C O V E R   S H E E T

SEC Registration Number

C	S	2	0	0	9	0	1	2	6	9	

C O M P A N Y   N A M E

PH RESORTS GROUP HOLDINGS, INC. (FORMERLY PHILIPPINE H2O VENTURES CORP.)

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

20th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City

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

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

Company's Email Address	Company's Telephone Number	Mobile Number
info@phresorts.com	(632) 8838-1985	(63) 991 205 2343

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
22	3rd Wednesday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Lara Lorenzana	lara.lorenzana@phresorts.com	(632) 8838-1985	N/A

CONTACT PERSON's ADDRESS

20th Flr. Udenna Tower, Rizal Drive cor. 4th Ave. Bonifacio Global City, Taguig City 1634

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
PH Resorts Group Holdings, Inc.
20th Floor, Udenna Tower, Rizal Drive corner
4th Avenue, Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the parent company financial statements of PH Resorts Group Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2023 and 2022, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the parent company financial statements which indicates that for the years ended December 31, 2023 and 2022, the Company incurred net loss of ₱1,812.5 million and ₱801.9 million, respectively, resulting to a deficit of ₱2,951.8 million and ₱1,139.3 million as of December 31, 2023 and 2022, respectively. The Company's current liabilities exceeded its current assets by ₱303.0 million and ₱1,973.0 million as at December 31, 2023 and 2022, respectively, and the Company has negative operating cash flows of ₱23.5 million and ₱67.3 million in 2023 and 2022, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PH Resorts Group Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10079990, January 6, 2024, Makati City

April 29, 2024

PH RESORTS GROUP HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash in banks (Note 5)	**₱2,219,632**	₱541,081
Advances to related parties (Note 6)	**455,798,388**	391,648,025
Other current assets	**109,096**	31,013
Total Current Assets	**458,127,116**	392,220,119
Noncurrent Assets		
Investments in subsidiaries (Note 7)	**4,550,000,000**	4,550,000,000
Deposit for future stock acquisition (Note 6)	**5,776,333,721**	5,776,333,721
Right-of-use asset (Note 9)	**13,758,241**	14,577,640
Property and equipment - net (Note 8)	**–**	11,231,962
Other noncurrent assets	**8,810,438**	9,562,524
Total Noncurrent Assets	**10,348,902,400**	10,361,705,847
TOTAL ASSETS	**₱10,807,029,516**	₱10,753,925,966
LIABILITIES AND EQUITY		
Current Liabilities		
Advances from related parties (Note 6)	**₱652,598,179**	₱2,147,659,454
Accounts payable and other current liabilities (Note 10)	**90,673,652**	89,087,625
Current portion of lease liability (Note 9)	**17,868,171**	12,206,350
Interest payable (Note 6)	**–**	116,308,610
Total Current Liabilities	**761,140,002**	2,365,262,039
Noncurrent Liabilities		
Lease liability – net of current portion (Notes 6 and 9)	**–**	6,618,396
Deferred tax liability (Note 13)	**115,462**	–
Advances for future stock subscription (Notes 6 and 11)	**3,368,136,715**	–
Total Noncurrent Liabilities	**3,368,252,177**	6,618,396
Total Liabilities	**4,129,392,179**	2,371,880,435
Equity		
Capital stock (Notes 1 and 12)	**7,282,017,027**	7,282,017,027
Additional paid-in capital (Note 12)	**1,629,450,205**	1,629,450,205
Deposit for future stock subscription (Notes 6 and 11)	**717,982,973**	609,920,000
Deficit (Note 12)	**(2,951,812,868)**	(1,139,341,701)
Total Equity	**6,677,637,337**	8,382,045,531
TOTAL LIABILITIES AND EQUITY	**₱10,807,029,516**	₱10,753,925,966

See accompanying Notes to Parent Company Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
OPERATING EXPENSES		
Depreciation and amortization (Notes 6, 8 and 9)	**₱13,093,331**	₱19,612,093
Professional fees	**17,071,613**	6,691,168
Listing and filing fees	**778,665**	636,303
Taxes and licenses	**253,468**	212,478
Rentals	**156,568**	2,032,909
Utilities	–	417,517
Repairs and maintenance	–	147,449
Others	**509,018**	357,289
	31,862,663	30,107,206
OTHER INCOME (EXPENSES)		
Foreign exchange loss – net	**(6,217,611)**	(192,230,059)
Interest expense (Notes 6 and 9)	**(1,774,276,006)**	(580,899,994)
Bank charges	**(1,552)**	(13,460)
Interest income (Note 5)	**2,659**	962
	(1,780,492,510)	(773,142,551)
LOSS BEFORE INCOME TAX	**(1,812,355,173)**	(803,249,757)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 13)		
Current	**532**	192
Deferred	**115,462**	(1,369,666)
	115,994	(1,369,474)
NET LOSS	**(1,812,471,167)**	(801,880,283)
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**(₱1,812,471,167)**	(₱801,880,283)
LOSS PER SHARE (Note 16)	**(₱0.2489)**	(₱0.1101)

See accompanying Notes to Parent Company Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Capital Stock (Notes 1, 7 and 12)	Additional Paid-in Capital (Notes 1, 7 and 12)	Deposit for Future Stock Subscription (Notes 6 and 11)	Retained Earnings (Deficit) (Note 12)	Total
Balance as at January 1, 2023	**₱7,282,017,027**	**₱1,629,450,205**	**₱609,920,000**	**(₱1,139,341,701)**	**₱8,382,045,531**
Deposit received (Note 12)	**–**	**–**	**108,062,973**	**–**	**108,062,973**
Total comprehensive loss	**–**	**–**	**–**	**(1,812,471,167)**	**(1,812,471,167)**
Balance at December 31, 2023	**₱7,282,017,027**	**₱1,629,450,205**	**₱717,982,973**	**(₱2,951,812,868)**	**₱6,677,637,337**
Balance as at January 1, 2022	₱7,282,017,027	₱1,629,450,205	₱–	(₱337,461,418)	₱8,574,005,814
Deposit received (Note 12)	–	–	609,920,000	–	609,920,000
Total comprehensive loss	–	–	–	(801,880,283)	(801,880,283)
Balance at December 31, 2022	₱7,282,017,027	₱1,629,450,205	₱609,920,000	(₱1,139,341,701)	₱8,382,045,531

See accompanying Notes to Parent Company Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱1,812,355,173)**	(₱803,249,757)
Adjustments for:		
Interest expense (Notes 6 and 9)	**1,774,276,006**	580,899,994
Depreciation and amortization (Notes 6, 8, and 9)	**13,093,331**	19,612,093
Unrealized foreign exchange loss (gain)	**(460,422)**	124,397,275
Interest income (Note 5)	**(2,659)**	(962)
Loss before working capital changes	**(25,448,917)**	(78,341,357)
Decrease (increase) in other current assets	**(78,083)**	319,462
Increase in accounts payable and other current liabilities	**2,040,683**	10,755,074
Net cash used in operations	**(23,486,317)**	(67,266,821)
Income taxes paid (Note 13)	**(532)**	(192)
Net cash used in operating activities	**(23,486,849)**	(67,267,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase decrease in advances to related parties (Note 6)	**(46,118,017)**	(118,391,420)
Interest received (Note 5)	**2,659**	962
Increase in other noncurrent assets	**–**	(1,262,494)
Return of deposit for future stock acquisition (Note 6)	**–**	1,000,000,000
Net cash from (used in) investing activities	**(46,115,358)**	880,347,048
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances for future stock subscription (Note 12)	**3,368,136,715**	–
Proceeds from deposit for future stock subscription (Note 12)	**108,062,973**	562,420,000
Payment of intercompany loan and related charges	**(3,464,163,044)**	(1,494,587,216)
Advances from related parties (Notes 6 and 17)	**59,245,539**	118,202,829
Net cash generated from (used in) financing activities	**71,282,183**	(813,964,387)
NET INCREASE (DECREASE) IN CASH	**1,679,977**	(884,352)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(1,426)**	2,480
CASH IN BANKS AT BEGINNING OF YEAR	**541,081**	1,422,953
CASH IN BANKS AT END OF YEAR (Note 5)	**₱2,219,632**	₱541,081

See accompanying Notes to Parent Company Financial Statements.

1. **General Information**

Corporate Information
PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp. "PH Resorts", "the Company" or "H2O") was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 30, 2009. The common shares of the Company are listed and traded in the Philippine Stock Exchange (PSE). The registered office address of the Company is at 20th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City.

The parent company financial statements as of December 31, 2023 and 2022 and for the years then ended were authorized for issue by the Board of Directors (BOD) on April 29, 2024.

Changes in Ownership of PH Resorts
PH Resorts Group Holdings, Inc. in its current form was renamed from Philippine H2O Ventures Corp. (H20) after the change in ownership in 2018 through its acquisition by Udenna Corporation. Consequently, PH Resorts became a holding company for the gaming and tourism-related businesses of Udenna Corporation (ultimate parent company).

Status of Operations
For the years ended December 31, 2023 and 2022, the Company incurred net loss of ₱1,812.5 million and ₱801.9 million, respectively, resulting to a deficit of ₱2,951.8 million and ₱1,139.3 million as of December 31, 2023 and 2022, respectively. The Company's current liabilities exceeded its current assets by ₱303.0 million and ₱1,973.0 million as at December 31, 2023 and 2022, respectively, and the Company has negative operating cash flows of ₱23.5 million and ₱67.3 million in 2023 and 2022, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

On May 6, 2022, PH Travel and Leisure Holdings Corp. (PH Travel) signed a term sheet with Bloomberry Resorts Corporation (BRC). The term sheet covered the proposed investment of BRC into Lapu-Lapu Leisure, Inc. and Clark Grand Leisure Corp. The term sheet included several conditions to closing such as: (a) execution of mutually acceptable definitive agreements; (b) approval of regulators; (c) approval of creditors; (d) completion of audited financial statements; I corporate approvals; and (f) cooperation on due diligence, among others. The Group received a ₱1.0 billion deposit from BRC presented as "Deposits payable" in the statement of financial position as at December 31, 2023 and 2022. On March 22, 2023, the Group received a letter from BRC terminating the term sheet dated May 6, 2022. Following this development, the Group reentered into discussions with other parties that were previously put on hold due to the contemplated investment by BRC. The parties agreed to settle the ₱1.0 billion deposit through execution of certain transactions before the end of 2024.

In October 2023, LapuLapu Leisure, Inc. (LLI) and LapuLapu Land Corp. (LLC) signed a non-exclusive and non-binding Memorandum of Understanding ("MoU") with Cebu-based property developer AppleOne Properties, Inc ("AppleOne"). The MoU establishes broad parameters whereby AppleOne can make an investment in LLI and LLC, with the intention of obtaining at least a majority of the equity interest in LLI and LLC, or an asset purchase of the land and improvements of the Emerald Bay Project. The consideration for the investment and resulting percentage of ownership were subject to final negotiations by the Parties, which were expected to be completed within sixty (60) days, based on the MoU. LLI, LLC and AppleOne did not enter into a definitive agreement with regard to the abovementioned transaction.

On December 8, 2023, PH Travel, the immediate parent company of LLI and LLC, executed a term sheet with Tiger Resort Leisure & Entertainment, Inc (“TRLEI”) to acquire a significant majority ownership of LLI and LLC as operators of the Emerald Bay project, subject to various conditions, allowing them to take over the development of the Emerald Bay Resort. The conditions include, among others, the execution of definitive agreements, and the approval from the relevant governmental authorities, if any. The final terms will be subject to shareholders approval, once determined. Pursuant to the provisions of the term sheet, LLI received partial nonrefundable payments from TRLEI totaling ₱300.1 million as of December 31, 2023. These are presented as “Advances for future stock subscription” under Liabilities in the consolidated statement of financial position as of December 31, 2023.

The Company and its subsidiaries (collectively, the “Group”) have the following plans and action steps taken to support its liquidity requirements:

- In October 2023, the Group was able to successfully restructure its outstanding indebtedness with China Banking Corporation (“CBC”) through the execution of agreements for the sale, leaseback, with option to buyback certain land and improvements of LLI and LLC (the "Restructuring"). This Restructuring covers the property of LLI and LLC in Lapulapu City, Mactan, Cebu, with an area of approximately 12.4 hectares, plus improvements. The Restructuring also allows LLI and LLC to repay the Peso denominated bridge loans and extend the US dollar denominated bridge granted by CBC in 2018, while granting the Group continued possession and use over the property in order to finish the construction and development of the Emerald Bay Project. In addition, the option to buy back of the Restructuring allows LLI and LLC or their nominees to reacquire the properties.
- The Group has ongoing discussions with Land Bank of the Philippines (Landbank) to further extend the principal and interest payments. Outstanding loan balance as of December 31, 2023 amounted to ₱975.0 million. Principal and interest on the loan are recorded as a current liability in DHPC’s statement of financial position as of December 31, 2023. Udenna Corporation, as the ultimate parent company of DHPC and PH Travel, provided a letter of financial support to ensure repayment to Landbank by DHPC or PH Travel.
- The Group has ongoing strategic investor discussions with several parties. Due diligence is ongoing and in various stages of completion.
- The Group received a letter of financial support from its ultimate parent company stating that it shall extend its full and continuing support for PH Resorts with regard to the abovementioned ₱1.0 billion deposit from BRC until such time that the Group is in the position to repay this amount without impairing its liquidity position. In the same letter, the ultimate parent company also expressed its support with regard to Donatela Hotel Panglao Corp.’s (DHPC) loan from Landbank and ensures that the same can be repaid by DHPC or PH Travel.
- The Group’s ultimate parent has continued to cover operating expenses and maintenance of the Group’s properties and has demonstrated that it has the ability and willingness to support the Group in its financial obligations.

Management believes that considering the progress of the steps undertaken to date, these financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due and address the Group’s liquidity requirements to support its operations and the completion of its projects. As such, the accompanying parent company financial statements have been prepared on going concern basis of accounting.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements have been prepared under the historical cost basis and are presented in Philippine peso, its functional currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance
The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the Philippine SEC.

The accompanying parent company financial statements are the Company's separate financial statements prepared in compliance with PAS 27, *Separate Financial Statements*. These financial statements are prepared for submission to the Philippine SEC and Bureau of Internal Revenue (BIR). The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements in accordance with PFRS. These are filed with and may be obtained from the Philippine SEC or the Company's registered business address.

3. Summary of Material Accounting Policies

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*, *Disclosure of Accounting Policies* starting January 1, 2023.

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

As a result of the adoption of these amendments, the Company has only disclosed the material accounting policy information.

The adoption of the following amendments to standards did not have an impact on the Company's financial statements:

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statement.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Deferred effectivity

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

Summary of Material Accounting Policies

Financial Instruments

Financial Assets

The Company has financial assets at amortized cost consisting of cash in banks and advances to related parties.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

The Company considers that its high-grade cash in banks have low credit risk based on external credit ratings of the banks. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. The identified impairment loss was immaterial.

For advances to related parties, the ECL is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. No other factors have been noted by the Group that would indicate that the advances are incapable of being repaid on demand, such that the borrower would default if the loan were called wherein the probability of default would need to be set to 100%.

Financial Liabilities

The Company's financial liabilities at amortized cost consist of accounts payable and other current liabilities, advances from related parties and lease liability.

Modification of contractual cash flows

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial instrument as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of comprehensive income.

When the modification of a financial instrument results in the derecognition of the existing financial instrument and the subsequent recognition of the modified financial instrument, the modified instrument is considered a 'new' financial instrument. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Investments in Subsidiaries
Investments in subsidiaries are accounted for and presented at cost less any impairment in value. Under the cost method, the Company recognizes dividend income from the investment only to the extent that the Company receives distributions, or right to receive the dividend has been established, from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction from the cost of investment.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any accumulated impairment.

Depreciation and amortization, recognition of which commences when the asset becomes available for its intended use, are computed on a straight-line basis over the following estimated useful lives:

Leasehold improvements	1 year or lease term, whichever period is shorter
Office furniture and fixtures	2-10 years

Right-of-use Assets
Unless the Company 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 its estimated useful life and the lease term. Depreciation is computed on a straight-line basis over the estimated useful lives of 5 years.

Deposit for Future Stock Acquisition
Deposit for future stock subscription represents payments made on subscription of shares which cannot be directly debited to 'Investment in subsidiaries' due to pending registration with the Securities and Exchange Commission (SEC) for the proposed increase in authorized capital stock.

Deposits for Future Stock Subscription
The deposits for future stock subscription account represents funds received by the Group which it records as such with a view to applying the same as payment for additional issuance of shares or increase in capital stock. Deposits for future stock subscription is reported as part of the statement of changes in equity and as a separate item in the equity section of the statement of financial position, if the following criteria are met, otherwise, this is classified as noncurrent liability:

- the unissued authorized capital stock of the entity is insufficient to cover the number 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 Group);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the SEC on or before the financial reporting date.

Leases

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of (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 lease of low-value assets recognition exemption to leases of 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.

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements. The judgments, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances that are believed to be reasonable as of the date of the comparable financial statements. While the Company believes that the assumptions are reasonable and appropriate, differences in the actual experience or changes in the assumptions may materially affect the estimated amounts. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Assessment of going concern. As discussed in Note 1, for the years ended December 31, 2023 and 2022, the Company incurred net loss of ₱1,812.5 million and ₱801.9 million, respectively, resulting to a deficit of ₱2,951.8 million and ₱1,139.3 million as of December 31, 2023 and 2022, respectively. The Company's current liabilities exceeded its current assets by ₱303.0 million and ₱1,973.0 million as at December 31, 2023 and 2022, respectively, and the Company has negative operating cash flows of ₱23.5 million and ₱67.3 million in 2023 and 2022, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. The Group has ongoing plans for suitable financing and capital raising options (see Note 1).

Management believes that considering the progress of the steps undertaken to date as discussed in Note 1, these financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due and address the Group's liquidity requirements to support its operations and the completion of its projects. As such, the accompanying parent company financial statements have been prepared on going concern basis of accounting.

Determination of lease term of contracts with renewal and termination options – Company as a lessee. The Company has only one contract for the lease of an office space with a term of 5 years, renewable for another 5 years, subject to mutual agreement of both parties. The Company 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 Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company did not consider the renewal period in determining the lease term.

As of December 31, 2023 and 2022, the Company's right-of-use assets and lease liabilities amounted to ₱13.8 million and ₱14.6 million, respectively, and ₱17.9 million and ₱18.8 million, respectively. For the years ended December 31, 2023 and 2022, the Group recognized amortization of right-of use assets and interest expense on lease liabilities amounting to ₱0.8 million and ₱9.8 million, respectively, and ₱0.1 million and ₱1.8 million, respectively (see Note 9).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other sources of estimation uncertainty at the end of financial reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Leas–s - Estimating the incremental borrowing rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Company's lease liability amounted to ₱17.9 million and ₱18.8 million as of December 31, 2023 and 2022, respectively (see Note 9).

Estimation of probable losses on input VAT. The Company estimates the level of provision for probable losses on input VAT based on the probability that the input VAT may be used in the future, taking into consideration the prescription period within which the Company can apply for a tax refund or tax credit. The carrying value of the input VAT (included under "Other noncurrent assets") amounting to ₱3.0 million and ₱2.7 million as at December 31, 2023 and 2022 is assessed by management to be recoverable as the Company is expected to have an active participation in its subsidiaries' management.

5. Cash in Banks

As of December 31, 2023 and 2022, the Company's cash in banks amounted to ₱2.2 million and ₱0.5 million, respectively. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash in banks amounted to ₱2,659 in 2023 and ₱962 in 2022.

6. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

Approval requirements and limits on the amount and extent of related party transactions
Material related party transactions (MRPT) refers to any related party transaction either individually or over a twelve (12)-month period, amounting to ten percent (10%) or higher of the total assets.

All individual MRPT shall be approved by the majority vote of the BOD. Directors with personal interest in the transaction shall abstain from discussions and voting on the same.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. The impairment on advances to related parties, is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. No other factors have been noted by the Company that would indicate that the advances are incapable of being repaid on demand, such that the borrower would default if the loan were called wherein the probability of default would need to be set to 100%. For the years ended December 31, 2023 and 2022, the Company has not recorded any impairment of receivables on amounts owed by the related parties.

The Company, in the normal course of business, has transactions with the following companies which have common members of BOD and stockholders as the Company:

Relationship	**Name**
Parent Company	Udenna Corporation
Subsidiaries	PH Travel and Leisure Holdings Corp.
	Lapulapu Leisure Inc. (L3)
	Donatela Hotel Panglao Corp.
	Donatela Resorts and Development Corp.
	Clark Grand Leisure Corp.
	Davao PH Resort Corp.
	CD Treasures Holdings Corp.
	CGLC Cultural Heritage Foundation, Inc.
	Lapulapu Cultural Heritage Foundation, Inc.
Affiliates under Common Control	Emerald Development Holdings Limited (EDHL)

The parent company statements of financial position include the following amounts with respect to the balances with related parties:

	Amount/Volume of Transaction		Outstanding Receivable (Payable)		
	2023	2022	**2023**	2022	Terms & Conditions
Parent Company					
Cash advances from a related party (a)	**₱84,159,483**	₱112,289,871	**(₱197,243,281)**	(₱113,083,798)	Unsecured; Noninterest-bearing; due and demandable
Subsidiaries					
Cash advances to related parties (b)	**64,150,363**	118,212,192	**455,619,160**	391,468,797	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from related partiI(c)	–	(297,618)	**(455,354,898)**	(455,355,743)	Unsecured; Noninterest-bearing; due and demandable
Entities under Common Control					
Cash advances to related party (b)	–	179,228	**179,228**	179,228	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from a related party (d)	–	–	–	(1,579,219,913)	Unsecured; Interest-bearing; due in 2024
Interest payables on long-term advances (d)	**726,582,977**	579,053,260	–	(116,308,610)	Unsecured; interest bearing; with terms
Lease (e) (iv)	–	12,575,209	**(17,868,171)**	(18,824,746)	Unsecured; Noninterest-bearing; due and demandable
Deposit for future stock acquisition (f) (i) Payments for future stock acquisition	–	–	**5,776,333,721**	5,776,333,721	Unsecured; Noninterest-bearing; due and demandable
Advances for future stock subscription (g) (ii) Advances received for future stock subscription	**3,368,136,715**	–	**(3,368,136,715)**	–	Non-refundable
Deposits for future stock subscription (g) (iii) Deposit received for future stock subscription	**108,062,973**	562,420,000	**(717,982,973)**	(609,920,000)	Non-refundable

i. Presented under "Deposit for future stock acquisition" under the Noncurrent Assets section of the parent company statements of financialposition as of December 31, 2023 and 2022.
ii. Presented under "Advances for future stock subscription" under Noncurrent Liabilities of the parent company statement of financial position.as of December 31, 2023.
iii. Presented under "Deposit for future stock subscription" under Equity section of the parent company statements of financial position.as of December 31, 2023 and 2022.
iv. Presented as "Lease liability" under the Liabilities section of the parent company statements of financial position as of December 31, 2023 and 2022.

a. Advances from parent company

The Company obtained advances from its related parties for working capital and investing purposes.

b. Advances to related parties

The Company granted advances to its related parties for working capital and financing purposes.

c. Advances from related parties

The Company obtained advances from its related parties for working capital and investing purposes.

d. Interest-bearing advances from related parties

On October 17, 2019, PH Resorts obtained an advance of US$42.5 million from EDHL, an offshore entity wholly-owned by Udenna Corporation (Udenna). The proceeds of the advance were used to fund the ongoing construction of Emerald Bay. The principal and interest totaling $60.3 million was originally due in 2021.

On December 28, 2020, PH Resorts and EDHL agreed to extend the payment of the advance to April 30, 2022 and was further extended to April 30, 2023. Further extension up to June 2024 was executed in April 2023.

In May 2022, the Company made a ₱1 billion partial repayment of the EDHL intercompany advance applied to both principal and accrued interest. In July 2022, the Group made an additional ₱562.4 million (US$10.0 million) partial repayment of the EDHL intercompany advance. After the partial prepayments in 2022, the Company recognized loss on early settlement which effectively is an early recognition of interest expense related to prepayments amounting to ₱216.7 million. These adjustments were applied against interest expense in 2022. As of December 31, 2022, the EDHL advance amounted to ₱1.58 billion and the related accrued interest payable of ₱116.3 million was presented as "Interest payable" in the parent company statements of financial position.

The Company amended its intercompany advance agreement on April 24, 2023 with EDHL for the recapitalization of interest and due date of June 2024 for principal and interest amounting to $50.2 million. In November 2023, the EDHL intercompany advance was fully repaid, including future interests. The Company recognized a loss on early settlement amounting to ₱1,042.9 million presented as part of "Interest expense" in the 2023 parent company statement of comprehensive income.

e. Leases

On July 10, 2019, the Company entered into a lease agreement with an affiliate for the lease of office space and parking slots. The lease agreement is for a period of 5 years counted from the lease commencement date on July 15, 2019 until July 14, 2024 subject to renewal for another 5 years upon mutual agreement of the parties. The Company shall pay a monthly aggregate of ₱1,400 per square meter per month and ₱6,000 per parking slot per month with a yearly escalation rate of five percent (5%).

The estimated annual minimum rentals under this lease agreement as of December 31, 2023 are shown below:

Period	Amount
Within one year	₱19,966,978
More than 1 year to 2 years	–
More than 2 years to 3 years	–
	₱19,966,978

As of December 31, 2023 and 2022, lease liabilities amounted to ₱17.9 million and ₱18.8 million, respectively. Amortization expense of right-of-use assets amounted to ₱0.8 million in 2023 and ₱9.8 million in 2022. Interest expense on lease liabilities amounted to ₱0.1 million in 2023 and ₱1.8 million in 2022 (see Note 9).

f. Deposit for future stock acquisition

The Company paid PH Travel for deposit for future acquisition of shares of stock. In 2022, PH Travel returned the ₱1.0 billion deposits to the Company (Note 7). As of December 31, 2023 and 2022, deposit for future acquisition of stock amounted to ₱5,776.3 million.

g. Deposit for future stock subscription

In December 2021 and July 2022, PH Resorts received deposits for future stock subscription from Udenna Corporation amounting to ₱47.5 million and ₱562.4 million, respectively.

On December 29, 2022, PH Resorts and Udenna Corporation executed a Memorandum of Agreement for the subscription of 609.92 million common shares with a subscription price of ₱1.00 per share. This is presented as "Deposit for future stock subscription" under Equity in the parent company statements of financial position as of December 31, 2023 and 2022.

In March 2023, PH Resorts received deposits for future stock subscription from Udenna Corporation amounting to ₱329.58 million. On March 30, 2023, PH Resorts and Udenna Corporation executed a Memorandum of Agreement for the subscription of 329.58 million common shares with a subscription price of ₱1.00 per share. The ₱108.06 million is presented as "Deposit for future stock subscription" under Equity in the parent company statements of financial position as of December 31, 2023 while the ₱221.52 million is presented as part of "Advances for future stock subscription" under Liabilities in the parent company of financial position as of December 31, 2023.

From April to November 2023, PH Resorts received advances for future stock subscription from Udenna Corporation totaling ₱3.15 billion. These are presented as "Advances for future stock subscription" under Liability in the parent company statement of financial position as of December 31, 2023.

h. Compensation and other benefits of key management personnel

Management of the Company is being handled by LLI at no cost to the Company as of and for the years ended December 31, 2023 and 2022.

7. Investments in Subsidiaries

As at December 31, 2023 and 2022, the Company owned 100% of stockholdings of PH Travel. Details are as follow:

	Nature of Business	Dates of Incorporation	Percentage of Ownership
PH Travel	Holding company	January 3, 2017	100%
Lapu-Lapu Leisure, Inc.*	Hotels, casino and gaming	January 25, 2017	100%
Clark Grand Leisure Corp.*	Hotels, casino and gaming	April 3, 2018	100%
Donatela Hotel Panglao Corp.*	Hotel and recreation	November 7, 2017	100%
Donatela Resorts and Development Corp.*	Hotel and recreation	March 7, 2018	100%
Davao PH Resort Corp.*	Hotel and recreation	March 8, 2018	100%
CD Treasures Holdings Corp.*	Holding company	February 27, 2018	100%
LapuLapu Land Corp.**	Real estate	February 14, 2017	100%

**Entities are 100% owned by PH Travel, thus indirect subsidiaries of PH Resorts.*
***100% owned by LapuLapu Leisure Inc., thus an indirect subsidiary of PH Resorts.*

8. Property and Equipment

The Company's property and equipment consist of the following:

	2023		
	Leasehold Improvements	**Office furniture and Fixtures**	**Total**
Cost			
Balance at beginning and end of year	**₱33,770,038**	**₱52,000**	**₱33,822,038**
Accumulated Depreciation			
Balance at beginning of year	**22,538,077**	**51,999**	**22,590,076**
Depreciation	**11,231,961**	**1**	**11,231,962**
Balance at end of year	**33,770,038**	**52,000**	**33,822,038**
Net Book Value	**₱–**	**₱–**	**₱–**

	2022		
	Leasehold Improvements	Office furniture and Fixtures	Total
Cost			
Balance at beginning and end of year	₱33,770,038	₱52,000	₱33,822,038
Accumulated Depreciation			
Balance at beginning of year	13,808,289	51,999	13,860,288
Depreciation	8,729,788	–	8,729,788
Balance at end of year	22,538,077	51,999	22,590,076
Net Book Value	₱11,231,961	₱1	₱11,231,962

9. Right-of-Use Asset and Lease Liability

The lease liability is initially measured at the present value of the lease payments, discounted using the incremental borrowing rate of 10.04%. In 2019, the Company entered into a lease of office space (see Note 6). This was initially measured at present value using the incremental borrowing rate of 10.04% for 5 years.

The rollforward analysis of right-of-use asset is as follows:

	2023	2022
Cost		
Balance at beginning and end of the year	**₱54,757,953**	₱54,757,953
Accumulated Amortization		
Balance at beginning of the year	**40,180,313**	30,347,530
Amortization	**819,399**	9,832,783
Balance at end of the year	**40,999,712**	40,180,313
Net Book Value	**₱13,758,241**	₱14,577,640

The rollforward analysis of lease liability is as follows:

	2023	2022
Balance at beginning of year	**₱18,824,746**	₱29,970,045
Interest expense (see Note 7)	**116,917**	1,846,734
Lease payables	**(1,073,492)**	(12,992,033)
Balance at end of the year	**17,868,171**	18,824,746
Current portion of lease liabilities	**17,868,171**	12,206,350
Lease liabilities - net of current portion	**₱–**	₱6,618,396

Gross lease liability and present value of minimum lease payments under the Company's lease agreements as of December 31 are as follows:

	2023	2022
Within one year	**₱19,966,978**	₱13,203,969
More than one year but not more than five years	**–**	6,763,009
Total gross lease liabilities	**19,966,978**	19,966,978
Less unamortized interest expense	**2,098,807**	1,142,232
Present value of future minimum lease payments	**17,868,171**	18,824,746
Less current portion	**17,868,171**	12,206,350
Noncurrent portion	**₱–**	₱6,618,396

10. **Accounts Payable and Other Current Liabilities**

	2023	2022
Nontrade payables	**₱89,376,501**	₱87,667,466
Accrued expenses	**1,072,223**	1,072,223
Statutory payables	**224,928**	347,936
	₱90,673,652	₱89,087,625

Nontrade payables are normally settled within 30 to 60 days. Accrued expenses consist mainly of accrued interest and rentals which are normally settled within 30 to 60 days. Statutory payables are payable within 30 days.

11. Deposit and Advances for Future Stock Subscription

In December 2021 and July 2022, PH Resorts received deposits for future stock subscription from Udenna Corporation amounting to ₱47.5 million and ₱562.4 million, respectively.

On December 29, 2022, PH Resorts and Udenna Corporation executed a Memorandum of Agreement for the subscription of 609.92 million common shares with a subscription price of ₱1.00 per share. This is presented as "Deposit for future stock subscription" under Equity in the parent company statements of financial position as of December 31, 2023 and 2022.

In March 2023, PH Resorts received deposits for future stock subscription from Udenna Corporation amounting to ₱329.58 million. On March 30, 2023, PH Resorts and Udenna Corporation executed a Memorandum of Agreement for the subscription of 329.58 million common shares with a subscription price of ₱1.00 per share. The ₱108.06 million is presented as "Deposit for future stock subscription" under Equity in the parent company statements of financial position as of December 31, 2023 while the ₱221.52 million is presented as part of "Advances for future stock subscription" under Liabilities in the parent company of financial position as of December 31, 2023.

From April to November 2023, PH Resorts received advances for future stock subscription from Udenna Corporation totaling ₱3.15 billion. These are presented as "Advances for future stock subscription" under Liabilities in the parent company statement of financial position as of December 31, 2023.

As of April 29, 2024, the Company is in the process of completing the application requirements for SEC approval on the increase in authorized capital stock. As such the deposits received for future stock subscription in excess of the authorized capital stock is presented as part of liabilities in the parent company statement of financial position as of December 31, 2023.

12. Capital Stock

The Company's common shares (at ₱1 par value per share) consist of the following:

	Number of shares	Amount
Authorized	8,000,000,000	₱8,000,000,000
Subscribed		
Balance at beginning of the year	7,282,017,027	₱7,282,017,027
Issuance during the year	–	–
Issued and outstanding	7,282,017,027	₱7,282,017,027

13. **Income Taxes**

a. The current provision for income tax consists of final tax on interest income.

The reconciliation between the benefit from income tax computed at statutory income tax rate and the provision for income tax as shown in the parent company statements of comprehensive income follows:

	2023	2022
Benefit from income tax computed at statutory rate	**(₱453,088,793)**	(₱200,812,439)
Adjustments to income tax resulting from:		
Movement in unrecognized deferred tax assets	**9,642,221**	25,449,232
Nondeductible expenses	**443,562,699**	173,993,781
Interest income subjected to final tax	**(133)**	(48)
	₱115,994	(₱1,369,474)

The Company did not recognize deferred tax assets since management believes that it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized:

	2023	2022
Unrecognized deferred tax assets:		
NOLCO	**₱81,335,688**	₱71,620,031
Net lease liability	**1,027,483**	8,338,891
	₱82,363,171	₱85,992,490

As at December 31, 2023, NOLCO of the Company for which deferred tax asset has not been recognized, can be applied against future taxable income within the periods shown below:

Year Incurred	Expiry Date	Amount	Expired	Unused
2020	December 31, 2025	₱128,884,874	–	₱128,884,874
2021	December 31, 2026	55,253,989	–	55,253,989
2022	December 31, 2025	102,341,260	–	102,341,260
2023	December 31, 2026	38,862,629	–	38,862,629
		₱325,342,752	₱–	₱325,342,752

Pursuant to the "Bayanihan to Recover as One Act" and Revenue Regulation No. 25-2020 issued by the Bureau of Internal Revenue (BIR) on September 30, 2020, NOLCO incurred by the Company in taxable year 2020 and 2021 can be carried over and claimed as deduction from the regular taxable income (RCIT) for the next five (5) consecutive taxable years, while NOLCO incurred for taxable year 2022 and before taxable year 2020 can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years.

14. **Financial Risks Management Objectives and Policies**

The Company's principal financial instruments are cash in banks which finance the Company's operations. The other financial assets and liabilities arising from its operations are advances from and to related parties, accounts payable and accrued expenses and lease liability.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks and they are summarized in the next page:

Credit risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking account of any collateral and other credit enhancements:

	2023	2022
Cash in banks	**₱2,219,632**	₱541,081
Advances to related parties	**455,798,388**	391,648,025
Total credit risk exposure	**₱458,018,020**	₱392,189,106

The financial assets of the Company are neither past due nor impaired and have high probability of collection.

Credit Quality per Class of Financial Asset. The credit quality of financial asset is being managed by the Company using internal credit ratings. The table below shows the maximum exposure to credit risk for the Company's financial instruments by credit rating grades:

	2023				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased or credit-impaired**	**Total**
High grade	**₱2,219,632**	**₱–**	**₱–**	**₱–**	**₱2,219,632**
Medium grade	**455,798,388**	–	–	–	**455,798,388**
Standard grade	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	**458,018,020**	–	–	–	**458,018,020**
Loss allowance	–	–	–	–	–
Carrying amount	**₱458,018,020**	**₱–**	**₱–**	**₱–**	**₱458,018,020**

	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit-impaired	Total
High grade	₱541,081	₱–	₱–	₱–	₱541,081
Medium grade	391,648,025	–	–	–	391,648,025
Standard grade	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	392,189,106	–	–	–	392,189,106
Loss allowance	–	–	–	–	–
Carrying amount	₱392,189,106	₱–	₱–	₱–	₱392,189,106

Financial assets classified as "high grade" are those cash transacted with reputable local banks and financial assets with no history of default on the agreed contract terms. "Medium grade" includes those financial assets with no history of default on the agreed contract terms but require collection efforts on the due dates. Financial instruments classified as "standard grade" are those financial assets with little history of default on the agreed terms of the contract.

Liquidity risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligations within a reasonable period of time.

The Company seeks to manage its liquidity profile to be able to finance its investment and pay its outstanding liabilities. To cover its financing requirements, the Company uses advances from affiliated companies. The Company's objectives to manage its liquidity profile are to ensure that adequate funding is available, at all times, to meet commitments as they arise without incurring unnecessary costs, and to be able to access funding when needed at the least possible cost.

Cash in banks, accounts payable and accrued expenses, and advances to and from related parties are all considered due and demandable.

The tables below summarize the maturity profile of the Company's financial liabilities. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

	2023			
	Due and Demandable	**Less than 1 Year**	**Over 1 Year**	**Total**
Cash in banks	**₱2,219,632**	**₱–**	**₱–**	**₱2,219,632**
Advances to related parties	**455,798,388**	**–**	**–**	**455,798,388**
Total	**458,018,020**	**–**	**–**	**458,018,020**
Accounts payable and accrued expenses*	**–**	**90,448,724**	**–**	**90,448,724**
Lease liability	**–**	**19,966,978**	**–**	**19,966,978**
Advances from related parties	**652,598,179**	**–**	**–**	**652,598,179**
	652,598,179	**110,415,702**	**–**	**763,013,881**
Liquidity gap	**(₱194,580,159)**	**(₱110,415,702)**	**₱–**	**(₱304,995,861)**

**Excluding nonfinancial liabilities of ₱0.2 million.*

	2022			
	Due and Demandable	Less than 1 Year	Over 1 Year	Total
Cash in banks	₱541,081	₱–	₱–	₱541,081
Advances to related parties	391,648,025	–	–	391,648,025
Total	₱392,189,106	–	–	₱392,189,106
Accounts payable and accrued expenses*	–	88,739,689	–	88,739,689
Lease liability	–	13,203,969	6,763,009	19,966,978
Advances from related parties	2,263,968,064	–	–	2,263,968,064
	2,263,968,064	101,943,658	6,763,009	2,372,674,731
Liquidity gap	(₱1,871,778,958)	(₱101,943,658)	(₱6,763,009)	(₱1,980,485,625)

**Excluding nonfinancial liabilities of ₱0.3 million.*

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows from the Company's foreign currency-denominated assets and liabilities may fluctuate due to changes in foreign exchange rates. The Company continuously evaluates the movements of foreign exchange rates with the possible risk given its financial position.

The Company's objective is to keep transactional currencies at an acceptable level to its operations to minimize foreign exchange exposures. To mitigate the Company's exposure to foreign currency risk, cash flows denominated in foreign currencies are monitored and future hedging arrangements are being considered.

Information on the Company's foreign currency-denominated monetary financial assets and financial liabilities and their Peso equivalents are as follows:

	2023		2022	
	US$ Value	**Peso Equivalent**	US$ Value	Peso Equivalent
Assets				
Cash	**$525**	**₱29,069**	$522	₱29,107
Liabilities				
Advances from related parties	–	–	30,412,397	1,695,824,414
Total		**₱29,069**		₱1,695,853,521

As of December 31, 2023 and 2022, the closing exchange rate was ₱55.37 and ₱55.76, respectively, for each US$.

The table below demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Company's loss before tax (due to revaluation of monetary assets and liabilities). The change in foreign currency exchange rate is based on the change between the current year and prior year foreign exchange rates. There is no impact on equity other than those already affecting pretax loss.

	Changes in Foreign Exchange Rates	Impact on Loss Before Income Tax
December 31, 2023	**Decrease by 0.69%**	**₱201**
	Increase by 0.69%	**(201)**
December 31, 2022	Increase by 9.33%	(₱152,865,689)
	Decrease by 9.33%	152,865,689

Capital Management

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

The Company manages its capital structure and makes adjustments to it in light of funding needs and changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or obtain additional funding from related companies as additional paid-in capital or debt.

The Company considers its equity amounting to ₱6.68 billion and ₱8.38 billion as at December 31, 2023 and 2022, respectively, as its core capital.

15. Fair Value Information

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

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash in banks, accounts payable and accrued expenses, and advances to and from related parties, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

Lease Liability. The fair value of the lease liability amounting to ₱6.7 million and ₱19.5 million is determined by discounting the expected cash flows using the prevailing interest for similar instrument of 5.5% in 2023 and 5.6% in 2022.

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 measurements.

16. Loss Per Share

Basic loss per share amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The following table presents information necessary to calculate loss per share:

	2023	2022
Net loss attributable to the equity holders of the Company	**(₱1,812,471,167)**	(₱801,880,283)
Divided by weighted average number of common shares	**7,282,017,027**	7,282,017,027
Loss per share	**(₱0.2489)**	(₱0.1101)

The Company has no dilutive potential common shares outstanding, therefore basic loss per share is the same as diluted loss per share.

17. Segment Information

The Parent Company's identified reportable segments are consistent with the segment information presented in the Company's consolidated financial statements. Segment information is prepared on the following bases:

Business Segments
The business segments pertain mainly to hotel and restaurant activities. Assets and processes related to other business activities such as gaming are still not operational as of reporting period.
For management purposes, the Group is organized into two business activities - Hotel and restaurant and others. This segmentation is the basis upon which the Group reports its primary segment information.

Business Segment Data
Hotel and restaurant segment comprise revenues from hotel and restaurant activities and other incidental services related thereto. As at December 31, 2023 and 2022, the Parent Company is primarily engaged as a holding entity to purchase and hold investments in shares of stocks, bonds, debentures, notes, evidences of indebtedness or other securities and obligations.

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments for the years ended December 31, 2023, 2022 and 2021:

	2023			
	Hotels and Restaurant	**Gaming**	**Eliminations**	**Total**
Revenue	**₱27,595,598**	**₱99,514,170**	**(₱99,514,170)**	**₱27,595,598**
Results				
Direct costs and expenses	**(12,726,885)**	–	–	**(12,726,885)**
Operating expenses	**(15,240,228)**	**(256,631,789)**	–	**(271,872,017)**
Foreign exchange loss - net	–	**(6,431,177)**	–	**(6,431,177)**
Depreciation	**(6,873,031)**	**(17,169,811)**	–	**(24,042,842)**
Interest expense	**(93,339,608)**	**(2,306,410,264)**	–	**(2,399,749,872)**
Interest income	**1,375**	**10,406,760**	–	**10,408,135**
Income tax expense	**(303,786)**	**(2,888,630)**	–	**(3,192,416)**
Benefit from deferred tax	**192,943**	**(867,817,811)**	–	**(867,624,868)**
Other non-operating expense - net	**9,339,393**	**(674,891,639)**	–	**(665,552,246)**
Net loss	**(91,354,229)**	**(4,022,320,191)**	**(99,514,170)**	**(4,213,188,590)**
Assets and liabilities				
Operating assets	**1,634,766,074**	**39,663,685,041**	**(22,043,878,114)**	**19,254,573,001**
Deferred tax asset	–	–	–	–
Total assets	**1,634,766,074**	**39,663,685,041**	**(22,043,878,114)**	**19,254,573,001**
Operating liabilities	**869,970,358**	**19,290,629,018**	**(7,846,100,383)**	**12,314,498,993**
Loans payable	**766,901,374**	**204,491,386**	–	**971,392,760**
Deferred tax liabilities	**90,123,119**	**899,295,142**	–	**989,418,261**
Advances for future stock subscription	–	**3,668,260,170**	–	**3,668,260,170**
Total liabilities	**₱1,726,994,851**	**₱24,062,675,716**	**(₱7,846,100,383)**	**₱17,943,570,184**

	2022			
	Hotels and Restaurant	Gaming	Eliminations	Total
Revenue	₱1,052,148	₱132,685,272	(₱132,685,272)	₱1,052,148
Results				
Direct costs and expenses	(373,772)	–	–	(373,772)
Operating expenses	(6,914,709)	(122,572,556)	–	(129,487,265)
Foreign exchange loss - net	–	(239,066,973)	–	(239,066,973)
Depreciation	(7,653,411)	(22,997,753)	–	(30,651,164)
Interest expense	(60,456,530)	(965,107,796)	278,155,289	(747,409,037)
Interest income	477	3,722,397	–	3,722,874
Income tax expense	(27,751)	(1,892,181)	–	(1,919,932)
Benefit from deferred tax	599,796	2,340,049	–	2,939,845
Other non-operating expense - net	1,847,946	150,414	–	1,998,360
Net loss	(71,925,806)	(1,212,739,127)	145,470,017	(1,139,194,916)

	2022			
Assets and liabilities				
Operating assets	1,594,507,973	39,852,260,759	(22,812,073,893)	18,634,694,839
Deferred tax asset	–	–	–	–
Total assets	1,594,507,973	39,852,260,759	(22,812,073,893)	18,634,694,839
Operating liabilities	568,323,895	13,495,537,739	(8,878,038,721)	5,185,822,913
Loans payable	970,620,988	6,036,325,000	–	7,006,945,988
Deferred tax liabilities	81,865,562	833,130,117	–	914,995,679
Total liabilities	₱1,620,810,445	₱20,364,992,856	(₱8,878,038,721)	₱13,107,764,580

	2021			
	Hotels and Restaurant	Gaming	Eliminations	Total
Revenue	₱2,447,217	₱132,684,306	(₱132,684,306)	₱2,447,217
Results				
Direct costs and expenses	(8,597,333)	–	–	(8,597,333)
Operating expenses	(23,669,406)	(155,292,219)	–	(178,961,625)
Foreign exchange loss - net	–	(175,664,097)	–	(175,664,097)
Depreciation	(7,774,472)	(22,344,547)	–	(30,119,019)
Interest expense	(73,693,587)	(222,032,558)	186,083,333	(109,642,812)
Interest income	3,763	1,022,797	–	1,026,560
Income tax expense	(752)	(1,513,390)	–	(1,514,142)
Benefit from deferred tax	(274,791)	47,117,112	2,646,222	49,488,543
Other non-operating expense - net	794,013	474,662,553	(471,270,724)	4,185,842
Net loss	(110,765,348)	78,639,957	(415,225,475)	(447,350,866)
Assets and liabilities				
Operating assets	1,529,781,925	41,591,114,815	(24,035,904,237)	19,084,992,503
Deferred tax asset	–	–	–	–
Total assets	1,529,781,925	41,591,114,815	(24,035,904,237)	17,555,210,578
Operating liabilities	501,342,728	13,660,423,567	(9,942,512,271)	4,219,254,024
Loans payable	968,219,251	5,971,787,870	(17,803,829)	6,922,203,292
Advances for future stock subscription	–	47,500,000	–	47,500,000
Deferred tax liabilities	66,538,447	699,425,218	–	765,963,665
Total liabilities	₱1,536,100,426	₱20,379,136,655	(₱9,960,316,100)	₱11,954,920,981

18. Supplementary Tax Information under Revenue Regulations (RR) 15-2010

In compliance with RR 15-2010 issued by the BIR on November 25, 2010, mandating all taxpayers to include information on taxes, duties and license fees paid or accrued during the taxable year, presented below are the taxes paid and accrued by the Company in 2023:

a. VAT

The Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

Output VAT
The Company's revenue only pertains to interest income from bank deposits, dividend income and gain on sale of subsidiaries which are not subject to VAT pursuant to Revenue Memorandum Circular No. 4-2003; hence, no output VAT is reported during the period.

Input VAT
The Company has beginning carryover input taxes on domestic purchases of services amounting to ₱3,041,108.

b. Taxes and Licenses

Business permit	₱38,550
Registration and publication fees	5,550
Notarial fees	5,400
	₱49,500

c. Withholding Taxes

	Expanded Withholding Taxes
Beginning balance	₱347,936
Additions	102,903
Payments	(225,909)
	₱224,930

d. Deficiency Tax Assessments and Tax Cases

The Company is not involved in any tax assessments and tax cases as at and for the year ended December 31, 2023.

PH
RESORTS GROUP
A Udenna Company

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

DENNIS A. UY
Chairman of the Board

RAYMUNDO MARTIN M. ESCALONA
Chief Executive Officer and President

LARA C. LORENZANA
Chief Financial Officer

Signed this 11 day of April, 2024

RESORTS GROUP
A Udenna Company

SUBSCRIBED AND SWORN to before me this 11 day of APR 2024 20__. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Dennis A. Uy	
Raymundo Martin M. Escalona	
Lara C. Lorenzana	

and that they further attest that the same true and correct.

Doc No. 145 ;
Page No. 30 ;
Book No. VII ;
Series of 2024.

Notary Public

ATTY. ALYSSA HANNAH R. NUQUI
Appointment No. 31 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
21F Udenna Tower, Rizal Drive cor.
4th Avenue, Bonifacio Global City, Taguig City
Roll No. 70319
PTR No. A-6129037/01-04-2024/Taguig City
IBP No. 407782/01-08-2024/Makati City
MCLE Compliance No. VII-0007519/04-14-2025

PHOENIX

Michael Tejada <michael.tejada@phresorts.com>

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