 2023.

The Group considers the following as its capital:

	2024	2023
Common stock	**₱895,330,946**	₱895,330,946
Additional paid-in capital	**254,640,323**	254,640,323
Cost of Parent Company common shares held by a subsidiary	**(384,595,174)**	(285,267,558)
	₱765,376,095	₱864,703,711

Fair Value of Assets and Financial Liabilities

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

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**₱592,197,741**	**₱592,197,741**	₱343,945,679	₱343,945,679
Trade and other receivables*	**181,530,946**	**181,530,946**	280,812,337	280,812,337
Refundable security deposits**	**2,291,727**	**2,291,727**	3,036,529	3,036,529
Guaranteed deposits**	**79,000,000**	**79,000,000**	91,000,000	91,000,000
At FVPL				
Investments held for trading	**42,744,518**	**42,744,518**	100,012,769	100,012,769
At FVOCI				
Financial assets at FVOCI	**–**	**–**	237,600,090	237,600,090
	₱897,764,932	**₱897,764,932**	₱1,056,407,404	₱1,056,407,404
Financial Liabilities				
At amortized cost:				
Trade payables and other current liabilities***	**₱208,044,741**	**₱208,044,741**	₱236,261,750	₱236,261,750
Loans payable	**416,941,176**	**404,355,763**	470,588,236	463,882,778
Lease liabilities	**57,445**	**113,257**	502,798	529,261
	₱625,043,362	**₱612,513,761**	₱707,352,784	₱700,673,789

**Excluding advances to contractors, suppliers, officers and employees.*
***Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statements of financial position.*
****Excluding statutory payables*

The Group has no financial liabilities measured at fair value as at December 31, 2024 and 2023. There were no transfers between fair value measurements in 2024 and 2023.

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

Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to Contractors, Suppliers, Officers and Employees), Guaranteed Deposits, Refundable Deposits, Trade Payables and Other Current Liabilities (excluding Statutory Payables). The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of financial assets at FVPL and financial assets at FVOCI in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Loans Payable and Lease Liabilities. The fair values are based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments.

As at December 31, the discount rates used in determining the fair value of financial instruments for which fair values are disclosed are as follows:

	2024	2023
Liabilities for which fair values are disclosed		
Loans payable	**6.05%**	5.31%
Lease liabilities	**5.89%**	5.78%

23. Supplemental Disclosures of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

		Noncash Changes		**Cash Flows**		
2024	**Balance at Beginning of Year**	**Modifications**	**Accretion of Interest**	**Receipts**	**Payments**	**Balance at End of Year**
Lease liabilities	**₱502,798**	**₱22,987**	**₱30,797**	**₱–**	**(₱499,137)**	**₱57,445**
Loan payable	**470,588,235**	**–**	**–**	**80,000,000**	**(133,647,059)**	**416,941,176**
Interest on loan payable	**–**	**–**	**36,547,084**	**–**	**(32,535,518)**	**4,011,566**
Total liabilities from financing activities	**₱471,091,033**	**₱22,987**	**₱36,577,881**	**₱80,000,000**	**(₱166,681,714)**	**₱421,010,187**

		Noncash Changes		Cash Flows		
2023	Balance at Beginning of Year	Additions	Accretion of Interest	Receipts	Payments	Balance at End of Year
Lease liabilities	₱1,891,442	₱541,486	₱24,897	₱–	(₱1,955,027)	₱502,798
Loan payable	67,500,000	–	–	432,500,000	(29,411,765)	470,588,235
Interest on loan payable	–	–	17,878,309	–	(17,878,309)	–
Total liabilities from financing activities	₱69,391,442	₱541,486	₱17,903,206	₱432,500,000	(₱49,245,101)	₱471,091,033

2022	Balance at Beginning of Year	Additions (Reversals)	Finance Costs	Cash Outflows	Balance at End of Year
Lease liabilities	₱6,872,952	(₱212,143)	₱220,505	(₱4,989,872)	₱1,891,442
Loans payable	–	67,500,000	–	–	67,500,000
Total liabilities from financing activities	₱6,872,952	₱67,287,857	₱220,505	(₱4,989,872)	₱69,391,442

24. **Events After the Reporting Period**

On January 29, 2025, the Parent Company entered into an Investment Agreement with HHR Philippines, Inc. (HHRPI) together with the latter's principal shareholders. Pursuant to the agreement, the Parent Company shall subscribe to 81,000 common shares translating to 37.50% of the total issued and outstanding capital stock of HHRPI for the amount of ₱150.0 million, which shall be paid in three tranches.

The proceeds of the Parent Company's capital infusion will be utilized by HHRPI primarily to fund its expansion program.

HHRPI, a software and professional service provider of electronic gaming platforms for land-based and online gaming operators, is licensed and accredited by the Philippine Amusement and Gaming Corporation (PAGCOR). At the same time, it is a holder of a PAGCOR Gaming License for online gaming (e-Casino) under the brand "Buenas".

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

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

The Stockholders and the Board of Directors
Pacific Online Systems Corporation and Subsidiaries
28th Floor East Tower, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Pacific Online Systems Corporation and Subsidiaries (the Group) as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 and have issued our report thereon dated February 20, 2025. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

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

- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration as at December 31, 2024
- Schedules required by Annex 68-J as at December 31, 2024
- Conglomerate Map as at December 31, 2024
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2024 and 2023

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

The Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management.

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782/P-005; Valid until June 6, 2026
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 10467126
Issued January 2, 2025, Makati City

February 20, 2025
Makati City, Metro Manila

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2024 AND 2023

Ratio	Formula	2024	2023
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		
	Total current assets	**₱1,082,177,990**	₱948,422,045
	Divide by: Total current liabilities	**353,533,405**	314,098,180
	Current Ratio	**3.06**	3.02
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		
	Total current assets	**₱1,082,177,990**	₱948,422,045
	Less: CWTs and other current assets	**261,507,941**	220,036,680
	Quick assets	**820,670,049**	728,385,365
	Divide by: Total current liabilities	**353,533,405**	314,098,180
	Acid Test Ratio	**2.32**	2.32
Debt-to-Equity Ratio	**Total Interest-Bearing debt divided by Total Equity**		
	Total interest-bearing debt	**₱416,941,176**	₱470,588,236
	Total equity	**1,097,808,213**	1,175,707,838
	Debt to Equity Ratio	**0.38**	0.40
Asset-to-Equity Ratio	**Total Assets divided by Total Equity**		
	Total assets	**₱1,736,525,004**	₱1,901,779,220
	Total equity	**1,097,808,213**	1,175,707,838
	Asset to Equity Ratio	**1.58**	1.62
Interest Rate Coverage Ratio	**Income Before Interest and Taxes divided by Total Interest Expense**		
	Net income before income tax	**₱31,545,953**	₱331,661,101
	Less: Interest income	**13,780,944**	5,753,505
	Add: Interest expense	**36,577,881**	17,903,206
	Income before interest and taxes	**54,342,890**	343,810,802
	Divide by: Interest expense	**36,577,881**	17,903,206
	Interest Rate Coverage Ratio	**1.49**	19.20

Ratio	Formula	2024	2023
Return on Equity	**Net Income divided by Average Total Equity**		
	Net income	**₱16,977,825**	₱274,864,816
	Average Total Equity	**1,136,758,026**	1,055,906,579
	Return on Equity	**0.01**	0.26
Return on Assets	**Net Income divided by Average Total Assets**		
	Net income	**₱16,977,825**	₱274,864,816
	Average total assets	**1,819,152,112**	1,508,868,327
	Return on Assets	**0.01**	0.18
Solvency Ratio	**Net Income Before Non-Cash Expenses divided by Total Liabilities**		
	Net income	**₱16,977,825**	₱274,864,816
	Add: Non-cash expenses	**156,573,762**	40,796,382
	Net income before non-cash expenses	**173,551,587**	315,661,198
	Total liabilities	**638,716,791**	726,071,382
	Solvency Ratio	**0.27**	0.43
Net Profit Margin	**Net Income divided by Total Revenue**		
	Net income	**₱16,977,825**	₱274,864,816
	Total revenue	**527,482,143**	601,553,656
	Net profit margin	**0.03**	0.46

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2024

		Amount
Unappropriated retained earnings, beginning of reporting period		₱263,282,179
Less: Category B: Items that are directly debited to unappropriated retained earnings		
Cumulative valuation losses reclassified to retained earnings upon disposal of financial assets at FVOCI	(151,420,210)	
Dividend declaration during the reporting period	(89,533,095)	(240,953,305)
Unappropriated retained earnings, as adjusted		22,328,874
Add: Net loss for the current year		(31,703,031)
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Share in net income of a joint operation	(72,268,619)	(72,268,619)
Add: Category C.2 Unrealized income recognized in profit or loss in prior periods but realized in the current reporting period (net of tax)		
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVPL	18,594,471	18,594,471
Add/less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(528,110)	(528,110)
Total deficit, end of the reporting period		(₱63,576,415)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2023

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Schedule A. Financial Assets

	(In Thousands)			
Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Financial assets at fair value through profit or loss				
Vantage Equities, Inc.	43,337	₱34,268	₱34,268	₱–
APC Group, Inc.	45,821	8,477	8,477	–
	89,198	₱42,745	₱42,745	₱–

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial statements

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Allowance for Doubtful Accounts	Current	Not Current	Balance at end of period
Total Gaming Technologies Inc.	₱19,981,090	₱53,523,061	₱–	₱–	₱73,504,151	₱–	₱73,504,151

Schedule D. Long-term debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
Loan Payable			
Unionbank of the Philippines	₱580,000,000	₱138,980,392	₱277,960,784

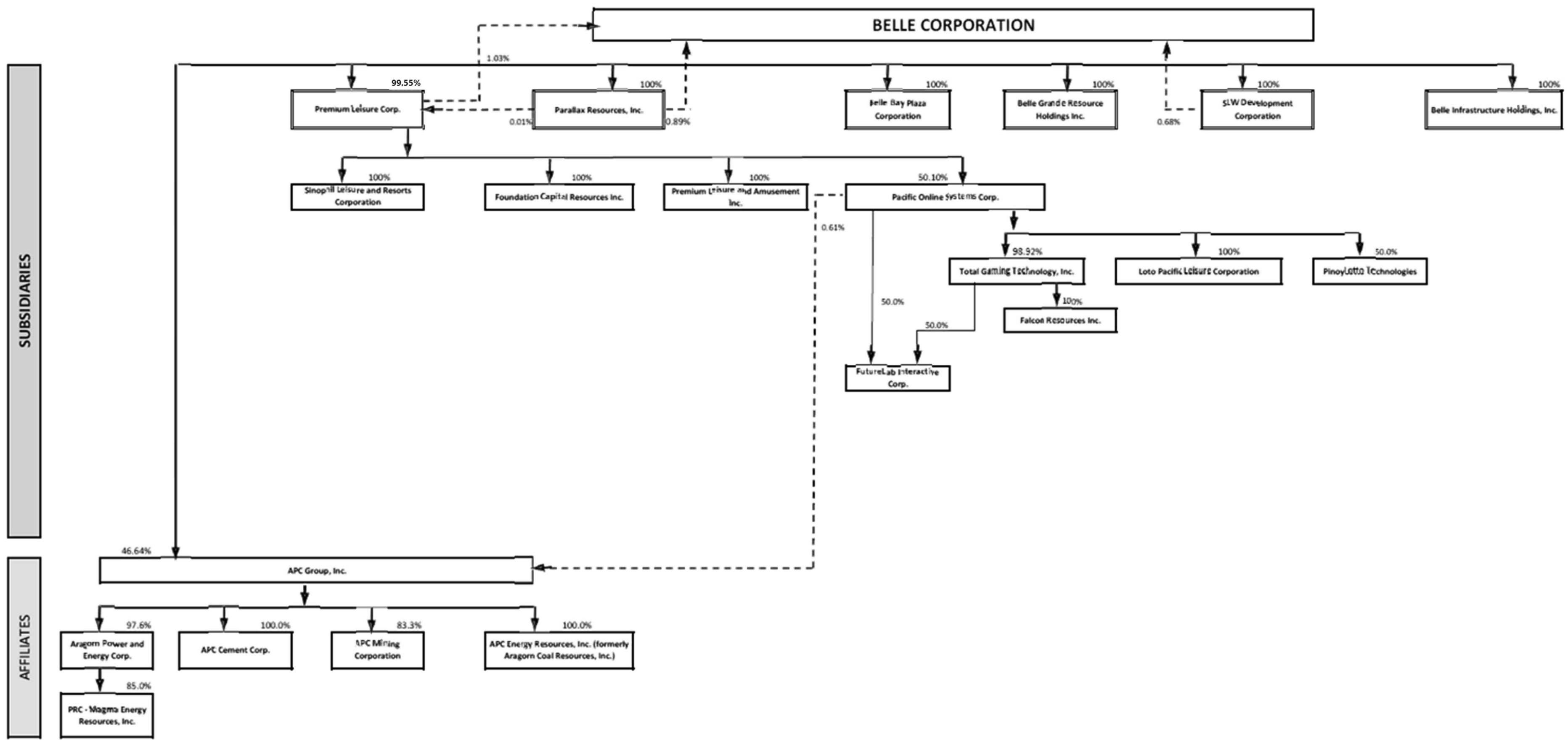
Schedule G. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	2,288,000,000	895,330,946	–	72,691,184	91,208,050	731,431,712

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

DECEMBER 31, 2024



PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION

DECEMBER 31, 2024 AND 2023

	2024	2023
Total Audit Fees	**₱900,000**	₱1,050,000
Non-audit services fees:		
Other assurance services	**–**	–
Tax services	**–**	–
All other services	**–**	–
Total Non-Audit Fees	**–**	–
Total Audit and Non-audit Fees	**₱900,000**	₱1,050,000

Audit and Non-audit Fees of Other Related Entities

	2024	2023
Audit Fees	**₱200,000**	₱250,000
Non-audit services fees:		
Other assurance services	**–**	–
Tax services	**–**	–
All other services	**–**	–
Total Audit and Non-audit Fees of Other Related Entities	**₱200,000**	₱250,000