COVER SHEET

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SEC Registration Number

D I G I P L U S I N T E R A C T I V E C O R P .

(F o r m e r l y L e i s u r e & R e s o r t s W o r l d

C o r p o r a t i o n)

(Company's Full Name)

E C O P R I M E B U I L D I N G , 3 1 S T . C O R . 9 T H

A V E . B O N I F A C I O G L O B A L C I T Y ,

T A G U I G C I T Y

(Business Address: No. Street City/Town/Province)

Mr. Wilfredo Pielago

(Contract Person)

8 637-5291 5291 to 93

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

1 7 - Q

(Form Type)

0 7	2 9
Month	*Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

Total Amount of Borrowings

1,821

Total No. of Stockholders

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2023**

2. Commission identification number **13174**

3. BIR tax identification number **000-108-278-000**

4. Exact name of issuer as specified in its charter
   DIGIPLUS INTERACTIVE CORP.

5. Province, country or other jurisdiction of incorporation or organization
   PHILIPPINES

6. Industry Classification Code: ________ (SEC use only)

7. Address of registrant's principal office
   ECOPRIME BUILDING, 31ST ST. COR. 9TH AVE. BONIFACIO GLOBAL CITY, TAGUIG CITY
8. Issuer's telephone number, including area code
   8 637-5291

9. Former name, former address and former fiscal year, if changed since last report
   N/A

10. Securities registered pursuant to Section 8 and 12 of the Code, 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	3,716,459,178/NA

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [/] No [ ]

12. Indicate by check mark whether the registrant:

    a.) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports).

    Yes [/] No [ ]

    b.) has been subject to such filing requirements for the past ninety (90) days.

    Yes [/] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached interim consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

DigiPlus Interactive Corp. (the "Company" or "DigiPlus") is functioning as a holding company with minimal operations. The Company is focusing its endeavor in supporting the productivity programs of its subsidiaries as grouped in the following segments: **RETAIL** (1) AB Leisure Exponent, Inc. (ABLE - 100% owned), (2) Total Gamezone Xtreme, Inc. (TGXI - 100% owned); **CASINO** (3) Blue Chip Gaming and Leisure Corporation (BCGLC - 100% owned), (4) Gold Coast Leisure World Corp. (GCLWC - 100% owned); **NETWORK AND LICENSES** (5) First Cagayan Leisure and Resort Corporation (FCLRC - 69.68% owned), (6) LR Data Center and Solutions, Inc. (LRDCSI - 80% owned), (7) First Cagayan Converge Data Center Inc. (FCCDCI - 60%); and **PROPERTY** (8) AB Leisure Global, Inc. (ABLGI - 100% owned), (9) LR Land Developers, Inc. (LRLDI - 100% owned), (10) G-L Real Estate JV Corporation. (GREJC – 100% owned).

As one of the leading icons of the industry, DigiPlus is aggressive in innovations and improvement of its products and services. One of the most recent notable achievements would be BingoPlus. It is the first platform in the country which offers traditional Bingo on technology platform. The technology platform, bingoplus.com, was launched in January 2022 and had quickly become a community favorite.

<u>Retail</u>

ABLE

ABLE is the pioneer in professional bingo gaming in the Philippines. Philippine Amusement and Gaming Corporation (PAGCOR) granted ABLE and its subsidiaries the authority to operate bingo games pursuant to P.D. 1869. Since then, bingo outlets of ABLE and its subsidiaries have become community and entertainment centers, a source of revenue for the government, and a sponsor for fund-raising activities relating to social and educational programs.

In 2022, ABLE launched the BingoPlus which offers traditional bingo and other electronic games thru online platform. This is the first traditional bingo on a technology platform licensed by the PAGCOR.

As of March 31, 2023, ABLE also had 126 land-based sites, of which 124 were operational sites, while 2 sites remained temporary closed mainly due to renovation and relocation.

TGXI

TGXI is engaged in operates e-games stations under licensee of PAGCOR.

As of March 31, 2023, TGXI had 31 sites, of which 30 were operational sites while 1 site remained temporary closed mainly due to renovation and relocation.

Casino

BCGLC
BCGLC operates Slot Arcades at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacle, Bacolor, Pampanga under a license issued by PAGCOR.

GCLWC
GCLWC operates Slot Arcades at VIP Club at Venezia at Subic Bay Freeport Zone under a license issued by PAGCOR.

PIKI
Together with PAGCOR, PIKI executed a Junket Agreement to jointly conduct junket gaming operations within PAGCOR's Casino Filipino-Midas located at Midas Hotel and Casino in Roxas Boulevard, Pasay City.

In 2020, PIKI already ceased its operations.

Network and Licenses

FCLRC
The Cagayan Economic Zone Authority (CEZA), mandated by law to manage Cagayan Special Economic Zone and Free Port (CSEZFP), has authorized FCLRC to license, regulate and supervise the operations of registered gaming enterprise in CSEZFP. FCLRC, on behalf of CEZA, can issue two types of licenses: (1) E-casino licenses which will cover all types of gaming including casinos, lotteries, bingo and sportsbook; and (2) Sportsbetting licenses which limit the offerings to sports betting only. As the master licensor, FCLRC is entitled to half of the gaming levy imposed by CEZA on the gaming operators in the CSEZFP.

FCLRC owns 60% of the outstanding capital stock of FCCDCI.

LRDCSI
LRDCSI is a technology company engaged in aggregating data and telecommunication services. LRDCSI's revenue model involves acquiring services from local and foreign technology and telecommunication companies at wholesale rates, bundling said services and then reselling the services at retail rates.

The premium for such activity is warranted given the bespoke and higher level of customer engagement provided by LRDCSI. LRDCSI's portfolio includes solutions related to data center co-location, internet, private leased lines, mobile and video platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in the industry sectors including land based and gaming operators. DigiPlus owns 80% of the outstanding capital of LRDCSI while one of the incorporators owns the remaining 20%.

LRDCSI owns 20% of the outstanding capital stock of FCCDCI.

FCCDCI
FCLRC, LRDCSI and IP Ventures, Inc. (IPVI) formed a joint venture corporation with the name First Cagayan Converge Data Center Inc. to engage in the business of information technology such as IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution, premium dial up access, voice over internet protocol, IP-wide area network services and other value-added services. Presently, FCCDCI provides a range of services to Internet Gaming Operators at the CSEZFP for a fee.

Property

ABLGI
ABLGI acquired a building in Manila as investment property and collect rental income.

GREJC
GREJC acquired 23 hectares of land property in Boracay for future project. DigiPlus as Surety and signed an Omnibus Loan and Security Agreement (OLSA) for ₱2,500,000,000.00 with BDO Unibank, Inc. - Trust and Investment Group as Security Trustee and the Company since October 2017.

LRLDI
LRLDI entered into various lease agreements as lessor with lease terms ranging from monthly to five (5) years.

LRLDI is also committed in supporting the development of Cagayan Special Economic Zone and Free Port (CSEZFP). In executing an agreement with Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC), LRLDI has established its support by investing funds into the Lal-Lo Airport Project, Cagayan Economic Zone and Freeport (CEZFP) International Airport Project, and other facilities within the CSEZFP. These projects aim to improve and further advance CSEZFP into a self-sustaining industrial zone.

LRLDI has significant land properties in Cagayan which are carried at fair value.

RESULTS OF OPERATIONS

CONSOLIDATED REVENUE AND OPERATING INCOME (LOSS)

Breakdown of consolidated gross revenues, other revenues and its related costs and expenses are as follows:

	For three months ended March 31			% Change
Amounts in Thousands	**2023**	2022	Inc/(Dec)	
GROSS REVENUE				
Retail games	**₱3,975,733**	₱751,880	₱3,223,853	429%
Rental income - casino	**102,308**	66,345	35,963	54%
Service and hosting fees	**80,856**	94,371	(13,515)	-14%
Revenue from leases	**18,819**	16,418	2,401	15%
Total Gross Revenue	**4,177,716**	929,014	3,248,702	350%
COSTS AND EXPENSES				
Franchise fees and taxes	**2,284,063**	654,072	1,629,991	249%
Advertising and promotion	**482,329**	17,989	464,340	2581%
Outside services	**414,690**	43,599	371,091	851%
Salaries and other benefits	**207,732**	106,061	101,671	96%
Rent	**161,867**	91,035	70,832	78%
Communications and utilities	**74,503**	54,748	19,755	36%
Depreciation and amortization	**40,780**	49,854	(9,074)	-18%
Taxes and licenses	**25,592**	12,550	13,042	104%
Repairs and maintenance	**8,653**	10,785	(2,132)	-20%
Bandwith and co-location costs	**8,048**	37,612	(29,564)	-79%
Others	**-**	51,615	(51,615)	-100%
Total Costs and Expenses	**3,708,257**	1,129,920	2,578,337	228%
Operating Income (Loss)	**₱469,459**	(₱200,906)	₱670,365	334%

Consolidated Revenue
In the first quarter of 2023, consolidated gross revenue increased by 350% or ₱3,248.7 million from ₱929.0 million of the first quarter of 2022 to ₱4,177.7 million. The increase was mainly due to increase in revenue from the retail, casino and property segments of the Group, net of the decrease in revenues from network and licenses segment.

Retail
ABLE and its subsidiaries, and TGXI recognized revenue in the first quarter of 2023 amounting to ₱3,975.7 million, an increase of 429% or ₱3,223.9 million. This was mainly due to an increase in retail business operations and new licenses obtained from PAGCOR.

As of March 31, 2023, there were 154 sites in operation with full capacity.

In July 2021, TGXI received a new PAGCOR license to start a new business product "Electronic Gaming System (EGS)" to replace Electronic games. Previously TGXI earned 29% gross gaming revenue (GGR) from IEST a gaming platform provider and now TGXI generated GGR 52.50% after PAGCOR share.

In January 2022, ABLE received a new PAGCOR license to start a new business product "BingoPlus", a traditional bingo on a technology platform.

In February 2023, DigiPlus has launched a new brand for its sports betting operations, Arena Plus.

Casino
BCGLC and GCLWC revenue increased by 54% or ₱36.0 million from ₱66.3 million in the first quarter of 2022 to ₱102.3 million in the first quarter of 2023. The increase was mainly due to increase in operating capacity and sites' operating hours.

Network and Licenses
There was a decrease in network and licenses revenue from ₱94.4 million to ₱80.9 million in the first quarter of 2023 as compared to 2022. The decrease amounted to ₱13.5 million or 14%. The decline was attributable to: 1) non-renewal of CEZA licensees and lower revenues reported by existing licensees; and 2) terminations of locators or discontinuance of their operations.

Property
Revenue from leases in 2022 increased by 15% mainly due to escalation of rates in 2023. The revenue from property segment was generated from the lease of Binondo Suites and other properties in Cagayan Province.

Consolidated Costs and Expenses
Total costs and expenses increased by 228% or ₱2,578.3 million in the first quarter of 2023 as compared to 2022. This was mainly due to increase in franchise fees and taxes brought about by new games and licenses, advertising and promotions, outside services, salaries and wages and rent expense.

CONSOLIDATED EBITDA AND NET INCOME (LOSS)

Details of EBITDA and net income (loss) are as follows:

	For three months ended March 31			
Amounts in thousands	**2023**	2022	Inc/(Dec)	% Change
Gross revenues	**₱4,177,716**	₱929,014	₱3,248,702	350%
Costs and expenses (excluding depreciation and amortization)	**(3,667,477)**	(1,080,066)	2,587,411	240%
EBITDA*	**510,239**	(151,052)	661,291	438%
Depreciation and amortization	**(40,780)**	(49,854)	(9,074)	-18%
Finance expense	**(24,657)**	(21,970)	2,687	12%
Equity in net loss of joint venture:	**(10,959)**	-	10,959	100%
Foreign exchange gain (loss)	**17**	(1,116)	1,133	102%
Finance income	**5,620**	21	5,599	26662%
Other income (expenses) - net	**(2,710)**	900	3,610	401%
Net Income (loss) after tax	**436,770**	(223,071)	659,841	296%
Minority interest	**12,387**	(679)	13,066	1924%
Net income (loss) attributable to Parent Company	**₱424,383**	(₱222,392)	₱646,775	291%

*EBITDA is defined as earnings before interest, taxes, depreciation, amortization, and non-recurring expense such as impairment loss. The Group evaluates performance based on contributions to EBITDA, which is not a measure of operating performance or liquidity defined by PFRSs and may not be comparable to similarly titled measures presented by other entities.

The Group's consolidated net income improved from ₱222.4 million net losses in the first quarter of 2022 to ₱436.7 million net income in the first quarter of 2023 or 296% increase. EBITDA also improved from a loss of ₱151.1 million in the first quarter of 2022 to ₱510.2 million in the same period of 2023. This was mainly due to significant increase in revenue from retail and casino segments, net of costs and expenses related to franchise and taxes, advertising, manpower and retail business for re-opening of sites.

Financial Position

On a consolidated basis, the financial position of DigiPlus and its subsidiaries continue to be on solid ground.

As at March 31, 2023, our total assets stood at ₱21.4 billion, an increase of ₱0.4 billion or 2% as compared to total assets as of December 31, 2022 amounting to ₱20.9 billion. The increase was attributable to increase in receivables, prepaid expenses, property and equipment and other noncurrent assets, net of the decrease in cash, and investment and advances. The increase is mainly due to on-going and completed construction of BingoPlus studio and head office and renovation of BingoPlus land-based sites.

Cash and cash equivalents decreased by ₱178.3 million or 13% mainly due to payments of existing loans, property and equipment additions, advances to suppliers for the new studio and head office. This is net of deposits received for future stock subscription and cash flows generated from the operations.

Receivables and lease receivables increased by ₱74.4 million or 4% mainly due to lease amendments to increase rental rate of certain sub-lease agreements of the

Group. Prepaid and other current assets also increased by 55% mainly due to increase in prepaid expenses such as advertising, taxes and licenses, insurance and increase in advances to existing suppliers.

Property and equipment increased by 4% or ₱42.2 million, mainly due to renovations of land-based sites and acquisition of office equipment, net of straight-line depreciation and amortization during the quarter.

Goodwill amounting to ₱1.3 billion were from the business acquisition of the Group which includes share and land-based site acquisitions.

Other noncurrent assets include advances to suppliers, cash performance bonds, rental deposits and other assets. Other noncurrent assets increased by 24% or ₱275.1 million due to on-going construction of new BingoPlus studio and new office in BGC.

The total liabilities as of March 31, 2023 and December 31, 2022 amounted to ₱8.0 billion and ₱7.9 billion, respectively. The slight increase was mainly due to the receipt of deposits for future stock subscriptions, partially offset by the settlement of the Group's outstanding loans.

Cash Flows

Cash balance as of March 31, 2023 and December 31, 2022 amounted to ₱1.2 billion and ₱1.4 billion, respectively. The decrease was mainly due to net cash used in investing and financing amounting to ₱365.9 million and ₱315.3 million, respectively, net of cash flows provided by operating activities amounting to ₱502.9 million in the first quarter of 2023.

The Company and its subsidiaries:

a) Have no known trends or any demands, commitments, events or uncertainties that will result in or that are likely to result in the liquidity increasing or decreasing in any material way;
b) Have no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
c) Have no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
d) Have not breached any loans, leases or other indebtedness or financing agreement; and
e) Have no material commitment for capital expenditure, aside from those already discussed.

FUTURE PLANS

<u>Retail</u>

In 2022, we were able to overcome changes brought by the pandemic and successfully launched our online products, which had brought significant revenue growth to the company.

For 2023, we expect to expand more physical sites in the different areas, especially the provincial regions. We are also expecting to explore on additional game offerings and gaming machine acquisitions to support the growing operations. 2023 is also expected to be a year of continued growth for our online products. We plan to add new online games to increase revenue and player retention and we believe that these expansions will adequately address the changing consumer trends and demographics. We shall also remain cost-efficient to protect our margins.

We shall continue to support our employees, customers, suppliers and communities while shifting our focus towards a more digital, sustainable and cost-efficient business structure.

Casino

Product Improvement
For 2023, BCGLC expect to purchase additional new slot machines from 2 world top slot machines manufacturer (Aristocrat Gaming and Light and Wonder gaming). All are top performing games in Asia include Duo Fu Duo Cai Grand, Jin Ji Bao Xi Grand, Dragon Link, Tian Ci Jin Lu etc.

At the same time, for jackpot setting, Bluechip VIP club will be one of the highest jackpot prize in the Philippines. The ultimate goal is to be the number one VIP slot machine club in the Philippines.

Marketing and Promotion
BCGLC marketing plan in 2023 will be based on the following: (1) Product – increase the game mix; (2) Price – various denomination games installed in each club to attract all levels of players; (3) Promotion – intense marketing activities will be held on a weekly, monthly and quarterly basis.

Bluechip Club is the fastest loyalty point earning club in the Philippines with variety of products for our members to redeem for as we want to make every member to have the chance to win after visiting of the slot club.

PART II – OTHER INFORMATION

There is no significant information that needs to be reported under this section not previously reported in a report on SEC Form 17-C.

SIGNATURES

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

DIGIPLUS INTERACTIVE CORP.

By:

TSUI KIN MING
President

May 12, 2023

WILFREDO M. PIELAGO
Chief Financial Officer / Treasurer

May 12, 2023

DigiPlus Interactive Corp. and Subsidiaries
(formerly Leisure & Resorts World Corporation)

Consolidated Statements of Financial Position

As at March 31, 2023 and December 31, 2022
(All amounts in thousand Philippine Peso)

	Notes	2023*	2022**
ASSETS			
Current asset			
Cash and cash equivalents		1,178,143	1,356,481
Receivables, net		1,155,279	1,086,372
Current portion of lease receivables		64,618	64,618
Due from related parties		157,156	157,156
Prepaid expenses and other current assets		679,938	437,992
Total current assets		3,235,134	3,102,619
Non-current assets			
Receivables, net of current portion		430,812	425,308
Lease receivables, net of current portion		142,924	142,924
Investments and advances, net		2,762,438	2,773,385
Financial assets at fair value through other comprehensive income (FVOCI)		70,640	78,513
Property and equipment, net		1,118,772	1,076,596
Investment properties		10,942,553	10,942,553
Goodwill		1,329,092	1,329,092
Other noncurrent assets		1,360,244	1,077,315
Total noncurrent assets		18,157,475	17,845,686
Total assets		21,392,609	20,948,305
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other current liabilities		2,736,950	2,454,359
Short-term loans payable	2	441,739	116,739
Current portion of:			
Long-term loans payable	2	710,901	3,160,901
Lease liabilities		260,511	260,511
Income tax payable		343	343
Total current liabilities		4,150,444	5,992,853
Non-current liabilities			
Long-term loans payable, net of current portion	2	-	-
Lease liabilities, net of current portion		369,952	369,952
Deposits for future stock subscriptions	3	1,852,416	-
Retirement benefits liability		53,077	53,077
Customer deposits, net of current portion		86,916	81,516
Deferred tax liabilities		1,444,183	1,444,183
Total noncurrent liabilities		3,806,544	1,948,728
Total liabilities		7,956,988	7,941,581
Equity			
Capital stock		4,094,107	4,094,107
Additional paid-in capital		5,090,997	5,090,997
Treasury shares		(431,598)	(431,598)
Retirement benefits reserve		20,502	20,502
Fair value reserve		491,962	499,835
Foreign currency translation reserve		(2,100)	(2,100)
Other reserve		(19,488)	(19,488)
Retained earnings		3,751,397	3,327,014
Equity attributable to equity holders of the Parent Company		12,995,779	12,579,269
Non-controlling interests		439,842	427,455
Total equity	3	13,435,621	13,006,724
Total liabilities and equity		21,392,609	20,948,305

**Unaudited*
***Audited*

(The notes on are integral part of these financial statements)

DigiPlus Interactive Corp. and Subsidiaries
(formerly Leisure & Resorts World Corporation)

Consolidated Statements of Total Comprehensive Income

For the three months ended March 31, 2023 and 2022
(All amounts in thousands Philippine Peso)

	Notes	2023*	2022*
Revenues			
Retail games		3,975,733	751,880
Rental income		102,308	66,345
Service and hosting fees		80,856	94,371
Revenue from leases		18,819	16,418
		4,177,716	929,014
Cost and operating expenses	6	(3,708,257)	(1,129,920)
Operating profit (loss)		469,459	(200,906)
Other expenses and losses, net			
Finance expense	2	(24,657)	(21,970)
Equity in net loss of joint venture:		(10,959)	-
Foreign exchange gain (loss)		17	(1,116)
Finance income		5,620	21
Other income (expense), net		(2,710)	900
		(32,689)	(22,164)
Profit (loss) before income tax		436,770	(223,071)
Provision for income tax		-	-
Profit (loss) for the period		436,770	(223,071)
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Revaluation loss - FVOCI		(7,873)	-
		(7,873)	-
Total comprehensive income (loss) for the period		428,897	(223,071)
Profit (loss) for the period attributable to:			
Equity holders of the Parent Company		424,383	(222,392)
Non-controlling interests		12,387	(679)
		436,770	(223,071)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company		416,510	(222,392)
Non-controlling interests		12,387	(679)
		428,897	(223,071)
Earnings (loss) per share			
Basic and diluted	3	0.1142	(0.0920)

**Unaudited*

(The notes are integral part of these financial statements)

DigiPlus Interactive Corp. and Subsidiaries
(formerly Leisure & Resorts World Corporation)

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022
(All amounts in thousands Philippine Peso)

	Equity attributable to equity holders of the Parent Company											
	Capital stock		Additiona l paid in capital	Treasury shares	Retirement benefits reserve	Fair value reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Common	Preferred										
Balances at December 31, 2021	2,444,107	1,650,000	4,276,691	(1,703,951)	24,244	(52,546)	(2,100)	(19,488)	2,726,309	9,343,266	341,303	9,684,569
Comprehensive income for the period												
Loss for the period	-	-	-	-	-	-	-	-	(222,392)	(222,392)	(679)	(223,071)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(222,392)	(222,392)	(679)	(223,071)
Balances at March 31, 2022	2,444,107	1,650,000	4,276,691	(1,703,951)	24,244	(52,546)	(2,100)	(19,488)	2,503,917	9,120,874	340,624	9,461,498

	Equity attributable to equity holders of the Parent Company											
	Capital stock		Additional paid in capital	Treasury shares	Retirement benefits reserve	Fair value reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Common	Preferred										
Balances at December 31, 2022	4,094,107	-	5,090,997	(431,598)	20,502	499,835	(2,100)	(19,488)	3,327,014	12,579,269	427,455	13,006,724
Comprehensive income for the period												
Profit for the period	-	-	-	-	-		-	-	424,383	424,383	12,387	436,770
Other comprehensive income for the period	-	-	-	-	-	(7,873)	-	-	-	(7,873)	-	(7,873)
Total comprehensive income for the period	-	-	-	-	-	(7,873)	-	-	424,383	416,510	12,387	428,897
Balances at March 31, 2023	4,094,107	-	5,090,997	(431,598)	20,502	491,962	(2,100)	(19,488)	3,751,397	12,995,779	439,842	13,435,621

**Unaudited*

(The notes are integral part of these financial statements)

DigiPlus Interactive Corp. and Subsidiaries
(formerly Leisure & Resorts World Corporation)

Consolidated Statements of Cash Flows
For the three months ended March 31, 2023 and 2022
(All amounts in thousands Philippine Peso)

	Notes	2023*	2022*
Cash flows from operating activities			
Income (loss) before income tax		436,770	(223,071)
Adjustments for:			
Depreciation and amortization		40,780	49,854
Finance expense		24,657	21,970
Equity in net loss of joint venture and associates		10,959	-
Unrealized foreign exchange loss (gain)		(17)	1,116
Interest income		(5,620)	(21)
Operating income (loss) before working capital changes		507,529	(150,152)
Increase in:			
Receivables		(68,905)	(32,906)
Prepaid expenses and other current assets		(241,947)	(56,190)
Increase (decrease) in:			
Trade payables and other current liabilities		300,664	434,572
Customer deposits		5,400	(6,926)
Net cash generated from operations		502,741	188,398
Interest received		115	21
Net cash provided by operating activities		502,856	188,419
Cash flows from investing activities			
Proceeds from sale of property and equipment		-	-
Additions to:			
Property and equipment		(82,955)	(22,679)
Investment and advances		-	(331,358)
Other noncurrent assets		(282,928)	977
Net cash used in investing activities		(365,883)	(353,060)
Cash flows from financing activities			
Proceeds from:			
Deposit for future stock subscription	3	1,852,416	-
Loans payable	2	325,000	190,046
Payments for:			
Loans payable	2	(2,450,000)	(213,165)
Interest		(42,727)	(21,970)
Net cash used in financing activities		(315,311)	(45,089)
Net decrease in cash and cash equivalents		(178,338)	(209,730)
Cash and cash equivalents at beginning of period		1,356,481	416,524
Cash and cash equivalents at end of period		1,178,143	206,794

**Unaudited*

(The notes are integral part of these financial statements)

DigiPlus Interactive Corp. and Subsidiaries
(formerly Leisure & Resorts World Corporation and Subsidiaries)

Notes to the Financial Statements
As at March 31, 2023 and December 31, 2022
And for the three months ended March 31, 2023 and 2022
(In the notes, all amounts are shown in thousands Philippine Peso unless otherwise stated)

Note 1 - General information

1.1 Company information

DigiPlus Interactive Corp. (formerly Leisure & Resorts World Corporation) (the Parent Company or "DigiPlus") was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in joint venture and associates.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE).

The Parent Company's primary purpose is to purchase, acquire, own, use, improve, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises, such as, but not limited to resorts, golf courses, clubhouses and sport facilities, hotels and gaming facilities, including but not limited to bingo parlors with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith.

On February 28, 2023, the Securities and Exchange Commission approved the change of the corporate name of the Parent Company from "Leisure & Resorts World Corporation" to "DigiPlus Interactive Corp." In view of the foregoing, in March 2023, the Company changed its Stock Symbol from "LR" to "PLUS".

In addition, the SEC approved the Parent Company's change of business address from Pasig City to Taguig City. The Group's registered office address is Ecoprime Building, 32nd Street corner Ninth Avenue, Bonifacio Global City, Taguig City.

1.2 Status of operations

Impact of COVID-19

In March 2020, in a move to contain the COVID-19 outbreak, the Office of the President of the Philippines issued Proclamation No. 929, declared a State of Calamity throughout the Philippines and mandated various quarantine restrictions (Enhanced Community Quarantine or ECQ) on commercial activities and material limitations on the conduct of business to contain the spread of the virus. This resulted in the temporary closure of non-essential shops and businesses depending on the community quarantine classification of each location. In line with this declaration in Metro Manila, Philippine Amusement Gaming Corporation (PAGCOR) released a memorandum on March 15, 2020 that gaming operations of its licensees would be suspended for the duration of the quarantine.

On March 16, 2020, PAGCOR further announced the extension of the temporary suspension to all gaming operations nationwide effective midnight of March 16, 2020 until midnight of April 16, 2020 or until the government declares the COVID-19 situation either under control or for extended community quarantine. On June 5, 2020, PAGCOR announced that they would allow resumption of gaming sites located on low-risk areas placed under "Modified General Community Quarantine" (MGCQ). Gaming sites within the areas under MGCQ would be allowed to operate at 50% operational capacity, except for traditional bingo halls, which falls under mass gathering, thus, remain suspended. On June 18, 2020, PAGCOR further allowed gaming sites to conduct dry run operations (at 30% operating capacity) on areas under GCQ.

Due to the resurgence of COVID-19 cases in March 2021, Metro Manila and nearby provinces were reverted under ECQ starting March 29, 2021 and as a result, gaming sites within Metro Manila and nearby provinces suspended operations. In April 2021, alert level was downgraded to Modified Enhanced Community Quarantine (MECQ) and in the mid of May, was further downgraded to GCQ and sites are allowed to reopen.

To prevent the surge in COVID-19 cases particularly due to the Delta variant, Metro Manila was again placed under ECQ and MECQ from August 15 to September 15, 2021. During this time, gaming sites were closed to the public.

On September 16, 2021, the government amended its quarantine classification system for Metro Manila to allow for granular lockdowns. The new system employs an "Alert Level" approach, where major classifications include only ECQ (Alert Level 5) and GCQ (Alert Level 4 to 1). Under GCQ, each classification level from Alert Level 4 corresponds to less strict limitations on mobility with Alert Level 1 being the most relaxed. Metro Manila was then placed under GCQ Alert Level 4 and the gaming sites reopened at limited capacity.

On October 6, 2021, the Philippine government eased the quarantine restriction to GCQ Alert Level 3. From November 15 to December 31, 2021, Metro Manila was placed under GCQ Alert Level 2. As the government eased the quarantine restrictions, the Group continued to maintain health and safety protocol mandates in its sites and acts with caution to satisfy customer requirements under the "new normal" arrangements.

The COVID-19 pandemic and its consequences as discussed above have significantly reduced the operations of all licensed casinos and gaming sites nationwide which have impacted the Group's business, operations, and financial results. In 2022, with the ease of quarantine restrictions and the launching of the traditional bingo on a technology platform, BingoPlus, the Group's operations started to recover. As a result, the Group generated a net income of P686,857 and positive operating cash flows of P1,131,773. The Group's current liabilities still exceeded current assets by P2,158,504 as at March 31, 2023. In February 2023, the Group has launched a new brand for its sports betting operations, Arena Plus.

Short-term liquidity issues of DigiPlus are being dealt on a group level as treasury and cash management functions remains centralized. The Group management has been addressing its existing obligations by negotiating with lenders to restructure and extend its term loans, renewing and obtaining additional credit lines, negotiating new payment terms with some suppliers and lessors, and implementation of its business continuity plan.

Accordingly, the accompanying consolidated financial statements have been prepared on a going concern basis.

Note 2 - Loans payable

Short-term loans

Short term loans as at March 31, 2023 and December 31, 2022, are as follows:

	Ref	2023	2022
Classic Finance (CFI)	a	116,739	116,739
Banco De Oro (BDO)	b	325,000	-
		441,739	116,739

Long-term loans

Long term loans as at March 31, 2023 and December 31, 2022, are as follows:

		2023		2022	
	Ref	Current portion	Non-current portion	Current portion	Non-current portion
BDO	c	-	-	2,250,000	-
Chip Leader	d	710,901	-	910,901	-
		710,901	-	3,160,901	-

a. In March 2020, LRLDI entered into a short-term loan agreement with a local finance company, CFI, for working capital requirements. The loan amounting to P70,000 is subject to an interest rate of 8% and shall be payable in one year. In consideration of the loan, LRLDI assigned its receivable due from TCAMI and pledged 20,777 shares of stock of DFNN, which is owned by the Parent Company, for a total amount of P112,631.

   In 2021, prior to the maturity of the loan, CFI granted LRLDI a twelve-month extension and LRLDI obtained an additional loan amounting to P76,500 with an interest rate of 8% and maturity date of one year.

   In 2022, CFI further granted LRLDI with a twelve-month extension for the two loans which are maturing in March 2023.

b. In January 2023, ABLE entered into 6-month short-term credit facility agreement with BDO with maturity date of July 2023 with interest of 7.75%, subject to repricing.

c. On November 29, 2017, ABLGI executed an Omnibus Loan and Security Agreement (OLSA) with BDO to partially finance the equity investment which GL-JV has undertaken to use for the purpose of acquiring land in Boracay. The loan amounted to P2,500,000, which is payable in full on the final repayment date in November 2022. Interest rate approximates 5.66% per annum and is subject to change depending on the higher of (a) three (3) month Philippine Dealing System Treasury Reference Rate (PDST-R2) plus applicable spread of 2.5% divided by 0.95 or (b) 28- day Time Deposit Facility Rate plus applicable spread of 1% divided by 0.95. Interest is payable on a quarterly basis.

   Among the provisions of the agreement, ABLGI is mandated to establish two bank accounts, a DSRA and a Debt Service Payment Account (DSPA). Both accounts are to be maintained at a certain level of funding to facilitate ABLGI's loan and interest payments to BDO.

   In the event that funding in the DSPA is insufficient to cover payments of interest, BDO is authorized to directly debit the DSRA to maintain the required funding level. ABLGI is required to pay a front-end fee equivalent to zero-point seventy-five percent (0.75%) of the total amount of loan. Transaction costs that are directly attributable on the issuance of loan amounted to P44,025 which were amortized over the life of the loan.

In consideration of the commitment of BDO to fund the ABLGI's equity investment, ABLGI, GL-JV, ABLAHI and ABLHPC has assigned to BDO its respective rights, titles and interest to all monies standing in the DSRA and DSPA, and other bank accounts created for this particular purpose, project receivables (collectively termed as "Assigned Collaterals"), as well as the proceeds, products, fruits of the aforementioned Assigned Collaterals. The Group has classified its cash included under the DSRA and DSPA as "Cash in bank - restricted" account under other current assets in the consolidated statements of financial position as of March 31, 2023 amounting to nil (December 31, 2022 - P42,245) presented as other non-current assets).

As part of the loan agreement with BDO, ABLGI is required to comply with affirmative financial ratios of debt-to-equity ratio of 2:1. ABLGI is in compliance with the debt-to-equity covenant as at December 31, 2022.

In addition, the loan is guaranteed by the following entities, GL-JV, ABLAHI, ABLHPC, Parent Company, ABLE, TGXI, PIKI, BCGLC and FCLRC.

The loan is likewise secured by project agreements, chattels and real assets owned by either one of the parties to the agreement. Mortgaged properties and mortgaged shares are as follows:

Mortgaged property	Carrying amount
Land	8,835,516
Building	142,063

Mortgaged shares	Shareholder	No of shares	Carrying amount
TGXI	Parent Company	930	93,000

On December 3, 2020, BDO granted an extension period of 60 days on the maturity date of the loan under the "Bayanihan to Recover As One Act". As a result, the Group was able to secure an extension of the loan maturity to January 30, 2023. The Group paid the loan balance in full in January 2023.

d. In February 2020, LRLDI entered into a loan agreement with Chip Leader Holdings Corporation (CLHC) to finance its operational and capital expenses. The loan amounting to US$10,000,000 or P480,230 shall be payable in March 2023. Annual interest rate is at 12% subject to change depending on the prevailing financial and monetary conditions.

The loan is secured by land owned by LRLDI located in Cagayan with fair value as at March 31, 2023 and December 31, 2022 amounting to P1,572,885.

In 2021, CLHC provided LRLDI an extension for the first principal payment for an additional twelve months from its original due date of March 1, 2021. On June 1, 2021, CLHC extended an additional loan to the Company amounting to US$6,320,000 or P355,980 with annual interest rate of 10% on the unpaid principal amount and with maturity date same as the original loan. The additional loan is secured by the above-mentioned properties owned by the LRLDI.

e. In December 2017, BCGLC obtained a long-term loan facility from AUB to partially finance its capital expenditures and to pay advances from related parties used for expansion projects. The maximum loanable amount is P500,000 available in lump sum or staggered releases. The loan is payable in thirty-six (36) equal monthly payments based on initial drawdown. Annual interest rate is the higher of (a) the sum of one-year PDST-R2 plus a spread of 3.0% or (b) 5.875% floor rate, subject to annual repricing. Interest is payable monthly based on the carrying amount of the loan. The loan is secured by (a) Comprehensive Surety Agreement by the Parent Company, (b) 60% ownership in BCGLC's shares of stocks, and (c) Assignment of accounts wherein BCGLC is mandated to establish two bank accounts, Revenues, Proceeds, and Disbursement Account (RPDA) and DSRA. The RPDA is established to accommodate the revenues, proceeds and disbursement related to the loan availed. The DSRA is to be maintained at a certain level of funding equivalent to one (1) month of amortization. BCGLC has no financial covenants to maintain. Initial drawdown was made in December 2017 amounting to P350,000. Additional drawdown with the remaining loanable amounting to P150,000 was made in April 2018.

   On February 1, 2019, the BCGLGC entered into restructuring agreement with AUB for the extension of the maturity period of the loans subject to amendment of the terms of principal repayment an interest payment, which will be repaid quarterly.

   On May 27, 2021, management obtained the approval of AUB for the restructuring of the loan agreement which modifies the principal installment payments to have a balloon payment upon maturity but retains the original maturity dates.

   In 2022, BCGLC paid the loan balance as at December 31, 2021 of P190,324 in full.

f. In 2015, the Parent Company entered into a term-loan facility with AUB amounting to P650,000 to facilitate the financing of the acquisition of TGXI. The loan facility is composed of long term and short-term loans. The loan is payable in 60 equal consecutive monthly installments on its respective repayment dates beginning June 12, 2015 until May 12, 2020. Annual interest rate is approximately 6.18%. On February 1, 2019, the Parent Company entered into a Restructuring Agreement with AUB to extend the maturity period of its long-term loan to 2021 and interest rate.

   The loan is secured by a chattel mortgage over DigiPlus' shares of stocks held by ABLE and stockholders. As a part of the loan agreement with AUB, the Group is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio. In 2020, The Group breached the required debt service coverage ratio and management consequently presented the loan as current liability in the statements of financial position.

   On May 30, 2021, the Group restructured the loan agreement with an interest rate of 6.58% and extended maturity date to November 2022. The group settled the short-term loan balance of P139,000 and the long term loan balance of P67,080 in November 2022.

g. ABLE entered into short-term loan agreement with UCPB with an original maturity date of January 2021. The loan is unsecured and is interest bearing with interest rate ranging from 6.70% to 7.00%. In 2021, ABLE secured an extension from the bank which extended the maturity date of the loan to January 2022. The group paid the loan in full in January 2022.

Interest expense related to the loans for the three months ended March 31, 2023 and 2022 amounted to P24,657 and P21,970, respectively.

Note 3 - Equity

Equity as at March 31, 2023 and December 31, 2022 is as follows:

	March 31, 2023		December 31, 2022	
	Amount	Number of shares	Amount	Number of shares
Capital Stock				
Authorized:				
Common shares - P1 par value	5,000,000	5,000,000,000	5,000,000	5,000,000,000
Balance at beginning of period	4,094,107	4,094,106,666	2,444,107	2,444,106,666
Conversion of preferred shares to common shares	-	-	1,650,000	1,650,000,000
Balance at end of period	4,094,107	4,094,106,666	4,094,107	4,094,106,666

Capital Stock

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000 common shares of the Parent Company were registered and may be offered for sale at an offer price of P1.33 per common share.

On June 18, 2013, the SEC approved the increase in the Parent Company's authorized capital stock from P1,600,000 to P5,000,000 divided into 2,500,000 common shares and 2,500,000 preferred shares with each class having a par value of P1 per share. The preferred shares may be issued in tranches or series and shall be non-voting, non-participating, entitled to preferential and cumulative dividends at the rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications as may be fixed by the BOD at their issuance.

The preferred shares have a coupon rate of 8.5% per annum and are paid semi-annually. These preferred shares are cumulative, non-voting and non-participating. Twenty (20) preferred shares will entitle each investor to one warrant. Each warrant, if exercised at a price of P15 or the average weighted trading price for the three months prior (whichever is lower) will be converted to one common share. This option will be exercisable starting on the fifth year until the eighth year.

On January 11, 2019, the Parent Company's BOD and stockholders approved the issuance of up to 1,300,147 common shares from the unissued capital stock through a private placement at a price based on a premium over the DigiPlus' shares closing price on November 29, 2018.

In March and April 2019, 1,217,647 common shares were subscribed at P3.60 per share by virtue of the subscription agreements entered into by the Parent Company with its investors. Transactions costs related to the share issuance amounting to P16,604 are recognized as deduction to additional paid-in capital.

On June 15, 2021 and July 30, 2021, the BOD and stockholders of Parent Company respectively approved the reclassification of DigiPlus' 1.5 million preferred shares into common shares. On May 20, 2022, the SEC approved the amendment of the Articles of Incorporation reflecting this reclassification. On November 22, 2021 and January 7, 2022, the BOD and stockholders respectively approved the reclassification of the remaining 1.0 billion preferred shares into common shares. On May 26, 2022, the SEC approved the amendment of the Articles of Incorporation reflecting this further reclassification.

On March 7, 2022, the BOD approved and authorized the issuance of 1,272,352,512 common shares at an issue price of P1.65 per share to various subscribers. Pursuant to the Subscription Agreements, the payment of the subscription price to DigiPlus shall be fully paid by the subscribers within 90 days from signing of their respective Subscription Agreements, which will fall on June 9, 2022. On May 10, 2022, the Board approved the extension of the deadline to pay up to August 9, 2022. On August 8, 2022, the Parent Company received the full payment of the subscription amount from all the private placement subscribers. The 1,272,352,512 subscribed shares were issued from the 1,650,000,000 treasury shares. Transaction costs related to share issuances amounting to P12,723 are recognized as deduction to additional paid-in capital.

On September 15, 2022, the BOD of the Parent Company approved the increase of the Company's authorized capital stock from P5 billion to P7 billion. On November 24, 2022, the amendment was approved by the stockholders. As of reporting date, the Group is yet to file the application for the increase in authorized capital stock with the Philippine SEC.

As of March 31, 2023 and December 31, 2022, the Parent Company has 1,821 common stockholders.

Warrants

On June 10, 2013, the BOD of the Parent Company approved the listing of 1,650,000 newly issued preferred shares and 82,500,000 warrants. The said listing was completed in December 2013.

On December 5, 2013, the BOD approved to change the expiry date of the warrants issued by the Parent Company to September 2021.

In September 2021, 26,606,666 warrants were exercised and converted into shares for an exercise price of P1.503 per share, which is the weighted average trading price for three (3) months prior to the exercise date with a 10% discount. Consequently, common shares with par value aggregating to P26,607 were issued for the exercised warrants resulting in additional paid-in capital of P13,383.

The remaining 55,893,334 warrants which were not exercised in September 2021 are deemed expired and are no longer exercisable.

On January 31, 2020, the Parent Company redeemed all of its 1,650,000 preferred shares at P1.00 per share. The redeemed preferred shares are not cancelled, thus, accounted and presented as treasury shares in the consolidated statements of changes in equity.

Declaration of cash dividends

There were no cash dividends declared by the BOD to common stockholders of the Parent Company in 2023 and 2022.

As at March 31, 2023 and December 31, 2022, unpaid dividends, included under "Trade and other payables" account in the consolidated statements of financial position, amounted to P175,387.

Treasury Shares

Details of treasury shares as at March 31, 2023 and December 31, 2022 are as follows:

	Parent Company Treasury Shares		Parent Company Shares held by ABLE	
Number of shares	2023	2022	2023	2022
Balance at beginning of period	377,646,488	1,650,000,000	21,567,000	21,567,000
Issuance of shares	-	(1,272,353,512)	-	-
Balance at end of period	377,646,488	377,646,488	21,567,000	21,567,000

Amount	2023	2022	2023	2022
Balance at beginning of period	377,647	1,650,000	53,951	53,951
Issuance of shares	-	(1,272,353)	-	-
Balance at end of period	377,647	377,647	53,951	53,951

Deposits for future stock subscriptions

On September 15, 2022, the Board of Directors approved and authorized the issuance of 691,200,000 common shares of stock via private placement at an issue price of P1.70 per share or 5% above 30-day volume-weighted average price, whichever is higher. On November 24, 2022, the stockholders approved and authorized the issuance of 691,200,000 common shares. On December 21, 2022, the Board of Directors approved the ninety (90) days extension from the original period of December 21, 2022 to fully pay for the subscription in the private placement shares. In March 2022, payments for the subscription amounting to P1,852,416 were received by the Parent Company. This was presented as "Deposits for future stock subscriptions" in the consolidated statement of financial position as at March 31, 2023.

Earnings (loss) per share

Basic/diluted earnings (loss) per share for the three months ended March 31 is computed as follows:

	2023	2022
Net income (loss) attributable to equity holders of the Parent Company (a)	424,383	(222,392)
Adjusted weighted average number of shares outstanding (b)	3,716,459	2,417,500
Basic earnings (loss) per share (a/b)	0.1142	(0.0920)

Stock option plan

On January 31, 2023, the BOD of the Parent Company approved the employee stock options plan of the Group. On March 27, 2023, the same was approved by the stockholders.

Note 4- Gaming licenses to operate bingo games

a. Bingo games

Revenue from Bingo games is composed of revenue from the online traditional bingo, traditional bingo games, electronic bingo games and new rapid bingo system.

Bingo Plus

DigiPlus is granted the country's first Online Traditional Bingo (OTB) license by PAGCOR under its subsidiary, AB Leisure Exponent Inc. (ABLE) and launched its OTB game under the gaming brand "BingoPlus". Bingo Plus was developed by a third party service provider. This innovative game transforms the way traditional bingo is played by combining the excitement of the old and the convenience of new technology via online platforms. BingoPlus can be accessed via website and mobile application.

ABLE remits to PAGCOR its share of 15% on Gross Gaming Revenue (GGR), where GGR is equal to Gross Bets less Total Payouts, or a monthly Minimum Guaranteed Fee (MGF) of P100 million, whichever is higher, including the 5% franchise tax on PAGCOR share. In addition, the cost for services of PAGCOR's Third Party Audit Provider equivalent to 10% of the PAGCOR share net of franchise tax is also remitted by the gaming operator to PAGCOR.

Operation of traditional bingo games

PAGCOR awarded ABLE and its subsidiaries the authority to operate and conduct traditional bingo games, as well as the betting aspect thereof, within the confines of the game sites. The Licenses for various periods ranging from September 2020 to September 2023 are subject to renewal after one (1) to two (2) years upon mutual agreement of both parties.

ABLE and its subsidiaries pay PAGCOR 15% of its gross bingo card sales as franchise fee.

Operation of electronic bingo games

PAGCOR awarded ABLE and its subsidiaries the authority to operate and conduct electronic bingo games, as well as the betting aspect thereof, within the confines of the game sites. The Licenses for various periods ranging from February 2017 to December 2023 are subject to renewal after one (1) to two (2) years upon mutual agreement of both parties.

ABLE and its subsidiaries pay PAGCOR 50% of its revenue less payouts as franchise fee.

Operation of New Rapid Bingo System (NRBS)

On September 27, 2005, PAGCOR granted ABLE the authority to operate and conduct rapid bingo games, subject to the approved terms and conditions of NRBS operations and the use of the prescribed NRBS card format. ABLE pays PAGCOR 15% of its gross sales (total amount wagered or bets) from the NRBS operations, which shall be remitted twice weekly.

Distribution and sale of pull-tabs or break-open cards

On August 3, 2005, PAGCOR granted ABLE the authority to distribute and sell pull-tabs or break-open cards in all of the branches of ABLE and its subsidiaries. In consideration of the Grant, ABLE shall pay PAGCOR 15% of gross card price which shall be remitted to PAGCOR by ABLE upon draw-down of cards from the supplier, regardless of quantity of cards sold.

b. Electronic games

PAGCOR awarded DigiPlus the authority to operate and conduct electronic games, as well as the sports betting aspect thereof. The Licenses for various periods ranging from December 2017 to August 2023 are subject to renewal after one (1) to (2) two years upon mutual agreement of both parties.

The Group pays PAGCOR 25%-47.5% of its revenue as franchise fee.

Note 5 - License agreement

CEZA is authorized under Section 6f of R.A 7922, “An Act Establishing a Special Economic Zone and Free Port in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefore, and for Other Purposes”, to operate on its own, either directly or through a subsidiary entity, or license to others, tourism-related activities, including games, amusements, recreational and sport facilities, such as horse racing, gambling casinos, golf courses, and others, under priorities and standards set by CEZA in CSEZFP.

On February 2, 2001, FCLRC and CEZA entered into a license agreement authorizing FCLRC to set up a network operation/hub with its internet server including web sites, gaming software, application programs, administrative software, hardware, internet, as well as telecommunication connections, collection and payment system and toll-free telephone operations, all in connection with the development, operation and conduct of internet and gaming enterprises and facilities in CSEZFP. In line with this mandate, FCLRC was also authorized and licensed to conduct interactive games as defined in the license agreement.

Subsequent to the signing of the license agreement, FCLRC and CEZA signed a supplemental agreement which provides for the following:

1. Appointment of FCLRC as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP;

2. FCLRC is authorized to assist CEZA in its functions as a regulator for interactive gaming activities on behalf of CEZA in accordance with Part 5 of CSEZFP Interactive Gaming Rules and Regulations;

3. The authorization of FCLRC as Master Licensor shall be exclusive for twenty-five years starting from November 7, 2006 or until 2031;

4. FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, FCLRC is authorized to collect from sub-licenses an annual fixed amount for the first year of operations and thereafter, from sportsbook operators. The amount collected from sublicences is recognized by FCLRC as unearned fees and recognize the revenue over time upon provision of the access to the hosting platform.

5. FCLRC must pay CEZA, on a monthly basis to commence upon the start of actual operations of FCLRC, an amount equivalent to one percent (1%) of the monthly gross winnings payable not later than the seventh (7th) day of the subsequent month. Starting on the sixth (6th) year after the start of FCLRC's operation, FCLRC shall pay a minimum guaranteed amount of $250.

FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local, and national, shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the national government and local government units five percent (5%) of locators' gross income less allowable deductions.

FCLRC proposed a Master Development Plan in keeping its authority under the license agreement. The Master Development Plan proposed by FCLRC will accordingly create a self-sustaining industrial zone and mixed-use new township in the CSEZFP with tourism and leisure as the lead sector to be developed. The Master Development Plan envisaged by FCLRC shall comprise of the three (3) phases with time frame of completion as follows:

- Phase I supposedly completed in 2009 after authorization of the CEZA BOD which includes telecommunication connectivity via microwave radio; upgrading of the existing internet data center; conversion of the CEZA Complex into a gaming facility; upgrading of the San Vicente Naval Airport; and Construction of a new CEZA Administration Office. Phase 1 was completed in January 2011.

  In August 2007, FCLRC and CEZA entered into an agreement with A.G. Pazon & Associates and CAMJ Construction Corporation, both third parties, to start the development of the Cagayan Business Park (CBP), part of Phase I of the Master Development Plan. The proposed CBP has a total lot area development of 90,005 square meters. The site development plan includes the construction of buildings with a total floor area of 2,400 square meters. The project also includes the construction of an administration building, commercial center, cable center, sub-station and parking spaces. It also includes the installation of an underground power/communication cabling system and an overhead water tank. The development of the CBP was completed in January 2011.

  Another infrastructure required in Phase I of the Master Development Plan is the rehabilitation of the San Vicente Naval Airport (the Airport). On September 1, 2006, FCLRC entered into a contract for the airstrip rehabilitation with the same contractors for the CBP to undertake the expansion, paving and overlaying of the runway of the airport and the provision of basic airport amenities. The rehabilitation of the San Vicente Naval Airport was completed on December 8, 2006.

  As an initial project to establish the internet and telecommunication infrastructure, FCLRC entered into an Agreement with IPCDCC on March 1, 2007, incorporating FCCDCI. The parties shall infuse the necessary capital to fund the required infrastructure requirements of the Master Development Plan.

- Phase II shall be completed after three (3) years of completion of Phase I and shall include the telecommunication connectivity via fiber optic; redundant telecommunication connectivity; and construction of a leisure and resort complex.

- Phase III shall be completed three (3) years after completion of Phase II and shall include the implementation of the Comprehensive Feasibility Study that will provide a complete telecommunication infrastructure for the whole of the CSEZFP; and development of a beach front property into a leisure and gaming facility.

On September 15, 2006, the parties have extended the term of the license agreement from two (2) years to twenty-five (25) years from the date of approval by the CEZA BOD of the Master Development Plan. The 25 years extension of the authority of FCLRC as Master Licensor commenced on November 7, 2006 and will end on November 7, 2031.

On December 11, 2008 the parties have agreed to extend the deadline of FCLRC's payment of CEZA's share on the sub-licensee fee from "7th day of the following month" to "27th day of the following month", and to reduce the interest rate for the delay in remittance of the said CEZA's share from 18% to 12% per annum.

On November 24, 2017, FCLRC and CEZA signed a supplemental agreement which provides for the following:

- CEZA retains the 25-year appointment of FCLRC as a non-exclusive Licensor for interactive gaming;
- CEZA shall also grant appointment of FCLRC for land-based gaming after it has complied with all requirements;
- To protect FCLRC's interest and investment as the pioneer Licensor, CEZA effectively restricted itself from directly issuing Gaming Licenses to FCLRC's current and previous licensees; and
- All applicants for gaming licenses from CEZA shall post the amount of USD100 million as an investment commitment. In consideration of the significant actual and future investments attributable to FCLRC, CEZA shall credit such investments towards the investment commitment compliance of applications for gaming licenses coursed through FCLRC.

FCCDCI and LRDCSI provide advanced information technology infrastructure services for businesses such as co-location, internet services, connectivity, business continuity and disaster recovery, and managed professional services. Service agreements with the customers are renewable annually, and require a security deposit equivalent to one to two months of current service or recurring fees. The security deposit is forfeited in favor of FCCDCI and LRDCSI in the event the customer pre-terminates the agreement without cause or when FCCDCI and LRDCSI exercise its right to terminate the agreement.

Note 6 - Costs and operating expenses

Cost and operating expenses for the three months ended March 31 consist of:

	2023	2022
Franchise fees and taxes	2,284,063	654,072
Advertising and promotion	482,329	17,989
Outside services	414,690	43,599
Salaries and other benefits	207,732	106,061
Rent	161,867	91,035
Communications and utilities	74,503	54,748
Depreciation and amortization	40,780	49,854
Taxes and licenses	25,592	12,550
Repairs and maintenance	8,653	10,785
Bandwith and co-location costs	8,048	37,612
Others	-	51,615
	3,708,257	1,129,920

Note 7 - Segment information

For purposes of management reporting, the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. Such business segments are the bases upon which the Group reports its primary segment information. The Group operates in four (4) reportable business segments namely: the network and license group, casino group, retail group and investment group, and only one (1) reportable geographical segment which is the Philippines. The description of the reportable segments are as follows:

Retail

The retail segment consists largely of venues providing amusements and recreation to the public in such forms as, but not limited to, traditional, electronic, rapid bingo games and online traditional bingo gaming. And with the acquisition of TGXI in July 2014, this business segment now currently includes a PAGCOR eGames Station (PeGS) offering online casino games. Multiple sites include Bingo Halls located in large popular malls, while Bingo Boutiques and eGames Stations are situated in strategic commercial establishments across the country.

Network and license

The network and license segment's primary activity are licensing of operators engaged in interactive gaming, as well as the establishment and setup of all the gaming infrastructures required in connection with the development, operation and conduct of internet server, telecommunication network, gaming enterprises, and other systems facilities.

Casino

The casino group is involved in arcade leasing.

Property

The property segment consists of an economic interest in one of the integrated resort operators in the Entertainment City and an investment in a joint venture property development project engaged in building a world-class Business Process Outsourcing center with offices for various locators.

Analysis of financial information by business segment in as at and for the three months ended March 31, 2023 is as follows:

	Network and License Group	Casino Group	Retail Group	Property Group	Corporate	Eliminations	Consolidated
Revenue	80,856	102,308	3,975,733	18,819	-	-	4,177,716
Cost and operating expenses	(51,514)	(66,570)	(3,477,197)	(10,828)	(61,368)	-	(3,667,477)
EBITDA	29,342	35,738	498,536	7,991	(61,368)	-	510,239
Depreciation and amortization	(4,092)	(24,678)	(10,993)	(297)	(720)	-	(40,780)
Finance expense	-	-	(4,074)	(20,583)	-	-	(24,657)
Equity in net losses of a joint venture	-	-	-	-	(10,959)	-	(10,959)
Finance income	4	2	92	5,506	16	-	5,620
Foreign exchange gain, net	-	-	17	-	-	-	17
Other income (expense), net	(3)	(147)	(2,408)	(23)	(129)	-	(2,710)
Income tax	-	-	-	-	-	-	-
Net income (loss)	25,251	10,915	481,170	(7,406)	(73,160)	-	436,770
Other information							
Total assets	865,710	1,532,328	4,957,042	14,674,948	7,574,327	(8,211,746)	21,392,609
Total liabilities	2,589,792	2,087,577	4,298,474	9,071,355	110,678	(10,200,888)	7,956,988
Capital expenditures	-	-	80,933	-	2,022	-	82,955

Analysis of financial information by business segment as at December 31, 2022 and for the three months ended March 31, 2022 is as follows:

	Network and License Group	Casino Group	Retail Group	Property Group	Corporate	Eliminations	Consolidated
Revenue	94,371	66,345	751,880	16,418	-	-	929,014
Cost and operating expenses	(65,214)	(48,555)	(890,409)	(15,394)	(60,494)	-	(1,080,066)
EBITDA	29,157	17,790	(138,529)	1,024	(60,494)	-	(151,052)
Depreciation and amortization	(26,520)	(10,632)	(12,223)	(243)	(236)	-	(49,854)
Finance expense	-	-	(3,679)	(13,512)	(4,779)	-	(21,970)
Finance income	-	-	2	19	-	-	21
Foreign exchange loss, net	1	-	(1,117)	-	-	-	(1,116)
Other income (expense), net	(4,322)	1,065	(8,722)	10,491	2,388	-	900
Income tax	-	-	-	-	-	-	-
Net income	(1,684)	8,223	(164,268)	(2,221)	(63,121)	-	(223,071)
Other information							
Total assets	2,504,368	1,623,276	2,644,296	14,668,524	8,588,998	(9,081,157)	20,948,305
Total liabilities	2,825,142	1,804,411	2,517,178	8,960,797	31,546	(8,197,493)	7,941,581
Capital expenditures	1,410	-	21,269	-	-	-	22,679

There were no intersegment sales recognized among reportable segments in for the three months ended March 31, 2023 and 2022. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement benefits liability, and due to related parties. Capital expenditures on noncurrent assets represent additions to property and equipment and investment properties. Noncash expenses pertain to depreciation and amortization expense attributable to reportable segments.

EBITDA is defined as earnings before interest, taxes, depreciation, amortization, and non-recurring expenses such as impairment loss. The Group evaluates performance based on contributions to EBITDA, which is not a measure of operating performance or liquidity defined by PFRSs and may not be comparable to similarly titled measures presented by other entities.

Note 8 - Contingencies

The Group currently has several tax assessments and legal cases. The Group's estimate of the probable costs for the resolution of these assessments has been developed in consultation with management as well as outside legal counsel handling these matters and is based on an analysis of potential results. The Group currently does not believe that these tax assessments and legal cases will have a material adverse effect on its consolidated statement of financial position and consolidated statement of financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Note 9 - Critical accounting estimates and assumptions

Use of estimates and judgment

The preparation of the Group's consolidated financial statements in accordance with PFRSs requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. However, uncertainty about these estimates, judgments and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Actual results may differ from these estimates, judgments and assumptions.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the estimates and judgments ae revised and in any future periods affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant effects on the amounts recognized in the Group's consolidated financial statements is as follows:

9.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of lease term of contracts with renewal and termination options - Group as a lessee.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include any renewal and termination options in determining the lease term as significant number of the lease agreements can be renewed only upon mutual agreement by both parties.

Determination and classification of joint arrangement

The Group determines a joint arrangement in accordance with its control over the entity or joint operations rather than its legal form. The Group's investments in joint venture is structured in a separate incorporated entity. The joint venture agreement requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements. The Group has determined its involvement in joint arrangement and determined that its investment is classified as joint venture.

Although the Group has 51% ownership in HEPI, the shareholders' agreement provides for equal representation in the BOD and joint control over the joint venture.

Distinction between investment property and property and equipment

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Property and equipment generate cash flows that are attributable not only to property but also to the other assets used for administrative purposes and rendition of services.

If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment. The Group has determined that the land, land improvements and building are investment properties.

Recoverability of property and equipment

The Group assess impairment of property and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

For the Group's impaired property and equipment in 2020, the Group determined that the VIU of these assets is zero since these assets pertain to non-movable assets of its closed sites with no expected future cashflows. Management assessed that any scrap value (FVLCS) is not material.

Based on the assessment, the Group assessed that the carrying amount of property and equipment as at March 31, 2023 and December 31, 2022 are fully recoverable.

Recoverability of investment in joint venture

The Group assess recoverability of investments in joint venture whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

The factors that the Group consider important, which could trigger an impairment review include the following:

- a downgrade of joint venture's credit rating or a decline in the fair value of the associate or joint venture in consideration of other available information
- significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the joint venture operates

The COVID-19 pandemic significantly affected HEPI's operations and substantially reduced the of guests and reduced room rates in its hotels, consequently impacting Group's share in net losses of HEPI. In 2023 and 2022, with the ease of quarantine restrictions, HEPI shown recovery in terms of reduced net losses.

Based on the assessment, the Group assessed that the investment in joint venture as at March 31, 2023 and December 31, 2022 is not impaired.

Estimating realizability of deferred tax assets.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets 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 Group also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

The Group's unrecognized deferred tax assets amounted to P413,687 as at March 31, 2023 and December 31, 2022.

9.2 Estimates

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment properties, the appraisers used a valuation technique based on comparable market data available for such property.

The fair values of the investment properties were arrived at using the sales comparison approach for land and cost approach for buildings and land improvements.

The key assumptions used to determine the fair value of these properties are provided in Note 6 to the annual consolidated financial statements.

Investment properties amounted to P10,942,553 as at March 31, 2023 and December 31, 2022.

Impairment of goodwill

Goodwill is tested for impairment annually. Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment losses could have a material adverse impact on the results of operations.

The impairment testing of goodwill utilized significant unobservable inputs (Level 3) to determine the VIU.

The Group performs impairment testing of goodwill annually. The recoverable amount of the cash generating units containing the goodwill is based on the VIU which is determined on discounting the future cash flows to be generated from the continuing use of the cash generating units. As at March 31, 2023 and December 31, 2022, the carrying amounts of goodwill amounted to P1,329,092.

Expected credit loss - Receivables

Provision for impairment of receivables is maintained at a level considered adequate to provide for uncollectible receivables. Provision for impairment is calculated using expected credit losses (ECLs). ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group used relevant historical information and loss experience to determine the probability of default of the receivables and incorporated forward-looking information, which involved significant estimates and judgements.

The Group also evaluates specific account of customers and other counterparties who are unable to meet their financial obligations. In these cases, management uses judgment and assessment based on the best available facts, including but not limited to, the debtor's payment history and the result of the Group's follow-up action to recover overdue debts.

Any change in the Group's assessment of the collectability of receivables could impact the recorded carrying amount of receivables and related provision for impairment.

As at March 31, 2023 and December 31, 2022, the Group recognized an allowance for impairment of receivables amounting to P590,640. Management believes that the recorded allowance is sufficient to cover the receivables that are impaired and assessed to be uncollectible.

Estimating provisions and contingencies

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Group's estimates of the probable costs for the resolution of its obligations have been developed in consultation with outside legal counsel handling the prosecution and defense of these matters and are based on an analysis of potential results. As of March 31, 2023 and December 31, 2022, the Group has allowance for probable losses amounting to P18,803.

Leases - Estimating the incremental borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company's lease liabilities amounted to P630,463 as at March 31, 2023 and December 31, 2022.

Estimating retirement benefits liability

The cost of defined benefit pension plans and other postemployment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

As at March 31, 2023 and December 31, 2022, retirement benefits liability amounted to P53,077.

Note 10 - Financial risk and capital management objectives and policies

10.1 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments:

- *Credit risk*
- *Liquidity risk*
- *Market risk*

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital

The main purpose of the Group's dealings in financial instruments is to fund their respective operations and capital expenditures. The Group is not actively engaged in the trading of financial assets for speculative purposes nor does it write options.

The BOD of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The Executive Committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The BOD has a Risk Oversight Committee which is responsible for overseeing and managing the risks that the Group may encounter. The BOD develops proper strategies and measures to avoid or at least minimize such risk incorporating the Group's established risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results.
The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Group's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the Group's financial statements and financial reporting process and the Group's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Group's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Group with legal and regulatory requirements, including the Group's disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group's annual report. The results of procedures performed by Internal Audit are reported to the Audit Committee. On the other hand, the Audit Committee reports all the issues identified over the financial reporting of the Group to the BOD on a regular basis.

10.2 Credit risk

Credit risk represents the risk of loss the Group would incur if customers and counterparties fail to perform their contractual obligations. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. Further, the Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Financial information on the Group's maximum exposure to credit risk as at March 31, 2023 and December 31, 2022, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	March 31, 2023	December 31, 2022
Cash and cash equivalents	1,105,621	1,285,179
Receivables, current portion, net	1,155,279	1,086,372
Receivables, non-current portion, net	430,812	425,308
Advances	1,251,083	1,251,083
Lease receivables	207,542	207,542
Rental deposits	456,229	454,558
Cash performance bonds	405,427	394,427
Performance cash deposits	32,700	32,450
Due from related parties	157,156	157,156
	5,201,849	5,294,075
FVOCI	70,640	78,513
	5,272,489	5,372,588

Cash and cash equivalents exclude cash on hand and pay out fund amounting to P72,522 and P71,302 as at March 31, 2023 and December 31, 2022, respectively.

Cash and cash equivalents

The management evaluates the financial condition of the banking industry and bank deposits/investments are maintained with reputable banks only.

Receivables and advances

Majority of the Group's credit risk on receivables is attributed to its internet gaming licensing activities influenced mainly by the individual characteristics of each customer and non-interest-bearing advances made to entities with similar operations. The demographics of the Group's customer base, including the default risk of the industry and regions in which customers operate, has an influence on credit risk.

The BOD has established a credit policy under which each new advanced amount requested by customer/counterparties within the same gaming industry is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The Group's review includes the requirements of updated credit application documents, credit verifications through the use of no negative record requests and list of blacklisted accounts, and analyses of financial performance to ensure credit capacity. The status of each account is first checked before advances are approved.

Most of the Group's customers have been transacting with the Group for several years, and losses have occurred from time to time. Results of credit reviews are grouped and summarized according to credit characteristics, such as aging profiles and credit violations.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Group has recognized allowance for impairment losses on receivables and advances amounting to P741,502 as at March 31, 2023 and December 31, 2022.

As at reporting date, there were no significant concentrations of credit risk.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days.

Rental deposits

The management prefers well known business establishments in the selection of location for bingo operations to ensure profitable operations and recovery of the rental and other deposits upon termination of the lease agreements.

Cash performance bonds/performance cash deposits and betting credit funds

The Group's exposure to credit risk is negligible as PAGCOR has sufficient funds to settle these upon the expiration of the respective license agreements.

Financial assets at FVOCI

The Group's exposure to credit risk is negligible as this pertains to the Group's investment in DFNN's shares that are listed on the PSE.

Due from related parties

The Group limits its exposure to credit risk by only financing the operations of related parties that have viable operations and likewise engaged in gaming amusement activities.
The most significant amount of due from related parties of the Group are the advances to BLRI and HEPI, an associate and a joint venture, respectively, of the Parent Company.

Aging analysis

Set out below is the aging of financial assets as at March 31, 2023 and December 31, 2022:

	March 31, 2023					
	Current	30 days	60 days	90 days and above	ECL	Total
Cash and cash equivalents	1,105,621	-	-	-	-	1,105,621
Receivables, current portion, net	1,745,919	-	-	-	(590,640)	1,155,279
Receivables, non-current portion, net	430,812	-	-	-	-	430,812
Advances	1,401,945	-	-	-	(150,862)	1,251,083
Lease receivables	207,542	-	-	-	-	207,542
Rental deposits	456,229	-	-	-	-	456,229
Cash performance bonds	405,427	-	-	-	-	405,427
Performance cash deposits	32,700	-	-	-	-	32,700
Due from related parties	157,156	-	-	-	-	157,156
Financial assets at FVOCI	70,640	-	-	-	-	70,640
	6,013,991	-	-	-	(741,502)	5,272,489

	December 31, 2022					
	Current	30 days	60 days	90 days and above	ECL	Total
Cash and cash equivalents	1,285,179	-	-	-	-	1,285,179
Receivables, current portion, net	1,677,012	-	-	-	(590,640)	1,086,372
Receivables, non-current portion, net	425,308	-	-	-	-	425,308
Advances	1,401,945	-	-	-	(150,862)	1,251,083
Lease receivables	207,542	-	-	-	-	207,542
Rental deposits	454,558	-	-	-	-	454,558
Cash performance bonds	394,427	-	-	-	-	394,427
Performance cash deposits	32,450	-	-	-	-	32,450
Due from related parties	157,156	-	-	-	-	157,156
Financial assets at FVOCI	78,513	-	-	-	-	78,513
	6,114,090	-	-	-	(741,502)	5,372,588

Credit risk under general and simplified approach

	March 31, 2023				
	General Approach				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Cash and cash equivalents	1,105,621	-	-	-	1,105,621
Receivables, current portion, net	-	-	-	1,155,279	1,155,279
Receivables, non-current portion, net	-	-	-	430,812	430,812
Advances	1,251,083	-	-	-	1,251,083
Lease receivables	-	-	-	142,924	142,924
Rental deposits	456,229	-	-	-	456,229
Cash performance bonds	405,427	-	-	-	405,427
Performance cash deposits	32,700	-	-	-	32,700
Due from related parties	157,156	-	-	-	157,156
Financial assets at FVOCI	70,640	-	-	-	70,640
	3,478,856	-	-	1,729,015	5,207,871

	December 31, 2022				
	General Approach				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Cash and cash equivalents	1,285,179	-	-	-	1,285,179
Receivables, current portion, net	-	-	-	1,086,372	1,086,372
Receivables, non-current portion, net	-	-	-	425,308	425,308
Advances	1,251,083	-	-	-	1,251,083
Lease receivables	-	-	-	207,542	207,542
Rental deposits	454,558	-	-	-	454,558
Cash performance bonds	394,427	-	-	-	394,427
Performance cash deposits	32,450	-	-	-	32,450
Due from related parties	157,156	-	-	-	157,156
Financial assets at FVOCI	78,513	-	-	-	78,513
	3,653,366	-	-	1,719,222	5,372,588

Simplified approach

Set out below is the information about the credit risk exposure on the Group's trade receivables using simplified approach (provision matrix) as of March 31, 2023 and December 31, 2022:

	March 31, 2023					
	Days past due					
	Current	<30 days	30-90 days	More than 90 days	Credit impaired	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	659,401	33,412	9,170	1,027,032	590,640	2,319,655
Expected credit loss	-	-	-	-	(590,640)	(590,640)
	659,401	33,412	9,170	1,027,032	-	1,729,015

	December 31, 2022					
	Days past due					
	Current	<30 days	30-90 days	More than 90 days	Credit impaired	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	649,608	33,412	9,170	1,027,032	590,640	2,309,862
Expected credit loss	-	-	-	-	(590,640)	(590,640)
	649,608	33,412	9,170	1,027,032	-	1,719,222

10.3 Liquidity risk

Liquidity risk pertains to 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 manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury and cash management functions of the Group are centralized. Management has placed controls and procedures to closely monitor the Group's existing obligations. Additionally, the Group has also been negotiating with lenders to restructure and extend its term loans, renewing and obtaining additional credit lines, negotiating new payment terms with some suppliers and lessors, and implementation of its business continuity plan to ensure that sufficient cash is maintained to cover working capital requirements.

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. As at March 31, 2023 and December 31, 2022, there are no commitments under the line of credit. As at March 31, 2023 and December 31, 2022, there were no amounts drawn against the line of credit. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Group:

	March 31, 2023				
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	2,410,416	2,410,416	2,410,416	-	-
Short-term and long-term loans payable	3,277,640	3,277,640	3,277,640	-	-
Lease liabilities	630,463	630,463	128,737	128,737	372,989
Deposits	81,516	81,516	-	-	81,516
	6,400,035	6,400,035	5,816,793	128,737	454,505

	December 31, 2022				
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	2,230,107	2,230,107	2,230,107	-	-
Short-term and long-term loans payable	1,152,640	1,152,640	1,152,640	-	-
Lease liabilities	630,463	630,463	128,737	128,737	372,989
Deposits	86,916	86,916	-	-	86,916
	4,100,126	4,100,126	3,511,484	128,737	459,905

Trade and other payables exclude payable to government agencies and contract liabilities as at March 31, 2023 amounting to P91,882 and P234,652, respectively, and as at December 31, 2022 amounting to P57,724 and 166,528, respectively.

The Group expects to meet its operating assets and liabilities, capital expenditure and investment requirements for the next 12 months primarily from the deferral of principal and interest payments of loans and issuance of shares through a new private placement.

The Group management has been addressing its existing obligations by negotiating with lenders to restructure and extend its term loans, renewing and obtaining additional credit lines, negotiating new payment terms with some suppliers and lessors, and implementation of its business continuity plan.

To further improve the results of operations and address the cashflow requirements, a new business line, was launched in January 2022. On September 15, 2022, the BOD of the Parent Company approved the increase of the Company's authorized capital stock from P5 billion to P7 billion. On November 24, 2022, the amendment was approved by the stockholders. As of reporting date, the Group is yet to file the application for the increase in authorized capital stock with the Philippine SEC.

10.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in prices, interest rates, currency exchange rates and equity price risk.

The Group minimizes its exposure to risks in changes in rental rates by entering into contracts with lessors with fixed rent commitment for the contract duration.

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in U.S. dollar ($). In respect of monetary assets and liabilities held in currencies other that the Philippine peso, the Group ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances.

The exchange rate used to translate the net assets in foreign currency as at March 31, 2023 and December 31, 2022 is P54.36 and P57.76, respectively.

The Group's foreign exchange gain (loss) for the three months ended March 31, 2023 and 2022 amounted to P17 and (P1,116), respectively

Interest rate risk

The Group's exposure to changes in interest rates relate primarily to the Group's short-term and long-term debt obligations.

Management is tasked to minimize interest rate risk through having a mix of variable and fixed interest rates on its loans. Presently, the Group's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on PSDT-R2 plus a certain mark-up. The Group has not entered into interest rate swaps and options during 2023 and 2022.

There is no other impact on the Group's equity other than those affecting the profit or loss.

Equity price risk

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks.
The management strictly monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated financial position as financial asset at FVOCI.

Fair values

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

Cash/Receivables/Due from Related Parties/Rental Deposits/Cash Performance Bonds/Performance Cash Deposits and Betting Credit Funds/Trade and Other Payables/Due to a Related Party/Deposits/Short-term Loans Payable

The carrying amounts of cash, receivables, due from related parties, trade and other payables, due to a related party and short-term loans payable approximate their fair values due to the relatively short-term nature of these financial instruments. The carrying amounts of rental deposits, cash performance bonds, performance cash deposits and betting credit funds and deposits approximate their fair values as management believes that the effect of discounting cash flows from these instruments is not significant.

Non-current receivable

The fair value is based on the discounted value of future cash flows using the applicable risk-free rates. The fair value is under Level 3 of the fair value hierarchy.

Long-term loans payable

Long-term loans are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as at reporting date. The carrying amount approximates fair value since the interest rates are repriced frequently. These are classified as current liabilities when they become payable within a year.

Financial assets at FVOCI

The fair value of the FVOCI is based on the quoted market price of the investment in equity as at March 31, 2023 and December 31, 2022. The fair value is under Level 1 of the fair value hierarchy.

10.5 Capital management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as income before income tax divided by total average shareholders' equity.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as at March 31, 2023 and December 31, 2022.

The Group has a business continuity plan in place to mitigate the loss of revenues as well as to lower the risks involved with its customers and clients. The Group ensures strict compliance with the safety protocols required by PAGCOR and all related government agencies when operations resumed in June 2020, so the playing public may gain confidence in playing within the Group's premises. Costs and expenses were also strictly monitored. The Group has been doing cost saving strategies in the prior year such as negotiating with lessors on the waiver or discount on rentals fees, negotiating with the bank for lower interest rates, reducing personnel cost as operations are still in reduced capacity, among others. As the COVID-19 pandemic has yet to come to an end, the Group will continuously review and revise the Group's business strategies.

Note 11 - Summary of significant accounting policies

11.1 Basis of preparation and presentation

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

- Certain financial assets carried at FVOCI;
- Investment properties carried at fair value

The consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency. All values are rounded to the nearest thousands (000), except when otherwise indicated. The consolidated financial statements have been prepared based on the accounting policies disclosed in the most recent audited annual consolidated financial statements.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippines Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations

Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 9.

11.2 Changes of accounting policies and disclosures

New standards, amendments and interpretations adopted by the Group

A number of new standards, amendments, and interpretations to existing standards are effective for annual periods after January 1, 2022 and have not been early adopted nor applied by the Group in preparing these financial statements. None of these standards are expected to have significant effect in the financial statements of the Group.

- PFRS 3: Reference to the Conceptual Framework

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

  The Board also added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or IFRIC 21 Levies, if incurred separately.

  At the same time, the amendments clarified the existing guidance in PFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendment does not have a material impact on the consolidated financial statements.

- PAS 16: Property, Plant and Equipment - Proceeds before Intended Use

  The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendment does not have a material impact on the consolidated financial statements.

- Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. On January 1, 2022, the Group applied these amendments to contracts for which it has not yet fulfilled all its obligations.

- Annual Amendments PFRS 2018-2020 Cycle – Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments do not have a material impact to the Group.

- Annual Amendments PFRS 2018-2020 Cycle - PFRS 9 Financial Instruments - Fees in 10% est for Derecognition of Financial Liabilities

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. In January 1, 2022, the Group applied the amendments to financial liabilities that are modified or exchanged. The amendments do not have a material impact to the Group.

New standards, amendments or interpretations issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

- PAS 1: Classification of Liabilities as Current or Non-current

  Amendments to paragraphs 69 to 76 of PAS 1 were issued to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

  - the definition of right to defer settlement;
  - that a right to defer must exist at the end of the reporting period;
  - that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group does not expect the amendment to have a significant impact to the Group's financial statements.

- PAS 1 and PFRS Practice Statement 2: Making Materiality Judgments - Disclosure of Accounting Policies

  The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

  The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to PFRS Practice Statement 2 do not contain an effective date or transition requirements.

- PAS 8: Definition of Accounting Estimates

  The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

  The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

  - A change in accounting estimate that results from new information or new developments is not the correction of an error

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

- PAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

  The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- PFRS 17, Insurance Contracts

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

There are no other relevant standards, amendments or interpretations that are effective beginning on or after January 1, 2022 that are expected to have a material impact on the Group's financial statements.

11.3 Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of LWRC and its subsidiaries March 31, 2023 and December 31, 2022 each period and for the periods then ended. The Group controls an investee if and only if the Group has:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

Accounting policies and reporting period of its subsidiaries are consistent with the policies adopted by and the reporting period of the Parent Company.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group

had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.
If the Group surrenders control to a related party within the group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized as other charges to equity.

The consolidated financial statements include the financial statements of the Group and the following subsidiaries as at March 31, 2023 and December 31, 2022:

Subsidiaries	Percentage of ownership	Country of incorporation
AB Leisure Exponent, Inc. (ABLE) and subsidiaries	100	Philippines
AB Leisure Global, Inc. (ABLGI)	100	Philippines
LR Land Developers, Inc. (LRLDI)	100	Philippines
Prime Investment Korea, Inc. (PIKI)	100	Philippines
Total Gamezone Xtreme Incorporated (TGXI)	100	Philippines
Blue Chip Gaming and Leisure Corporation (BCGLC)	100	Philippines
Gold Coast Leisure World Corporation (GCLWC)	100	Philippines
LR Data Center and Solutions Inc. (LRDCSI)	80	Philippines
First Cagayan Leisure and Resort Corporation (FCLRC)	69.68	Philippines
First Cagayan Converge Data Center, Inc. (FCCDCI)	57.81	Philippines
Bingo Bonanza (HK) Limited (BBL)**	60	Hong Kong

**Non-operating subsidiary*
***Deregistered*

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interest (NCI)

NCI represent the portion of profit or loss and net assets or liabilities not held by the Group and are presented separately in the consolidated statements of total comprehensive income, consolidated statements of changes in equity, and within equity in the consolidated statements of financial position, separately from Group's equity attributable to equity holders of the Group. Losses applicable to the NCI in a subsidiary (including components of other comprehensive income) are allocated to the NCI even if doing so results in a deficit NCI balance.

ABLE

ABLE, a wholly-owned subsidiary, was registered with the SEC on March 31, 1995. Its primary purpose is to provide amusement and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games.

ABLE offers traditional and electronic bingo games on its bingo halls across the country. Classified under non-essential businesses, all ABLE's bingo halls were temporarily closed on March 16, 2020. On June 5, 2020, PAGCOR issued a memorandum allowing the resumption of operations of gaming sites within MGCQ areas at 50% capacity.

Bingo halls located in areas under GCQ areas were allowed to operate at 30% operating capacity. In 2021, with the government easing the quarantine restrictions, ABLE resumed its sites' operations. In January 2022, PAGCOR granted ABLE with an online traditional bingo license for its new application BingoPlus.

ABLE's registered office address is located at 5th Floor Units 536-544 Bldg. D SM Megamall, EDSA Brgy. Wack-wack, Mandaluyong City.

The consolidated financial statements also include the following indirect subsidiaries owned through ABLE as at March 31, 2023 and December 31, 2022:

Subsidiaries	Percentage of Ownership 2023	2022	Country of incorporation
Alabang Numbers & Gaming Corporation	100	100	Philippines
Allpoint Leisure Corporation	100	100	Philippines
Alpha One Amusement and Recreation Corp.	100	100	Philippines
Big Time Gaming Corporation	100	100	Philippines
Bingo Extravaganza, Inc.	100	100	Philippines
Bingo Gallery, Inc.	100	100	Philippines
Bingo Heaven Inc.*	100	100	Philippines
Bingo Palace Corporation	100	100	Philippines
Cebu Entertainment Gallery, Inc.	100	100	Philippines
Fiesta Gaming and Entertainment Corporation*	100	100	Philippines
First Leisure & Game Co., Inc.	100	100	Philippines
Galleria Bingo Corporation	100	100	Philippines
Gamexperience Entertainment Corp.	100	100	Philippines
Grand Polaris Gaming Co., Inc.	100	100	Philippines
G-One Gaming & Technology, Inc.	100	100	Philippines
Highland Gaming Corporation	100	100	Philippines
Iloilo Bingo Corporation	100	100	Philippines
Metro Gaming Entertainment Gallery, Inc.	100	100	Philippines
Rizal Gaming Corporation	100	100	Philippines
SG Amusement and Recreation Corp.	100	100	Philippines
South Bingo Corporation	100	100	Philippines
South Entertainment Gallery Incorporated	100	100	Philippines
Topmost Gaming Corp.	100	100	Philippines
Topnotch Bingo Trend, Inc. (Topnotch)	100	100	Philippines
One Bingo Pavilion Inc.	100	100	Philippines
Worldwide Links Leisure and Gaming Corporation	100	100	Philippines
Bingo Dinero Corporation (Bingo Dinero)	100	100	Philippines
Manila Bingo Corporation	100	95	Philippines
One Bingo Place, Incorporated	95	80	Philippines
Bingo Zone, Inc.*	95	95	Philippines
Isarog Gaming Corporation	90	90	Philippines
Summit Bingo, Inc.	60	60	Philippines
Negrense Entertainment Gallery, Inc.	55	55	Philippines

**Non-operating subsidiaries.*

The indirect subsidiaries' primary purpose is to provide amusement and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games.

ABLGI

ABLGI, a wholly-owned subsidiary, was registered with the SEC on October 20, 2009. Its primary purpose is to acquire, own, use, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises such as but not limited to resorts, golf courses, clubhouses and sports facilities, hotels and gaming facilities, with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith. ABLGI started its operations on January 1, 2013.

ABLGI's registered office address is located at 26th Floor West Tower, PSE Center, Exchange Road, Ortigas Center, Brgy. San Antonio, Pasig City.

The consolidated financial statements also include the following indirect subsidiaries owned through ABLGI as at March 31, 2023 and December 31, 2022:

Subsidiaries	Percentage of Ownership	Country of incorporation
AB Leisure Asia Holdings Inc. (ABLAHI)	100	Philippines
AB Leisure Holdings Philippines Corp (ABLHPC)	100	Philippines
G-L Real Estate JV Corporation (GL-JV)	100	Philippines
G-Boracay Land Holdings Inc. (GBLHI)	100	Philippines
G-Boracay Alpha Holdings Inc. (GBAHI)	100	Philippines
G-Boracay Beta Holdings Inc. (GBBHI)	100	Philippines
G-Boracay Gamma Holdings Inc. (GBGHI)	100	Philippines

The indirect subsidiaries' primary purpose is the same as ABLGI. These indirect subsidiaries were incorporated in 2017 for a future project. The land for such project was acquired in 2017 at a cost of P4,759,548,749.

There have been no significant changes in the operations of ABLGI as a direct effect of the COVID-19 pandemic.

LRLDI

On December 10, 2007, the Parent Group incorporated LRLDI as its wholly-owned subsidiary. It is engaged in realty development and lease of properties. LRLDI started its operations in 2010.

LRLDI's registered office address is located at Cyberpark Building, Brgy. Visitacion, Sta. Ana, Cagayan.

The community quarantines brought about by the pandemic significantly impacted the LRLDI's operations in 2021 and 2020. The Parent Company is providing the necessary operating and financial support to LRLDI to enable it to continue in the normal course of business.

PIKI

PIKI was registered with the SEC on November 9, 2012. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. On July 3, 2013, PIKI obtained a Grant of Authority from PAGCOR for the privilege and authority to bring in pre-registered non-Philippine junket players (with passports bearing Philippine arrival dates no later than five (5) days prior to the initial entry in the Gaming Rooms) to play the designated junket Gaming Rooms at PAGCOR's Casino Filipino - Midas, with a minimum gaming table mix to be determined by PAGCOR. On March 22, 2013, the Parent Group acquired 100% of PIKI's outstanding capital stock. PIKI started its operations on July 26, 2013.

PIKI was licensed by PAGCOR to operate a junket within PAGCOR's Casino Filipino-Midas. Junket operations have been suspended at the start of the ECQ. In November 2021, PIKI ceased its operations.

TGXI

TGXI was registered with the SEC on June 27, 2014 primarily to engage in general amusement, gaming operations and recreation enterprises. PAGCOR granted TGXI the privilege to establish, install, maintain, and operate PeGS. PeGS is a gaming facility that offers virtual casino games. TGXI started commercial operations on July 16, 2014.

TGXI operates PeGS in several locations across the country. Its operations were suspended on March 16, 2020 until June 16, 2020. Relative to PAGCOR's memorandum on June 5, 2020, TGXI was allowed to operate at 50% and 30% capacity in sites under MGCQ and GCQ, respectively. In 2021, with the government easing the quarantine restrictions, ABLE resumed its sites' operations.

TGXI's principal office is at W-1801A, 18th Flr., West Tower, PSE-C, Exchange Rd., Ortigas Center, Pasig City.

BCGLC

BCGLC was registered with the SEC on February 26, 2009. Its primary purpose is to provide investment, management counsel and to act as agent or representative for business enterprises engaged in gaming, recreation and leisure activities. On October 20, 2009, BCGLC (lessor), as the authorized representative of Munich Management Limited (a foreign corporation duly organized and registered in British Virgin Islands), entered into a contract of lease with PAGCOR (lessee), for the use of slot machines and gaming facilities.

On July 24, 2015, BCGLC incorporated Gold Coast Leisure World Corp. (GCLWC) as its wholly owned subsidiary. Its primary purpose is to purchase, acquire, own, lease (except financial leasing), sell and convey real properties such as lands, buildings, factories, and warehouses and machineries, equipment, and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, share of its capital stock, debentures and other evidences of indebtedness, or other securities as may be deemed expedient, for any business or property acquired by the corporation.

BCGLC operates several PAGCOR VIP clubs. Operations of the PAGCOR VIP clubs were suspended from March 16, 2020 to June 15, 2020 due to the mandated community quarantine of the Philippine government. Relative to PAGCOR's memorandum on June 5, 2020, BCGLC was allowed to operate at 50% and 30% capacity in sites under MGCQ and GCQ, respectively. Its operations resumed on June 16, 2020.

BCGLC's registered office address is at King's Royal Hotel and Leisure Park, Olongapo Gapan Road, Macabacle, Bacolor, Pampanga.

LRDCSI

LRDCSI was registered with SEC on May 20, 2016 and started its operation in October 2017. LRDCSI is a technology Group engaged in aggregating data and telecommunication services. LRDCSI's revenue model involves acquiring services from local and foreign technology and telecommunications companies at wholesale rates, bundling said services and then reselling the services at retail rates. The premium for such activity is warranted given the bespoke and higher level of customer engagement provided by the LRDCSI.

LRDCSI's portfolio includes solutions related to data center co-location, internet, private leased lines, mobile and voice platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in all industry sectors including land based and online gaming operators. DigiPlus owns 80% of the outstanding capital stock of LRDCSI while an individual stockholder owns 20%.

LRDCSI provides advanced information technology infrastructure services for businesses such as co-location, internet services, connectivity, business continuity and disaster recovery, and managed professional services. Service agreements with the customers are renewable annually. Due to the COVID-19 pandemic, some of the clients of LRDCSI terminated or have not renewed its contract. In addition, LRDCSI granted discounts to some of its customers in April and May 2020.

LRDCSI's registered office address is located at 26th Floor West Tower, PSE Center, Exchange Road, Ortigas Center, Brgy. San Antonio, Pasig City.

FCLRC

FCLRC was incorporated on April 26, 2000 and is a Cagayan Special Economic Zone and Freeport (CSEZFP) registered enterprise. FCLRC has an existing License Agreement with the Cagayan Economic Zone Authority (CEZA) to develop, operate and conduct internet and gaming enterprises and facilities in the CSEZFP. Pursuant to the License Agreement, CEZA issued the "CEZA Master Licensor Certificate" certifying that FCLRC is duly authorized to regulate and monitor, on behalf of CEZA, all activities pertaining to the licensing and operation of interactive games.

As Master Licensor in CEZA, FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Since COVID-19 impacted the operations of the CEZA licensees, FCLRC's sub-license fee also decrease due to discontinuance of the operations of its locators/licensees.

FCLRC's registered office address is located at Guest House, CEZA Complex, Casambalangan, Sta. Ana, Cagayan.

FCCDCI

On March 1, 2007, FCLRC and IP Converge Data Center Corp. (IPCDCC) entered into a Shareholders Agreement (Joint Venture) to engage in the business of information technology such as, but not limited to IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution to the licensed locators of FCLRC, as well as the CEZA. The Joint Venture shall likewise invest in building, upgrading and maintaining the IP communications infrastructure that connects CEZA to the global internet. This includes fiber optic networks, wireless radio stations, telco-grade internet data center, network operations center, and network hubs/access points. This investment is made by FCLRC in relation to the Master Development Plan for Tourism Area in CSEZFP and the Development of Information Technology (IT) Facilities and Telecommunications (Master Development Plan) (Note 5).

FCCDCI was incorporated and registered with the SEC on November 14, 2007, and started commercial operations on January 1, 2008. FCLRC owns 60% of FCCDCI and the remaining 40% is owned by IPCDCC.

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription Rights with IP Ventures, Inc. ("IPVI" a third party Group) whereby IPCDCC assigned all the rights, interests and participation to IPVI. On January 1, 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI.

By virtue of the Deed of Absolute Sale of Share of Stock entered into by IPVI and LRDCSI, DigiPlus obtained a 57.81% effective interest and control in FCCDCI through its direct subsidiaries FCLRC and LRDCSI at 60% and 20% equity stake in FCCDCI, respectively. Thus, due to the effect of the 20% additional equity interest, FCCDCI is consolidated into the Group effective January 1, 2017.

FCCDCI provides advanced information technology infrastructure services for businesses such as colocation, internet services, connectivity, business continuity and disaster recovery, and managed professional services. Service agreements with the customers are renewable annually. Due to the COVID-19 pandemic, some of the clients of FCCDCI terminated or have not renewed its contract. In addition, FCCDCI granted discounts to some of its customers in April and May 2020.

FCCDCI's registered office address is at Centro Municipality of Sta. Ana, Cagayan Economic Zone, Cagayan Province.

BBL

On March 15, 2010, the Parent Group incorporated BBL as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hong Kong and started its operations in March 2012. It is currently non-operational and in the process of liquidation.

Transactions eliminated on consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated. Unrealized gains from transactions with the equity accounted investees are eliminated against the investment to the extent of the Group's interest in investee. Unrealized losses are eliminated in the same way as unrealized gains, to the extent that there is no evidence of impairment.

11.4 Financial assets

Classification and presentation

The Group classifies its financial assets in the following measurement categories:

a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and;
b) those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income, otherwise it will be recognized at fair value through profit or loss.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group shall reclassify financial assets when and only when its business model for managing those assets changes.

The Group has cash, receivables, due from related parties and rent deposits (included in "Other noncurrent assets" account in the Group statement of financial position) classified as financial asset at amortized cost. It also has investment in equity securities classified as financial asset at FVOCI. The Group has no financial asset designated as financial asset at FVPL.

Recognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trade) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Measurement

At initial recognition, the Group measures a financial asset at amortized cost, FVOCI and fair value through profit or loss (FVPL). In the case of a financial asset at amortized cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets at amortized cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income (expenses), net, using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income (expenses), net, together with foreign exchange gains and losses. Impairment losses are presented in administrative expenses in the statement of total comprehensive income. The Group's financial assets at amortized cost consist of cash and cash equivalents, trade receivables, due from related parties and refundable deposits.

Financial assets designated at FVOCI (equity instruments)

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Dividends are recognized as other income in the Group statement of total comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investment under this category.

Derecognition

A financial asset (or, where applicable., a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and

- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- 12-month expected credit losses (ECLs) - these are ECLs that result from default events that are possible within 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs - these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

For cash in banks, receivables, due from related parties and rent deposits. the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL. depending on whether there has been a significant increase in credit risk on its cash in bank since initial recognition.

The Group considers 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(i) Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables arising from contracts with third party customers. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

(ii) General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due or longer depending on the historical experience with particular customers.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:
- significant financial difficulty of the counterparty;
- a breach of contract such as actual default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Impairment losses and subsequent recoveries on financial assets are presented in administrative expenses within operating profit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off were credited against operating expense in profit or loss.

11.5 Financial liabilities

Classification and presentation

The Group classifies its financial liabilities in the following categories: (a) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (b) financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Group has no financial liabilities at FVPL or derivative liabilities designated as hedging instruments during and at the end of each reporting period.

Financial liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost. They are included in current liabilities, except for maturities more than twelve months after reporting date which are classified as non-current liabilities.

The Group's financial liabilities include trade and other payables (excluding payables to government agencies for value-added tax, withholding and other taxes), short-term and long-term loans payable, accrued expenses and other payables, due to related parties and lease liability.

Initial recognition and subsequent measurement

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial liabilities at amortized cost are initially measured at invoice amount, which approximates fair value plus transaction costs. Loans payable measured net of directly attributable transaction costs.

Subsequently, these are measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the Group statement of total comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Group statement of total comprehensive income.

11.6 Classification of financial instruments between debt and equity

A financial instrument is classified as debt 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.

A financial instrument is an equity instrument only if: a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and (b) if the instrument will or may be settled in the issuer‘s own equity instruments, it is either:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments: or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately. with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part. The amount separately determined as the fair value of the liability component on the date of issue.

28.7 Determination of fair value

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 classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's FVOCI financial assets with quoted market price are valued using Level 1 of the fair value hierarchy and those with unquoted market price are measured at cost.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Group will not fulfill an obligation.

11.8 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparties.

29.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from date of acquisition. These are measured in the statement of financial position at fair value and subsequently carried at amortized cost which approximates the face or nominal amount. Cash in bank earns interest at the prevailing bank deposit rate.

11.10 Receivables

Trade receivables arising from services with an average credit term of 30 days are recorded at transaction price plus transaction cost, which approximate invoice value and subsequently measured at amortized cost using effective interest method less any provision for impairment. Provision for impairment is determined using the policies disclosed in Note 25.2 to annual consolidated financial statements.

When a receivable is uncollectible, it is written-off against the provision account for receivables. Receivables and its related provision for impairment are written off when the Group has determined that the receivable is uncollectible as they have already exerted all collection efforts, including filing a legal case. Bad debts written off are specifically identified by the Group's after exhausting all collection efforts (i.e. sending demand letters and legal notice of default to customers). Write-offs represent either direct charge against profit or loss at the time the receivable deemed uncollectible or the release of previously recorded provision from the allowance account and credited to the related receivable account following the Group's assessment that the related receivable will no longer be collected after all collection efforts have been exhausted.

Subsequent recoveries of amounts previously written-off are credited in profit or loss under general and administrative expenses. Reversals of previously recorded impairment provision are recognized in profit or loss based on the result of management's update assessments, considering available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivable at reporting date.

11.11 Prepaid expenses and other current assets

Prepayments are recognized in the consolidated statement of financial position in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. These are derecognized in the consolidated statement of financial position upon delivery of goods or when services have been rendered, through amortization over a certain period of time, and use or consumption.

Other current assets consist substantially of input value-added tax (VAT) and creditable withholding taxes which are recognized as assets in the period such input value-added tax and income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

Prepayments and other non-financial assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting period, or relate to advances for non-current assets such as fixed assets, in which case, are classified as non-current assets.

11.12 Investments and advances

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Joint arrangements

Under PFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group does not have arrangements classified as joint operations.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Upon loss of significant influence over the associates or joint control over the joint ventures, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in shares of stock of associates or joint ventures upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 26 to the annual consolidated financial statements.

The Group normally contributes cash or other resources to the associates and joint ventures. These contributions are included in the accounting records of the Group and recognized in its consolidated financial statements as part of its investments in associates and a joint venture.

Investments and advances also include advances to companies in which the Group has positive intention of taking over these companies or having ownership interest in the future.

11.13 Property and equipment

Property and equipment is initially measured and recognized at acquisition cost which comprises of purchase price and any directly attributable cost of bringing the asset to working condition and location for intended use.

After initial measurement, property and equipment is stated at historical cost less accumulated depreciation, amortization and impairment, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress, which represents properties under construction, is stated at cost and depreciated only when the relevant assets are completed and ready for operational use. Upon completion, these properties are reclassified to their appropriate class of property, plant and equipment.

Leasehold improvements are amortized over the shorter of lease term or estimated useful life of the improvements. Lease term takes into consideration renewal options.

Land is recognized at fair value based on periodic, but at least triennial, valuations by external independent valuers. A revaluation surplus is credited to other comprehensive income in the statement of shareholders' equity. Land is not depreciated.

It is the Group's policy to classify right-of-use assets as part of property and equipment. The Group recognizes right-of-use assets at the commencement date of the lease (i.e.. the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses. and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of-use assets are depreciated on a straight - line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation on other assets is computed on the straight-line method to allocatethe cost of each asset, less its residual value, over its estimated useful life (in years), determined based on the Group's historical information and experience on the use of such assets, as follows:

Asset	Number of years
Leasehold improvements	5 or term of the lease, whichever is shorter
Aircraft and transportation equipment	5-15
Gaming equipment	5
Office furniture, fixtures, and equipment	5
Network equipment	10
Condominium unit	25
Airstrip improvements*	10
Right-of-use asset	1-25

The Group estimates the useful life of its airstrip improvement based on the period over which the asset is expected to be available for use.

The asset's residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their accumulated depreciation are removed from the disposal accounts.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are credited or charged to profit or loss.

11.14 Investment properties

Investment properties consist of land, land improvements, building, or part of a building or both held to earn long-term rental yields or for capital appreciation or both, and is not occupied by the Group or held for sale in the ordinary course of business.

The Group adopted the fair value model for accounting for its investment properties. Under this method, investment properties are initially measured at cost, including transaction costs, but are subsequently remeasured at fair value, which reflects market conditions at the reporting date.

The fair value of investment properties is determined by independent real estate valuation experts using cost approach and sales comparison approach. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either those have been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain and loss on derecognition of investment properties is recognized in profit or loss in the year of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of the owner occupation or commencement of development with a view to sell.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If owner-occupied properties become investment properties, the Group accounts for such properties in accordance with the policy stated under property and equipment up to the date of change in use. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation is transferred to retained earnings.

For those right-of-use assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Group, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at fair value.

11.15 Lease rights

The Group's lease rights pertain to acquired rights and interests in the sublease agreement entered upon by the Group. Lease rights are accounted under other noncurrent assets and stated at cost less accumulated amortization and impairment in value, if any. Lease rights are amortized on a straight-line basis over the lease term.

11.16 Business combination

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss in the consolidated statement of total comprehensive income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified at equity is not re-measured, and its subsequent settlement is not accounted for within equity.

11.17 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree) over the fair value of the Group's share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

When subsidiaries are sold, the difference between the selling price and the subsidiary's net asset plus goodwill associated with the investment are recognized in consolidated statement of total comprehensive income.

11.18 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, and equipment, lease rights, and investment properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). Impairment losses, if any, are recognized in profit or loss.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. Reversals of an impairment loss are credited in profit or loss.

11.19 Trade payables and other current liabilities

Trade payables and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business with suppliers.

Trade payables and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables and other liabilities are recognized initially at invoice amount, which represent fair value, and subsequently measured at amortized cost using effective interest method.

These are derecognized when extinguished or when the obligation is discharged, cancelled or has expired.

11.20 Loans payable

Loans payable are recognized initially at fair value, net of transaction costs incurred. Loans payable are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Loans payable are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Loans payable are derecognized when the obligation is settled, paid or discharged.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognized and charged to profit or loss in the year in which these are incurred.

11.21 Provisions

Provision are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized in the consolidated statement of financial position.

11.22 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the 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 in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

11.23 Deposit for future stock subscription

Deposits for future stock subscriptions represent cash receipts to be applied as payment for additional subscription of unissued shares or shares from an increase in authorized capital stock, outstanding subscriptions receivables, or additional paid-in capital, and are reported as a separate line item in the consolidated statement of financial position upon compliance with the requirements of the Philippine SEC.

The Group classifies deposits for future stocks subscriptions under equity as a separate account from capital stock if, and only if, all of the following elements are present as of the end of the reporting period:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Company);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of said proposed increase has been presented for filing or has been filed with the Philippine SEC.

If any of the foregoing elements are not present, the deposit is recognized as a liability.

11.24 Equity

Capital stock

Common and preferred shares are stated at par value and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Additional paid-in capital

Any amount received by the Group in excess of par value of the Parent Company's shares is credited to Additional paid0in capital which forms part of the non-distributable reserve of the Group and can be used only for purposes specified under corporate code.

Share issuance cost

Share issuance costs incurred for the listing and offering process of the Group are recognized as deduction to the additional paid in capital in accordance with PIC - Question and Answer (PIC - Q&A) 2011-04.

Treasury shares

When share capital is repurchased, the amount of the consideration paid, which includes directly/ attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus on the transaction is transferred to additional paid-in capital, while the resulting deficit is applied against additional paid-in capital and retained earnings, for any excess of deficit over the additional paid-in capital arising from treasury shares transactions. Preferred shares that are redeemed and not cancelled are presented as treasury shares.

Fair value reserve

Fair value reserve represents cumulative net change in the fair value of FVOCI, net of tax effect, as at reporting date.

Foreign currency translation reserve

The assets and liabilities of the subsidiary with transactions denominated in currencies other than Philippine peso are translated using the applicable closing exchange rates on the reporting date. The income and expenses of the subsidiary with transactions denominated in currencies other than Philippine Peso are translated using the exchange rates at the date of transactions. Foreign currency differences are recognized in other comprehensive income and accumulated in the "Foreign currency translation reserve" account in the consolidated statements of financial position.

Retained earnings

Retained earnings represents the cumulative balance of periodic profit/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved and declared by the Parent Company's BOD.

11.25 Earnings per share (EPS)

Basic EPS is computed by dividing the profit attributable to the owners of the Parent Company by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the Parent Company held as treasury shares.

The diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares, if any. Net income attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares. Where the effect of the warrants is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

The Group has no potentially dilutive ordinary shares. Therefore, the amount reported for basic and diluted earnings per share is the same.

11.26 Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or 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 goods or services, excluding amounts collected on behalf of third parties. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer except for some entities of the Group which act as agent in certain commission revenue arrangements.

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

Bingo games

- Online traditional bingo - Revenue from these bingo games is satisfied at a point in time and are recognized upon conclusion of each game cycle. The revenues are net of payouts.
- Electronic bingo games- Revenue from these bingo games is satisfied at a point in time and are recognized upon conclusion of each game cycle. The revenues are net of payouts and share of machine vendors
- Traditional bingo, rapid bingo and pull tabs - Revenue from these bingo games is satisfied at a point in time and are recognized upon sale of bingo cards.

Electronic games

Revenue from these bingo games is satisfied at a point in time and are recognized upon conclusion of each game cycle. The revenues are net of payouts.

Rental income and revenue from sub-lease

Rent income from investment properties and revenue from sub-lease is recognized on a straight-line basis over the term of the lease.

Service and hosting fees

Revenue from bandwidth and co-location services are satisfied over time and are recognized as the services are performed. Service fees are satisfied at a point in time and are recognized upon processing of locators' application for a franchise. Hosting fees are satisfied over time and are recognized upon accrual of the gaming levy to locators based on their reported revenue as defined in the license agreement.

Income from junket operations

Income from junket operations is satisfied over time and is recognized when the related services are rendered based on a percentage gross gaming revenue of the junket.

Commission income

Commission income is satisfied over time and is recognized when the related services are rendered based on a percentage of each PeGs' casino winnings.

Interest income

Interest income from cash in banks and receivables, which is presented net of final taxes paid or withheld, is recognized in profit or loss on a time-proportion basis using the effective interest method.

Other income

Other income comprises miscellaneous income from operations and recognized at a point in time.

The following revenue streams are outside the scope of PFRS 15.

11.27 Contract balances

Contract assets

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

Trade receivable

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

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

11.28 Cost and expense recognition

Costs and expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized:

(i) on the basis of a direct association between the costs incurred and the earning of specific items of income;
(ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or
(iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position.

Payouts represent payments to winners of traditional bingo games. This is recognized as expense upon conclusion of the game.

11.29 Leases

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements during and at the end of each reporting period.

11.29.1 The Group is the lessee

The Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantee
- the exercise price of a purchase option if the lessee is reasonably certain to exercise the option
- payments of penalties for terminating the lease, if the lease term reflects the termination.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and other rentals (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

11.29.2 The Group as the Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenues in the statements of total comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

11.30 Employee benefits

Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within trade payables and other liabilities in the consolidated statement of financial position.

Retirement benefits liability

The Group has a defined benefit retirement plan managed by its subsidiaries, ABLE and FCLRC, which is based on the provisions of Republic Act RA 7641. A defined benefit plan is a pension plan that defined an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability (or asset) recognized in the consolidated statement of financial position is the present value of the defined benefit obligation less fair value of the plan assets at the reporting date. In cases when the amount determined results in an asset, the Group measures the resulting asset at the lower of such amount determined and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement benefit obligation.

Remeasurement gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (within reserve for remeasurement on retirement benefit) in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

11.31 Income taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishing provisions where appropriate on the basis of amounts to be paid to tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized, or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused tax losses (net operating loss carryover or NOLCO) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

11.32 Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the Group's subsidiaries operate (the "functional currency"). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

For income tax purposes, foreign exchange gains or losses are treated as taxable income or deductible expense in the period such are realized/sustained.

Foreign currency translations

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on retranslation of financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

Foreign operations

The assets and liabilities of foreign operations are translated to Philippine peso at exchange rates at the reporting date.

Foreign currency difference is recognized in other comprehensive income, and presented in the foreign currency translation gain (Foreign currency translation reserve) in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in OCI related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, relevant proportion of the cumulative amount is reattributed to NCI.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item a-re considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in “Foreign currency translation reserve” in equity.

11.33 Segment reporting

Reportable segments are presented by aggregating operating segments based on similar products and services. The accounting policies used to recognize and measure the segment’s assets, liabilities and profit or loss is consistent with those of the consolidated financial statements.

The Group has one geographical segment and derives substantially of its revenues from domestic operations.

11.34 Related party transactions and relationships

(a) Related party relationship

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

(b) Related party transaction

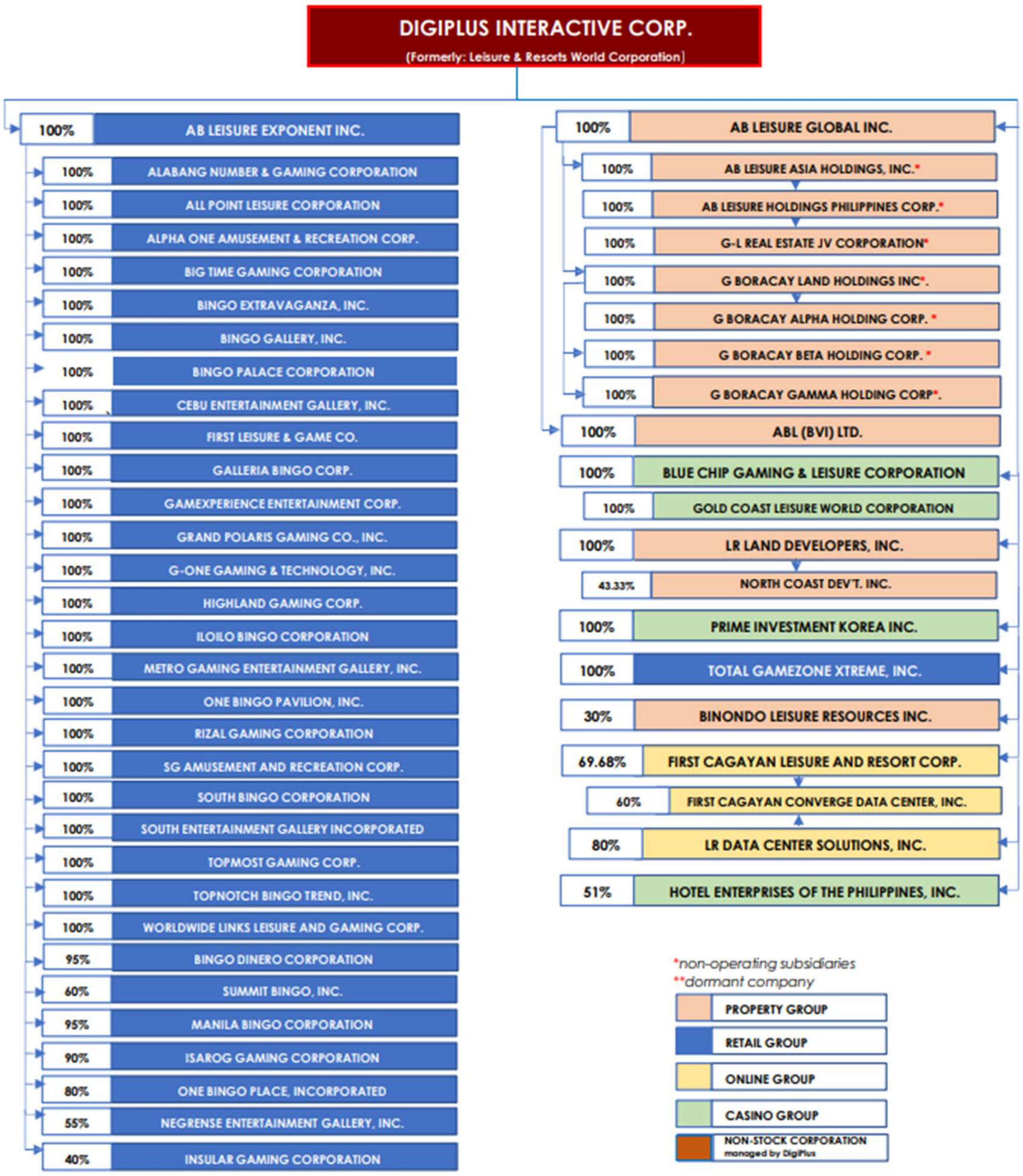
Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

11.35 Subsequent events (or events after the reporting period)

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

DigiPlus Interactive Corp. and Subsidiaries
(formerly Leisure & Resorts World Corporation)

Map of Conglomerate



DigiPlus Interactive Corp. and Subsidiaries
(formerly Leisure & Resorts World Corporation)

Schedule of Financial Soundness Indicators
(As at March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022)

(All amounts in Philippine Peso)

Key Performance Indicator	Formula	2023	2022
Current Ratio	Current Assets / Current Liabilities	**0.78:1**	0.52:1
Acid Test Ratio	Cash and cash equivalents + Receivables, net + Due from related parties / Current Liabilities	**0:62:1**	0:44:1
Debt to Equity Ratio	Total Liabilities / Stockholders' Equity	**0.59:1**	0.61:1
Asset to Equity Ratio	Total Assets / Stockholders' Equity	**1.59:1**	1.61:1
Return on Average Equity	Net Income / Average Stockholders' Equity	**3.30%**	(2.08%)
Return on Average Assets	Net Income / Average Total Assets	**2.06%**	(1.12%)
Solvency Ratio	Net Income + Depreciation / Average Total Liabilities	**0.06:1**	(0.02:1)
Interest Coverage Ratio	Income Before Interest, Tax & Depreciation / Interest Expense	**20.37:1**	(6.88:1)
Net Book Value Per Share	Stockholders' Equity / Shares Outstanding	**3.62**	3.50
Basic Earnings Per Share	Income Attributable to Ordinary Stockholders of the Parent Company / Weighted Average Shares Outstanding	**0.1142**	(0.0920)
Net Profit Margin	Net income / Revenue	**10.45%**	(24.01%)