

From: Philippine Stock Exchange <no-reply@pse.com.ph>
Sent: Thursday, 26 March 2026 1:23 pm

Subject: Annual Report

Dear Sir/Madam:

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

Company Name: Pacific Online Systems Corporation
Reference Number: 0010315-2026
Date and Time: Thursday, March 26, 2026 13:22 PM
Template Name: Annual Report
Report Number: CR01607-2026

Best Regards,
PSE EDGE

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

- 1. For the fiscal year ended
Dec 31, 2025
- 2. SEC Identification Number
ASO93-008809
- 3. BIR Tax Identification No.
003-865-392-000
- 4. Exact name of issuer as specified in its charter
Pacific Online Systems Corporation
- 5. Province, country or other jurisdiction of incorporation or organization
Metro Manila, Philippines
- 6. Industry Classification Code(SEC Use Only)
- 7. Address of principal office
Unit 1902-C West Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City
Postal Code
1605
- 8. Issuer's telephone number, including area code
(02) 8584-1700
- 9. Former name or former address, and former fiscal year, if changed since last report
N/A
- 10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

- 11. Are any or all of registrant's securities listed on a Stock Exchange?
 Yes No
 If yes, state the name of such stock exchange and the classes of securities listed therein:
 The Philippine Stock Exchange Inc.
- 12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that 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

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

P992.087 million

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

- Yes No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

Not Applicable

(b) Any information statement filed pursuant to SRC Rule 20

Not Applicable

(c) Any prospectus filed pursuant to SRC Rule 8.1

Not Applicable

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



**Pacific Online Systems Corporation
LOTO**

**PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules**

For the fiscal year ended	Dec 31, 2025
Currency	Philippine Peso

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2025	Dec 31, 2024
Current Assets	1,144,790,227	1,082,177,990
Total Assets	1,647,131,054	1,736,525,004
Current Liabilities	347,742,583	353,533,405
Total Liabilities	487,886,421	638,716,791
Retained Earnings/(Deficit)	371,568,278	313,959,794
Stockholders' Equity	1,159,244,633	1,097,808,213
Stockholders' Equity - Parent	1,157,021,338	1,094,837,945
Book Value Per Share	1.41	1.33

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2025	Dec 31, 2024
Gross Revenue	524,171,429	527,482,143
Gross Expense	498,843,077	471,860,673
Non-Operating Income	62,143,184	15,321,747
Non-Operating Expense	24,773,019	39,397,264
Income/(Loss) Before Tax	62,698,517	31,545,953
Income Tax Expense	5,837,006	14,568,128
Net Income/(Loss) After Tax	56,861,511	16,977,825
Net Income/(Loss) Attributable to Parent Equity Holder	57,608,484	18,146,553
Earnings/(Loss) Per Share (Basic)	0.07	0.02
Earnings/(Loss) Per Share (Diluted)	0.07	0.02

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2025	Dec 31, 2024
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	3.29	3.06
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	2.8	2.32
Solvency Ratio	Total Assets / Total Liabilities	3.38	2.72
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.17	0.24
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.24	0.38
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	2.69	1.49
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.42	1.58
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.42	0.44
Net Profit Margin	Net Profit / Sales	0.11	0.03
Return on Assets	Net Income / Total Assets	0.03	0.01
Return on Equity	Net Income / Total Stockholders' Equity	0.05	0.02
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	24.28	121

Other Relevant Information

None

Filed on behalf by:

Name	Irene Bautista
Designation	Controller

SECURITIES AND EXCHANGE

COMMISSIONSEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION
141 OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2025**
2. SEC Identification Number: **ASO93-008809** 3. BIR Tax Identification No. **003-865-392-000**
4. Exact name of registrant as specified in its charter: **PACIFIC ONLINE SYSTEMS CORPORATION**
5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of
Incorporation or organization
6. _____ (SEC Use Only)
Industry Classification Code
7. **19/F, East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City, Metro Manila**
Address of principal office **1605**
Postal Code
8. **632-8584-1700**
Registrant's telephone number, including area code
9. **Not applicable**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1.00 par value	895,330,946
11. Are any or all of these securities listed on the Philippine 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 thereunder or Sections 11 of the RSA and RSA Rule 1 (a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [] No []
 - (b) has been subject to such filing requirements for the past 90 days. Yes [] No []
13. Aggregate market value of voting stock held by non-affiliates: **₱992.087 million**
This was computed by multiplying the number of voting stocks held by non-affiliates (583,580,486) by the stock's closing price of **₱1.70** on December 29, 2025.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Pacific Online Systems Corporation (“POSC”, “Pacific Online” or “Parent Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 11, 1993. The Parent Company is a public company under Section 17.2 of the Revised Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE) starting on April 12, 2007.

In 2025, the Parent Company amended its articles of incorporation to amend its registered office address from 28th Floor East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City to 19th Floor West Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City. The amendment was approved by the SEC on September 12, 2025.

The Parent Company is a 50.1%-owned subsidiary of Premium Leisure Corp. (PLC or the “Immediate Parent Company”). The ultimate parent company is Belle Corporation (Belle). Belle and PLC are corporations with shares listed on the PSE, incorporated and domiciled in the Philippines. Belle’s shares are listed on the PSE as at December 31, 2025 and 2024. On July 9, 2024, PLC’s shares were delisted from the PSE after a successful tender offer by Belle.

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

	Industry	Percentage of Ownership		
		2025	2024	2023
Subsidiaries				
Total Gaming Technologies, Inc. (TGTI)	Gaming	98.9	98.9	98.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	100.0	100.0	100.0
Falcon Resources Inc. (FRI) ^(a)	Gaming	100.0	100.0	100.0
Futurelab Interactive Corp. (FIC) ^(b)	Gaming	100.0	100.0	100.0
Interest in Joint Operation				
PinoyLotto Technologies Corp. (PinoyLotto)	Gaming	50.0	50.0	50.0
<i>(a) Indirect ownership through TGTI</i>				
<i>(b) 50% owned by POSC and 50% owned by TGTI</i>				

POSC

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

Prior to October 1, 2023, the Parent Company’s primary source of revenue arises from the Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO) for the lease of lotto terminals and related equipment. The ELA was concluded on September 30, 2023.

In 2024 and 2023, the Parent Company participated in initiatives related to a web-based application betting platform (E-Lotto Project) with PCSO. However, in 2025, the national government adopted a policy discontinuing the licensing of online gaming and online betting platforms by state gaming agencies. As a result, the implementation of the E-Lotto Project did not proceed.

In light of these developments, the BOD approved the unwinding of the Parent Company’s involvement in the E-Lotto Project and directed management to pursue other business opportunities within the industry.

On November 18, 2025, the Parent Company, together with PinoyLotto and Philippine Gaming Management Corp. (PGMC), formed an unincorporated joint operation to participate in PCSO’s procurement for the supply, installation, and maintenance of Radio Frequency Identification

(RFID)-enabled draw machines and related accessories. The joint operation was awarded the project at a contract price of ₱559.0 million in December 2025.

TGTI

TGTI was incorporated and registered with the SEC on October 23, 2002. The primary purpose of the TGTI is to lease gaming equipment and provide consultancy services.

In 2022, TGTI ceased its operation as lessor of PCSO's Online KENO games. TGTI is still evaluating its future operating plans, and management continues to actively look for other viable opportunities within the gaming industry.

LotoPac

LotoPac was incorporated in March 2007, primarily to acquire, establish, operate and manage amusement, recreational and gaming equipment facilities.

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

FRI

FRI was incorporated on May 25, 1999 primarily to engage in the business of trading or selling of goods on wholesale or retail basis, such as sweepstakes, instant game tickets, and other lottery and gaming tickets.

In 2020, FRI ceased its scratch ticket distribution operations with the intention to focus on technology driven games and related support services that will be more viable and sustainable in the long term.

FIC

FIC was incorporated on April 4, 2016 primarily to operate and manage amusement, recreational, and gaming equipment facilities.

As at December 31, 2025, FIC has not started commercial operations.

PinoyLotto

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

PinoyLotto was awarded the five-year lease of the customized PCSO Lottery System (PLS Project) at a contract price of ₱5,800.0 million. PinoyLotto commenced commercial operations on October 1, 2023. In accordance with the contract, terminals are being installed and operated nationwide, with a maximum capacity up to 6,500 terminals.

The Group's interest in PinoyLotto was accounted for as a joint operation.

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

Recent Developments

E-Lotto Project

On June 19, 2024, the Company received the Notice of Award from the Philippine Charity Sweepstakes Office (PCSO) for its participation in the bidding for the Procurement of 5 Years Lease for Web-based Application Betting Platform (E-Lotto). Subsequently, however, issues were raised regarding online gaming, in general; and eventually, the national government adopted, as matter of policy, that the state gaming agencies (i.e. Philippine Amusement Gaming Corporation, PCSO, etc.) will no longer be issuing gaming licenses that involve online gaming. This eventually led to the implementation of the E-Lotto being placed in limbo. More recently, the Corporation's Board of Directors, recognizing that the national government's policy against online

gaming will no longer be retracted, ordered that the Corporation's involvement in E-Lotto be already unwinded.

HHR Philippines, Inc. (HHRPI)

On January 29, 2025, the Parent Company entered into an Investment Agreement with HHRPI, a software and professional service provider of electronic gaming platforms for land-based and online gaming operators, is licensed and accredited by the Philippine Amusement and Gaming Corporation (PAGCOR) together with the latter's principal shareholders. Pursuant to the agreement, the Parent Company was to acquire about 37.5% of HHRPI's resulting issued and outstanding capital, or a total of 81,000 shares consisting of 15,000 shares purchased on a secondary basis from the principal shareholders and 66,000 shares to be issued from unissued capital stock. However, also because of the change in the national government's policy with respect to online gaming, the Parent Company, with the conformity of HHRPI and the latter's principal shareholders, entered into a Memorandum of Agreement with a third party through which, upon the execution of the relevant implementing agreements, the Parent Company shall divest of all its rights and obligations arising from the Investment Agreement and transferred the same to the third party.

Agreements with PCSO

Equipment Lease Agreement. The Parent Company previously entered into an ELA with the PCSO for the lease of lotto terminals, including the central computer system, communications equipment, related application software and manuals, and the supply of betting slips and ticket paper rolls.

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

The ELA expired on September 30, 2023. Upon its expiration, the operations were transferred to PinoyLotto pursuant to a separate agreement with PCSO.

Web-Based Application Betting Platform (WABP or E-Lotto Project). On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO., under which it acted as PCSO's exclusive agent. The platform was launched on December 15, 2023 and operated until July 12, 2024 upon PCSO's instruction.

In 2023, the Group recognized commission income of ₱2.3 million, representing 14.0% of e-lotto sales. In 2024, the arrangement was revised such that the Parent Company was reimbursed for reasonable actual costs, subject to a ceiling of 8.0% of generated sales less applicable taxes. The Parent Company billed PCSO ₱35.4 million, net of taxes, in September 2024, which was fully collected in 2025.

On June 19, 2024, the Parent Company received a Notice of Award from PCSO for the five-year lease of the WABP following a competitive bidding process. Preparatory activities were undertaken pending contract execution.

Subsequently, the national government adopted a policy discontinuing the licensing of online gaming and online betting platforms by state gaming agencies. As a result, the implementation of the E-Lotto Project did not proceed. The BOD approved the unwinding of the Parent Company's involvement in the project.

Costs incurred to fulfill a contract amounting to ₱30.7 million were recognized under "Other current assets" account in 2024. Following the discontinuation of the project, ₱22.0 million of these costs were reimbursed in 2025, while the remaining ₱8.7 million was recognized in profit or loss during the year.

A cash bond related to the WABP trial run amounting to ₱79.0 million was posted in favor of PCSO and is presented under "Other current assets" account in the consolidated statements of financial position as at December 31, 2024.

Following the termination of the trial run in July 2024, the Parent Company initiated the refund process. During 2025, a substantial portion of the bond was refunded, resulting in the remaining balance of ₱5.4 million as at December 31, 2025. The outstanding balance is expected to be collected upon completion of the refund process.

Government Regulation and Environmental Compliance

The Parent Company does not need any government approval for its principal products or services since its business is in the development, design and management of online computer systems, terminals and software for the PCSO and not in the operation of the lottery business.

The Parent Company has been fully compliant with environmental regulations and ordinances issued by the concerned Local Government Units (LGU) and by the Department of Natural Resources (DENR) in so far as disposal of used computer hardware, office equipment and other bulky operating supplies are concerned, pursuant to the Republic Act 9003: Ecological Solid Waste Management Act of 2000.

Technology Development, Supply and Service Contracts

In connection with the ELA with PCSO, the Parent Company entered into separate agreements with Scientific Games and Intralot Inc. for the supply of lottery system hardware, software, terminals and related support services.

Under these arrangements, POSC paid the suppliers a pre-agreed percentage of revenues generated from PCSO's online lottery operations using the supplied systems and equipment.

These agreements were co-terminus with the ELA and effectively ceased upon the expiration of the ELA on September 30, 2023.

Software and license fees recognized in relation to these agreements amounted to ₱59.6 million in 2023.

The Philippine Lottery Sector

The Philippine lottery sector has undergone a significant transformation as of early 2026. The landscape is currently defined by the Philippine Charity Sweepstakes Office (PCSO) aggressively modernizing its operations to maintain its monopoly, while the private sector sees a major shift in digital strategy.

PCSO's Aggressive Growth Strategy has moved from a defensive to an offensive market position. To combat the rise of other forms of gambling and unauthorized games, the PCSO implemented a massive structural overhaul in February 2026:

- **Price and Jackpot Hike:** Ticket prices were increased to ₱25 (from ₱20). To balance this, minimum jackpot prizes were raised significantly.
- **Result:** This "higher stakes" strategy led to a 38.3% surge in sales in the first week of February 2026 alone, proving that the local market is highly responsive to larger starting pots.

Digital Disruption and Pivot in the "E-Lotto" space, once thought to be the next major battlefield for private-public partnerships, has hit a regulatory and corporate wall:

- In February 2026, Pacific Online Systems Corporation, announced its exit from the E-Lotto project. This move was triggered by a stricter government stance on online betting platforms and prolonged regulatory delays.

- Government Consolidation has tightened its grip on online lottery licensing, placing a moratorium on new online gaming licenses to assess social impacts. This has effectively stalled private tech firms' attempts to "Uber-ize" the lottery.

New technology is being integrated to improve "game integrity," which is the primary competitive edge against illegal "Jueteng" or unauthorized online draws:

- **Lotto Bilyonaryo:** A new game is currently being teased, supported by PinoyLotto Technologies Corp. (PLTC), a joint venture of Pacific Online System Corporation (POSC) and Philippine Gaming Management Corporation (PGMC). In January 2026, they turned over new RFID-enabled air-mix draw machines to the PCSO, signaling a push toward high-tech, transparent draws to win back public trust.
- **International Standing:** In January 2026, PCSO achieved WLA Level 3 Accreditation for Responsible Gaming. This is a competitive move to align with global standards (like those in the US and Italy), making it harder for "grey market" operators to claim legitimacy.

New Lotto Games Prize Table Summary:

Feature	2025 status	2026 Status (Present)
Ticket Price	₱20	₱25
6/58 Min. Jackpot	₱50 Million	₱75 Million
6/55 Min. Jackpot	₱30 Million	₱45 Million
6/49 Min. Jackpot	₱16 Million	₱25 Million
6/45 Min. Jackpot	₱9 Million	₱15 Million
6/42 Min. Jackpot	₱6 Million	₱10 Million

Competitive Outlook

The competition is no longer just "Lotto vs. STL" (Small Town Lottery). It is now a battle of Value Proposition. By raising starting jackpots, the PCSO is successfully attracting "casual" bettors who previously only played when jackpots reached the hundreds of millions.

Organization and Manpower

As of December 31, 2025, the Parent Company had a total of 14 employees, of which, 3 belong to Operations and 11 were administrative and other support personnel. None of the employees of the Parent Company have organized themselves into any labor union. The Parent Company also provides its employees additional benefits such as health care, life and accident insurance, retirement plan, training and development programs, and wellness programs, among others.

The Parent Company believes that it has maintained balanced relationships with the rank and file and does not anticipate any labor-management issues to arise in the near term. The Parent Company believes that its relationships with its employees have been consistently good and productive.

Risks

Some of the risks that the Parent Company and its subsidiaries may be exposed to are the following:

1. General Risks

a. Regulator/Government Risk

Changes in the government and PCSO administration may result to changes in policies and the way that such policies are implemented, which may be favorable or unfavorable to the Parent Company. New legislation rules regarding taxes on lottery products have an impact in sales as well.

b. Environmental Risk

Environmental and natural disasters can also affect the operations in a particular area.

2. Risks Relating to the Parent Company and its Subsidiaries

a. Dependence on Suppliers

The Parent Company's lottery operations is anchored on a two-system network. The Parent Company, through its joint operation in Pinoylotto, has existing contracts for the supply of computer supported lottery gaming systems. In the event that the contracts, whether collectively or individually, are terminated or suspended, operations and business of the Parent Company may be impaired.

b. Business Interruption Risk

The operations of the Parent Company, its subsidiaries and joint operation are dependent on the reliability of its central computer system and the communications infrastructure needed to run it. Any breakdown or failure in the system provided by its suppliers, or failure in the communication infrastructure may negatively affect the Group's financial performance. The communications infrastructure is being provided mainly by the two biggest telco providers in the country, namely: PLDT/Smart and Globe. Furthermore, business interruption may also be caused by phishing or ransomware attacks on the system or on its corporate website and communication platforms.

c. Investment Risk

The Parent Company's ROI on its joint venture investment is dependent on the milestone achievements of the joint venture and the acceptance of PCSO. Non-compliance or delays in the implementation of the joint venture operations may result to additional cost or contract cancellation by PCSO.

d. Data Privacy Risk

The Group holds and processes some sensitive personal information of management and employees in its regular business operations. Any breach in confidentiality may lead to an information security incident.

Item 2. Properties

The Parent Company Head Office is located in Pasig City.

There are no real properties owned and there are no plans to acquire them in the next twelve (12) months. The Parent Company, together with its subsidiaries, lease all of its business offices. These properties are not mortgaged nor are there any liens and encumbrances that limit ownership or usage of the same.

The leased properties were 150 sqm for the year ended Dec. 31, 2025, from the previous 323 sqm by year end 2024.

The Group's major assets under Pinoylotto are lottery equipment, which consists mainly of lottery terminals, data center equipment, software and operating systems.

Item 3. Legal Proceedings

“TMA Australia Pty. Ltd. And TMA Group Philippines, Inc. v. Pacific Online.”RTC 66, Pasig City-Civil Case No. R-PSG-17-02130 [321-108]

This refers to a complaint for Tortious Interference and payment of Damages filed by TMA Australia Pty. Ltd. and TMA Philippines (the “TMA Group”) against Pacific Online in August 2017. The TMA Group alleged that Pacific Online wrongfully interfered with the implementation of the Contractual Joint Venture Agreement (CJVA) between the TMA Group and PCSO when it entered into several equipment lease agreements with the latter that included a supply of paper provision. The TMA Group also applied for a writ of preliminary injunction (WPI) against Pacific Online and prayed for damages in the amount of at least One Million Pesos (₱1,000,000.00).

On 21 March 2018, the RTC granted the TMA Group’s application for WPI, enjoining Pacific Online from continuing to deliver lotto paper to PCSO. During the pendency of this case, the Supreme Court issued a decision in Philippine Charity Sweepstakes Office v. TMA Group of Companies (G.R. Nos. 212143, 225457, and 236888, 28 August 2019), stating that the WPI issued by RTC Makati against PCSO directing it to source its paper from TMA was improperly issued, and that the CJVA – the same CJVA in this case before RTC Pasig – could not have been a valid source of rights against PCSO. TMA filed a Motion for Reconsideration, but this was denied by the Supreme Court in a Resolution dated 04 March 2020. Pacific Online then filed a Manifestation and a Supplemental Manifestation asking for the dismissal of the tortious interference case by the TMA Group.

On 08 February 2021, the court dismissed the case against Pacific Online.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the Annual Stockholders’ Meeting, there were no other matters submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The principal market where the registrant's common equity is traded is the Philippine Stock Exchange ("PSE").

Stock Prices

The high and low closing sales prices for each quarter within the last two (2) fiscal years of the registrant's common shares as quoted on the PSE, are as follows:

<u>2025</u>	<u>High</u>	<u>Low</u>
First Quarter	5.15	2.56
Second Quarter	3.99	3.09
Third Quarter	3.66	1.85
Fourth Quarter	2.49	1.60
<u>2024</u>	<u>High</u>	<u>Low</u>
First Quarter	4.80	3.69
Second Quarter	5.15	3.18
Third Quarter	5.24	3.60
Fourth Quarter	3.82	2.50

As of December 31, 2025, the Parent Company's market capitalization amounted to ₱1,522,062,608 based on the closing price of ₱1.70 per share.

Security Holders

As of December 31, 2025, Pacific Online had 62 shareholders, corresponding to total common shares outstanding of 895,330,946. The top 20 stockholders as of the same date are listed below:

Name	No. of Shares Held	% to Total
1. PREMIUM LEISURE CORP.	448,560,806	50.1000
2. PCD NOMINEE CORPORATION Filipino = 285,665,855 Non-Filipino = 42,103,921	327,769,776	36.6088
3. OCIER, WILLY N.	71,819,350	8.0215
4. ABACORE CAPITAL HOLDINGS, INC.	43,761,930	4.8878
5. OCIER WILLY &/OR GERALDINE E.Y. OCIER	1,439,000	0.1607
6. SY, HANS TAN	800,000	0.0894
7. OCIER, MISCHÉL GABRIELLE E.Y.	390,000	0.0436
8. KILAYKO, GREGORIO U.	200,000	0.0223
9. LIM, MAURICE D.	100,000	0.0112
10. BENITEZ, ALFREDO B.	68,200	0.0076
11. CHAN, CARMELITA	66,000	0.0074
12. GREGORIO, ANTONIO VICTORIANO III F. OR VENUS LIOUE GREGORIO	50,000	0.0056
13. VILLANUEVA, MYRA P.	23,400	0.0026
14. CHAN, CARMELITA D.L.	33,300	0.0037
15. TAGUBA, LUCILA A.	20,000	0.0022
16. SY, CAROLINE TANCUAN	20,000	0.0022
17. SY, HANS JR. TANCUAN	20,000	0.0022
18. SY, HARVEY CHRISTOPHER TANCUAN	20,000	0.0022
19. SY, HOWARD CONRAD TANCUAN	20,000	0.0022
20. PEREZ, JOSE DEXTER F.	18,000	0.0020

Dividends

The Parent Company has approved a dividend policy that would entitle stockholders to receive dividends based on prior year's net income after tax, subject to: (i) the availability of the unrestricted earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind/or in additional shares from its surplus profits. The ability of the Parent Company to pay dividends will depend on its retained earnings level and financial condition. Dividends shall be paid within 30 days from the date of declaration.

On February 28 2023, POSC declared cash dividends of ₱0.10 per share, to shareholders as of record on March 15, 2023, and paid out on March 28, 2023.

On February 28, 2024, POSC declared cash dividends of ₱0.10 per share, to shareholders as of record on March 14, 2024, and to be paid out on March 26, 2024.

Recent Sale of Unregistered Securities

There have been no sales of unregistered securities since 2012.

Voting Rights

At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the books of the Parent Company at the time of closing of the transfer books for such meeting.

Dividend Rights of Common Shares

The Parent Company's board of directors is authorized to declare cash, property, or stock dividends or a combination thereof. A cash dividend declaration requires the approval of the Board and no shareholder approval is necessary. A stock dividend declaration requires the approval of the Board and shareholders representing at least two-thirds of the Parent Company's outstanding capital stock. Holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of share. Other than statutory limitations, there are no restrictions that limit the Parent Company from paying dividends on common equity.

Appraisal Rights

As provided for by law, any stockholder shall have a right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment of the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code of the Philippines and;
3. In case of merger or consolidation.

Item 6. Management Discussion and Analysis of Operating Performance and Financial Condition

Results of Operations

2025 Compared to 2024

Revenues

Pacific Online Systems Corporation (the "Parent Company") consolidated with its subsidiaries (the "Group"), generated total revenues of ₱524.2 million for the year ended December 31, 2025. Revenues decreased by ₱3.3 million (0.63%) from revenues of the same period in 2024 amounting to ₱527.5 million mainly due one time collection from PCSO for the operational cost of legacy system and use of draw machines in 2024.

Cost of services

Cost of services increased by ₱11.0 million (4%) to ₱305.2 million in 2025 from ₱294.2 million in 2024 mainly due to depreciation expense of additional fixed assets purchased and payment for software cost.

General and administrative expenses

General and administrative expenses increased by ₱16.1 million (9%) to ₱193.7 million in 2025 from ₱177.6 million in 2024 mainly due to the higher cost of other external services, professional fees and other administrative expenses.

Finance charges

Finance charges decreased by ₱11.9 million (33%) due to reduction of outstanding balance of loan for the year 2025.

Interest income

Interest income increased by ₱7.3 million (53%) due interest income of money market placements as a result of better cash management in 2025.

Marked-to-market gains (loss) on investments held for trading

Marked-to-market gains on investments held for trading increased by ₱1.7 million (175%) due to higher stock prices of investment held for trading in 2025.

Dividend income

The Parent Company received dividend income from its investments held for trading amounting to ₱15.2 million in 2025. No dividend income was received in 2024.

Other Income (Charges) - net

The Group's other income - net increased by ₱25.3 million (7761%), from other net charges of ₱0.3 million in 2024 mainly due to the collected reimbursable charges from the WABP project.

Financial Condition

2025 Compared to 2024

TOTAL ASSETS

The Group's total assets of ₱1,647.1 million as at December 31, 2025 decreased by ₱89.4 million or 5% from ₱1,736.5 million as at December 31, 2024.

Cash and cash equivalents

Cash and cash equivalents increased by ₱127.4 million (22%) from ₱592.2 million as at

December 31, 2024 to ₱719.6 million as at December 31, 2025 due to the collection of cash bond for the WABP project, refund of unexpired portion of bank guarantee fees, interest income from money market placements, dividend income from investment held for trading and collection of other receivables. This was offset by advances for discontinued investment and payment of loan amortizations for 2025.

Investments held for trading

Investments held for trading of the Group consists of investments in listed shares of stock of Vantage Equities, Inc. and APC Group, Inc. The amount of the Group's investments held for trading increased by ₱0.7 million (2%) as at December 31, 2025 mainly due to the marked-to-market gain for the year 2025.

Trade and other receivables

Trade and other receivables increased by ₱23.6 million (13%) to ₱209.3 million as at December 31, 2025 from ₱185.7 million as at December 31, 2024 due to the receivable arising from the discontinued investment.

Creditable withholding taxes (CWTs)

Creditable withholding taxes increased by ₱15.4 million (12%) to ₱140.7 million as at December 31, 2025 from ₱125.3 million as at December 31, 2024 due additional creditable withholding tax from collected revenues.

Other current assets

Other current assets of the Group decreased by ₱104.4 million (77%) to ₱31.7 million as at December 31, 2025 from ₱136.2 million as at December 31, 2024 due mainly to the collection of cash bond and refund of bank guarantee fees.

Property and equipment

The Group's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This account decreased by ₱154.0 million (24%) to ₱498.0 million as at December 31, 2025 from ₱652.0 million as at December 31, 2024 mainly due to the depreciation expense recognized for the period.

Other noncurrent assets

Other noncurrent assets increased by ₱2.0 million (87%) to ₱4.4 million as at December 31, 2025 from ₱2.3 million as at December 31, 2024 mainly due to the net retirement asset.

TOTAL LIABILITIES

The Group recorded total liabilities at ₱487.9 million as at December 31, 2025, lower by ₱150.8 million (24%) compared to the total liabilities ₱638.7 million as at December 31, 2024. The decrease was mainly due to payment of loan amortizations for 2025.

TOTAL EQUITY

Total equity of the Group increased by ₱61.4 million (6%) to ₱1,159.2 million as at December 31, 2025 from ₱1,097.8 million as at December 31, 2024 mainly due to the net income earned for year 2025.

As of December 31, 2025, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the group, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of

- such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

Key Performance Indicators

The Group monitors its performance and benchmarks itself to prior year's results in terms of the following indicators:

	As of	
	Dec. 31, 2025	Dec. 31, 2024
Current Ratio	3.29:1.00	3.06:1.00
Asset-to-Equity Ratio	1.42:1.00	1.58:1.00
Return on Equity	5%	1%
Return on Assets	3%	1%
Solvency Ratio	0.47:1.00	0.27:1.00

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$

Results of Operations

2024 Compared to 2023

Revenues

Pacific Online Systems Corporation (the "Parent Company") consolidated with its subsidiaries (the "Group"), generated total revenues of ₱527.5 million for the year ended December 31, 2024. Revenues decreased by ₱74.1 million (12%) from revenues of the same period in 2023 amounting to ₱601.6 million mainly due to the transition from the legacy system to the nationwide lottery system under its joint operation, PinoyLotto Technologies Corp. (PinoyLotto).

Cost of services

Cost of services increased by ₱33.6 million (13%) to ₱294.2 million in 2024 from ₱260.7 million in 2023 mainly due to depreciation expense and communication costs in relation to the - new lottery system.

General and administrative expenses

General and administrative expenses increased by ₱53.5 million (43%) to ₱177.6 million in 2024 from ₱124.1 million in 2023 mainly due to higher expenses in relation to the full of operations of Pinoylotto in 2024.

Finance charges

Finance charges increased by ₱18.7 million (104%) due to payment of interest expense on the bank loan of Pinoylotto.

Interest income

Interest income increased by ₱8.0 million (140%) due interest income as a result of better cash management and investment decisions for 2024.

Marked-to-market gains (loss) on investments held for trading

Marked-to-market gains (loss) on investments held for trading decreased by ₱55.0 million (102%) due to lower stock prices of investment held for trading and due to the sale of Digiplus shares in 2024.

Dividend income

Dividend income decreased by ₱18.9 million (100%) because the Parent Company did not receive any dividends from its investment held for trading and financial assets at FVOCI in 2024.

Other income - net

The Group's other income - net decreased by ₱54.4 million (101%), from ₱54.0 million in 2023 to ₱0.3 million net charges in 2024. Other income in 2023 is mainly due to the sale of trademark and net claims received.

Financial Condition**2024 Compared to 2023****TOTAL ASSETS**

The Group's total assets of ₱1,736.5 million as at December 31, 2024 decreased by ₱165.3million or 9% from ₱1,901.8 million as at December 31, 2023.

Cash and cash equivalents

Cash and cash equivalents increased by ₱248.3 million (72%) from ₱343.9 million as at December 31, 2023 to ₱592.2 million as at December 31, 2024 due to the following: proceeds from the sale of the PLC shares to Belle Corp during the tender offer, proceeds from sale of investment held for trading and additional cash from loan drawdowns of PinoyLotto, offset by the payment of dividends amounting to ₱83.7 million during the first quarter of the year and payment of loans amortizations for 2024.

Pinoylotto is a joint venture operation owned by Pacific Online, Philippine Gaming Management Corp (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS). Pinoylotto won the bid for the Philippine Lottery System (PLS) of the Philippine Charity Sweepstakes Office, and has started nationwide operations on October 1, 2023. Loan drawdowns are being used to fund equipment purchases for the said project.

Investments held for trading

Investments held for trading of the Group consists of investments in listed shares of stock of DigiPlus Interactive Corp (PLUS) (formerly Leisure and Resorts World Corporation), Vantage Equities, Inc. and APC Group, Inc. The amount of the Group's investments held for trading decreased by ₱57.3 million (57%) as at December 31, 2024 mainly due to the disposal of DigiPlus shares in 2024.

Trade and other receivables

Trade and other receivables decreased by ₱98.7 million (35%) to ₱185.7 million as at December 31, 2024 from ₱284.4 million as at December 31, 2023 due to collection of receivables.

Creditable withholding taxes (CWTs)

Creditable withholding taxes increased by ₱23.6 million (23%) to ₱125.3 million as at December 31, 2024 from ₱101.8 million as at December 31, 2023 due additional creditable withholding tax as a result of collection of trade receivables.

Other current assets

Other current assets of the Group increased by ₱17.9 million (15%) to ₱136.2 million as at December 31, 2024 from ₱118.3 million as at December 31, 2023 due mainly to the additional prepayments for the current period.

Financial assets at fair value through other comprehensive income (FVOCI)

The financial assets at FVOCI pertains to the investment in shares of Premium Leisure Corp (PLC). The account decreased by 100% from December 31, 2023 due to the availment of the Parent Company of the tender offer made by Belle Corp for PLC shares during the period.

Property and equipment

The Group's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This account decreased by ₱54.2 million (8%) to ₱652.0 million as at December 31, 2024 from ₱706.2 million as at December 31, 2023 mainly due to the depreciation expense recognized for the period.

Other noncurrent assets

Other noncurrent assets decreased by ₱2.7 million (53%) to ₱2.3 million as at December 31, 2024 from ₱5.0 million as at December 31, 2023. The decrease is mainly due to the consumption of rental deposits for various leased premises.

LIABILITIES

The Group recorded total liabilities at ₱638.7 million as at December 31, 2024, lower by ₱87.4 million (12%) compared to the total liabilities ₱726.1 million as at December 31, 2023. The decrease was mainly due to payment of loan and reversal of long-outstanding payables in 2024.

EQUITY

Total equity of the Group decreased by ₱77.9 million (7%) to ₱1,097.8 million as at December 31, 2024 from ₱1,175.7 million as at December 31, 2023. The decrease is mainly due to cash dividends declared and paid during the first quarter of the year.

As of December 31, 2024, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the group, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

Key Performance Indicators

The Group monitors its performance and benchmarks itself to prior year's results in terms of the following indicators:

	As of	
	Dec. 31, 2024	Dec. 31, 2023
Current Ratio	3.06:1.00	3.01:1.00
Asset-to-Equity Ratio	1.58:1.00	1.62:1.00
Return on Equity	1%	26%
Return on Assets	1%	18%
Solvency Ratio	0.27:1.00	0.43:1.00

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$

Results of Operations

2023 Compared to 2022

Revenues

Pacific Online Systems Corporation (the "Parent Company") consolidated with its subsidiaries (the "Group"), generated total revenues of ₱601.6 million for the year ended December 31, 2023. Revenues increased by ₱82.5 million (16%) from revenues of the same period in 2022 amounting to ₱519.1 million mainly because of the improvement in lotto sales during the first nine months of the year due to the more open economy for 2023 with the return of normal face-to-face activities and easing of quarantine restrictions.

Cost of services

Cost of services increased by ₱13.1 million (5%) to ₱260.7 million in 2023 from ₱247.5 million in 2022 due to higher costs of software license fees in line with the higher lotto sales from January to September 2024. In addition, with the commencement of nationwide operations effective October 1, 2024 of Pacific Online's joint operation, PinoyLotto, higher costs for repairs and maintenance, depreciation, and travel and accommodation have been incurred in relation to the - new lottery system.

General and administrative expenses

General and administrative expenses increased by ₱28.4 million (30%) to ₱124.1 million in 2023 from ₱95.8 million in 2022 mainly due to higher expenses in relation to the start of operations of Pinoylotto.

Other Income (Charges)

The Group's Other Income increased by ₱75.5 million (192%), from ₱39.4 million in 2022 to ₱114.9 million in 2023. This is mainly due to the following: higher mark-to-market gains on the Group's investments held for trading because of higher market share prices for 2023, gain on sale of trademark in 2023 and higher interest income for the year as a result of better cash management and investment decisions, offset by higher interest expense as PinoyLotto pay for finance charges on its loans.

Financial Condition**TOTAL ASSETS**

The Group's total assets of ₱1,901.8 million as at December 31, 2023 increased by ₱785.8 million or 70% from ₱1,116.0 million as at December 31, 2022.

Cash and cash equivalents

Cash and cash equivalents increased by ₱42.3 million (14%) to ₱343.9 million as at December 31, 2023 from ₱301.7 million as at December 31, 2022 due to the following: higher revenues and collections from increased Lotto sales for the year and additional cash from loan drawdowns of PinoyLotto, offset by the payment of dividends amounting to ₱84.5 million during the first quarter of the year.

Pinoylotto is a joint venture operation owned by Pacific Online, Philippine Gaming Management Corp (PGMC) and International Lottery & Totalizator Systems, Inc. (ILTS). Pinoylotto won the bid for the Philippine Lottery System (PLS) of the Philippine Charity Sweepstakes Office, and has started nationwide operations on October 1, 2023. Loan drawdowns are being used to fund equipment purchases for the said project.

Investments held for trading

Investments held for trading of the Group consists of investments in listed shares of stock of DigiPlus Interactive Corp (PLUS) (formerly Leisure and Resorts World Corporation), Vantage Equities, Inc. and APC Group, Inc. The amount of the Group's investments held for trading increased by ₱28.7 million (40%) as at December 31, 2023 due to the net increase in the share prices of the investments for 2023.

Trade and other receivables

Trade and other receivables increased by ₱83.2 million (41%) to ₱284.4 million as at December 31, 2023 from ₱201.2 million as at December 31, 2022 due to higher receivable from PCSO in relation to the PLS joint venture.

Creditable withholding taxes (CWTs)

Creditable withholding taxes decreased by ₱27.8 million (21%) to ₱101.8 million as at December 31, 2023 from ₱129.6 million as at December 31, 2022 due to application against income tax due for 2023.

Other current assets

Other current assets of the Group increased by ₱98.9 million (509%) to ₱118.3 million as at December 31, 2023 from ₱19.4 million as at December 31, 2022 due mainly to the guarantee deposit made by Pacific Online pursuant to the agreement with PCSO and the additional input taxes for 2023.

Financial assets at fair value through other comprehensive income (FVOCI)

The financial assets at FVOCI pertains to the investment in shares of Premium Leisure Corp (PLC). The account increased by ₱58.5 million (33%) to ₱237.6 million as at December 31, 2023 from ₱179.1 million as at December 31, 2022 due to unrealized valuation gains for 2023.

Property and equipment

The Group's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This account increased by ₱704.2 million (34973%) to ₱706.2 million as at December 31, 2023 from ₱2.0 million as at

December 31, 2022 mainly due to the new lottery system of Pinoylotto, net of depreciation expense recognized for the period.

Right of use assets (ROU)

Right of use assets decreased by ₱1.3 million (70%) to ₱0.5 million as at December 31, 2023 from ₱1.8 million as at December 31, 2022 because of the amortization of ROU assets for 2023.

Other noncurrent assets

Other noncurrent assets decreased by ₱205.3 million (98%) to ₱4.5 million as at December 31, 2023 from ₱209.8 million as at December 31, 2022. The decrease is mainly because of a reclassification of advances to suppliers (under other noncurrent assets) to the property and equipment account as PinoyLotto started nationwide operations and put the property and equipment to use.

LIABILITIES

The Group recorded total liabilities at ₱726.1 million as at December 31, 2023, higher by ₱546.2 million (304%) compared to the total liabilities of ₱179.9 million as at December 31, 2022. The increase was mainly because of the drawdown of loan for the capital expenditure requirements of the PLS Project. Loans payable as at December 31, 2023 is at ₱470.6 million, increasing by ₱403.1 million (597%) from ₱67.5 million as at December 31, 2022. In addition, trade payables increased as PinoyLotto started operating and incurring operational expenses.

EQUITY

Total equity of the Group increased by ₱239.6 million (26%) to ₱1,175.7 million as at December 31, 2023 from ₱936.1 million as at December 31, 2022. The increase is mainly brought about by the net income earned for 2023, offset with the cash dividends declared and paid during the first quarter of the year.

As of December 31, 2023, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the group, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:
- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

Key Performance Indicators

The Group monitors its performance and benchmarks itself to prior year's results in terms of the following indicators:

	As of	
	Dec. 31, 2023	Dec. 31, 2022
Current Ratio	3.02:1.00	6.49:1.00
Asset-to-Equity Ratio	1.62:1.00	1.19:1.00
Return on Equity	26%	23%
Return on Assets	18%	19%
Solvency Ratio	0.43:1.00	1.25:1.00

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$

2026 Plan of Operations

PinoyLotto, the joint venture operation for the nationwide lottery system, will continue to maintain operations for its 6,500 installed terminals. POSC owns 50% of the joint venture operation, assuring the Parent Company with steady income for the duration of its 5-year term. In addition, Pinoylotto will service the PCSO also through its new contract on draw machines in support of its main lottery operations.

Pacific Online is actively seeking opportunities for growth through profitable investments in the entertainment industry that will increase shareholder value for its various stakeholders.

Item 7. Financial Statements

The audited Financial Statements and Supplementary Schedules as of and for the year ended December 31, 2025 presented in the accompanying index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Corporation's Audit Committee has recommended, and the Board of Directors has endorsed the recommendation for approval by the shareholders, that the auditing firm of Reyes Tacandong & Co. (RTC) be engaged and appointed as the Group's External Auditor for 2026. The Stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2026.

Representatives of Reyes Tacandong & Co., the Group's external auditors for the most recently completed fiscal year, are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Reyes, Tacandong & Co. audited the Group's statement of financial position as at December 31, 2025 and 2024, respectively, and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the year ended December 31, 2025, 2024 and 2023 and a summary of material accounting policies and other explanatory notes. Reyes, Tacandong & Co.'s responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing. The partner who handled the Group's external audit was Ms. Grace M. Albulian.

The Group's Board of Directors in the annual shareholders' meeting on June 27, 2025 recommended, and the shareholders approved, the appointment of Reyes, Tacandong & Co. as the Group's independent public accountant for the fiscal year ending December 31, 2025.

In the Group's three (3) most recent fiscal years, there was no event where the previous external auditor and Reyes Tacandong & Co. and the Group had disagreement on accounting principles or practices, and disclosures of financial statements or auditing scope of procedure.

The aggregate fees for each of last three (3) fiscal years for professional services rendered by the external auditors are as follows:

	2025	2024	2023
Total audit and non-audit fees	₱1,100,000	₱1,100,000	₱1,300,000

It is the policy of the Group that any draft audit report must first be reviewed by the Audit Committee prior to said report being endorsed to the Board of Directors for approval. The Audit Committee members are: Mr. Roberto V. Antonio (Chairman), Atty. Maria Gracia P. Tan, Mr. Joseph T. Chua, and Mr. Tarcisio M. Medalla. The final draft of the Group's audited financial statements was discussed and reviewed by said Committee. Whereupon said Committee resolved to recommend to the Group's Board of Directors that said financial statements be approved for issuance and disclosure to the public, the PSE and all related governmental agencies. Said audited financial statements were approved by the Group's Board of Directors during its meeting held on February 26, 2026.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Directors and Executive Officers

The following sets forth certain information as to the Directors and Executive Officers of the Company:

Name	Position with the Company
Willy N. Ocier	Chairman / Non-Executive Director
Armin Antonio B. Raquel Santos	Executive Director / President and CEO
Tarcisio M. Medalla	Non-Executive Director
Henry N. Ocier	Non-Executive Director
Antonio Victoriano F. Gregorio III	Non-Executive Director
Mischel Gabrielle O. Mendoza	Executive Director, Business Development Head, Integrated Management Systems Representative and Chief Risk Officer
Maria Gracia M. Pulido Tan	Lead Independent Director
Roberto V. Antonio	Independent Director
Joseph T. Chua	Independent Director
Dioville M. Villarias	Chief Finance Officer and Treasurer
Jason C. Nalupta	Corporate Secretary
Ann Margaret K. Lorenzo	Assistant Corporate Secretary
Christopher C. Villafior	Chief Operating Officer
Anna Josefina G. Esteban ¹	Chief Audit Executive
Allan D. Aldea	Data Protection Officer
Michelle T. Hernandez	Compliance Officer

¹ until February 10, 2025

The following are the Members of the Corporate Governance Committee, whose functions include the nomination of the Candidates for Board of Directors:	
Name	Position
Roberto V. Antonio	Chairman
Maria Gracia M. Pulido Tan	Member
Joseph T. Chua	Member

Board of Directors

The present members of the Board of Directors ("BOD") were elected during the annual stockholders' meeting held on June 27, 2025. The term of the current members of the BOD shall be until the next stockholders' meeting on April 27, 2026.

Willy N. Ocier, Filipino, 69, is the Chairman and Director of the Company since July 29, 1999. He served as the Company's President until October 2021. He is a Chairman and Non-Executive Director of Belle Corporation. He is also the Director and Chairman of Premium Leisure Corp., APC Group, Inc., Premium Leisure and Amusement, Inc., Total Gaming and Technologies, Inc., Pinoy Lotto Technologies Corporation and HHR Philippines, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., and Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc. and Director of DigiPlus Interactive Corp. He also sits as a Director of the following unaffiliated corporations, IVantage Equities, Philequity Management, Inc., and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.

Armin Antonio B. Raquel Santos, Filipino, 58, is the Executive Director, and the President and Chief Executive Officer of the Company since May 2024. He was the Company's Non-Executive Director effective May 2017. He is the Executive Director, President and Chief Executive Officer of Belle Corporation, Premium Leisure Corp. and its subsidiary, Premium Leisure and Amusement, Inc. He is also a Director of APC Group, Inc., Pinoy Lotto Technologies Corporation, HHR Philippines, Inc., Sagittarius Mines, Inc., Tagaytay Highlands International Golf Club, Inc., Manila Golf and Country Club and member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation. Formerly, he was Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II and First Philippine Electric Company. He was also former Governor of the Board of Investments (BOI), served as Assistant Secretary with the Department of Trade and Industry (DTI), Vice Chairman and CEO of Philippine Retirement Authority (PRA), Executive Vice President of Philippine International Trading Corporation (PITC), and Deputy Administrator of Subic Bay Metropolitan Authority (SBMA). His experience includes stints with multinational companies; Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York. Mr. Raquel Santos holds a Master of Arts in Liberal Studies from Dartmouth College, U.S.A. and Bachelor of Science in Business Administration Major in Finance from Iona College, U.S.A.

Tarcisio M. Medalla, Filipino, 77, is a non-executive director of the Company since December 2001. He also is a Director and President of the Paxys, Inc. He is concurrently a Director of UT Global Services Limited, a privately held company with an RHQ in Manila and affiliated with All Asia Customer Services Holdings Ltd., an investment holding company that owns the controlling equity interest in Paxys. He has been connected with the Group since 1983. He graduated with a BSC degree, major in Accounting, from De La Salle University. He attended the Advanced Management Program (AMP) at the Harvard Business School. He is a Certified Public Accountant.

Henry N. Ocier, Filipino, 68, is a non-executive director of the Company since June 29, 2009. He currently holds the position of President & General Manager of Guatson International Travel

and Tours, Inc. He graduated with a Bachelor of Science degree in Business Economics from De La Salle University.

Atty. Antonio Victoriano F. Gregorio III, Filipino, 53, is a non-executive director of the Pacific Online effective February 20, 2025. He sits as director and officer in various private and public companies, such as Abacore Capital Holdings Corporation, IPM Holdings Inc, Abacus Coal Exploration and Development Corporation, Abacus Global Technovision, Inc., Philippine Regional Investment Development Corp., Harpy Eagle Holdings Inc. and others. He graduated from the Ateneo de Manila University (ADMU) with two degrees: Bachelor of Science Major in Management Engineering (Honorable 7 Mention) and Bachelor of Arts Major in Economics – Honors (Cum Laude). He graduated Second Honors from ADMU with a Juris Doctor in 1998, and passed the Bar Exams in 1999.

Mischel Gabrielle O. Mendoza, Filipino, 39, became a director in May 2024 and was appointed the Head of Risk Management and Corporate Planning starting 2025. Apart from strategic planning and business development, she is in charge of monitoring the Company's sustainability efforts and corporate image. Prior to this, she served as Marketing, Corporate Planning Specialist, Administration Division Head, then Business Development Head until her recent appointment back in Corporate Planning. Ms. Mendoza is also a director of Abacore Capital Holdings, Inc., Total Gaming Technologies, Inc., a subsidiary of Pacific Online, The Country Club at Tagaytay Highlands, Inc., as well as director and co-founder of private company JIM Weaver Designs Corporation. She holds a Bachelor's Degree in Management Engineering from Ateneo de Manila University and took certificate courses in Tsinghua University in China, Josai International University in Japan, and Asian Institute of Management.

Independent Directors

Pursuant to the requirements of Section 38 of the SRC, the Company's Board of Directors and stockholders approved the amendment of the Company's By-Laws adopting the requirement on the nomination and election of independent directors. In line with this, Ms. Maria Gracia M. Pulido Tan and Messrs. Roberto V. Antonio and Joseph T. Chua were elected as the Company's independent directors.

Atty. Maria Gracia M. Pulido Tan, Filipino, 70, is an independent director of the Company since May 28 2021 and is currently the Lead Independent Director. Ms. Tan is likewise an independent director of Belle Corporation and Premium Leisure Corp. She is also a director of Palm Concepcion Power Corporation, Peak Power Energy, Inc. and Trifels, Inc. She is currently a Trustee of the Justice George A. Malcolm Foundation, Inc., and a member of the Tax Faculty of the Philippine Judicial Academy. She is also an arbitrator for the Construction Industry Authority of the Philippines and the Philippine Center for Dispute Resolution, Inc.; a professional lecturer of the University of the Philippines Law Center; a member of the Philippine Institute of Construction Arbitrators and Mediators, Inc., Society of Construction Law Philippines, Dispute Resolution Board Foundation, Office of Alternative Dispute Resolution, International Tax Specialist Group, and the Philippine Institute of Arbitrators. Atty. Tan is the first woman Chairperson of the Commission on Audit. She also served as Undersecretary of Finance, Commissioner of the Presidential Commission on Good Government and Chairman of the United Nations Independent Audit Advisory Committee, the first Filipino to have been elected to this 5-member Committee. She is also a professor at the University of the Philippines for Mandatory Continuing Legal Education. Backed by four decades of professional work in the Philippines and abroad as a private law and accounting practitioner, government official, arbitrator and international consultant. She is an expert in the fields of legal, finance, audit, governance, dispute resolution and administration. She graduated from the University of the Philippines in 1976 with a degree in Bachelor of Science in Business Administration and Accountancy and in 1981 with Juris Doctor. In 1987, she obtained her Master of Laws (Tax) from the New York University. She is a lawyer and Certified Public Accountant.

Roberto V. Antonio, Filipino, 64, is an independent director of the Company since September 2022. He is the President of Kalimera, Inc., RVA & Sons, Inc., and RVA International Trading Corporation; Chairman of RVA Hatch, Inc.; Vice Chairman of Right Eight Security Agency, Inc.; Consultant of Mustang Holdings, Inc.; as well as former President of the La Salle Greenhills

Foundation and former Board Member of the La Salle Greenhills Alumni. He independent director of Premium Leisure Corp. until April 22, 2024. Mr. Antonio served as one of the Department of Tourism's Undersecretaries from 1998-2000 and Senior Consultant from 2004-2010. He graduated from De La Salle University with a degree in Economics major in Marketing Management in 1984. Candidate of Juris Doctor at the Ateneo De Manila University Law School in 1989. He finished his Master's in Business Economics at the University of Asia and the Pacific in 1997.

Joseph T. Chua, Filipino, 69, is an independent director of the Company since May 2023. He was also an Independent Director and Chairman of the Corporate Governance Committee and Related Party Transactions Committee of Belle Corporation until May 31, 2024. He is currently the Chairman of the Board of JF Rubber Philippines Corporation, ChangeMe Corporation, Foodmunch Corporation, Sunhill Holdings and Heavenly Foods Inc. in Guam. He was a director of Macroasia Corporation since 1997 and was its President and COO from December 2015 until his retirement in 2021. He was also a director of PAL Holdings, Inc., LTG, Inc., Eton Properties Philippines, Inc., Philippine National Bank and PNB General Insurers Co., Inc. He was likewise the President of Goodwind Development Corporation (Guam) from 2013 to 2021. He graduated from the Dela Salle University with double degrees in AB Economics and BS Business Management in 1978. He completed his Masters in Business Administration at the University of Southern California in 1981.

Executive Officers

In addition to the President named above, the executive officers of the Company include the following:

Dioville M. Villarias, Filipino, 36, is the Chief Finance Officer (CFO) and Treasurer of the Company. She is concurrently the Chief Finance Officer and Treasurer of Premium Leisure Corp., and its subsidiary, Premium Leisure and Amusement, Inc. She is also the CFO of Pinoy Lotto Technologies Corporation and HHR Philippines, Inc. A CFO APAC Regional Awardee, with experience in accounting, financial reporting, and audits of financial institutions. She previously served as Head of Finance and CFO at UBS Securities Philippines, Inc. Ms. Villarias holds a Bachelor's degree in Accountancy from the University of the Philippines Visayas-Tacloban College and an MBA from De La Salle University. She is a Certified Public Accountant (CPA).

Atty. Jason C. Nalupta, Filipino, 54, is the Corporate Secretary of the Company. He is also currently the Corporate Secretary of listed firms A. Brown Company, Inc., Asia United Bank, Belle Corporation, and Crown Asia Chemicals Corporation. He is also a Director and/ or Corporate Secretary or Assistant Corporate Secretary of private companies, Quantuvis Resources Corporation, Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Corporation, Belle Infrastructure Holdings, Inc. (Formerly: Metropolitan Leisure & Tourism Corporation), Belle Bay Plaza Corporation, Glyphstudios, Inc., Falcon Resources, Inc. Futurelab Interactive Corp., TGTI Services, Inc., Loto Pacific Leisure Corporation, FHE Properties, Inc., Stanley Electric Philippines, Inc., Sta. Clara International Corporation and PinoyLotto Technologies Corp. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Atty. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Atty. Nalupta was admitted to the Philippine Bar in 1997.

Atty. Ann Margaret K. Lorenzo, Filipino, 36, is the Assistant Corporate Secretary of the Corporation since May 2021. She is concurrently the Corporate Secretary of the following companies: Repower Energy Development Corporation, Coal Asia Holdings, Inc., Arquee Corp., and GGO Realty Holdings, Inc. She is also the Assistant Corporate Secretary of Asia United Ban Corporation, Crown Asia Chemicals Corporation, Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., The Spa and Lodge at Tagaytay Highlands, Inc, Jin Natura Resources Corp., Jin Navitas Resource, Inc., Catmon Felix, Inc., Yej Commoditas, Inc., Yej Socialis, Inc., Yej Turbulentus, Inc., Yej Universalis, Inc., Bayby Earth, Inc., Jaman Boracay Corporation, Jaman Cebu. Corellia Ventures Incorporated, Sacareen Ventures Incorporated, Iridium Ventures Incorporated, and Bluepanel Equities and Development Inc. Ms. Lorenzo is a Partner at Tan Venturanza Valdez where she specializes in securities law, special projects, and banking. She also lectures at the Paralegal

Training Program of the UP Law Center on corporate housekeeping, AMLA, competition, and data privacy. She obtained her Bachelor of Arts degree in English Studies (cum laude) and Juris Doctor degree from the University of the Philippines in 2010 and 2014, respectively. She was admitted to the Philippine bar in April 2015.

Christopher C. Villaflor, Filipino, 50, is the Chief Operating Officer (COO) and Operations Division Head of the Company starting May 16, 2024. He joined the Company in March 2000 as a Bench Engineer. From June 2004 to October 2009, he served as the Systems Administrator for the Data Center Operations overseeing the lottery administration and maintenance for the Visayas and Mindanao regions. In 2009 he was promoted as Senior Manager of the Data Center Operations and in August 2017, he moved up as Vice President overseeing the Central System & Network Management Department and became the Online Lottery Division Head in December 2021. Mr. Villaflor has extensive experience in the area of system design, development, and testing on both the UNIX (OpenVMS, SunOS/Solaris) environment and Microsoft Windows. He has a formal training on Project Management Institute, Philippines for Project Management Fundamentals Tools and Techniques, Oracle 10g Programming PL/SQL and Data Administration, AIX Unix System Administration and Operational Planning using Software Engineering for SDLC. He graduated with a degree in Bachelor of Science in Computer Engineering from the University of San Carlos in 1998.

Michelle Angeli T. Hernandez, Filipino, 54, is the Compliance Officer of the Corporation since September 13, 2022. Likewise, she is the Compliance Officer and Chief Risk Officer and Vice President for Governance of Belle Corporation. She is mainly responsible for developing, implementing, and managing various strategies, processes and policies related to Corporate Governance, Enterprise Risk Management and Corporate Affairs for the Company and its subsidiaries. Likewise, she is the Compliance Officer and Chief Risk Officer of Premium Leisure Corp., and the Chief Risk Officer of APC Group, Inc. She has a bachelor's degree in Tourism (Cum Laude) from the University of Sto. Tomas.

Allan D. Aldea, Filipino, 50, is the Data Protection Officer (DPO) of the Corporation since February 19, 2024. Likewise, he is the DPO, Business Process and Risk Manager of Belle Corporation. He is also the DPO of Premium Leisure Corp. As DPO, he is responsible for overseeing an organization's data protection strategy and its implementation. He ensures data is handled responsibly and legally. He graduated from the University of Santo Tomas with a Bachelor of Science in Industrial Engineering.

Family Relationships

Henry N. Ocier and Willy N. Ocier are brothers. Mischel Gabrielle O. Mendoza is the daughter of Willy N. Ocier

Significant Employees

The Company is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Company and will not compete upon termination.

Stock Option Plan

The Parent Company's Board ("BOD") approved the proposed Stock Option Plan ("the Plan") on December 12, 2006. The Parent Company's Stock Option Plan provides an incentive and mechanism to employees and officers to become stockholders of the Parent Company, as well as to qualified directors, officers and employees, who are already stockholders, to increase their equity in the Parent Company and thereby increase their concern for the Parent Company's well-being. All such full-time and regular employees of the Parent Company, its subsidiaries and affiliates, their officers and directors, and such other qualified persons who may be recommended from time to time by the Executive Committee or the Board to the Committee as qualified, are eligible to participate in the Plan. Shares of stock subject to the Plan amount to five per cent (5%) of the Parent Company's total outstanding common stock.

The purchase price of the shares shall not in any case be less than the Fair Market Value of the Parent Company's shares at the time of grant, and, in no case, be less than the Offer Price at which the Parent Company's shares are initially offered for sale to the public. Further, the purchase price shall be subject to adjustment for subsequent stock dividends or splits. The shares covered by any one grant shall be offered for subscription over a period of Three (3) years from and after the effectivity date of each grant that may be determined by the Committee. The Participants may exercise their right to subscribe to shares under the Plan in accordance with the following schedule:

- 1/3 of total grant within One (1) year from the effectivity date of each grant
- 1/3 of total grant within Two (2) years from the effectivity date of each grant
- 1/3 of total grant within Three (3) years from the effectivity date of each grant

On February 15, 2008, SEC approved the Parent Company's application requesting that its proposed issuance of 9,954,900 common shares be exempt from the registration requirements of the Securities Regulation Code.

On May 6, 2008, the BOD approved the allocation of 2,174,000 shares to its executives and employees and to the officers of Lucky Circle under the Plan which is exercisable over a period of three years from May 6, 2008 until May 6, 2011. The purchase price upon exercise of the option was fixed at ₱8.88 per share. At the grant date, the fair value of the Parent Company's share amounted to ₱9.20 per share.

On May 19, 2008, grantees of the stock options exercised 617,000 shares of the Parent Company's stock at ₱8.88 per share.

In 2011 and 2010, certain grantees of the stock options exercised 495,000 shares and 455,000 shares, respectively, of the Parent Company's stock at ₱8.88 per share.

As at December 31, 2024, 2023 and 2022, there were no options outstanding or granted upon expiration of the exercisable options on May 6, 2011.

Involvement in Certain Legal Proceedings

As of the date of the report, to the best of the Company's knowledge, it is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- any bankruptcy petition filed by or against any business of which the incumbent Directors or senior management of the Company was a general partner or executive officer, either at the time of the bankruptcy or within five years prior to that time; any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent Directors or senior management of the Company, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent Directors or senior management of the Company in any type of business, securities, commodities or banking activities; and
- any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent Directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Further, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

Item 10. Executive Compensation

The following table shows the aggregate compensation received by the directors and executive officers of the Company for calendar years 2025 and 2024, as well as the estimated aggregate compensation for calendar year 2026

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Armin Antonio B. Raquel Santos President & CEO				
Christopher C. Villaflor Chief Operating Officer				
Mischel O. Mendoza Chief Risk Officer and Corporate Planning Head				
Dioville M. Villarias CFO and Treasurer				
Total for President and 4 most highly compensated Executive Officers	2026 (Estimate)			Php 7,462,180
	2025			7,115,684
	2024			8,986,947
All other executive officers and directors as a Group	2026 (Estimate)			Php 1,833,333
	2025			1,822,222
	2024			3,332,251

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

	2025	2024	2023
Salaries and wages	₱12,159,211	₱15,050,945	₱9,187,230
Retirement benefits	839,342	795,704	881,108
	₱12,998,553	₱15,846,649	₱10,068,338

The compensation of the Group's key management personnel is included in the "Personnel costs" as disclosed in Note 14 and 19 of the audited consolidated financial statements.

Per the Corporation's By-Laws, except for reasonable per diems, directors, as such, shall be entitled to receive only such compensation as may be granted to them by a vote of the stockholders representing a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

In 2025, all Audit Committee members received a per diem of Fifty Thousand Pesos (₱50,000.00) each per Audit Committee meeting attended while other directors received a per diem of Ten Thousand Pesos (₱10,000.00) each. For Board and Board Committee meetings, each director is given a per diem of Ten Thousand Pesos (₱10,000.00) per day regardless of the number of meetings during the same day.

The following Board of Directors received gross per diem and compensation for their attendance to Board and Committee meetings in 2025:

NAME	POSITION	TOTAL (Php)
Willy N. Ocier	Chairman	113,889
Armin Antonio B. Raquel Santos	President and Executive Director	113,889
Mischel Gabrielle O. Mendoza	Executive Director	91,667
Tarcisio M. Medalla	Non-Executive Director	325,000
Henry N. Ocier	Non-Executive Director	113,889
Ma. Gracia M. Pulido Tan	Lead Independent Director	313,889
Roberto V. Antonio	Independent Director	313,889
Joseph T. Chua	Independent Director	325,000
Jackson T. Ongsip ¹	President and Executive Director	44,118
Raul B. De Mesa ²	Non-Executive Director	80,556
	TOTAL	₱1,835,786

*Notes:

¹ term ended on May 15,2024

² term ended on Dec. 5,2024 (Deceased)

Other than those disclosed above, there are no other standard or other arrangements wherein directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

There is no compensatory plan or arrangement, including payments to be received from the Company, with respect to any of its executive officer, which will result from the resignation, retirement or any other termination of any of its executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or in any of its executive officer's responsibilities, following a change-in-control and the amount involved, including all periodic payments or installments, which exceeds ₱2.5 million.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Directors and Management

The following persons or group are known to the Company as direct owners of more than five percent(5%) of the Company's voting securities as of December 31, 2025:

Shareholder	Number of Shares	Percent	Beneficial Owner
PREMIUM LEISURE CORP. 5/F Tower A, Two E-Com Center, Mall ofAsia Complex, Pasay City	448,560,806	50.10	PREMIUM LEISURE CORP.
PCD NOMINEE CORPORATION	327,769,776	36.61	VARIOUS
WILLY N. OCIER 28/F East Tower, PSE Centre, ExchangeRoad, Ortigas Center, Pasig City	71,819,350	8.02	WILLY N. OCIER

Security Ownership of Directors and Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of December 31, 2025:

Name	Amount and nature of beneficial ownership			% to Total Outstanding Shares
	Direct	Indirect	Total direct & indirect shares	
Willy N. Ocier	71,819,550	17,283,950	89,103,500	9.95
Armin Antonio B. Raquel Santos	200	0	200	0.00
Tarcisio M. Medalla	200	100	300	0.00
Henry N. Ocier	6,000	1,203,000	1,209,000	0.13
Mischel Gabrielle O. Mendoza	390,000	195,000	585,000	0.07
Antonio Victoriano F. Gregorio III	50,000	0	50,000	0.01
Ma. Gracia M. Pulido Tan	1,000	0	1,000	0.00
Roberto V. Antonio	20,000	0	20,000	0.00
Joseph T. Chua	1	289,049	289,050	0.03
Dioville M. Villarias	0	0	0	0.00
Christopher C. Villaflor	0	0	0	0.00
Michelle Angeli T. Hernandez	0	0	0	0.00
Allan D. Aldea	0	0	0	0.00
Jason C. Nalupta	0	0	0	0.00
Ann Margaret K. Lorenzo	0	0	0	0.00
All Directors & Executive Officers as a group	72,286,951	18,971,099	91,258,050	10.19

Voting Trust Holders of 5% or More

There is no party known to the Company as holding any voting trust or any similar arrangement for five percent (5%) or more of the Company's voting securities.

Changes in Control

There is no arrangement known to the Company which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

No director or executive officer or any member of their immediate family has, during the last two years, had a direct or indirect, material interest in a transaction or proposed transaction to which the Company was a party.

The transactions and balances with related parties are as follows:

The financial assets at FVOCI pertains to the Group's investment in shares of the Ultimate Parent Company and Parent Company totaling to nil and ₱237.6 million as at December 31, 2024 and ₱179.1 million in 2023, respectively.

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

	2025	2024	2023
Salaries and wages	₱12,159,211	₱15,050,945	₱9,817,230
Retirement benefits	839,342	795,704	881,108
	₱12,998,553	₱15,846,649	₱10,698,338

PART IV - CORPORATE GOVERNANCE

The Company remains focused on ensuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders. With this in mind, the Board of Directors has established corporate governance principles to ensure accountability, fairness and transparency in the organization.

Corporate Objectives

Quality Policy

Pacific Online Systems Corporation is committed to continuously improve the quality management system and meet all requirements of the stakeholders in providing reliable, efficient and effective online lottery systems.

Quality Objectives

1. To be fully responsive to the requirements of stakeholders.
2. To maintain and continuously develop a competent workforce.
3. To maintain and continuously improve financial, operational and administrative control systems to achieve the company's goal and objectives.
4. To comply with statutory and regulatory requirements.

Information Security Policy

Pacific Online Systems Corporation is committed to safeguard the confidentiality, integrity and availability of all physical and electronic information assets of the company to ensure that regulatory, operational and contractual requirements are fulfilled.

Information Security Objectives

1. To comply with statutory and regulatory requirements.
2. To comply with requirements for confidentiality, integrity and availability for employees and other users.
3. To establish controls for protecting company information and information systems against theft, abuse and other forms of harm and loss.
4. To ensure that employees maintain the responsibility for, ownership of and knowledge about information security, to minimize the risk of security incidents.
5. To sustain continuity of operations at all times.
6. To ensure that external service providers comply with the company's information security needs and requirements.

Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2025, each of the Company's directors have complied with the requirements.

Below table shows the attendance of each board member in the meetings conducted during the year:

Summary of Board of Directors' Attendance to 2025 Meetings

Board of Directors		27-Jan-25	29-Jan-25	20-Feb-25	23-Apr-25	14-May-25	27-Jun-25 ¹	27-Jun-25 ²	24-Jul-25	23-Oct-25	30-Oct-25	4-Dec-25	% of Attendance
Oder, Willy N.	Chairman (NED)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Raquel Santos, Armin Antonio B.	Director (ED)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Medalla, Tarcisio M.	Director (NED)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Oder, Henry N.	Director (NED)	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	91%
Mendoza, Mischel O.	Director (ED)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Tan, Maria Gracia P.	Director (NED-ID)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Antonio, Roberto V.	Director (NED-ID)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Chua, Joseph T.	Director (NED-ID)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Antonio Victoriano F. Gregorio III ³	Director (NED)	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%

¹ - Annual Stockholders' Meeting

² - Board Organizational Meeting

³ - elected as Director effective February 20, 2025

In adherence to good governance practice, the schedule of meetings of the Board and Board Committees for the full year of 2025 was discussed and approved during the October 2024 Board of Directors meeting. On the other hand, the schedules of the Board and Board Committee Meetings in 2026 were discussed and approved by the Board of Directors in October 2025.

Board Performance Evaluation

The Company, through its Corporate Governance Committee, conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees to ensure optimum Board performance. The evaluation seeks to assess the effectiveness and collective performance of the Board through a self-assessment in this evaluation process. In this evaluation process, the directors identify the areas for improvement, such as:

- a. the timelines and integrity of information given to them,
- b. Directors' access to management, the Corporate Secretary and Board Advisors, and
- c. Other form of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised.

The details Board Evaluation Form can be found in the Company's website. Directors are asked to rate the performance of the collective Board, the Board, Committees, themselves as directors, the Company's Chairman of the Board, the Chief Executive Officer, and key officers.

Criteria for Board and Management ratings are as follows:

1. Collective Board Rating – relates to:

- Board Composition – related to how the Board members assess the Board as a whole based on their balance/diversity, knowledge/competencies, qualifications/background and experience;
- Board Efficiency and Importance – related to how the Board members assess the Board's overall performance, oversight over Management's activities, discussion on short- and long-term goals, business strategies and plans, risk and regulation, follow up of business plan and strategy, objective and budget, promotion of good governance principles, policies and mechanisms, and promotion of continuing education and/or training;
- Board Meetings and Participation – relates to how Board members assess frequency of Board meetings, if they were given chance to fully and positively participate, were provided quality materials and sufficient time for study, provided easy and timely access to information or inputs and whether there is efficient use of the time allocated for each meeting.

2. Board Committee Rating – relates to how the Committee members and Management rate the performance of the following Committees for the past year;

- Executive Committee
- Audit Committee
- Risk Oversight Committee
- Corporate Governance Committee

- Related Party Transactions Committee

3. Individual Directors' Self-rating – related to how the Directors assess their independence, participation and expertise

4. Officers Rating – relates to how well the Chairman of the Board and the President/CEO demonstrates leadership, integrity, diligence and adherence to corporate governance principles and practices as well as the assessment of the following key officers for their over-all performance:

- a. Chief Audit Executive
- b. Chief Risk Officer
- c. Compliance Officer

The Board reviews the results of this evaluation and greed on clear action plans to address any issues raised.

The annual evaluation for the 2024 performance was assessed by the Good Governance Advocates and Practitioners of the Philippines in adherence to the Company's policy that board assessment be facilitated externally every three (3) years.

The annual Board performance evaluation for 2025 was conducted in February 2026. The results of the evaluation, which found the Board to be functioning well to its mandate, will be discussed and presented to the Board through the Corporate Governance Committee

Continuing Education Programs

The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC. Below is the list of trainings in 2025 attended by the members of our Board of Directors.

	Name of Participants	Training Provider	Date	Topic
1	Willy N. Ocier	Good Governance Advocates and Practitioners of the Philippines (GGAPP)	11/04/2025	Corporate Governance
2	Armin Antonio B. Raquel Santos			
3	Tarcisio M. Medalla	Risks, Opportunities, Assessment and Management, Inc.	8/08/2025	Corporate Governance
4	Antonio Victoriano F. Gregorio III	Center for Global Best Practices	11/06/2025	Environmental, Social and Governance
5	Mischel Gabrielle O. Mendoza	Institute of Corporate Directors (ICD)	10/03/2025	Global Economic and Local Economic Outlook / Artificial Intelligence / Technology Trends Update
6	Henry N. Ocier			
7	Maria Gracia P. Tan			
8	Roberto V. Antonio			
9	Joseph T. Chua			

A review of the various established Board level committees and its respective charters were done for the year 2025. Short descriptions of the committees are as follows:

Executive Committee - acts on behalf of the Board in the management and direction of the business and conduct of the affairs of the Company.

Audit Committee - has general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions.

Board Risk Oversight Committee - assists the Board in overseeing the Company's practices

and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls,

Corporate Governance Committee - tasked with ensuring compliance with, and proper observance of, corporate governance principles and practices; promotes cooperation among other committees to integrate sustainability into corporate strategies; oversees sustainability-related risks by having processes in place, and that the Company capitalizes on significant opportunities. Folded in are the nomination and remuneration oversight functions as well.

Related Party Transactions Committee - assists the Board in overseeing the Company's practices and processes relating to related party transactions (RPTs). Reviews all material related party transactions of the Company and ensures that all RPTs are conducted on a fair and arms-length basis.

Members of various committees are expected to serve for a term of one (1) year. Below is the attendance of the members of the Board Committees for 2025.

Audit Committee		19-Feb-25	23-Apr-25	23-Jul-25	22-Oct-25	% of Attendance
Chua, Joseph T. ¹	Chairman (ID)	✓	✓	✓	✓	100%
Pulido Tan, Maria Gracia M.	Member (ID)	✓	✓	✓	✓	100%
Medalla, Tarcisio M.	Member	✓	✓	✓	✓	100%
Antonio, Roberto V. ²	Member (ID)	✓	✓	✓	✓	100%

¹ Chairman until June 27, 2025

² Chairman starting June 27, 2025

Corporate Governance Committee		19-Feb-25	22-Oct-25	% of Attendance
Antonio, Roberto V. ¹	Chairman (ID)	✓	✓	100%
Chua, Joseph T. ²	Member (ID)	✓	✓	100%
Pulido Tan, Maria Gracia M.	Member (ID)	✓	✓	100%

¹ Chairman until June 27, 2025

² Chairman starting June 27, 2025

Risk Oversight Committee		19-Feb-25	23-Jul-25	% of Attendance
Pulido Tan, Maria Gracia M.	Chairman (ID)	✓	✓	100%
Antonio, Roberto V.	Member (ID)	✓	✓	100%
Chua, Joseph T.	Member (ID)	✓	✓	100%
Medalla, Tarcisio M.	Member	✓	✓	100%

Related Party Transactions Committee		19-Feb-25	23-Oct-25	% of Attendance
Antonio, Roberto V. ¹	Chairman (ID)	✓	✓	100%
Chua, Joseph T. ²	Member (ID)	✓	✓	100%
Ocier, Henry N.	Member	x	x	0%
Pulido Tan, Maria Gracia M.	Member (ID)	✓	✓	100%
Antonio Victoriano F. Gregorio III ³	Member (ID)	NA	✓	100%

¹ Chairman until June 27, 2025

² Chairman starting June 27, 2025

³ Appointed on February 20, 2025

Risk Oversight Committee

The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company's risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company's risk management system for 2025 and has found the same effective and adequate.

The Audit Committee

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2025.

Manual on Corporate Governance

In compliance with the initiative of the SEC, Pacific Online submitted its Manual on Corporate Governance (the "Manual") to the SEC. The Manual institutionalizes the principles of good corporate governance in the entire Company. Pacific Online believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board and Management of their respective duties and responsibilities, and from which the organization's values and ethics emerge, is of utmost importance to the Company's shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates. The Company undertakes every effort possible to create awareness throughout the entire organization.

The Company, through its Chief Compliance Officer, stresses full compliance with applicable laws and adherence to ethical practices as stated in the Code of Business Conduct and Ethics (CBCE) and the Manual. Pacific Online is not aware of any non-compliance with the Manual by any of its directors, officers or employees.

The Board approved on April 25, 2022 the Company's Revised Manual on Corporate Governance: <https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf>

Code of Business Conduct and Ethics

The Company remains committed to align with the best corporate governance practices following the release of the 2016 Code of Corporate Governance for Publicly-Listed Companies. In addition to the Manual, the Company's Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The Manual and CBCE are communicated to directors, officers and employees to ensure familiarity and adherence. These documents are also made public through the Company's website: <https://www.loto.com.ph/wp-content/uploads/CODE-OF-BUSINESS-CONDUCT-AND-ETHICS-2019.pdf>

Sustainability

The Company's reporting framework for sustainability for 2025 makes use of the Global Reporting Initiative (GRI). The report identifies Pacific Online's economic, operational, environmental and social performance, and governance responsibilities in 2025.

On March 26, 2026, the Pacific Online Board of Directors reviewed, approved and authorized the publication of the 2025 Sustainability Report.

Governance Policies

Corporate policies on governance were developed, submitted to and approved by the Board to protect the interests and rights of the shareholders and stakeholders and to promote transparency and accountability. Such governance related policies are shown below and may be viewed through the Pacific Online corporate website <https://www.loto.com.ph/corporate-policies/>

These policies and procedures are initially cascaded throughout the organization via email blast, and annual corporate governance trainings. The Board, through its various Board Committees, ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

1. Whistle-Blowing Policy
2. Policy for Purchase of Goods and Services
3. Accreditation and Performance Evaluation of External Providers Policy
4. Insider Trading Policy
5. Information Technology Policy
6. Dividend Policy Statement
7. Policy on Conflict of Interest
8. Related Party Transactions Policy
9. Alternative Dispute Resolution Policy
10. Anti-Bribery and Anti-Corruption Policy
11. Employee Safety, Health and Wellness Policy
12. Gift / Hospitality / Entertainment Policy
13. Guidelines on Placement of Advertisements Policy
14. Records Management Policy

Employees' Safety, Health, and Welfare

Pacific Online Systems Corporation recognizes its employees as one of its most important resource, hence, the Company endeavors to attract, inspire and retain people who demonstrate competencies and attributes that are aligned with its strategies. Some of Pacific Online's non-financial performance indicators, such as those shown on the attached Sustainability Report, identify relevant measures on how effectively the Company is achieving business objectives in the area of human resources.

Board Diversity

The Corporate values and promotes a diversity policy in the composition of our Board to reinforce its effectiveness in providing strategic direction, oversight and compliance with laws and regulations.

Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers. Diversity will foster critical discussion and promote balanced decisions by the Board by utilizing the difference in perspective of its directors.

Pacific Online Systems Corporation prohibits its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of December 31, 2025 is shown below:

Names of Directors and Officers	Position	Number of shares held as of 12.31.2024	Acquisition (+)	Disposition (-)	Total	% of Ownership
			as of 12.31.2025			
Willy N. Ocier	Chairman	89,103,500	0	0	89,103,500	9.95
Armin Antonio B. Raquel Santos	Director/ President & CEO	200	0	0	200	0
Tarcisio M. Medalla	Director	300	0	0	300	0
Henry N. Ocier	Director	1,209,000	0	0	1,209,000	0.13
Maria Gracia P. Tan	Independent Director	1,000	0	0	1,000	0.00
Roberto V. Antonio	Independent Director	20,000	0	0	20,000	0.00
Antonio Victoriano F. Gregorio III ¹	Director	0	50,000	0	50,000	0.01
Joseph T. Chua	Independent Director	289,050	0	0	289,050	0.03
Mischel Gabrielle O. Mendoza	Director/ Chief Risk Officer	585,000	0	0	585,000	0.07
	Other Officers	0	0	0	0	0
	TOTAL	91,208,050	50,000	0	91,258,050	10.19

For governance-related issues or concerns, stakeholders may refer to:

Mischel O. Mendoza

Chief Risk Officer & Corporate Planning Head

1902-C West Tower, Tektite Towers, Ortigas Center, Pasig City 1605

Tel. No.:(632) 8584-1700

Email: momendoza@pacificonline.com.ph

Representative for Investor Relations and Gaming, stakeholders may contact:

Carlo R. Climaco

5th Floor, Two ECom Center, Tower A, Palm Coast Avenue, Mall of Asia Complex, Pasay City

Tel. No.: (632) 8662-8888

Email: carlo.climaco@premiumleisurecorp.com

PART V - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

a. Exhibits

There are no exhibits to be provided that are applicable to the Company.

a. Reports on SEC Form 17-C

Document	Date Filed	Item No.	Matter
SEC FORM 17-C dated January 27, 2025	27-Jan-25	Item 4	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
SEC FORM 17-C dated January 30, 2025	29-Jan-25	-	Acquisition or Disposition of Shares of Another Corporation
SEC FORM 17-C dated January 31, 2025	31-Jan-25	-	Substantial Acquisitions
SEC FORM 17-C dated February 21, 2025	20-Feb-25	Item 9	Notice of Annual or Special Stockholders' Meeting
SEC FORM 17-C dated February 21, 2025	20-Feb-25	Item 9	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
SEC FORM 17-C dated February 21, 2025	20-Feb-25	Item 9	Material Information/Transactions
SEC FORM 17-C dated May 15, 2025	14-May-25	Item 9	[Amend-1] Notice of Annual or Special Stockholders' Meeting
SEC FORM 17-C dated May 15, 2025	14-May-25	Item 9	Amendments to Articles of Incorporation
SEC FORM 17-C dated June 27, 2025	27-Jun-25	Item 9	[Amend-1] Amendments to Articles of Incorporation
SEC FORM 17-C dated June 27, 2025	27-Jun-25	Item 9	Results of Annual or Special Stockholders' Meeting
SEC FORM 17-C dated June 27, 2025	27-Jun-25	Item 9	Results of Organizational Meeting of Board of Directors
SEC FORM 17-C dated September 18, 2025	18-Sep-25	Item 9	[Amend-2] Amendments to Articles of Incorporation

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on March 26, 2026.

By:



ARMIN ANTONIO B. RAQUEL SANTOS
President

DIOVILLE M. VILLARIAS
Chief Financial Officer



ATTY. JASON C. NALUPTA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 26th day of March 2026, affiants exhibiting to me their Competent Evidence of Identity, as follows:

NAME	COMPETENT EVIDENCE OF IDENTITY	DATE OF ISSUE	PLACE OF ISSUE
ARMIN ANTONIO B. RAQUEL SANTOS		Aug. 5, 2021	DFA Manila
DIOVILLE M. VILLARIAS		Jul. 27, 2021	DFA NCR South
JASON C. NALUPTA		June 26, 2018	DFA NCR South

FERNANDO D. AYARAO

Notary Public

For and in Pasig City and the Municipality of Pasig
Commission No. 22 (2023-2027) valid until 12/31/2027
MCLE Exempter No: VIII-BEP003234, until 04/14/2026
Roll No. 46377; IBP LRN 02459; OR 535886; 06/21/2009
TIN 123-011-785; PTR 4018763AA; 01/09/26; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City, NCR, 1605 Philippines

Doc. No. 31
Book No. 22
Page No. 8
Series of 2026

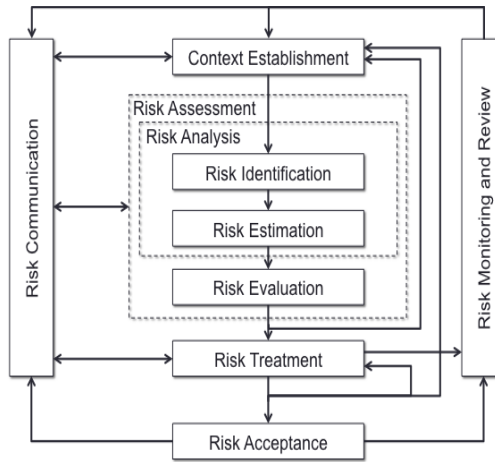
PASIG CITY

ANNEX 1
Sustainability Report

PACIFIC ONLINE SYSTEMS CORPORATION	
Sustainability Report 2025	
1. THE ORGANIZATION AND ITS REPORTING PRACTICES	
Disclosure 2-1	ORGANIZATIONAL DETAILS
	<p>NAME OF THE ORGANIZATION Pacific Online Systems Corporation</p> <p>OWNERSHIP AND LEGAL FORM</p> <pre> graph TD POSC[PACIFIC ONLINE SYSTEMS CORPORATION] PIT[PINOYLOTTO TECHNOLOGIES INC. 50%] LPLC[LOTO PACIFIC LEISURE CORPORATION 100%] TGTI[TOTAL GAMING TECHNOLOGIES INC. 98.92%] FRI[FALCON RESOURCES INC. 100%] FIC[FUTURELAB INTERACTIVE CORP. 50%] POSC --- PIT POSC --- LPLC POSC --- TGTI TGTI --- FRI TGTI --- FIC </pre> <p><small>*Interest in Joint Operation</small></p> <p>LOCATION OF HEADQUARTERS Manila Business Center U1902-C West Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City, 1605, Philippines</p> <p>LOCATION OF OPERATIONS POSC's scope of operations for its lottery operations is nationwide in the Philippines.</p>
Disclosure 2-2	ENTITIES INCLUDED IN THE ORGANIZATION'S SUSTAINABILITY REPORTING
	Pacific Online Systems Corporation
Disclosure 2-3	REPORTING PERIOD, FREQUENCY AND CONTACT POINT
	<p>REPORTING PERIOD This is Pacific Online Systems Corporation's (POSC or Pacific Online or Company) Sustainability Report outlining its economic, environmental, social and governance performance from January to December 2025. This report has been prepared in accordance with the GRI 1: Foundation 2021</p> <p>DATE OF MOST RECENT REPORT Annex 1 of 17-A Report of Pacific Online for the period Jan-Dec 31, 2024, submitted to SEC/PSE April 14, 2025.</p> <p>A portion of the Sustainability Report information was also included in the latest 2024 Annual Report seen on the corporate website. (See: https://www.loto.com.ph/sustainability-reports/)</p> <p>REPORTING CYCLE Annual</p> <p>CONTACT POINT FOR QUESTIONS REGARDING THE REPORT For inquiries on Sustainability: Mischel Gabrielle O. Mendoza Risk Management and Corporate Planning Head Email: momendoza@pacificonline.com.ph</p>
Disclosure 2-4	RESTATEMENTS OF INFORMATION
	Not applicable

Disclosure 2-5	EXTERNAL ASSURANCE
	Not applicable
2. ACTIVITIES AND WORKERS	
Disclosure 2-6	ACTIVITIES, VALUE CHAIN AND OTHER BUSINESS RELATIONSHIPS
	<p>PARTNERSHIP</p> <p>POSC provides technical and market expertise for the distribution of lottery products in the country in partnership with the state-run Philippine Charity Sweepstakes Office (PCSO). Since 1995, POSC has been leasing to PCSO its online lottery systems.</p> <p>POSC entered into a joint venture agreement with Philippine Gaming Management Corporation (PGMC) and International Lottery Totalizator Systems (ILTS) for the 5-year contract to provide a nationwide online lottery system for PCSO. The joint venture known as Pinoylotto Technologies Corporation commenced October 1, 2023.</p> <p>In 2024 and 2023, POSC took part in initiatives involving PCSO’s web-based betting platform (the E-Lotto Project). However, in 2025, the national government stopped allowing state gaming agencies to license online gaming and betting platforms. Because of this policy, the E-Lotto Project did not push through.</p> <p>Following these developments, the Board of Directors approved on February 12, 2026, the exit from the E-Lotto Project and instructed management to explore other business opportunities in the industry.</p> <p>Separately, on November 18, 2025, the Parent Company, together with PinoyLotto and Philippine Gaming Management Corp. (PGMC), formed an unincorporated joint operation to join PCSO’s procurement for RFID-enabled draw machines and related accessories. The joint operation won the project in December 2025.</p> <p>SUPPLY CHAINS</p> <p>In order to provide our products and services to our customers, a number of important supply chain assets are in place. The major ones are:</p> <ul style="list-style-type: none"> • Lottery and Draw Equipment • Equipment Spare Parts • Third Party Warehousing/Logistics • Co-location Facilities for Data Center • System Server and other peripherals • Security system <p>RELATIONSHIP WITH OTHER INTERESTED PARTIES</p> <ul style="list-style-type: none"> • Equipment Maintenance – provision of equipment maintenance and repair services. • Contractors – provision of office improvement services, web site development and other services. <p>SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN</p> <p>The organization saw changes in the board level with the election of Atty. Antonio Victoriano F. Gregorio III in February 2025. He replaced Mr. Raul B. de Mesa, who passed in December 2024.</p> <p>Retrenchment of employees happened in January 30, 2025 due to transition of draw operations under Pinoylotto Technologies Corporation as well as discontinuation of Elotto operations.</p> <p>PRECAUTIONARY PRINCIPLE OR APPROACH</p> <p>Pacific Online shall consider the external and internal context of the organization and the requirements of interested parties to determine the risks and opportunities that need to be addressed to:</p> <ul style="list-style-type: none"> • Ensure the integrated management system can achieve its intended outcomes; • Prevent, or reduce, undesired effects; and • Achieve continual improvement. <p>POSC shall plan actions to address the risks and opportunities and how to:</p> <ul style="list-style-type: none"> • Integrate and implement the actions into its integrated management system processes; and • Evaluate the effectiveness of these actions.

POSC shall apply an information security risk assessment process, which also applies to any opportunities identified on the information assets:



EMPLOYEES

INFORMATION ON EMPLOYEES AND OTHER WORKERS

Total Headcount	Quantity	% Dec.
2025	14	-52%
2024	29	-34%

Retrenchment of employees happened on January 30, 2025 due to transition to new online lottery system under Pinoylotto Technologies Corporation as well as discontinuation of Elotto operations.

2025 BREAKDOWN

By Company	2025		2024	
	Quantity	% to Total	Quantity	% to Total
POSC	14	100%	29	100%

By Gender

By Gender	2025		2024	
	Quantity	% to Total	Quantity	% to Total
Male	9	64%	21	72%
Female	5	36%	8	28%
TOTAL	14	100%	29	100%

By Age

By Age	2025		2024	
	Quantity	% to Total	Quantity	% to Total
Below 30 Years Old	1	1%	6	21%
30-50	8	57%	17	59%
OVER 50	5	36%	6	21%
TOTAL	14	100%	29	100%

By Region

By Region	2025		2024	
	Quantity	% to Total	Quantity	% to Total
NCR	11	71%	16	55%
Luzon	0	0%	10	34%
Visayas	3	29%	3	10%
Mindanao	0	0%	0	0%
TOTAL	14	100%	29	100%

Disclosure
2-7

	By Rank				
	By Rank	2025		2024	
		Quantity	% to Total	Quantity	% to Total
	Rank-and File	2	14%	11	38%
	Junior Management	4	29%	4	14%
Middle Management	6	43%	7	24%	
Senior Management	2	14%	7	24%	
TOTAL	14	100%	29	100%	

WORKERS WHO ARE NOT EMPLOYEES

Headcount	Quantity	% Dec.
2025	3	0%
2024	3	-70%

	Contractual Staff	Janitorial Personnel	Security Personnel	Messenger	Driver	Total
2025	0	1	0	1	1	3
2024	0	1	0	1	1	3

3. GOVERNANCE

GOVERNANCE STRUCTURE AND COMPOSITION

GOVERNANCE STRUCTURE
 At Pacific Online, we believe in balancing the interests of the many stakeholders and upholding shareholders’ value. Our aim is to have equilibrium between economic and social and between individual and communal goals. With this in mind, our Board of Directors has established corporate governance principles to ensure accountability, fairness and transparency in the organization.

Board of Directors
 The principal roles of the Board of Directors of Pacific Online are to oversee how management serves the interests of the shareholders and other stakeholders, and to ensure that the latter are adequately and timely informed of all relevant information about the Company. Towards this end, the Board has adopted corporate governance principles to ensure its independence and keep itself fully-informed of the key risks and strategic issues facing Pacific Online.

BOARD COMMITTEES
 To assist the Board of Directors in ensuring compliance with good corporate governance principles, the following committees have been formed:

DIRECTOR’S NAME	DESIGNATION	DIRECTORSHIP
Willy N. Ocier	Chairman	Non-Executive Director (NED)
Armin Antonio B. Raquel Santos	Member	Executive Director (ED)
Mischel Gabrielle O. Mendoza	Member	Executive Director (ED)
Tarcisio M. Medalla	Member	Non-Executive Director (NED)
Henry N. Ocier	Member	Non-Executive Director (NED)
Maria Gracia M. Pulido Tan	Independent	Lead Independent Director (LID)
Roberto V. Antonio	Independent	Independent Director (ID)
Joseph T. Chua	Independent	Independent Director (ID)
Antonio Victoriano F. Gregorio III ¹	Member	Non-Executive Director (NED)

¹ – Effective February 20, 2025

Executive Committee

The Executive Committee, which exercises, in between meetings of the Board, all the powers of the Board (except those powers expressly reserved by applicable law to the Board) in the management and direction of the business and conduct of the affairs of the Company, subject to any specific directions given by the Board.

Willy N. Ocier	Chairman and NED
Armin Antonio B. Raquel Santos	ED
Mischel Gabrielle O. Mendoza	ED

Audit Committee

The Audit Committee assists the Company's Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing Pacific Online's quarterly and annual financial statements, considering the scope of the Company's annual external audit, approving the Company's internal audit program, advising on the appointment of external auditors, and reviewing the effectiveness of the Company's internal control systems and risk management systems.

Joseph T. Chua ¹	Chairman and ID
Maria Gracia M. Pulido Tan	ID
Roberto V. Antonio ²	Chairman and ID
Tarcisio M. Medalla	NED

¹ Chairman until June 27, 2025; Member effective June 27, 2025

² Member until June 27, 2025; Chairman effective June 27, 2025

Board Risk Oversight Committee

The Board Risk Oversight Committee assists the Board in providing framework to identify, assess, monitor and manage the risks associated with the Company's business. It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with Company's risk profile.

Maria Gracia M. Pulido Tan	Chairperson and ID
Roberto V. Antonio	ID
Joseph T. Chua	ID
Tarcisio M. Medalla	NED

Corporate Governance Committee

The Corporate Governance Committee is tasked with ensuring compliance with, and proper observance of, corporate governance principles and practices. This Committee promotes cooperation among other committees to integrate sustainability into corporate strategies; oversees sustainability-related risks by having processes in place, and that the Company capitalizes on significant opportunities. Likewise, nomination and remuneration oversight functions are performed by this Committee.

Roberto V. Antonio ¹	Chairman and ID
Maria Gracia P. Tan	ID
Joseph T. Chua ²	Chairman and ID

¹ Chairman until June 27, 2025; Member effective June 27, 2025

² Member until June 27, 2025; Chairman effective June 27, 2025

Related Party Transactions Committee

The Related Party Transactions Committee is responsible for reviewing all material related party transactions of the Company, and ensuring that all RPTs are conducted on a fair and arms-length basis. Transactions considered material are subject to review by the Committee prior to Board approval and Management execution.

Roberto V. Antonio ¹	Chairman and ID
Maria Gracia P. Tan	ID
Joseph T. Chua ²	Chairman and ID
Henry N. Ocier	NED
Antonio Victoriano F. Gregorio III ³	NED

¹ Chairman until June 27, 2025; Member effective June 27, 2025

² Member until June 27, 2025; Chairman effective June 27, 2025

³ Effective February 20, 2025

	NOMINATION AND SELECTION OF THE HIGHEST GOVERNANCE BODY
Disclosure 2-10	Refer to our Manual on Corporate Governance - section 2.8 Nomination and Election of Directors https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf (page 12-13)
	CHAIR OF THE HIGHEST GOVERNANCE BODY
Disclosure 2-11	Refer to our Manual on Corporate Governance - section 2.5 The Chairman of the Board of Directors https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf (page 10-11)
	ROLE OF THE HIGHEST GOVERNANCE BODY IN OVERSEEING THE MANAGEMENT IMPACTS
Disclosure 2-12	Refer to our Manual on Corporate Governance - section 2.18.1 The Executive Committee https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf (page 18-19)
	DELEGATION OF THE RESPONSIBILITY FOR MANAGING IMPACTS
Disclosure 2-13	Refer to our Manual on Corporate Governance - section 2.18.4 Board Risk Oversight Committee https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf (page 27-29)
	ROLE OF THE HIGHEST GOVERNANCE BODY IN SUSTAINABILITY REPORTING
Disclosure 2-14	Refer to our Manual on Corporate Governance - section 2.4 Roles and Responsibilities of the Board https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf (page 8-10)
	CONFLICTS OF INTEREST
Disclosure 2-15	Refer to our Conflict-of-Interest Policy https://www.loto.com.ph/wp-content/uploads/POLICY-ON-CONFLICT-OF-INTEREST-2017-May-31-2017.pdf
	COMMUNICATION OF CRITICAL CONCERNS
Disclosure 2-16	<p>Hazard identification, risk assessment, and incident investigation A Risk Assessment is conducted by the Company periodically to ensure business continuity in times of certain negative events. Threats and Vulnerabilities are measured and offset with controls in place to arrive at an acceptable level of risk.</p> <p>Incidents are screened for information security breaches and documented in an Incident Report. Non-conformities are followed up by the auditor until a correction and corrective action is deemed acceptable. Regular audits are conducted to ensure that such incidents are not repeated.</p> <p>Refer to our Manual on Corporate Governance - section 2.18.3 Audit Committee https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf (page 25-26)</p> <p>Refer to our Whistle-Blowing Policy https://www.loto.com.ph/wp-content/uploads/WHISTLE-BLOWING-POLICY-Apr.-11-2023.pdf</p> <p>Refer to disclosure 2-6</p> <p>PRECAUTIONARY PRINCIPLE OR APPROACH</p>

COLLECTIVE KNOWLEDGE OF THE HIGHEST GOVERNANCE BODY

CONTINUING EDUCATION FOR DIRECTORS AND OFFICERS

POSC’s continuing education program enables its Directors and Officers to stay current with the latest development on corporate governance topics. The corporate training programs are important components in fostering board effectiveness.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Willy N. Ocier	04-Nov-25	Good Governance: What the Private Sector can learn for Public Sector	Good Governance Advocates and Practitioners of the Philippines
Armin Antonio B. Raquel Santos	04-Nov-25	Good Governance: What the Private Sector can learn for Public Sector	Good Governance Advocates and Practitioners of the Philippines
Mischel Gabrielle O. Mendoza	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Tarcisio M. Medalla	08-Aug-25	Corporate Governance	Risks, Opportunity, Assessment & Management, Inc
Henry N. Ocier	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Joseph T. Chua	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Maria Gracia M. Pulido Tan	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Antonio Victoriano F. Gregorio III	06-Nov-25	The Next Level in ESG & Sustainability: Going beyond Compliance and Reporting	Center for Global Best Practices
Roberto V. Antonio	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Jason C. Nalupta	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Ann Margaret K. Lorenzo	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Christopher C. Villafior	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Dioville M. Villarias	03-Oct-25	2025 Corporate Governance Seminar	Institute of Corporate Directors
Michelle Angeli T. Hernandez	21-Nov-25	12 th SEC Corporate Governance Forum	Securities and Exchange Commission
Allan D. Aldea	04-Nov-25	Good Governance: What the Private Sector can learn for Public Sector	Good Governance Advocates and Practitioners of the Philippines

Disclosure 2-17

EVALUATION OF THE PERFORMANCE OF THE HIGHEST GOVERNANCE BODY

Disclosure 2-18

Refer to our **Manual on Corporate Governance- section 2.17 Board Evaluation/Assessment & 2.18.2.1 Corporate Governance Committee**
<https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf> (page 18-20)

REMUNERATION POLICIES

Disclosure 2-19

The compensation of the Group’s key management personnel is included in the “Personnel costs” as disclosed in Note 15 and 20 of the Audited Consolidated Financial Statements for period ended December 31, 2025.

Audit Committee members receive a per diem of Fifty Thousand Pesos (₱50,000.00) each per Audit Committee meeting attended while other directors receive a per diem of Ten Thousand Pesos (₱10,000.00) each for Board and other Board Committee meetings. Each director is given a per diem in the amount mentioned regardless of the number of meetings during the same day.

There is no compensatory plan or arrangement, including payments to be received from the Company, with respect to any of its executive officer, which will result from the resignation, retirement or any other termination of any of its executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or in any of its executive officer's responsibilities, following a change- in-control and the amount involved, including all periodic payments or installments, which exceeds P2.5 million.

Refer to our **Manual on Corporate Governance - section 2.18.2.2 Compensation of Directors/Officers/Employees**
<https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf> (page 23-25)

Disclosure 2-20

PROCESS TO DETERMINE REMUNERATION

Refer to our **Manual on Corporate Governance - section 2.18.2.2 Compensation of Directors/Officers/Employees**
<https://www.loto.com.ph/wp-content/uploads/CG-MANUAL-Apr.-25-2022.pdf> (page 23-25)

Disclosure 2-21

ANNUAL COMPENSATION RATIO

Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) is 0.30:1

	2025	2024	Inc/(Dec)
Employee wages and benefits	67.26	79.17	-15%
Total for President and 4 most highly compensated Executive Officers	7.1	9.0	21%
Total No. of employees	14	29	-52%
Employee wages and benefits excluding 5 highest paid officers	65.84	77.37	-15%
Ave. wage and benefits per employee	4.70	2.67	76%
Ave. compensation of 5 highest paid officers	1.42	1.80	-21%
Ratio	0.30	0.67	-55%

4. STRATEGY, POLICIES AND PRACTICES

Disclosure 2-22

STATEMENT ON SUSTAINABLE DEVELOPMENT STRATEGY

STATEMENT FROM SENIOR DECISION MAKER

With the publication of its sixth annual Sustainability Report, prepared in accordance with Global Reporting Initiative (GRI) standards, POSC reaffirms its commitment to promote transparency, efficiency, and accountability to its various stakeholders.

The Company is optimistic in reaching its sustainable development goals and ensure the betterment of society through responsible corporate practices and initiatives.

Disclosure 2-23

POLICY COMMITMENTS

VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOR

Mission
To sustainably provide secure and accessible entertainment service platforms for every Filipino.

Vision
To be the premier partner of choice for sustainable digital entertainment solutions.

Core Values

Integrity
POSC is an organization that upholds strong moral principles and professionalism. We believe in honoring commitments to all stakeholders through transparency and accountability. We commit to safeguarding information and protecting critical data to keep the optimum quality of our systems.

	<p>Collaboration We are an organization composed of diverse individuals working together towards a shared vision and goals. We believe in forging partnerships with other entities to serve a higher purpose.</p> <p>Innovation We foster a culture of dynamism and passion for learning, continuous improvement, and growth. We support creativity and welcome novel ideas to propel the company forward and adapt to changing times.</p> <p>Corporate Objectives</p> <ul style="list-style-type: none"> • To embed sustainability in employment practices and financial & administrative operations. • To be a learning organization composed of diverse individuals with unity of purpose and a shared vision. • To adhere to compliance requirements in order to be the gaming partner of choice. <p>Quality Policy and Objectives Pacific Online Systems Corporation is committed to continuously improve the quality management system and meet all requirements of the stakeholders in providing reliable, efficient and effective online lottery systems.</p> <ul style="list-style-type: none"> • To be fully responsive to the requirements of stakeholders. • To maintain and continuously develop a competent workforce. • To maintain and continuously improve financial, operational and administrative control systems to achieve the company’s goals and objectives. • To comply with statutory and regulatory requirements. <p>Information Security Policy and Objectives Pacific Online Systems Corporation is committed to safeguard the confidentiality, integrity and availability of all physical and electronic information assets of the company to ensure that regulatory, operational and contractual requirements are fulfilled.</p> <ul style="list-style-type: none"> • To comply with statutory and regulatory requirements. • To comply with requirements for confidentiality, integrity and availability for employees and other users. • To establish controls for protecting company information and information systems against theft, abuse and other forms of harm and loss. • To ensure that employees maintain the responsibility for, ownership of and knowledge about information security, to minimize the risk of security incidents. • To sustain continuity of operations at all times. • To ensure that external service providers comply with the company’s information security needs and requirements. <p>Refer to our Code of Conduct Policy https://www.loto.com.ph/wp-content/uploads/CODE-OF-CONDUCT.pdf</p>
<p>Disclosure 2-24</p>	<p style="text-align: center;">EMBEDDING POLICY COMMITMENTS</p> <p>Refer to disclosure 2-29 APPROACH TO STAKEHOLDER ENGAGEMENT</p> <p>ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS Pacific Online Systems Corporation (Refer to Disclosure 2-2)</p>
<p>Disclosure 2-25</p>	<p style="text-align: center;">PROCESSES TO REMEDIATE NEGATIVE IMPACTS</p> <p>Refer to disclosure 2-16 Hazard identification, risk assessment, and incident investigation and refer to our Whistle Blowing Policy https://www.loto.com.ph/wp-content/uploads/WHISTLE-BLOWING-POLICY-Apr.-11-2023.pdf</p>
<p>Disclosure 2-26</p>	<p style="text-align: center;">MECHANISM FOR SEEKING ADVICE AND RAISING CONCERNS</p> <p>Refer to disclosure 2-6 PRECAUTIONARY PRINCIPLE OR APPROACH</p>

COMPLIANCE WITH LAWS AND REGULATIONS		
Disclosure 2-27	INSTANCES OF NON-COMPLIANCE	INCIDENTS
	Instances of non-compliance for which fines were incurred	0
	Instances of non-compliance for which non-monetary sanctions were incurred	0
	Fines for instances of non-compliance with laws and regulations that occurred in the current reporting period	0
	Fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods	0

MEMBERSHIP ASSOCIATIONS	
Disclosure 2-28	None

5. STAKEHOLDER ENGAGEMENT

APPROACH TO STAKEHOLDER ENGAGEMENT																												
Disclosure 2-29	<table border="1"> <thead> <tr> <th style="text-align: center;">Stakeholder Group</th> <th style="text-align: center;">Description</th> <th style="text-align: center;">Channels of Engagement</th> </tr> </thead> <tbody> <tr> <td>Investors/ Shareholders</td> <td>Financial backers and sources of vital funding who allow POSC to achieve intended results, substantial returns, and shared value</td> <td>Annual stockholders' meetings, one-on-one dialogues, website, investors / media briefings</td> </tr> <tr> <td>Board of Directors & Management</td> <td>Final decision makers of POSC who direct the Company's path to sustainability</td> <td>Regular meetings, one-on-one dialogues, management reports</td> </tr> <tr> <td>Employees</td> <td>Dynamic team of professionals who are the lifeblood of POSC and share a unity of purpose according to the corporate vision, mission and objectives</td> <td>Internal communications, human resource dialogues, performance reviews, training workshops</td> </tr> <tr> <td>External Providers</td> <td>Suppliers and providers of software, hardware and outside services who partner with POSC</td> <td>Business meetings, contracts, policies, external provider accreditation and evaluations</td> </tr> <tr> <td>Customer – PCSO</td> <td>Lessee of POSC's lottery system and maintenance</td> <td>Letters, business meetings, contracts</td> </tr> <tr> <td>Indirect Customer - Lottery Players</td> <td>End-users of POSC's services</td> <td>Hotline calls</td> </tr> <tr> <td>Government Bodies/ Regulators</td> <td>Collaborators in the pursuit of social progress and sustainability</td> <td>Compliance, formal meetings, timely and accurate disclosures</td> </tr> <tr> <td>Partners</td> <td>Business partner in joint venture lottery operations that share the same goal of providing quality service to the PCSO</td> <td>Board and Management Meetings, one on one dialogues and management reports</td> </tr> </tbody> </table>	Stakeholder Group	Description	Channels of Engagement	Investors/ Shareholders	Financial backers and sources of vital funding who allow POSC to achieve intended results, substantial returns, and shared value	Annual stockholders' meetings, one-on-one dialogues, website, investors / media briefings	Board of Directors & Management	Final decision makers of POSC who direct the Company's path to sustainability	Regular meetings, one-on-one dialogues, management reports	Employees	Dynamic team of professionals who are the lifeblood of POSC and share a unity of purpose according to the corporate vision, mission and objectives	Internal communications, human resource dialogues, performance reviews, training workshops	External Providers	Suppliers and providers of software, hardware and outside services who partner with POSC	Business meetings, contracts, policies, external provider accreditation and evaluations	Customer – PCSO	Lessee of POSC's lottery system and maintenance	Letters, business meetings, contracts	Indirect Customer - Lottery Players	End-users of POSC's services	Hotline calls	Government Bodies/ Regulators	Collaborators in the pursuit of social progress and sustainability	Compliance, formal meetings, timely and accurate disclosures	Partners	Business partner in joint venture lottery operations that share the same goal of providing quality service to the PCSO	Board and Management Meetings, one on one dialogues and management reports
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	<p>IDENTIFYING AND SELECTING STAKEHOLDERS</p> <p>An interested party or stakeholder is defined as “a person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity.</p>
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<p>Disclosure 2-30</p>	<p>COLLECTIVE BARGAINING AGREEMENTS</p>
	<p>Not applicable</p>

GRI 3: MATERIAL TOPICS 2021

<p>PROCESS TO DETERMINE MATERIAL TOPICS</p>
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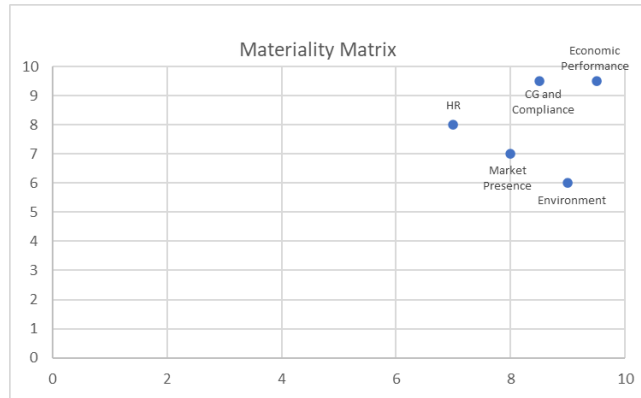
<p>EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY</p>
--

Critical Factors	Material Topics	Boundaries	Definition and Relevance
<p>To embed sustainability in employment practices and financial & administrative operations</p>	<p>Economic Performance</p>	<p>Within POSC, business partners, regulators, local communities</p>	<p>How the Company cements its standing as a market leader in gaming and delivers positive economic returns to its stockholders and ensures the future and continued growth of its operations.</p>
	<p>Market Presence</p>		<p>How the Company contributes to the economic well-being and growth of local communities, and practices fair and just labor standards, according employees their due respect.</p>
	<p>Environmentally responsible business operations</p> <ul style="list-style-type: none"> - Energy - Effluence and Waste 		<p>How the Company practices efficient utilization of its resources such as energy, minimizes waste and practices environmentally-friendly disposal with accredited external providers.</p>
<p>To be a learning organization composed of diverse individuals with unity of purpose and a shared vision</p>	<p>Human resource development & welfare</p> <ul style="list-style-type: none"> - Employment - Occupational Health and Safety - Training & Education 	<p>Within POSC</p>	<p>How the Company develops and retains its employees, provides training and skills development, defines career path and succession planning for its employees and provides a secure and conducive working environment.</p>
<p>To adhere to compliance requirements in order to be the gaming partner of choice</p>	<p>Corporate governance and compliance</p>	<p>Within POSC, business partners, regulators</p>	<p>How the Company practices accountability for all its actions, decisions and responsibilities through forward-looking corporate governance and checks and balances, and through faithful compliance with regulators.</p>

<p>OUR MATERIALITY PROCESS</p>

Our team reviewed the critical factors affecting our business and its impact on our stakeholders. From there, we were able to generate a list of material topics relevant to the Company.

EVALUATION OF THE MANAGEMENT APPROACH



LIST OF MATERIAL TOPICS

Disclosure 3-2

- Economic Performance
- Market Presence
- Environmentally responsible business operations
 - Energy
 - Effluence and Waste
- Human resource development & welfare
 - Employment
 - Occupational Health and Safety
 - Training & Education
 - Diversity and Equal Opportunity
- Corporate governance and compliance

MANAGEMENT OF MATERIAL TOPICS

THE MANAGEMENT APPROACH AND ITS COMPONENTS

Our sustainability journey began with the mandate of our Board of Directors to take a more active role in improving the Company’s corporate governance and sustainability programs. Headed by our Management team, POSC continues to establish, maintain, and improve the sustainable practices of the Company through target setting, progress monitoring, and analysis of our outputs.

POSC’S SUSTAINABILITY FRAMEWORK

The Company is able to achieve sustainable development through 3 major pillars:

Disclosure 3-3

- Partnership Enhancement
 - Improving our services for the benefit of the PCSO and its agents
 - Partnering with accredited external providers for responsible disposal
 - Compliance with standards of our regulators
- Resource Optimization
 - Prudent fiscal management
 - Sustainable operating models
 - Business continuity planning and disaster recovery protocols
 - Re-use of equipment and parts to maximize machines and minimize waste
 - Implementation of electronic systems to reduce paper consumption
- Value Creation
 - Economic value generation and distribution
 - Good governance and risk management
 - Human capital development
 - Creation of systems to improve data analysis for efficient operations

GRI 201: ECONOMIC PERFORMANCE 2016

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

**Disclosure
201-1**

in PHP millions	2025	2024	Inc/(Dec)
Economic Value Generated	524.17	527.48	-1%
Economic Value Distributed	498.84	471.86	6%
Operating Costs	419.92	380.33	10%
Employee wages and benefits	67.26	79.17	-15%
Payments to the government	11.67	12.36	-6%
Economic value retained (lost)	25.33	55.62	-54%

DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

**Disclosure
201-3**

	2025	2024
Net retirement liability	-	(2,399,800)

The retirement plan is fully funded by the Company with no mandatory contribution from the employee.

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

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

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

GRI 202: MARKET PRESENCE 2016

RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMAPARED TO LOCAL MINIMUM WAGE

Disclosure 202-1

	Min Wage Male	Min Wage Female	Total Min Wage Employees	Total Employees	% Min Wage Employees
2025	0	0	0	14	0%
2024	0	0	0	29	0%

POSC has no minimum wage earners. Entry rates are higher than the local minimum wage.

POSC	Minimum Wage	POSC Entry Rate	% Higher	Ratio of POSC Entry Rate to Min. Wage
Manila	15,116.25	16,000.00	6%	1.45:1
Cebu	10,896.75	11,000.00	1%	0.36:1

PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY

Disclosure 202-2

POSC employs its personnel from the local communities. All senior managers located in the Cebu office were hired from Cebu.

	Total Senior Management	Senior Management from local community				
		Luzon	Visayas	Mindanao	Total	%
2025	2	1	1	0	2	100%
2024	7	5	2	0	7	100%

GRI 302: ENERGY 2016

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Disclosure 302-1

Fuel Consumption

	Diesel, in L	Gasoline, in L
YE 2025	6,676	3,176
YE 2024	7,655	5,443

Electricity Consumption

	Total in kWh
YE 2025	20,023
YE 2024	35,443

Total Water Consumption

	Total, in cu. m.
YE 2025	91
YE 2024	301

POSC consolidated operations in Manila by ending the lease of multiple offices and warehouses, thereby reducing the consumption of electricity and water.

The decrease in fuel consumption was mainly attributed to the cessation of lottery operations, particularly field services which required travel in various regions.

ENERGY INTENSITY				
Disclosure 302-3		Fuel (in L)	Electricity (in kWh)	Water (in cu. m)
	YE 2025	9,852	20,023	91
	Ave. consumption per employee 2025	707.71	1,430.21	6.50
	Ave. consumption per employee (monthly)	58.98	119.18	0.54

GRI 306: EFFLUENTS AND WASTE

WASTE BY TYPE AND DISPOSAL METHOD							
Disclosure 306-2	<p>We recognize that as a business that is centered on systems maintenance, there must be measures to mitigate the waste products. Our company practices recycling of the parts of terminals, to ensure that not everything goes to waste and to prolong the life of the equipment.</p> <p>The publication of our sustainability report aligned to the GRI standards is part of a country-wide practice to adopt sustainable practices and integrate this information into our reporting and disclosures. This as part of a bigger movement will hopefully encourage not just the publicly-listed companies, but all companies in the Philippines to understand and adopt the mindset and practice of sustainability.</p> <p>Total volume of hazardous wastes (old terminals, e-wastes) disposed. Majority of its waste is from lottery terminals and peripherals.</p>						
	<table border="1"> <thead> <tr> <th></th> <th>Total, in kgs</th> </tr> </thead> <tbody> <tr> <td>YE 2025</td> <td>1,170</td> </tr> <tr> <td>YE 2024</td> <td>873</td> </tr> </tbody> </table>		Total, in kgs	YE 2025	1,170	YE 2024	873
		Total, in kgs					
	YE 2025	1,170					
YE 2024	873						

GRI 401: EMPLOYMENT 2016

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER																
Disclosure 401-1	<p>NEW HIRES TOTAL NEW HIRES – 0</p>															
	<table border="1"> <thead> <tr> <th>BY GENDER</th> <th>Count</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>MALE</td> <td>0</td> <td>0%</td> </tr> <tr> <td>FEMALE</td> <td>0</td> <td>0%</td> </tr> </tbody> </table>	BY GENDER	Count	%	MALE	0	0%	FEMALE	0	0%						
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LUZON	0	0%														
VISAYAS	0	0%														
MINDANAO	0	0%														
<p>HIRING RATE ENTIRE GROUP – 0%</p>																
<p>EMPLOYEE SEPARATIONS TOTAL EMPLOYEE SEPARATIONS – 15</p>																

BY GENDER	Count	%	BY AGE GROUP	Count	%
MALE	12	80%	BELOW 30 YRS OLD	5	33%
FEMALE	3	20%	30 - 50	9	60%
			OVER 50	1	7%

BY REGION	Count	%
NCR	15	100%
LUZON	0	0%
VISAYAS	0	0%
MINDANAO	0	0%

TURNOVER RATE
ENTIRE GROUP – 52%

The turnover rate in 2025 was due to the closure of lotto operations and retrenchment of personnel.

BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES

- Disclosure 401-2**
1. Full HMO coverage (room & board and maximum benefit limit based on rank) of all employees upon hiring. Benefit package includes preventive healthcare, out-patient care and hospitalization, emergency care, dental care, and financial assistance.
 2. Life Insurance coverage upon hiring, amount of insurance is based on rank. Benefit coverage includes basic life, accidental death, dismemberment & disablement, total & permanent disability, unproved murder & assault, and accident medical reimbursement.
 3. Group Accident Insurance coverage upon hiring. Benefit coverage includes accidental death, dismemberment & disablement, total & permanent disability, unproved murder & assault, accident medical reimbursement, accident burial benefit, and daily hospital income.
 4. Monthly Cash Benefit for Managers & Up (includes Wellness Benefit, Clothing Allowance, & Transportation benefit)
 5. Clothing Allowance for all employees

PARENTAL LEAVE

Disclosure 401-3

1. Breakdown of Availment of Maternity and Paternity Leaves

	Male	Female	Total
Employee Headcount	0	0	0
2. Total Number of Employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender

	Male	Female	Total
Employee Headcount	0	0	0

GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

Disclosure 403-1

OCCUPATIONAL HEALTH AND SAFETY POLICY

Pacific Online Systems Corporation is committed to provide safe, healthy and environmentally friendly areas for all its employees. It promotes fair, safe and productive work practices in all its business aspects. Pacific Online Systems Corporation will at all times comply with all regulatory requirements of the Philippines, its customers and other external parties.

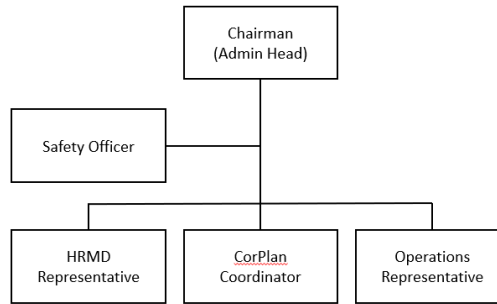
At POSC, we intend:

- To maintain safe and healthy working conditions;
- To provide and maintain safe office equipment;

- To prevent accidents and cases of work-related illnesses;
- To provide information, instruction and supervision for employees;
- To ensure all employees are competent to do their tasks and to give them adequate training;
- To consult our employees on matters affecting their health and safety;
- To provide adequate control of the health and safety risk arising from our work activities;
- To review and revise the policy as necessary regular intervals.

Structure and Functions of OSH Committee

Overall and final responsibility for health and safety is that of the General Services Department Head. Ensuring that this policy is put into practice and this task is delegated to the Safety Officer.



To ensure health and safety standards are maintained / improved, the Department Heads shall ensure compliance in their respective departments/areas.

All employees have to:

- Cooperate with their Immediate Superior and Department Head on health and safety matters;
- Not interfere with anything provided to safeguard their health and safety;
- Take reasonable care of their own health and safety; Report all health and safety concerns to Immediate Superior or Safety Officer.

HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION

Disclosure 403-2

Hazard identification, risk assessment, and incident investigation

A risk assessment is conducted by the Company to ensure business continuity in times of certain negative events. Threats and vulnerabilities are measured and offset with controls in place to arrive at an acceptable level of risk.

Incidents are screened for information security breaches and documented in an Incident Report. Non-conformities are followed up by the auditor until a correction and corrective action is deemed acceptable. Regular audits are conducted to ensure that such incidents are not repeated.

OCCUPATIONAL HEALTH SERVICES

Disclosure 403-3

Refer to Disclosure 403-1 and 403-2

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM and HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION

Disclosure 403-4

WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

Refer to Disclosure 403-1

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY

Disclosure 403-5

Occupational First Aid Training was certification is still in effect until 2027

PROMOTION OF WORKER HEALTH

Disclosure 403-6

1. Full HMO coverage (room & board and maximum benefit limit based on rank) of all employees upon hiring. Benefit package includes preventive healthcare, out-patient care and hospitalization, emergency care, dental care, and financial assistance.
2. Annual Physical Exam / Executive Check-Up – this is being scheduled annually to check the employees’ health condition and suitability to perform their job.
3. Health and wellness activities are being conducted to help employees improve further their health and well-being.

POSC SEMINARS/TRAININGS:

1. Stress and Anxiety

This is a 1-hour online Health and Wellness lecture for all employees. This session aimed to provide awareness about Stress and Anxiety. It also aimed to provide ways to manage it by knowing the signs and symptoms, and steps for coping

2. Managing Saving and Finances

This is a 1-hour online Health and Wellness lecture for all employees. It aimed to provide financial literacy and improve the employees' finances

3. How to boost your immune system

This is a 1-hour online Health and Wellness lecture for all employees. It aimed to provide awareness on strengthening one's immune system

4. Diet and Oral Health

This is a 1-hour online Health and Wellness lecture for all employees. It provided awareness that one's diet can affect oral health and overall physical health. It also provided tips on how to take care of our oral health

4. Calming your nerves in the midst of pressure

This is a 1-hour online Health and Wellness lecture for all employees. This is a follow-up lecture on the managing stress and anxiety session. This aimed to provide techniques to calm oneself during stressful situations

Disclosure 403-7

PREVENTION AND MITIGATION OF OCCUPATIONAL HEALTH AND SAFETY IMPACTS DIRECTLY LINKED BY BUSINESS RELATIONSHIPS

Refer to Disclosure 403-2

HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION

Disclosure 403-8

WORKERS COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

100% of the Company’s employees are covered by the Occupational Health and Safety (OSH) Management System. All OSH incidents are investigated internally. The Company does not utilize a third-party auditor for OSH issues.

Disclosure 403-9

WORK-RELATED INJURIES

OCCUPATIONAL HEALTH AND SAFETY	2025	Rate of injuries	2024	Rate of injuries
Safe man-hours recorded, in man-hours	29,232		29,332	
No. of work-related injuries reported	0	0%	0	0%
No. of work-related fatalities reported	0	0%	0	0%
No. of work-related ill-health	0	0%	0	0%
No. of safety drills conducted	0		0	

Disclosure 403-10

WORK-RELATED ILL HEALTH

OCCUPATIONAL HEALTH AND SAFETY	2025	Rate of injuries	2024	Rate of injuries
No. of fatalities as a result of work-related ill health	0	0%	0	0%
No. of cases of recordable work-related ill health	0	0%	0	0%

The Company does not conduct any business activity that has high risk of work-related ill health.

GRI 404: TRAINING AND EDUCATION 2016

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

Disclosure 404-1

By Gender

	Male	Female	Total
Total No. of Training Hours Recorded	36	67	103
No. of Employees Trained	6	4	10
Average Training Hours	35%	65%	100%

By Employee Category/Rank

	Rank & File	Junior Mngt.	Middle Mngt.	Senior Mngt.	Total
Total No. of Training Hours Recorded	40	14	49	0	103
No. of Employees Trained	2	4	4	0	10
Average Training Hours	39%	14%	48%	0%	100%

PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS

Disclosure 404-2

Training Type/ Classification	Specific classes/sessions included in this training category	# of sessions conducted 2025	# of sessions conducted 2024
Core/Business Compliance	N/A		4
Job-based/Professional Skills	1. 2025 Corporate Governance Seminar 2. Good Governance: What the Private Sector can learn for Public Sector	2	4
Leadership	N/A		
Others, please specify	1. How to boost your immune system 2. Managing and saving finances 3. Diet and oral health 4. Calming your nerves in the midst of pressure 5. Occupational First Aide with BLS	5	6

Amount spent on Training and Development

Unit: In Philippine pesos	FY JAN-DEC 2025	FY JAN-DEC 2024
Total amount spent on training and development of employees	₱ 55,290	₱ 24,385

Disclosure 404-3

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

The Company practices is every 1st quarter of the year for performance review for all regular employees.

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

Disclosure 405-1

We believe in a just and equitable vision for the country, without discrimination against all women and girls and ensuring them equal opportunities for leadership. In Pacific Online, while the proportion of women in the workforce is only 36%, 50% of women hold top positions in the organization. The Company's Board of Directors also has 2 female members.

Refer to Disclosure 2-7 Employees

Disclosure 405-2

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

Refer to Disclosure 202-1 RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE

APPENDIX 1. GRI CONTENT INDEX IN ACCORDANCE

Statement of use	PACIFIC ONLINE SYSTEMS CORPORATION has reported in accordance with the GRI Standards for the period January 1 – December 31, 2025
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOC	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GENERAL DISCLOSURE						
GRI 2: General Disclosures 2021	2-1 Organizational details	1				
	2-2 Entities included in the organization's Sustainability reporting	1				
	2-3 Reporting period, frequency and contact point	1				
	2-4 Restatements of information	1				
	2-5 External assurance	2				
	2-6 Activities, value chain and other business relationships	2-3				
	2-7 Employees	3-4				
	2-8 Workers who are not employees	4				
	2-9 Governance structure and composition	4-5				
	2-10 Nomination and selection of the highest governance body	6				
	2-11 Chair of the highest governance body	6				
	2-12 Role of the highest governance body in overseeing the management of impacts	6				
	2-13 Delegation of responsibility for managing impacts	6				
	2-14 Role of the highest governance body in sustainability reporting	6				
	2-15 Conflicts of interest	6				
	2-16 Communication of critical concerns	6				
	2-17 Collective knowledge of the highest governance body	7				
	2-18 Evaluation of the performance of the highest governance body	7				
	2-19 Remuneration policies	7-8				
	2-20 Process to determine remuneration	8				
	2-21 Annual total compensation ratio	8				
	2-22 Statement on sustainable development strategy	8				
	2-23 Policy commitments	8-9				
	2-24 Embedding policy commitments	9				
	2-25 Processes to remediate negative impacts	9				
	2-26 Mechanisms for seeking advice and raising concerns	9				
	2-27 Compliance with laws and regulations	10				
	2-28 Membership associations	10				
	2-29 Approach to stakeholder engagement	11				
	2-30 Collective bargaining agreements	11				
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	11-12				
	3-2 List of material topics	12				
	3-3 Management of material topics	12				
ECONOMIC PERFORMANCE						
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	12				
	201-2 Financial implications and other risks and opportunities due to climate change		201-2-a-i 201-2-a-ii 201-2-a-iii 201-2-a-iv 201-2-a-v	Not applicable	The Company does not have risk and opportunities due to climate change	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOC	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S)	REASON	EXPLANATION	
	201-3 Defined benefit plan obligations and other retirement plans	13				
	201-4 Financial assistance received from government		201-4-a-i 201-4-a-ii 201-4-a-iii 201-4-a-iv 201-4-a-v 201-4-a-vi 201-4-a-vii 201-4-a-viii 201-4-b 201-4-c	Not applicable	The Company does not receive financial assistance from government	
MARKET PRESENCE						
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	14				
	202-2 Proportion of senior management hired from the local community	14				
ENERGY						
GRI 302: Energy 2016	302-1 Energy consumption within the organization	14				
	302-2 Energy consumption outside of the organization		302-2-a 302-2-b 302-2-c	Not applicable	The Company does not have energy consumption outside of the organization	
	302-3 Energy intensity	14				
	302-4 Reduction of energy consumption		302-4-a 302-4-b 302-4-c 302-4-d	Not applicable	The Company does not have energy reduction initiatives at present	
	302-5 Reductions in energy requirements of products and services		302-5-a 302-5-b 302-5-c	Not applicable	The Company does not have any energy reduction initiatives at present for sold services	
EFFLUENTS AND WASTE						
GRI 306: Effluents And Waste	306-1 Water discharge by quality and destination		306-1-a-i 306-1-a-ii 306-1-a-iii 306-1-b	Not applicable	The Company has no activity involving water bodies and related habitats	
	306-2 Waste by type and disposal method	15				
	306-3 Significant spills		306-3-a-i 306-3-a-ii 306-3-a-iii 306-3-a-iv 306-3-b 306-3-c	Not applicable	The Company has no activity involving potential oil spills	
GRI 306: Effluents And Waste	306-4 Transport of hazardous waste		306-4-a-i 306-4-a-ii 306-4-a-iii 306-4-a-iv 306-4-b 306-4-c	Not applicable	The Company does not transport hazardous waste	
	306-5 Water bodies affected by water discharges and/or runoff		306-5-a-i 306-5-a-ii 306-5-a-iii	Not applicable	The Company has no activity involving water discharges and/or runoff	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOC	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIRE MENT(S) OMMITED	REASON	EXPLANATION	
EMPLOYMENT						
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	15-16				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	16				
	401-3 Parental leave	16				
OCCUPATIONAL HEALTH AND SAFETY						
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	16-17				
	403-2 Hazard identification, risk assessment, and incident investigation	17				
	403-3 Occupational health services	17				
	403-4 Worker participation, consultation, and communication on occupational health and safety	17				
	403-5 Worker training on occupational health and safety	17				
	403-6 Promotion of worker health	18				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	18				
	403-8 Workers covered by an occupational health and safety management system	18				
	403-9 Work-related injuries	18				
	403-10 Work-related ill health	18				
TRAINING AND EDUCATION						
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	19				
	404-2 Programs for upgrading employee skills and transition assistance programs	19				
	404-3 Percentage of employees receiving regular performance and career development reviews	19				
DIVERSITY AND EQUAL OPPORTUNITY						
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	19				
	405-2 Ratio of basic salary and remuneration of women to men	19				

TOPICS IN THE APPLICABLE GRI SECTOR STANDARDS DETERMINED AS NOT MATERIAL	
TOPIC	EXPLANATION
GRI 11: Oil and Gas Sector 2021	The Company does not engage in activities related to the Oil and Gas Sector
GRI 12: Coal Sector 2022	The Company does not engage in activities related to the Coal Sector
GRI 13: Agriculture Aquaculture and Fishing Sectors 2022	The Company does not engage in activities related to the Agriculture Aquaculture and Fishing Sectors

GRI CONTENT INDEX WITH REFERENCE

Statement of use	PACIFIC ONLINE SYSTEMS CORPORATION has reported in accordance with the GRI Standards for the period January 1 – December 31, 2025
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARDS	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	1
	2-2 Entities included in the organization's sustainability reporting	1
	2-3 Reporting period, frequency and contact point	1
	2-4 Restatements of information	1
	2-5 External assurance	2
	2-6 Activities, value chain and other business relationships	2-3
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	2-9 Governance structure and composition	4-5
	2-10 Nomination and selection of the highest governance body	6
	2-11 Chair of the highest governance body	6
	2-12 Role of the highest governance body in overseeing the management of impacts	6
	2-13 Delegation of responsibility for managing impacts	6
	2-14 Role of the highest governance body in sustainability reporting	6
	2-15 Conflicts of interest	6
	2-16 Communication of critical concerns	6
	2-17 Collective knowledge of the highest governance body	7
	2-18 Evaluation of the performance of the highest governance body	7
	2-19 Remuneration policies	7-8
	2-20 Process to determine remuneration	8
	2-21 Annual total compensation ratio	8
	2-22 Statement on sustainable development strategy	8
	2-23 Policy commitments	8-9
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2-28 Membership associations	10	
2-29 Approach to stakeholder engagement	10-11	
2-30 Collective bargaining agreements	11	
GRI 3: Material Topics 2021	3-1 Process to determine material topics	11-12
	3-2 List of material topics	12
	3-3 Management of material topics	12
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	13
	201-3 Defined benefit plan obligations and other retirement plans	12-13
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	14
	202-2 Proportion of senior management hired from the local community	14
GRI 302: Energy 2016	302-1 Energy consumption within the organization	14
	302-3 Energy intensity	14
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	15
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	15-16
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	16
	401-3 Parental leave	16
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	16-17
	403-2 Hazard identification, risk assessment, and incident investigation	17
	403-3 Occupational health services	17
	403-4 Worker participation, consultation, and communication on occupational health and safety	17
	403-5 Worker training on occupational health and safety	17
	403-6 Promotion of worker health	18
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	18
	403-8 Workers covered by an occupational health and safety management system	18
	403-9 Work-related injuries	18

GRI STANDARDS	DISCLOSURE	LOCATION
	403-10 Work-related ill health	18
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	19
	404-2 Programs for upgrading employee skills and transition assistance programs	19
	404-3 Percentage of employees receiving regular performance and career development reviews	19
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	19
	405-2 Ratio of basic salary and remuneration of women to men	19

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Page No.

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements) See Attached FS
Report of Independent Public Auditors)
Consolidated Statements of Financial Position as of December 31, 2025 and 2024)
Consolidated Statements of Comprehensive Income)
for the years ended December 31, 2025, 2024 and 2023)
Consolidated Statement of Changes in Equity)
for the years ended December 31, 2025, 2024 and 2023)
Consolidated Statement of Cash Flows)
for the years ended December 31, 2025, 2024 and 2023)
Notes to Consolidated Financial Statements)

Supplementary Schedules

Report of Independent Auditors On Supplementary Schedules for Filing with the Securities and Exchange Commission	
Schedule of Financial Soundness Indicators	SEE ATTACHED
Reconciliation of Retained Earnings Available for Dividend Declaration	SEE ATTACHED
SEC Supplementary Schedules As Required by Par. 6, Part II of Revised SRC Rule 68	SEE ATTACHED
A. Financial Assets	SEE ATTACHED
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	SEE ATTACHED
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	SEE ATTACHED
D. Long-term Debt	SEE ATTACHED
E. Indebtedness to Related Parties	SEE ATTACHED
F. Guarantees of Securities of Other Issuers	SEE ATTACHED
G. Capital Stock	SEE ATTACHED
Supplementary Schedule of External Auditor Fee-Related Information	SEE ATTACHED
Conglomerate Map	SEE ATTACHED

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Pacific Online Systems Corporation and Subsidiaries (the Group)** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2025 and 2024**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditors appointed by the stockholders for the periods December 31, 2025 and 2024, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature: WILLY N. OCIER
Chairman of the Board

Signature: ARMIN ANTONIO B. RAQUEL SANTOS
President

Signature: DIOVILLE M. VILLARIAS
Chief Financial Officer

Signed this 26th day of February 2026

SUBSCRIBED AND SWORN to before me this 26th day of February 2026 at Pasig City, Metro Manila, affiants exhibiting to me their competent evidences of identity, as follows:

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

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Book No. 8
Series of 2026

FERDINAND D. AYAHAO

Notary Public

For and in Pasig City and the Municipality of Pateros
Commission No. 122 (2026-2027) valid until 12/31/2027
M.C.I.E. Exemption No. VIII-BEP003234, until 04/14/28
Roll No. 46377, IBP LRN 02459; OR 535886; 06/21/2001
TIN 123-011-785; PTR 4018763AA; 01/09/26; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City, NCR, 1605 Philippines

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	3	0	0	8	8	0	9
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COMPANY NAME

P	A	C	I	F	I	C		O	N	L	I	N	E		S	Y	S	T	E	M	S		C	O	R	P	O	R	A	T	I	O	N		A	N	D	
S	U	B	S	I	D	I	A	R	I	E	S																											

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

U	n	i	t		1	9	0	2	-	C		W	e	s	t		T	o	w	e	r	,		T	e	k	t	i	t	e		T	o	w	e	r	s	,	

Form Type

A	A	C	F	S
---	---	---	---	---

Department Requiring the Report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
momendoza@pacificonline.com.ph	(02) 8584-1700	0918-906-0138
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
62	Second Friday of April	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mischel Gabrielle O. Mendoza	momendoza@pacificonline.com.ph	(02) 8584-1700	0918-906-0138

CONTACT PERSON'S ADDRESS

Unit 1902-C West Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City
--

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

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



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Pacific Online Systems Corporation and Subsidiaries
Unit 1902-C West Tower, Tektite Towers,
Exchange Road, Ortigas Center, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of Pacific Online Systems Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2025, 2024 and 2023, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2025, 2024 and 2023 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2025. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



Proper Accounting and Recognition of Interest in a Joint Operation

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

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

In accordance with the audit instructions that we communicated to the component auditors, we discussed with them our identified key audit risk areas that they covered in their audit, including the significant areas of estimation and judgment, planning and execution of audit procedures, and results of their work for the relevant fiscal year. We reviewed the audit procedures they performed and related conclusion statements. We evaluated the sufficiency and appropriateness of audit evidences obtained and concluded that there are no inconsistencies with the information and representations provided by the management of PinoyLotto.

We also reviewed the related disclosures in Notes 2, 3 and 5 of the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditors' report.

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Grace M. Albunian.

REYES TACANDONG & Co.

GRACE M. ALBUNIAN

Partner

CPA Certificate No. 0144364

Tax Identification No. 410-858-879-000

BOA Accreditation No. 4782/P-024; Valid until June 6, 2026

SEC Accreditation No. 144364-SEC Group A

Issued October 21, 2025

Valid for Financial Periods 2025 to 2029

BIR Accreditation No. 08-005144-018-2024

Valid until November 25, 2027

PTR No. 10764003

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	6	₱719,569,465	₱592,197,741
Investments held for trading	7	43,462,334	42,744,518
Trade and other receivables	8	209,311,438	185,727,790
Creditable withholding taxes (CWT)	9	140,714,366	125,345,588
Other current assets	9	31,732,624	136,162,353
Total Current Assets		1,144,790,227	1,082,177,990
Noncurrent Assets			
Property and equipment	11	497,951,256	652,001,139
Other noncurrent assets	9	4,389,571	2,345,875
Total Noncurrent Assets		502,340,827	654,347,014
		₱1,647,131,054	₱1,736,525,004
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	12	₱208,428,424	₱214,495,568
Current portion of:			
Loans payable	5	138,980,392	138,980,392
Lease liabilities	17	333,767	57,445
Total Current Liabilities		347,742,583	353,533,405
Noncurrent Liabilities			
Loans payable - net of current portion	5	138,980,392	277,960,784
Lease liabilities - net of current portion	17	444,791	-
Net retirement liability	18	-	2,339,801
Net deferred tax liabilities	16	718,655	4,882,801
Total Noncurrent Liabilities		140,143,838	285,183,386
Total Liabilities		487,886,421	638,716,791

(Forward)

		December 31	
	Note	2025	2024
Equity Attributable to Equity Holders of the			
Parent Company			
	13		
Capital stock		₱895,330,946	₱895,330,946
Additional paid-in capital		254,640,323	254,640,323
Cost of Parent Company common shares held by a subsidiary		(384,595,174)	(384,595,174)
Other equity reserves		20,076,965	15,502,056
Retained earnings		371,568,278	313,959,794
		1,157,021,338	1,094,837,945
Non-controlling Interest		2,223,295	2,970,268
Total Equity		1,159,244,633	1,097,808,213
		₱1,647,131,054	₱1,736,525,004

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2025	2024	2023
REVENUES				
Equipment rental	17	₱524,171,429	₱527,482,143	₱599,221,040
Commission income	20	–	–	2,332,616
		524,171,429	527,482,143	601,553,656
COST OF SERVICES				
	14	(305,166,653)	(294,229,052)	(260,670,197)
GROSS PROFIT				
		219,004,776	233,253,091	340,883,459
GENERAL AND ADMINISTRATIVE EXPENSES				
	14	(193,676,424)	(177,631,621)	(124,144,648)
FINANCE CHARGES				
	5, 17	(24,654,742)	(36,577,881)	(17,903,206)
INTEREST INCOME				
	6	21,105,971	13,780,944	5,753,505
DIVIDEND INCOME				
	7, 10	15,181,863	–	18,947,664
MARKED-TO-MARKET GAINS (LOSSES) ON INVESTMENTS HELD FOR TRADING				
	7	717,816	(952,007)	54,078,646
OTHER INCOME (CHARGES) - Net				
	15	25,019,257	(326,573)	54,045,681
INCOME BEFORE INCOME TAX				
		62,698,517	31,545,953	331,661,101
PROVISION FOR INCOME TAX				
	16	5,837,006	14,568,128	56,796,285
NET INCOME				
		56,861,511	16,977,825	274,864,816
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on retirement benefits, net of deferred tax				
	18	4,574,909	5,162,703	(9,233,066)
Unrealized valuation gains on financial assets at fair value through other comprehensive income (FVOCI)				
	10	–	82,971,460	58,457,165
		4,574,909	88,134,163	49,224,099
TOTAL COMPREHENSIVE INCOME				
		₱61,436,420	₱105,111,988	₱324,088,915

	Note	Years Ended December 31		
		2025	2024	2023
Net income (loss) attributable to:				
Equity holders of the Parent Company		₱57,608,484	₱18,146,553	₱272,701,996
Non-controlling interest		(746,973)	(1,168,728)	2,162,820
		₱56,861,511	₱16,977,825	₱274,864,816
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		₱62,183,393	₱106,280,716	₱321,926,095
Non-controlling interest		(746,973)	(1,168,728)	2,162,820
		₱61,436,420	₱105,111,988	₱324,088,915
Basic/Diluted Earnings per Share	21	₱0.0700	₱0.0219	₱0.3228

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2025	2024	2023
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
CAPITAL STOCK	13	₱895,330,946	₱895,330,946	₱895,330,946
ADDITIONAL PAID-IN CAPITAL	13	254,640,323	254,640,323	254,640,323
COST OF PARENT COMPANY SHARES HELD BY A SUBSIDIARY				
Balance at beginning of year	13	(384,595,174)	(285,267,558)	(285,267,558)
Additions		–	(99,327,616)	–
Balance at end of year		(384,595,174)	(384,595,174)	(285,267,558)
OTHER EQUITY RESERVES				
Cumulative Remeasurement Gains on Retirement Asset / Liability				
Balance at beginning of year	18	12,891,702	7,728,999	16,962,065
Net remeasurement gains (losses), net of deferred tax		4,574,909	5,162,703	(9,233,066)
Balance at end of year		17,466,611	12,891,702	7,728,999
Other Reserves	13	2,610,354	2,610,354	2,610,354
Cumulative Unrealized Valuation Losses on Financial Assets at FVOCI				
Balance at beginning of year	10	–	(234,391,670)	(292,848,835)
Realized portion of the fair value reserve		–	151,420,210	–
Unrealized valuation gains		–	82,971,460	58,457,165
Balance at end of year		–	–	(234,391,670)
		20,076,965	15,502,056	(224,052,317)
RETAINED EARNINGS				
Balance at beginning of year		313,959,794	530,917,448	342,701,848
Net income		57,608,484	18,146,553	272,701,996
Realized portion of the fair value reserve	10	–	(151,420,210)	–
Dividends declared	13	–	(83,683,997)	(84,486,396)
Balance at end of year		371,568,278	313,959,794	530,917,448
		1,157,021,338	1,094,837,945	1,171,568,842
NON-CONTROLLING INTEREST				
Balance at beginning of year		2,970,268	4,138,996	1,976,176
Share in net income (loss)		(746,973)	(1,168,728)	2,162,820
Balance at end of year		2,223,295	2,970,268	4,138,996
		₱1,159,244,633	₱1,097,808,213	₱1,175,707,838

See accompanying Notes to Consolidated Financial Statements

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱62,698,517	₱31,545,953	₱331,661,101
Adjustments for:				
Depreciation and amortization	11	171,121,563	155,159,852	40,796,382
Finance charges	5, 17	24,654,742	36,577,881	17,903,206
Interest income	6	(21,105,971)	(13,780,944)	(5,753,505)
Dividend income	7, 10	(15,181,863)	–	(18,947,664)
Share in net loss of investment in an associate	8	6,185,271	–	–
Gain on disposal of:				
Investment in an associate	8	(6,185,271)	–	–
Property and equipment	11	(750,340)	(290,267)	(38,845)
Investments held for trading	15	–	(885,410)	(2,200,087)
Retirement benefits cost	18	907,380	3,937,534	2,718,689
Marked-to-market losses (gains) on investments held for trading	7	(717,816)	952,007	(54,078,646)
Unrealized foreign exchange loss (gain)		118,277	996,948	(2,351,403)
Provision for impairment loss	8	–	1,413,910	–
Operating income before working capital changes		221,744,489	215,627,464	309,709,228
Decrease (increase) in:				
Trade and other receivables		44,886,492	106,669,096	(83,228,786)
Other current assets		110,144,729	(17,889,750)	(98,861,209)
Increase (decrease) in trade payables and other current liabilities		(4,616,087)	(39,140,988)	145,492,981
Net cash generated from operations		372,159,623	265,265,822	273,112,214
Income taxes paid		(28,517,218)	(39,916,119)	(26,833,821)
Interest received		21,105,971	13,780,944	5,753,505
Contributions to the retirement plan		–	–	(19,569,605)
Net cash flows provided by operating activities		364,748,376	239,130,647	232,462,293

(Forward)

		Years Ended December 31		
	Note	2025	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES				
Receivable arising from discontinued investment	8	(P65,000,000)	P-	P-
Acquisitions of property and equipment	11	(22,447,321)	(100,456,643)	(537,444,800)
Dividends received	7, 10	11,711,723	-	18,947,664
Decrease (increase) in other noncurrent assets		3,118,719	2,121,538	(1,712,356)
Proceeds from disposal of:				
Property and equipment	11	750,340	373,591	1,362,047
Financial assets at FVOCI	10	-	320,571,550	-
Investments held for trading	7	-	57,201,654	27,554,541
Net cash flows provided by (used in) investing activities		(71,866,539)	279,811,690	(491,292,904)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan payments	5	(138,980,392)	(133,647,059)	(29,411,765)
Finance charges paid	23	(26,050,319)	(32,535,518)	(17,878,309)
Payments of lease liabilities	17	(361,125)	(499,137)	(1,955,026)
Acquisition of treasury shares	13	-	(99,327,616)	-
Cash dividends paid	13	-	(83,683,997)	(84,486,396)
Proceeds from loan availments	5	-	80,000,000	432,500,000
Net cash flows provided by (used in) financing activities		(165,391,836)	(269,693,327)	298,768,504
NET INCREASE IN CASH AND CASH EQUIVALENTS		127,490,001	249,249,010	39,937,893
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		(118,277)	(996,948)	2,351,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		592,197,741	343,945,679	301,656,383
CASH AND CASH EQUIVALENTS AT END OF YEAR		P719,569,465	P592,197,741	P343,945,679
NONCASH FINANCIAL INFORMATION				
Reclassification from property and equipment to other current assets	11	P5,715,000	P-	P-
Recognition of right-of-use (ROU) assets and lease liabilities	17	1,026,758	-	541,486
Reclassification from advances to suppliers to property and equipment		-	68,850	207,054,331
Impact of lease modification on ROU assets and lease liabilities	17	-	22,987	-

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2025 AND 2024

AND FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

1. General Information

Corporate Information

Pacific Online Systems Corporation (“POSC” or “Parent Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 11, 1993. POSC is a public company under Section 17.2 of the Revised Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE) starting on April 12, 2007.

In 2025, the Board of Directors (BOD) approved the amendments of the Parent Company’s Articles of Incorporation to change its registered office address from 28th Floor East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City to 19th Floor West Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City. The amendment was approved by the SEC on September 12, 2025.

The Parent Company is a 50.1%-owned subsidiary of Premium Leisure Corporation (PLC or the “Immediate Parent Company”) and its Ultimate Parent Company is Belle Corporation (Belle). Both Belle and PLC are corporations incorporated and domiciled in the Philippines. Belle’s shares are listed on the PSE as at December 31, 2025 and 2024. On July 9, 2024, PLC’s shares were delisted from the PSE after a successful tender offer by Belle.

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

	Industry	Percentage of Ownership		
		2025	2024	2023
Subsidiaries				
Total Gaming Technologies, Inc. (TGTI)	Gaming	98.9	98.9	98.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	100.0	100.0	100.0
Falcon Resources Inc. (FRI) ^(a)	Gaming	100.0	100.0	100.0
Futurelab Interactive Corp. (FIC) ^(b)	Gaming	100.0	100.0	100.0
Interest in Joint Operation				
Pinoylotto Technologies Corp. (PinoyLotto)	Gaming	50.0	50.0	50.0

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

POSC

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

Prior to October 1, 2023, the Parent Company’s primary source of revenue arises from the Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO) for the lease of lotto terminals and related equipment. The ELA expired on September 30, 2023 (see Notes 17 and 20).

In 2024 and 2023, the Parent Company participated in initiatives related to a web-based application betting platform (E-Lotto Project) with PCSO. However, in 2025, the national government adopted a policy discontinuing the licensing of online gaming and online betting platforms by state gaming agencies. As a result, the implementation of the E-Lotto Project did not proceed (see Note 20).

In light of these developments, the BOD approved on February 12, 2026, the unwinding of the Parent Company's involvement in the E-Lotto Project and directed management to pursue other business opportunities within the industry.

On November 18, 2025, the Parent Company, together with PinoyLotto and Philippine Gaming Management Corp. (PGMC), formed an unincorporated joint operation to participate in PCSO's procurement for the supply, installation, and maintenance of Radio Frequency Identification (RFID)-enabled draw machines and related accessories. The joint operation was awarded the project at a contract price of ₱559.0 million in December 2025 (see Note 5).

TGTI

TGTI was incorporated and registered with the SEC on October 23, 2002. The primary purpose of TGTI is to lease gaming equipment and provide consultancy services.

In 2022, TGTI ceased its operations as lessor of PCSO's Online Keno games. TGTI is still evaluating its future operating plans and management continues to actively look for other viable opportunities within the gaming industry.

LotoPac

LotoPac was incorporated on March 16, 2007, primarily to acquire, establish, operate and manage amusement, recreational and gaming equipment facilities.

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

FRI

FRI was incorporated on May 25, 1999 primarily to engage in the business of trading or selling of goods on wholesale or retail basis, such as sweepstakes, instant game tickets, and other lottery and gaming tickets.

In 2020, FRI ceased its scratch ticket distribution operations with the intention to focus on technology driven games and related support services that will be more viable and sustainable in the long term.

FIC

FIC was incorporated on April 4, 2016 primarily to operate and manage amusement, recreational, and gaming equipment facilities.

As at December 31, 2025, FIC has not started its commercial operations.

PinoyLotto

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

PinoyLotto was awarded with a five year-lease of a customized PCSO Lottery System (PLS Project) at a contract price of ₱5,800.0 million. PinoyLotto commenced its commercial operations on October 1,

2023. In accordance with the contract, terminals are being installed and operated nationwide, with a maximum capacity of up to 6,500 terminals.

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

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

Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 were endorsed by the Audit Committee to the BOD on February 25, 2026 and were approved and authorized by the BOD for issuance on February 26, 2026.

2. Summary of Material Policy Information

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

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

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

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

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

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

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

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

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

Adoption of Amendments to PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*, effective for annual periods beginning on or after January 1, 2025.

The amendments clarify when a currency is considered exchangeable and how the exchange rate should be determined when exchangeability is lacking. They also introduce additional disclosure requirements. The amendments are applied prospectively, with any effect of initial application recognized as an adjustment to opening retained earnings, as applicable.

The adoption of these amendments did not have a material impact on the Group's consolidated financial statements, except for additional disclosures, where applicable.

Amendments to PFRS Accounting Standards in Issue But Not Yet Effective or Adopted

Relevant amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025 and have not been applied in preparing the consolidated financial statements, are summarized below:

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

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendment clarify certain requirements relating to the recognition and derecognition of financial instruments, the assessment of contractual cash flow characteristics of financial assets, and related disclosures.
- Annual Improvements to PFRS Accounting Standards Volume 11 – These amendments provide clarifications to PFRS 7, PFRS 9, PFRS 10, *Consolidated Financial Statements* and PAS 7, *Statement of Cash Flows*, including guidance on derecognition, consolidation assessments, and cash flow presentation.

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

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.

The Group expects the adoption of PFRS 18 to result in changes in presentation and additional disclosures in the consolidated financial statements. The standard is not expected to have an impact on the recognition or measurement of the Group's assets, liabilities, income or expenses.

Deferred effectivity -

- Amendments to PFRS 10 and PAS 28, *Investment in Associates - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS Accounting Standards is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company, its subsidiaries and its corresponding share in the joint operation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

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

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

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

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

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

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

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

The Group does not have financial liabilities at FVPL and debt instruments measured at FVOCI.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Advances to Contractors and Suppliers

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

Advances to Officers and Employees

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

Creditable Withholding Taxes (CWT)

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

Spare Parts and Supplies

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

Software Development Costs

Software development costs represent expenditures incurred by the Group in connection with the development of software and applications for a customer. Research costs are expensed as incurred. Development costs are capitalized when the recognition criteria are met, including technical feasibility, intention and ability to complete the asset for sale, probability of future economic benefits, and reliable measurement costs.

Prepayments

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

Value-Added Tax (VAT)

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Investment in an Associate

An associate is an entity in which the Group has significant influence but not control or joint control. Investment in an associate is accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and subsequently adjusted for the Group's share in the associate's post-acquisition profit or loss and other comprehensive income.

Upon disposal or loss of significant influence, the Group derecognizes the investment in the associate. The difference between the carrying amount of investment at the date significant influence is lost and the consideration from disposal including the fair value of retained interest, if any, is recognized in profit or loss.

Impairment of Nonfinancial Assets

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

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

Equity

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

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

Contract Costs

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

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

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

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

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

Cost and Expense Recognition

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

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

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

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

Leases

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

Group as a Lessor

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

Group as a Lessee

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

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

Lease Liabilities. Lease liabilities are initially measured at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments, and if applicable:

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

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

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

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

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

Employee Benefits

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

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

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

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

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

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

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

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

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

Foreign Currency Denominated Transactions

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

Income Taxes

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

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

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

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

Related Parties and Transactions

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

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

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

Earnings per Share

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

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

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

Operating Segments

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS Accounting Standards requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements.

The judgment, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments

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

Assessing Joint Control and Determining Proper Classification of a Joint Arrangement. Management applied judgment in assessing whether the Parent Company's interest in PinoyLotto constitutes joint control and in determining the appropriate classification of the joint arrangement under PFRS 11, *Joint Arrangements*. PinoyLotto is 50% owned by the Parent Company and is considered jointly controlled as the parties to the agreement have equal board representation and decisions about the relevant activities require unanimous consent of both parties.

In determining whether the arrangement is a joint operation or a joint venture, management considered the requirements of PFRS 11, including: whether the arrangement is structured through a separate vehicle; the legal form of the separate vehicle; the terms of the contractual arrangements; and other facts and circumstances, including the design and purpose of the arrangement. This assessment required significant judgment, particularly in evaluating the substance of the rights and obligations conveyed by the arrangement, including the parties' exposure to the economic benefits of assets used in the activities and their responsibility for settling liabilities arising from those activities. Based on this assessment, management classified the arrangement as a joint operation.

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

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

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

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

Determining the Fair Value of Financial Instruments. PFRS Accounting Standards requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates.

While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

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

Accounting Estimates and Assumptions

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

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

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

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

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

In 2024, the Group recognized a provision for impairment loss amounting to ₱1.4 million (see Note 8). No provision for impairment losses on financial assets at amortized cost was recognized by the Group in 2025 and 2023. The allowance for impairment losses on financial assets at amortized cost are disclosed in Note 8.

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

Determining the Impairment of Significant Nonfinancial Assets. The Group assesses significant nonfinancial assets for impairment when there are indicators that the carrying amounts may not be recoverable. If there are any impairment indicators, management determines whether the recoverable amount is lower than the carrying amount which may result to impairment. Determining the recoverable amount of these nonfinancial assets requires the estimation of future 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 recoverable values are appropriate and reasonable, future events could cause the Group to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's consolidated financial statements.

No provision for impairment losses on nonfinancial assets was recognized in 2025, 2024 and 2023.

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

	Note
Property and equipment	11
CWT	9
Other current assets*	9
Other noncurrent assets**	9

*Excluding guarantee deposits.

**Excluding refundable deposits.

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

There were no changes in the estimated useful lives of property and equipment and ROU assets in 2025, 2024 and 2023. The carrying amount of property and equipment and ROU assets are disclosed in Notes 11 and 17, respectively.

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

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

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

4. Segment Information

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

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

In 2025, 2024, and 2023 the Group's segment pertains solely to equipment leasing and other related services.

5. Joint Arrangements

Joint Operation in PinoyLotto

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

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

PinoyLotto started nationwide operations on October 1, 2023. The Group's share in assets, liabilities, revenues, costs and expenses of PinoyLotto is presented below:

	2025	2024
Cash and cash equivalents	₱122,084,700	₱54,993,770
Trade and other receivables	56,480,134	49,737,037
CWTs	32,416,183	16,680,804
Other current assets	28,588,368	72,724,507
Total Current Assets	239,569,385	194,136,118
Property and equipment	497,951,256	652,001,130
Other noncurrent assets	741,547	483,026
Total Noncurrent Assets	498,692,803	652,484,156
Total Assets	₱738,262,188	₱846,620,274

	2025	2024
Trade payables and other current liabilities	(₱123,684,459)	(₱131,845,610)
Current portion of:		
Loans payable	(138,980,392)	(138,980,392)
Lease liabilities	(333,767)	(57,445)
Total Current Liabilities	(262,998,618)	(270,883,447)
Loan payables - net of current portion	(138,980,392)	(277,960,784)
Net retirement liability	(1,903,499)	(662,330)
Net deferred tax liabilities	(1,200,688)	-
Lease liabilities - net of current portion	(444,791)	-
Total Noncurrent Liabilities	(142,529,370)	(278,623,114)
Total Liabilities	(₱405,527,988)	(₱549,506,561)

	2025	2024	2023
Revenue from equipment rental	₱523,457,143	₱517,857,143	₱129,464,286
Cost of services	(291,393,024)	(264,209,114)	(57,535,027)
General and administrative expenses	(159,594,925)	(130,901,005)	(46,366,911)
Finance charges	(24,654,742)	(36,577,881)	(17,878,309)
Interest income	178,092	158,808	84,322
Other charges	(137,779)	(960,463)	(2,312,579)
Provision for income taxes	(12,024,365)	(13,098,869)	-
Net income	₱35,830,400	₱72,268,619	₱5,455,782

Loan Agreement

On October 15, 2022, PinoyLotto entered into a long-term loan agreement with a local bank for a loan facility with a maximum aggregate principal amount of ₱1.0 billion, the proceeds of which was used to partially finance the capital expenditure requirements of the PLS Project. The loan has a term of five years, payable in equal quarterly installments beginning on the second year from initial drawdown up to the maturity. The loan bears an annual interest ranging from 6.54% to 8.63% and 6.54% to 7.45% in 2025 and 2024, respectively.

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

Interest expense on loan payable which was recognized as "Finance charges" amounted to ₱24.6 million, ₱36.5 million, and ₱17.9 million in 2025, 2024, and 2023, respectively. The related accrued interest as at December 31, 2025 and 2024 amounting to ₱2.6 million and ₱4.0 million, respectively, was presented as "Accrued expenses" under "Trade payables and other current liabilities" account in the consolidated statements of financial position (see Note 12).

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

The movements in the loans payable are presented below:

	2025	2024
Balance at beginning of year	₱416,941,176	₱470,588,235
Repayments	(138,980,392)	(133,647,059)
Availments	–	80,000,000
Balance at end of year	277,960,784	416,941,176
Current portion	138,980,392	138,980,392
Noncurrent portion	₱138,980,392	₱277,960,784

Pursuant to the terms of these loan agreements, PinoyLotto is required to comply with certain financial covenants starting June 30, 2024 which includes (a) bank debt to equity ratio not exceeding 3.0x, (b) debt-to-equity ratio not exceeding 3.5x and (c) debt service coverage ratio not falling below 1.2x. PinoyLotto is also restricted from performing certain corporate acts including declaration of dividends, material change in business and ownership, among others, without prior consent of the bank and must adhere to all financial and funding requirements. As at December 31, 2025 and 2024, PinoyLotto is compliant with the financial covenants and agreements.

Surety Bond

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

Unincorporated Joint Operation between the Parent Company, PinoyLotto, and PGMC

As discussed in Note 1, in 2025, the Parent Company, PinoyLotto, and PGMC formed an unincorporated joint operation to participate in the procurement by the PCSO for the supply, installation, and maintenance of RFID-enabled draw machines and related accessories.

On December 19, 2025, the Unincorporated Joint Operation was awarded with the Project at a contract price of ₱559.0 million as the bidder with the single calculated and responsive bid and received a Notice to Proceed for the Project on December 26, 2025.

Under the joint operation agreement, PinoyLotto holds a 90% participating interest and is primarily responsible for the implementation and execution of the project while PGMC and the Parent Company each hold a 5% participating interest and provides funding support.

Each party recognizes its proportionate share of assets, liabilities, revenues, and expenses arising from the Project.

6. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand	₱409,730	₱354,730
Cash in banks	93,746,996	96,575,560
Cash equivalents	581,554,214	451,444,854
Restricted cash	43,858,525	43,822,597
	₱719,569,465	₱592,197,741

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

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

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

Interest income earned from cash and cash equivalents amounted to ₱21.1 million, ₱13.8 million and ₱5.8 million in 2025, 2024 and 2023, respectively.

7. Investments Held for Trading

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

Movements in this account are as follows:

	2025	2024
Balance at beginning of year	₱42,744,518	₱100,012,769
Marked-to-market gains (losses)	717,816	(952,007)
Disposals	–	(56,316,244)
Balance at end of year	₱43,462,334	₱42,744,518

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

Dividend income from investments held for trading amounted to ₱15.2 million in 2025. The related dividend receivable amounted to ₱3.5 million.

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

8. Trade and Other Receivables

This account consists of:

	2025	2024
Trade	₱49,117,333	₱48,333,333
Nontrade	193,677,614	240,507,614
Receivable from disposal of investment	65,000,000	–
Advances to:		
Contractors and suppliers	13,169,006	2,404,797
Officers and employees	2,501,734	1,792,047
Others	3,610,969	10,455,217
	327,076,656	303,493,008
Less allowance for impairment loss	117,765,218	117,765,218
	₱209,311,438	₱185,727,790

Trade Receivables

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

Nontrade Receivables

Nontrade receivables include amounts due from third parties representing noninterest-bearing advances made to a consultant for the exploration of potential projects and business opportunities. The Group has discontinued the related project, and recovery efforts are ongoing. The Group has already begun receiving payments from the consultant and continues to finalize the remaining terms and manner of collection of the outstanding receivables.

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

Receivable from Disposal of Investment

On January 29, 2025, the Parent Company entered into an Investment Agreement for the acquisition of 37.5% ownership of HHR Philippines, Inc. (HHRPI) for a consideration of ₱150.0 million, out of which ₱65.0 million was paid in 2025. On December 29, 2025, due to tightening of government policy toward online gaming, the Parent Company sold its investments for a consideration of ₱65.0 million. The buyer assumes the remaining subscription payable amounting to ₱85.0 million.

Upon acquisition, the investment qualifies as an investment in associate. Upon disposal within the same year, share in net loss of HHRPI of ₱6.2 million also translates to gain on disposal of the same amount (see Note 15).

Other Receivables

Other receivables are primarily dividend income in 2025 and shared services rendered in 2024 which are collectible in the following financial period.

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

	Note	2025	2024
Balance at beginning of year		₱117,765,218	₱116,351,308
Provision	14	–	1,413,910
Balance at end of year		₱117,765,218	₱117,765,218

9. **CWT and Other Assets**

CWT

This account consists of:

	2025	2024
CWT	₱141,247,532	₱125,878,754
Less allowance for impairment loss	533,166	533,166
	₱140,714,366	₱125,345,588

Other Current Assets

This account consists of:

	Note	2025	2024
Spare parts and supplies		₱9,495,203	₱8,170,480
Software development costs		7,573,167	–
Prepayments		6,667,121	46,541,898
Guarantee deposits	20	5,355,837	79,000,000
Input VAT		843,269	411,344
Others		1,798,027	2,038,631
		₱31,732,624	₱136,162,353

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

Software development costs pertain to charges incurred by the Group for the development of software and applications for PCSO. The Group expects the turnover of asset and realization of economic benefits to occur in 2026. The total costs include the amount reclassified from property and equipment amounting to ₱5.7 million (see Note 11).

Prepayments represent mainly insurance and rent. It also includes prepaid technical training, advisory and maintenance services. In 2024, prepayments also include contract costs amounting to ₱30.7 million which pertain to costs incurred to fulfil the obligations under E-Lotto Project (see Note 20).

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

Other Noncurrent Assets

This account consists of:

	Note	2025	2024
Net retirement asset	18	₱2,852,698	₱–
Refundable deposits		795,326	2,291,727
ROU assets	17	741,547	54,148
		₱4,389,571	₱2,345,875

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

10. Financial Assets at FVOCI

Financial assets at FVOCI pertain to the Group's investment in shares of the Intermediate Parent Company which were sold in 2024 for ₱320.6 million as a result of the tender offer conducted by the Ultimate Parent Company for the purpose of voluntary delisting the Intermediate Parent Company shares from the Main Board of PSE.

The movements in this account are as follows:

	2024
Balance at beginning of year	P237,600,090
Disposal	(320,571,550)
Unrealized valuation gains	82,971,460
Balance at end of year	P-

The fair values were determined based on the quoted prices on the last market day of the year (Level 1).

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

	2024
Balance at beginning of year	(P234,391,670)
Realized portion	151,420,210
Unrealized valuation gain	82,971,460
Balance at end of year	P-

Dividend income from the financial assets at FVOCI amounted to P18.9 million in 2023.

11. Property and Equipment

The movement in this account is as follows:

	2025				
	Lottery Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost					
Balance at beginning of year	P814,869,320	P41,628,459	P3,594,826	P11,226,653	P871,319,258
Additions	20,958,237	533,281	232,142	723,661	22,447,321
Disposals and retirement	-	(19,152,632)	-	(1,652,459)	(20,805,091)
Reclassification	(5,715,000)	-	-	-	(5,715,000)
Balance at end of year	830,112,557	23,009,108	3,826,968	10,297,855	867,246,488
Accumulated Depreciation and Amortization					
Balance at beginning of year	184,834,741	23,015,864	890,156	10,577,358	219,318,119
Depreciation and amortization	164,853,567	4,987,013	743,221	198,403	170,782,204
Disposals and retirement	-	(19,152,632)	-	(1,652,459)	(20,805,091)
Balance at end of year	349,688,308	8,850,245	1,633,377	9,123,302	369,295,232
Carrying Amount	P480,424,249	P14,158,863	P2,193,591	P1,174,553	P497,951,256

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

The Group sold certain equipment with a carrying amount of nil, ₱83,324 and ₱1.3 million for a total consideration of ₱750,340, ₱373,591 and ₱1.4 million in 2025, 2024 and 2023, respectively, resulting to a gain on sale amounting to ₱750,340, ₱290,267 and ₱38,845 in 2025, 2024 and 2023 respectively (see Note 15).

In 2025, a lottery equipment with carrying value of ₱5.7 million was reclassified to other assets from property and equipment in preparation for its delivery to PCSO as part of the first phase of deliverables of their new project.

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

	Note	2025	2024	2023
Property and equipment		₱170,782,204	₱154,649,527	₱38,980,983
ROU assets	17	339,359	510,325	1,815,399
		₱171,121,563	₱155,159,852	₱40,796,382

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

	2025	2024	2023
Cost of services	₱170,782,195	₱149,001,119	₱37,901,647
General and administrative expenses	339,368	6,158,733	2,894,735
	₱171,121,563	₱155,159,852	₱40,796,382

The cost of fully depreciated property and equipment still in use amounted to ₱23.1 million in 2025 and 2024.

12. Trade Payables and Other Current Liabilities

This account consists of:

	2025	2024
Accounts payable	P115,337,254	P159,248,509
Accrued expenses	82,238,233	45,763,091
Statutory payables	7,613,460	6,450,827
Others	3,239,477	3,033,141
	P208,428,424	P214,495,568

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

Accrued expenses primarily include communications, outside services, software support fees, professional fees, salaries and other employee benefits, and interests, among others. These are normally settled in the following financial year.

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

Others primarily pertain to dividends payable.

13. Equity

Capital Stock and Additional Paid-in Capital

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

	2025		2024	
	Shares	Amount	Shares	Amount
Authorized - P1 par value	2,288,000,000	P2,288,000,000	2,288,000,000	P2,288,000,000
Issued	895,330,946	P895,330,946	895,330,946	P895,330,946
Cost of Parent Company Common Shares				
Held by a Subsidiary:				
Balance at beginning of year	(72,691,184)	(384,595,174)	(50,466,984)	(285,267,558)
Additions	-	-	(22,224,200)	(99,327,616)
Balance at end of year	(72,691,184)	(384,595,174)	(72,691,184)	(384,595,174)
Outstanding	822,639,762	P510,735,772	822,639,762	P510,735,772

Additional paid-in capital amounted to P254.6 million as at December 31, 2025 and 2024.

Cost of Parent Company Common Shares Held by Subsidiary

As at December 31, 2023, TGTI holds Parent Company common shares totaling 50,466,984 equivalent to P285.3 million. In 2024, TGTI acquired additional 22,224,200 Parent Company shares for a consideration of P99.3 million. These are presented as "Cost of Parent Company common shares held by subsidiary" account in the consolidated statements of financial position. Related other reserves amounted to P2.6 million as at December 31, 2025 and 2024.

The Parent Company listed its shares in the PSE on April 12, 2007. As at December 31, 2025 and 2024, all issued shares are listed in the PSE.

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2025 and 2024, public ownership over the Parent Company is 34.82%.

As at December 31, 2025 and 2024, the Parent Company has 62 stockholders of record.

Retained Earnings

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

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

14. Costs and Expenses

Cost of Services

This account consists of:

	Note	2025	2024	2023
Depreciation and amortization	11	₱170,782,195	₱149,001,119	₱37,901,647
Software and license fees		59,770,173	43,447,330	65,552,553
Communication		55,347,565	67,316,596	35,853,495
Personnel costs		8,116,025	13,046,949	47,840,647
Repairs and maintenance		5,571,667	4,963,355	36,253,335
Travel and accommodation		3,483,374	4,764,921	15,998,823
Rent and utilities		2,032,886	4,772,410	15,954,914
Others		62,768	6,916,372	5,314,783
		₱305,166,653	₱294,229,052	₱260,670,197

General and Administrative Expenses

This account consists of:

	Note	2025	2024	2023
Personnel costs		₱59,142,420	₱66,124,666	₱38,246,725
Other external services		39,187,965	19,414,987	7,792,285
Rent and utilities		17,994,720	24,898,221	14,813,288
Professional fees		16,846,947	6,667,189	5,015,570
Travel and accommodation		14,102,172	15,806,927	9,314,153
Taxes and licenses		11,667,287	12,358,002	8,607,318
Operating supplies		9,576,736	2,642,886	1,703,393
Research and development		7,500,000	–	–
Entertainment and representation		4,805,220	4,328,438	415,045
Repairs and maintenance		3,499,037	3,023,139	1,598,131
Dues and subscription		1,954,362	1,692,794	–
Director's fee		1,869,444	1,994,118	4,849,346
Communication		1,652,398	2,907,889	10,103,445
Depreciation and amortization	11	339,368	6,158,733	2,894,735
Provision for impairment losses	8	–	1,413,910	–
Pre-operating expenses		–	–	14,362,121
Others		3,538,348	8,199,722	4,429,093
		₱193,676,424	₱177,631,621	₱124,144,648

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

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

Pre-operating expenses pertain to PinoyLotto. Details are as follows:

	2023
Taxes and licenses	₱4,360,942
Professional fees	4,255,645
Rent and utilities	3,283,261
Entertainment and representation	535,557
Bank charges	2,976
Depreciation and amortization	2,224
Others	1,921,516
	₱14,362,121

Personnel costs are as follows:

	Note	2025	2024	2023
Salaries and wages		₱53,011,333	₱56,183,099	₱61,265,423
Post-employment benefits	18	907,380	3,937,534	2,718,689
Other short-term employee benefits		13,339,732	19,050,982	22,103,260
		₱67,258,445	₱79,171,615	₱86,087,372

15. Other Income (Charges)

This account consists of:

	Note	2025	2024	2023
Reimbursable charges		₱24,382,494	₱–	₱–
Share in net loss of an associate	8	(6,185,271)	–	–
Gain on disposal of:				
Investment in an associate	8	6,185,271	–	–
Property and equipment	11	750,340	290,267	38,845
Investments held for trading	7	–	885,410	2,200,087
Scrap items		–	365,126	–
Foreign exchange loss - net		(118,277)	(996,948)	(2,351,019)
Sale of trademark		–	–	26,785,714
Net claims		–	–	20,218,195
Others		4,700	(870,428)	7,153,859
		₱25,019,257	(₱326,573)	₱54,045,681

Reimbursable charges pertain to amounts collected from PCSO in relation to the E-Lotto trial run, net of additional expenses incurred in 2025 (see Note 20).

In November 2023, the Parent Company assigned certain trademarks to Diamond Powerwinners Corp. for ₱30.0 million (inclusive of VAT), resulting in a gain of ₱26.8 million. The consideration was fully collected in 2024.

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

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

16. Income Taxes

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

	2025	2024	2023
Current	₱13,148,440	₱16,334,608	₱54,676,728
Deferred	(7,311,434)	(1,766,480)	2,119,557
	₱5,837,006	₱14,568,128	₱56,796,285

In 2025, current income tax expense pertains to RCIT of PinoyLotto and MCIT of POSC and TGTI. In 2024, it pertains to RCIT of POSC and PinoyLotto and MCIT of TGTI while in 2023 current income tax expense represents RCIT of POSC and MCIT of TGTI.

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

	2025	2024
Items recognized in profit or loss		
Retirement benefits	₱4,564,998	₱4,655,694
Unamortized past service costs	1,671,082	1,941,191
Temporary differences attributable to joint operation	(912,988)	709,329
Costs incurred to fulfil a contract	-	(7,665,028)
Unrealized foreign exchange loss	-	(7,210)
	5,323,092	(366,024)
Items recognized in other comprehensive income		
Remeasurement of retirement liability	(6,041,747)	(4,516,777)
Net deferred tax assets (liabilities)	(₱718,655)	(₱4,882,801)

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

	2025	2024
NOLCO	₱33,372,195	₱44,683,570
Excess MCIT over RCIT	2,534,861	1,410,786
Allowance for impairment losses on receivables	819,630	819,630
Unamortized past service costs	199,707	589,776
	₱36,926,393	₱47,503,762

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

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

Year Incurred	Beginning Balance	Incurred	Expired	Applied	Ending Balance	Valid Until
2025	₱-	₱1,587,029	₱-	₱-	₱1,587,029	2028
2024	88,904,536	-	-	(9,883,098)	79,021,438	2027
2023	106,351	-	-	-	106,351	2026
2022	13,937,584	-	(13,937,584)	-	-	2025
2021	52,946,908	-	-	-	52,946,908	2026
2020	24,542,655	-	(24,542,655)	-	-	2025
	₱180,438,034	₱1,587,029	(₱38,480,239)	(₱9,883,098)	₱133,661,726	

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

Year Incurred	Beginning Balance	Incurred	Expired	Applied	Ending Balance	Valid Until
2025	₱-	₱1,124,075	₱-	₱-	₱1,124,075	2028
2024	1,098,752	-	-	-	1,098,752	2027
2023	312,034	-	-	-	312,034	2026
	₱1,410,786	₱1,124,075	₱-	₱-	₱2,534,861	

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

	2025	2024	2023
Provision for (benefits from) income tax at statutory income tax rate	(P1,702,259)	(P26,881,616)	P82,915,275
Income tax effects of:			
Marked-to-market losses (gains) on securities	17,084,702	39,364,889	(13,519,662)
Expired NOLCO	9,229,625	-	-
Interest income subjected to final tax	(5,231,946)	(3,405,514)	(1,438,376)
Dividend income subjected to final tax	(3,795,466)	-	-
Nondeductible expenses and others	815,765	5,781,667	689,145
Attributable to joint operation	13,954	(9,926,631)	(6,100,862)
Changes in unrecognized deferred tax assets	(10,577,369)	9,635,333	(5,749,235)
Provision for income tax at effective tax rate	P5,837,006	P14,568,128	P56,796,285

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Under the CREATE Act which took effect on July 1, 2020, domestic corporations are subject to 25% or 20% RCIT depending on the amount of total assets or total amount of taxable income. In addition, MCIT is computed at 1% of gross income for a period of three years up to June 30, 2023 and reverted to 2% of gross income effective July 1, 2023 under Revenue Memorandum Circular No. 69-2023.

17. Lease Commitments

Group as Lessor

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

Rental income amounted to P714,286, P9.6 million and P469.8 million in 2025, 2024, and 2023, respectively, (see Note 20). The rental income in 2023 and is based on a percentage of gross sales of lotto tickets from PCSO's Luzon and VISMIN operations while the rental income is primarily due to continuing costs incurred from ticket validations in 2024 and lease of draw machines in 2025.

On October 1, 2023, PinoyLotto commenced its commercial operations for a five year-lease of the customized PCSO Lottery System at a contract price of P5,800.0 million.

Rental income amounted to P523.4 million, P517.9 million, and P129.5 million in 2025, 2024, and 2023, respectively (see Note 5).

Group as Lessee

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

Amounts recognized in the consolidated statements of comprehensive income follow:

	Note	2025	2024	2023
Rent expense		P14,410,474	P17,266,475	P18,092,195
Amortization of ROU assets	11	339,359	510,325	1,815,399
Interest expense on lease liabilities		55,480	30,797	24,897
		P14,805,313	P17,807,597	P19,932,491

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

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

The movements in the ROU assets are presented below:

	2025	2024
Balance at beginning of year	P54,148	P541,486
Addition	1,026,758	–
Amortization	(339,359)	(510,325)
Modification	–	22,987
Balance at end of year	P741,547	P54,148

The movements in the lease liabilities are presented below:

	2025	2024
Balance at beginning of year	P57,445	P502,798
Additions	1,026,758	–
Payments	(361,125)	(499,137)
Interest expense	55,480	30,797
Modification	–	22,987
	778,558	57,445
Current portion	333,767	57,445
Noncurrent portion	P444,791	P–

Refundable deposits amounted to P795,326 and P2.3 million as at December 31, 2025 and 2024, respectively (see Note 9).

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

	2025	2024
Within one year	P379,181	P114,890
After one year but not more than five years	465,028	–
	P844,209	P114,890

18. Retirement Benefits

The Group has funded, noncontributory defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees’ projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is for the year ended December 31, 2025.

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

	2025		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Retirement Liability (Asset)
Balance at beginning of year	₱33,396,834	₱31,057,033	₱2,339,801
Net retirement costs (income) in profit or loss:			
Current service cost	3,552,413	-	3,552,413
Past service income	(2,833,770)	-	(2,833,770)
Interest expense	2,042,374	-	2,042,374
Interest income	-	1,853,637	(1,853,637)
	2,761,017	1,853,637	907,380
Benefits paid	(3,528,122)	(3,528,122)	-
Remeasurement loss (gain) recognized in other comprehensive income:			
Actuarial changes due to experience adjustment	(3,086,287)	-	(3,086,287)
Actuarial changes arising from changes in financial assumptions	(5,100,140)	-	(5,100,140)
Actual return excluding amount included in net interest cost	-	(2,086,548)	2,086,548
	(8,186,427)	(2,086,548)	(6,099,879)
Balance at end of year	₱24,443,302	₱27,296,000	(₱2,852,698)

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

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

	2025	2024
Cash and cash equivalents	₱3,708	₱7,266
Debt instruments - government bonds	14,970,093	16,560,599
Unit investment trust funds	8,269,419	9,763,744
Debt instruments - other bonds	3,895,306	4,529,172
Others	157,474	196,252
	₱27,296,000	₱31,057,033

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

Movements in retirement benefit reserve consist of the following:

	2025		Total
	Retirement Benefits Reserve	Deferred Tax (see Note 16)	
Balance at beginning of year	₱17,408,479	(₱4,516,777)	₱12,891,702
Remeasurement gain	6,099,879	(1,524,970)	4,574,909
Balance at end of year	₱23,508,358	(₱6,041,747)	₱17,466,611

	2024		Total
	Retirement Benefits Reserve	Deferred Tax (see Note 16)	
Balance at beginning of year	₱10,524,875	(₱2,795,876)	₱7,728,999
Remeasurement gain	6,883,604	(1,720,901)	5,162,703
Balance at end of year	₱17,408,479	(₱4,516,777)	₱12,891,702

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

	2025	2024
Discount rates	6.28%	6.11%
Future salary increases	6.00%	8.00%

The Group is not expected to contribute to the plan in 2026.

The retirement benefits expose the Group to the following risks:

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

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2025 and 2024 assuming all other assumptions were held constant:

	2025		2024	
	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	-1.00%	₱25,553,319	-1.00%	₱36,686,128
	+1.00%	(21,139,583)	+1.00%	(29,512,371)
Salary increase rate	+1.00%	25,680,057	+1.00%	36,760,480
	-1.00%	(20,991,698)	-1.00%	(29,387,653)

The average duration of the Group's defined benefit obligation is 10.93 years and 14.64 years in 2025 and 2024, respectively.

The maturity analysis of the undiscounted benefit payments follows:

	2025	2024
Within one year	₱432,410	₱1,833,197
More than one year to five years	3,475,486	3,528,693
More than five years to ten years	76,076,785	170,662,201

19. Related Party Transactions and Balances

In the normal course of business, the Group has transactions with a party to the joint operation as follows:

	Nature of Transactions	Amount of Transactions		Outstanding Balance	
		2025	2024	2025	2024
Trade Payables and Other Current Liabilities	Acquisition of lottery equipment and maintenance fees	₱37,995,780	₱76,674,243	₱37,352,128	₱82,635,722
<i>Joint Operator</i>					

Compensation of Key Management Personnel

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

	2025	2024	2023
Salaries and wages	₱12,159,211	₱15,050,945	₱9,817,230
Retirement benefits	839,342	795,704	881,108
	₱12,998,553	₱15,846,649	₱10,698,338

20. Significant Contracts and Commitments

Agreements with PCSO

Equipment Lease Agreement. The Parent Company previously entered into an ELA with the PCSO for the lease of lotto terminals, including the central computer system, communications equipment, related application software and manuals, and the supply of betting slips and ticket paper rolls.

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

The ELA expired on September 30, 2023. Upon its expiration, the operations were transferred to PinoyLotto pursuant to a separate agreement with PCSO (see Note 17).

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

Web-Based Application Betting Platform (WABP or E-Lotto Project). On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO., under which it acted as PCSO's exclusive agent. The platform was launched on December 15, 2023 and operated until July 12, 2024 upon PCSO's instruction.

In 2023, the Group recognized commission income of ₱2.3 million, representing 14.0% of e-lotto sales. In 2024, the arrangement was revised such that the Parent Company was reimbursed for reasonable actual costs, subject to a ceiling of 8.0% of generated sales less applicable taxes. The Parent Company billed PCSO ₱35.4 million, net of taxes, in September 2024, which was fully collected in 2025.

On June 19, 2024, the Parent Company received a Notice of Award from PCSO for the five year lease of the WABP following a competitive bidding process. Preparatory activities were undertaken pending contract execution.

Subsequently, the national government adopted a policy discontinuing the licensing of online gaming and online betting platforms by state gaming agencies. As a result, the implementation of the E-Lotto Project did not proceed. The BOD approved the unwinding of the Parent Company's involvement in the project.

Costs incurred to fulfill a contract amounting to ₱30.7 million were recognized under "Other current assets" account in 2024 (see Note 9). Following the discontinuation of the project, ₱22.0 million of these costs were reimbursed in 2025, while the remaining ₱8.7 million was recognized in profit or loss during the year.

A cash bond related to the WABP trial run amounting to ₱79.0 million was posted in favor of PCSO and is presented under "Other current assets" account in the consolidated statements of financial position as at December 31, 2024 (see Note 9).

Following the termination of the trial run in July 2024, the Parent Company initiated the refund process. During 2025, a substantial portion of the bond was refunded, resulting in the remaining balance of ₱5.4 million as at December 31, 2025. The outstanding balance is expected to be collected upon completion of the refund process (see Note 9).

Contracts with Scientific Games and Intralot and Management Agreement

In connection with the ELA with PCSO, the Parent Company entered into separate agreements with Scientific Games and Intralot Inc. for the supply of lottery system hardware, software, terminals and related support services.

Under these arrangements, POSC paid the suppliers a pre-agreed percentage of revenues generated from PCSO's online lottery operations using the supplied systems and equipment.

These agreements were co-terminus with the ELA and effectively ceased upon the expiration of the ELA on September 30, 2023.

Software and license fees recognized in relation to these agreements amounted to ₱59.6 million in 2023.

21. Basic/Diluted Earnings per Share

As at December 31, 2025, 2024 and 2023, the basic/diluted earnings per share was computed as follows:

	2025	2024	2023
Income attributable to Equity holders of the Parent (a)	₱57,608,484	₱18,146,553	₱272,701,996
Weighted average number of outstanding common shares (b)	822,639,762	829,396,616	844,863,962
Basic/diluted earnings per share (a/b)	₱0.0700	₱0.0219	₱0.3228

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

	2025	2024	2023
Number of outstanding shares at beginning of year	822,639,762	844,863,962	844,863,962
Weighted average number of Parent Company shares acquired by a subsidiary during the year	-	(15,467,346)	-
	822,639,762	829,396,616	844,863,962

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

22. Financial Instruments

Financial Risk Management Objectives and Policies

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

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

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

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

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

	2025							Total
	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days			
Cash and cash equivalents*	₱719,159,735	₱-	₱-	₱-	₱-	₱-	₱719,159,735	
Trade and other receivables**	193,640,698	-	-	-	-	117,765,218	311,405,916	
Guarantee deposits***	5,355,837	-	-	-	-	-	5,355,837	
Refundable deposit****	795,326	-	-	-	-	-	795,326	
	₱918,951,596	₱-	₱-	₱-	₱-	₱117,765,218	₱1,036,716,814	

*Excluding cash on hand.

**Excluding advances to contractors, suppliers, officers and employees.

***Presented under "Other current assets" account.

****Presented under "Other noncurrent assets" account.

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

*Excluding cash on hand.

**Excluding advances to contractors, suppliers, officers and employees.

***Presented under "Other current assets" account.

****Presented under "Other noncurrent assets" account.

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

Credit Quality of Financial Assets

The financial assets are grouped according to stage whose description is explained as follows:

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

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

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

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

	2025			Total
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalents*	₱719,159,735	₱–	₱–	₱719,159,735
Trade and other receivables**	193,640,698	–	117,765,218	311,405,916
Guarantee deposit***	5,355,837	–	–	5,355,837
Refundable deposit****	795,326	–	–	795,326
Gross Carrying Amount	₱918,951,596	₱–	₱117,765,218	₱1,036,716,814

*Excluding cash on hand.

**Excluding advances to contractors, suppliers, officers and employees.

***Presented under “Other current assets” account.

****Presented under “Other noncurrent assets” account.

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

*Excluding cash on hand.

**Excluding advances to contractors, suppliers, officers and employees.

***Presented under “Other current assets” account.

****Presented under “Other noncurrent assets” account.

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2025 and 2024 consolidated total comprehensive income before income tax:

	2025		2024	
	Increase (Decrease in Equity Price)	Financial Impact	Increase (Decrease in Equity Price)	Financial Impact
Impact in profit or loss	27.12% (27.12%)	₱15,512,513 (15,512,513)	30.61% (30.61%)	₱13,084,249 (13,084,249)

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

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

c	2025				
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade payables and other current liabilities*	₱200,814,964	₱-	₱-	₱-	₱200,814,964
Loan payable	34,745,098	34,745,098	69,490,196	138,980,392	277,960,784
Lease liabilities	94,795	94,795	189,591	465,028	844,209
	₱235,654,857	₱34,839,893	₱69,679,787	₱139,445,420	₱479,619,957

*Excluding statutory payables

	2024				
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade payables and other current liabilities*	₱208,044,741	₱-	₱-	₱-	₱208,044,741
Loan payable	34,745,098	34,745,098	69,490,196	277,960,784	416,941,176
Lease liabilities	57,445	-	-	-	57,445
	₱242,847,284	₱34,745,098	₱69,490,196	₱277,960,784	₱625,043,362

*Excluding statutory payables

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

As at December 31, 2025 and 2024, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2025		2024	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash and cash equivalents	\$24,027	₱1,413,020	\$1,088,814	₱62,987,917
Accounts payable and other current liabilities	(1,270,696)	(74,729,216)	(2,180,257)	(126,127,922)
Net foreign currency-denominated assets (liabilities)	(\$1,246,669)	(₱73,316,196)	(\$1,091,443)	(₱63,140,005)

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱58.81 to US\$1.0 and ₱57.85 to US\$1.0, as at December 31, 2025 and 2024, respectively.

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

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Group's consolidated income before tax as at December 31, 2025 and 2024. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2025		2024	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate*	2%	(2%)	5%	(5%)
Effect on income before income tax	(₱1,034,439)	₱1,034,439	(₱3,331,160)	₱3,331,160

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2025 and 2024.

The Group considers the following as its capital:

	2025	2024
Common stock	₱895,330,946	₱895,330,946
Additional paid-in capital	254,640,323	254,640,323
Cost of Parent Company common shares held by a subsidiary	(384,595,174)	(384,595,174)
	₱765,376,095	₱765,376,095

Fair Value of Assets and Financial Liabilities

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

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱719,569,465	₱719,569,465	₱592,197,741	₱592,197,741
Trade and other receivables*	193,640,698	193,640,698	181,530,946	181,530,946
Guaranteed deposits**	5,355,837	5,355,837	79,000,000	79,000,000
Refundable security deposits**	795,326	795,326	2,291,727	2,291,727
At FVPL				
Investments held for trading	43,462,334	43,462,334	42,744,518	42,744,518
	₱962,823,660	₱962,823,660	₱897,764,932	₱897,764,932
Financial Liabilities				
At amortized cost:				
Trade payables and other current liabilities***	₱200,814,964	₱200,814,964	₱208,044,741	₱208,044,741
Loans payable	277,960,784	294,035,746	416,941,176	404,355,763
Lease liabilities	778,558	823,703	57,445	113,257
	₱479,554,306	₱495,674,413	₱625,043,362	₱612,513,761

*Excluding advances to contractors, suppliers, officers and employees.

**Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statements of financial position.

***Excluding statutory payables

The Group has no financial liabilities measured at fair value as at December 31, 2025 and 2024. There were no transfers between fair value measurements in 2025 and 2024.

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

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

Investments Held for Trading. The fair values of investments in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date.

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

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

	2025	2024
Liabilities for which fair values are disclosed		
Loans payable	5.78%	6.05%
Lease liabilities	5.80%	5.89%

23. Supplemental Disclosures of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

2025	Balance at Beginning of Year	Noncash Changes		Cash Flows		Balance at End of Year
		Additions	Accretion of Interest	Receipts	Payments	
Lease liabilities	₱57,445	₱1,026,758	₱55,480	₱-	(₱361,125)	₱778,558
Loan payable	416,941,176	-	-	-	(138,980,392)	277,960,784
Interest on loan payable	4,011,566	-	24,599,262	-	(26,050,319)	2,560,509
Total liabilities from financing activities	₱421,010,187	₱1,026,758	₱24,654,742	₱-	(₱165,391,836)	₱281,299,851

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

2023	Balance at Beginning of Year	Noncash Changes		Cash Flows		Balance at End of Year
		Additions	Accretion of Interest	Receipts	Payments	
Lease liabilities	₱1,891,442	₱541,485	₱24,897	₱-	(₱1,955,026)	₱502,798
Loan payable	67,500,000	-	-	432,500,000	(29,411,765)	470,588,235
Interest on loan payable	-	-	17,878,309	-	(17,878,309)	-
Total liabilities from financing activities	₱69,391,442	₱541,485	₱17,903,206	₱432,500,000	(₱49,245,100)	₱471,091,033



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

The Stockholders and the Board of Directors
Pacific Online Systems Corporation and Subsidiaries
Unit 1902-C West Tower, Tektite Towers,
Exchange Road, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Pacific Online Systems Corporation and Subsidiaries (the Group) as at December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 and have issued our report thereon dated February 26, 2026. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

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

- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration as at December 31, 2025
- Schedules required by Annex 68-J as at December 31, 2025
- Conglomerate Map as at December 31, 2025
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2025 and 2024

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

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



The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2025 and 2024.

REYES TACANDONG & Co.

GRACE M. ALBUNIAN

Partner

CPA Certificate No. 0144364

Tax Identification No. 410-858-879-000

BOA Accreditation No. 4782/P-024; Valid until June 6, 2026

SEC Accreditation No. 144364-SEC Group A

Issued October 21, 2025

Valid for Financial Periods 2025 to 2029

BIR Accreditation No. 08-005144-018-2024

Valid until November 25, 2027

PTR No. 10764003

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2025 AND 2024

Ratio	Formula	2025	2024
Current Ratio	Total Current Assets divided by Total Current Liabilities		
	Total current assets	₱1,144,790,227	₱1,082,177,990
	Divide by: Total current liabilities	347,742,583	353,533,405
	Current Ratio	3.29	3.06
Acid Test Ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		
	Total current assets	₱1,144,790,227	₱1,082,177,990
	Less: CWTs and other current assets	172,446,990	261,507,941
	Quick assets	972,343,237	820,670,049
	Divide by: Total current liabilities	347,742,583	353,533,405
	Acid Test Ratio	2.80	2.32
Debt-to-Equity Ratio	Total Interest-Bearing debt divided by Total Equity		
	Total interest-bearing debt	₱277,960,784	₱416,941,176
	Total equity	1,159,244,633	1,097,808,213
	Debt to Equity Ratio	0.24	0.38
Asset-to-Equity Ratio	Total Assets divided by Total Equity		
	Total assets	₱1,647,131,054	₱1,736,525,004
	Total equity	1,159,244,633	1,097,808,213
	Asset to Equity Ratio	1.42	1.58
Interest Rate Coverage Ratio	Income Before Interest and Taxes divided by Total Interest Expense		
	Income before income tax	₱62,698,517	₱31,545,953
	Less: Interest income	21,105,971	13,780,944
	Add: Interest expense	24,654,742	36,577,881
	Income before interest and taxes	66,247,288	54,342,890
	Divide by: Interest expense	24,654,742	36,577,881
Interest Rate Coverage Ratio	2.69	1.49	

Ratio	Formula	2025	2024
Return on Equity	Net Income divided by Average Total Equity		
	Net income	₱56,861,511	₱16,977,825
	Average Total Equity	1,128,526,423	1,136,758,026
	Return on Equity	0.05	0.01
Return on Assets	Net Income divided by Average Total Assets		
	Net income	₱56,861,511	₱16,977,825
	Average total assets	1,691,828,029	1,819,152,112
	Return on Assets	0.03	0.01
Solvency Ratio	Net Income Before Non-Cash Expenses divided by Total Liabilities		
	Net income	₱56,861,511	₱16,977,825
	Add: Non-cash expenses	171,121,563	156,573,762
	Net income before non-cash expenses	227,983,074	173,551,587
	Total liabilities	487,886,421	638,716,791
	Solvency Ratio	0.47	0.27
Net Profit Margin	Net Income divided by Total Revenue		
	Net income	₱56,861,511	₱16,977,825
	Total revenue	524,171,429	527,482,143
	Net profit margin	0.11	0.03

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2025

	Amount
Deficit, beginning of reporting period	(P63,576,415)
Add: <u>Category A: Items that are directly credited to unappropriated retained earnings</u>	
Reversal of retained earnings appropriation/s	P-
Effect of restatements or prior-period adjustments	-
Others	-
<hr/>	
Less: <u>Category B: Items that are directly debited to unappropriated retained earnings</u>	
Dividend declaration during the reporting period	-
Retained earnings appropriated during the reporting period	-
Effect of restatements or prior-period adjustments	-
Others (describe nature)	-
<hr/>	
Deficit, as adjusted	(63,576,415)
Add/less: Net income (loss) for the current year	56,869,962
Less: <u>Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</u>	
Equity in net income of associate/joint venture, net of dividends declared	-
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPL)	-
Unrealized fair value gain of Investment property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (Share in net income of a joint operation)	35,830,400
<hr/>	
Sub-total	35,830,400
<hr/>	

	Amount
Add: <u>Category C.2: Unrealized income recognized in profit or loss in prior periods but realized in the current reporting period (net of tax)</u>	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	P=
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVPL	-
Realized fair value of investment property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
Sub-total	-
Add: <u>Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)</u>	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVPL	-
Reversal of previously recorded fair value of investment property	-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-
Sub-total	-
Adjusted net income (loss)	21,039,562
Add: <u>Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)</u>	
Depreciation on revaluation increment (after tax)	-
Sub-total	-
Add/less: <u>Category E: Adjustments related to relief granted by the SEC</u>	
Amortization of the effect of reporting relief	-
Total amount of reporting relief granted during the year	-
Others	-
Sub-total	-

	Amount
Add/less: <u>Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution</u>	
Net movement of treasury shares (except for reacquisition of redeemable shares)	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	360,802
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	-
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-
Others	-
Subtotal	360,802
Total deficit, end of the reporting period	(P42,176,052)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6
PART II OF REVISED SRC RULE 68
DECEMBER 31, 2025

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<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	<u>1</u>
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C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>2</u>
D	Long-Term Debt	<u>2</u>
E	Indebtedness to Related Parties	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>2</u>

Schedule A. Financial Assets

(In Thousands)				
Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Financial assets at fair value through profit or loss				
Vantage Equities, Inc.	43,337	₱38,605	₱38,605	₱-
APC Group, Inc.	45,821	4,857	4,857	-
	89,158	₱43,462	₱43,462	₱-

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

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts Collected	Allowance for Doubtful Accounts	Current	Not Current	Balance at end of period
Total Gaming Technologies Inc.	₱73,504,151	₱-	₱8,106,770	₱-	₱65,397,381	₱-	₱65,397,381

Schedule D. Long-term debt

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

The loans are repayable in quarterly installments, bear interest rates ranging from 6.54% to 8.63%, and mature on November 12, 2027.

Schedule G. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	2,288,000,000	895,330,946	-	565,013,620	91,258,050	239,059,276

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

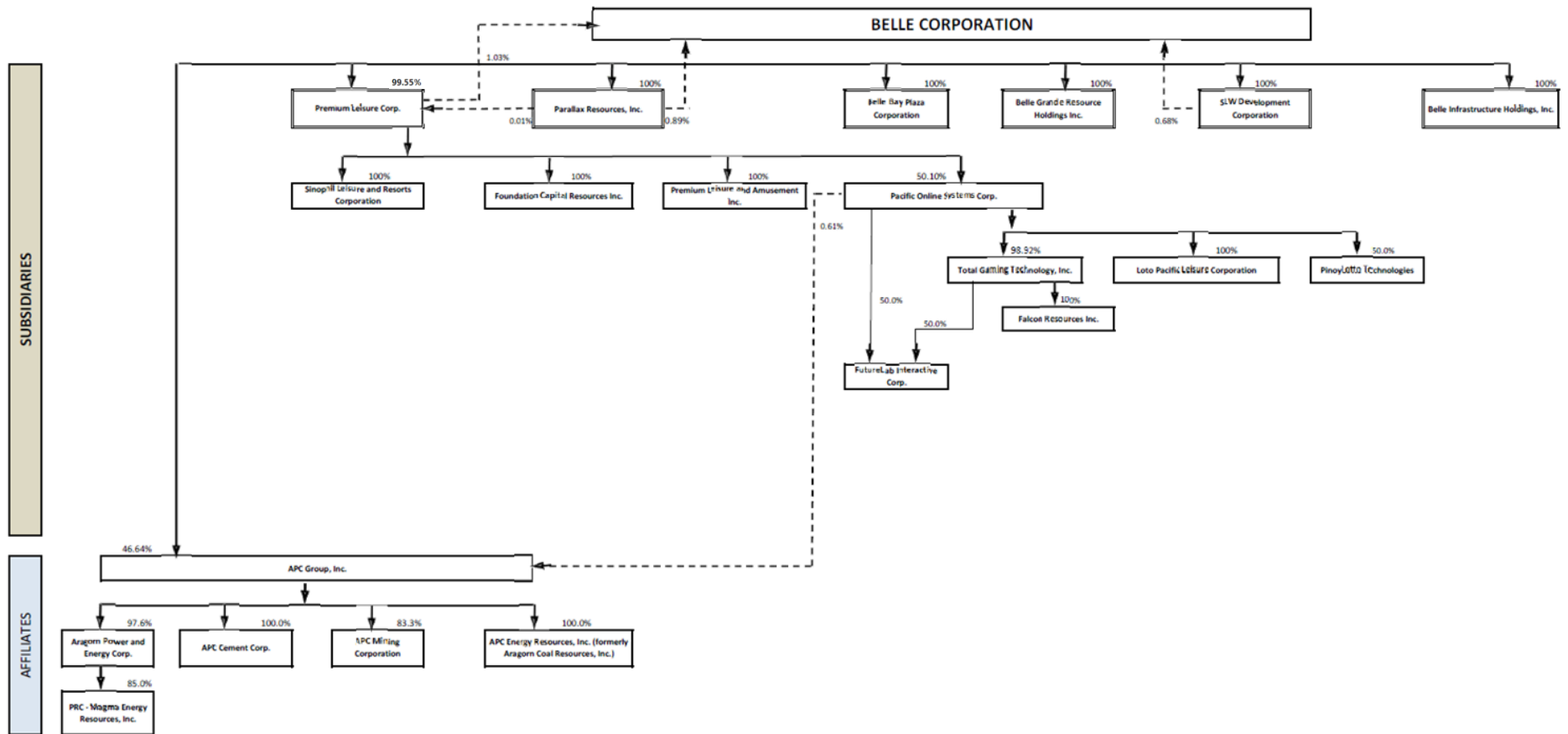
**SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
DECEMBER 31, 2025 AND 2024**

	2025	2024
Total Audit Fees	₱900,000	₱900,000
Non-audit services fees:		
Other assurance services	—	—
Tax services	—	—
All other services	—	—
Total Non-Audit Fees	—	—
Total Audit and Non-audit Fees	₱900,000	₱900,000
Audit and Non-audit Fees of Other Related Entities		
	2025	2024
Audit Fees	₱200,000	₱200,000
Non-audit services fees:		
Other assurance services	—	—
Tax services	—	—
All other services	—	—
Total Audit and Non-audit Fees of Other Related Entities	₱200,000	₱200,000

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

DECEMBER 31, 2025





Posc Accounting <posc.acctg@gmail.com>

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Wed, Mar 25, 2026 at 12:37 PM

Hi PACIFIC ONLINE SYSTEMS CORPORATION,

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- EAFS003865392RPTTY122025.pdf
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- EAFS003865392AFSTY122025.pdf

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Transaction Code: **AFS-0-42SMNRZY0T2PVW1XNM11ZRT30AD67DG8H**
Submission Date/Time: **Mar 25, 2026 12:37 PM**
Company TIN: **003-865-392**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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Transaction Code:

AFS-0-42SMNRZY0T2PVW1XNM11ZRT30AD67DG8H

Submission Date/Time:

Mar 25, 2026 12:37 PM

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**“STATEMENT OF MANAGEMENT’S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN”**

The Management of **Pacific Online Systems Corporation** (the Company) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2025. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2025 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company’s books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature: WILLY N. OCHER
Chairman of the Board

Signature: ARMIN ANTONIO B. RAQUEL SANTOS
President

Signature: DIOVILLE M. VILLARIAS
Chief Financial Officer

Signed this 26th day of February 2026

SUBSCRIBED AND SWORN to before me this 26th day of February 2026 at Pasig City, Metro Manila, affiants exhibiting to me their competent evidences of identity, as follows:

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

Doc No. 52;
Page No. 3;
Book No. 8;
Series of 2026

FERDINAND B. AYAHAO

Notary Public

For and in Pasig City and the Municipality of Pateros
Commission No. 122 (2025-2027) valid until 12/31/2027
MCLE Exemption No. VIII-BEP001234, until 04/14/28
Roll No. 46377; IBPLRN 02459; OR 535886; 06/21/2001
TIN 123-011-785; PTR 4018763AA; 01/09/26; Pasig City
Unit 5, West Tower PSB, Exchange Road
Ortigas Center, Pasig City, NCR, 1605 Philippines

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **Pacific Online Systems Corporation (the Company)** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended **December 31, 2025 and 2024**, 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the periods December 31, 2025 and 2024, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature: WILLY N. OCER
Chairman of the Board

Signature: ARMIN ANTONIO B. RAQUEL SANTOS
President

Signature: DIOVILLE M. VILLARIAS
Chief Financial Officer

Signed this 26th day of February 2026

SUBSCRIBED AND SWORN to before me this 26th day of February 2026 at Pasig City, Metro Manila, affiants exhibiting to me their competent evidences of identity, as follows:

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

Doc No. 57;
Page No. 13;
Book No. 8;
Series of 2026

FERDINAND D. AYAHAO
Notary Public

For and in Pasig City and the Municipality of Pateros
Commission No. 122 (2026-2027) valid until 12/31/2027
MCLE Exemption No. VIII-BEP003234, until 04/14/28
Roll No. 46377; IBP LRN 02459; OR 535886; 06/21/2001
TIN 123-011-785; PTR 4018763AA; 01/09/26; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City, NCR, 1605 Philippines



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Pacific Online Systems Corporation
Unit 1902-C West Tower, Tektite Towers
Exchange Road, Ortigas Center, Pasig City

Opinion

We have audited the accompanying separate financial statements of Pacific Online Systems Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2025 and 2024, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to separate financial statements, including a summary of material accounting policy information.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2025 and 2024, and its separate financial performance and its separate cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate 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), as applicable to audits of separate financial statements of public interest entities, together with the ethical requirements that are relevant to the audit of the separate financial statements of public interest entities in the Philippines. We have also 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.

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

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

In preparing the separate 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.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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 audits.

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

REYES TACANDONG & Co.

GRACE M. ALBUNIAN

Partner

CPA Certificate No. 0144364

Tax Identification No. 410-858-879-000

BOA Accreditation No. 4782/P-024; Valid until June 6, 2026

SEC Accreditation No. 144364-SEC Group A

Issued October 21, 2025

Valid for Financial Periods 2025 to 2029

BIR Accreditation No. 08-005144-018-2024

Valid until November 25, 2027

PTR No. 10764003

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

PACIFIC ONLINE SYSTEMS CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱716,360,220	₱588,889,626
Investments held for trading	6	43,462,334	42,744,518
Trade and other receivables	7	142,725,347	109,340,684
Creditable withholding taxes (CWTs)	8	107,850,611	92,489,929
Other current assets	8	34,780,027	139,000,244
Total Current Assets		1,045,178,539	972,465,001
Noncurrent Assets			
Property and equipment	10	497,951,256	652,001,139
Investments in and advances to subsidiaries	11	128,930,499	137,031,270
Other noncurrent assets	8	4,389,571	2,345,875
Total Noncurrent Assets		631,271,326	791,378,284
		₱1,676,449,865	₱1,763,843,285
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	12	₱213,261,962	₱217,554,285
Current portion of:			
Loans payable	4	138,980,392	138,980,392
Lease liabilities	18	333,767	57,445
Total Current Liabilities		352,576,121	356,592,122
Noncurrent Liabilities			
Loans payable - net of current portion	4	138,980,392	277,960,784
Lease liabilities - net of current portion	18	444,791	-
Net retirement liability	19	-	2,339,801
Net deferred tax liabilities	17	718,655	4,882,801
Total Noncurrent Liabilities		140,143,838	285,183,386
Total Liabilities		492,719,959	641,775,508
Equity			
	13		
Capital stock		895,330,946	895,330,946
Additional paid-in capital		254,640,323	254,640,323
Other equity reserves		17,283,886	12,708,977
Retained earnings (deficit)		16,474,751	(40,612,469)
Total Equity		1,183,729,906	1,122,067,777
		₱1,676,449,865	₱1,763,843,285

See accompanying Notes to Separate Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31	
		2025	2024
REVENUE	18	₱524,171,429	₱527,482,143
COST OF SERVICES	14	(305,166,653)	(294,221,857)
GROSS INCOME		219,004,776	233,260,286
GENERAL AND ADMINISTRATIVE EXPENSES	14	(193,138,355)	(231,696,213)
FINANCE COST	4	(24,599,262)	(36,577,881)
INTEREST INCOME	5	21,103,308	13,771,705
DIVIDEND INCOME	6	15,181,863	–
MARKED-TO-MARKET GAINS (LOSSES) ON INVESTMENTS HELD FOR TRADING	6	717,816	(952,007)
OTHER INCOME - Net	15	24,647,760	10,724,513
INCOME (LOSS) BEFORE INCOME TAX		62,917,906	(11,469,597)
PROVISION FOR INCOME TAX	17	5,830,686	20,233,434
NET INCOME (LOSS)		57,087,220	(31,703,031)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement gain on retirement plan, net of deferred tax	19	4,574,909	5,162,702
Unrealized valuation gain on financial assets at FVOCI	9	–	82,971,460
		4,574,909	88,134,162
TOTAL COMPREHENSIVE INCOME		₱61,662,129	₱56,431,131
Basic/Diluted Earnings (Loss) per Common Share	21	₱0.0638	(₱0.0354)

See accompanying Notes to Separate Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31	
		2025	2024
CAPITAL STOCK	13	₱895,330,946	₱895,330,946
ADDITIONAL PAID-IN CAPITAL	13	254,640,323	254,640,323
OTHER EQUITY RESERVES	13		
Cumulative Remeasurement Gains on Retirement Plan	19		
Balance at beginning of year		12,708,977	7,546,275
Net remeasurement gains		4,574,909	5,162,702
Balance at end of year		17,283,886	12,708,977
Cumulative Unrealized Valuation Losses on Financial Asset at FVOCI	9		
Balance at beginning of year		–	(234,391,670)
Unrealized valuation gain		–	82,971,460
Realized portion of the fair value reserve		–	151,420,210
Balance at end of year		–	–
		17,283,886	12,708,977
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year		(40,612,469)	232,043,867
Net income (loss)		57,087,220	(31,703,031)
Dividend declared	13	–	(89,533,095)
Realized portion of the fair value reserve	9	–	(151,420,210)
Balance at end of year		16,474,751	(40,612,469)
		₱1,183,729,906	₱1,122,067,777

See accompanying Notes to Separate Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31	
		2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		₱62,917,906	(₱11,469,597)
Adjustments for:			
Depreciation and amortization	10	171,121,563	155,152,657
Finance cost	4	24,599,262	36,577,881
Interest income	5	(21,103,308)	(13,771,705)
Dividend income	6	(15,181,863)	–
Retirement benefits cost	19	907,380	3,937,534
Marked-to-market loss (gain) on investments held for trading	6	(717,816)	952,007
Gain on sale of property and equipment	10	(441,540)	(40,267)
Unrealized foreign exchange losses	15	125,494	1,021,044
Interest expense on lease liabilities	18	55,480	30,797
Provision for impairment loss on investments in and advances to subsidiaries	11	50,000	116,051
Gain on sale of investments held for trading	6	–	(885,410)
Operating income before working capital changes		222,332,558	171,620,992
Decrease (increase) in:			
Trade and other receivables		35,085,477	92,289,789
Other current assets		109,935,217	(17,020,665)
Advances to subsidiaries		50,771	459,481
Increase (decrease) in accounts payable and other current liabilities		(2,841,266)	5,524,209
Net cash generated from operations		364,562,757	252,873,806
Income taxes paid		(28,502,802)	(31,594,989)
Interest received		21,103,308	13,771,705
Net cash flows provided by operating activities		357,163,263	235,050,522
CASH FLOWS FROM INVESTING ACTIVITIES			
Receivable arising from discontinued investment	7	(65,000,000)	–
Acquisitions of property and equipment	10	(22,447,321)	(100,449,447)
Dividends received	6	11,711,723	–
Collections from (advances to) subsidiaries	16	8,000,000	(62,990,310)
Decrease in other noncurrent assets		3,118,719	156,257
Proceeds from sale of:			
Property and equipment	10	441,540	123,591
Financial assets at FVOCI	9	–	320,571,550
Investments held for trading	6	–	57,201,654
Payment of subscription payable	11	–	(312,500)
Net cash flows provided by (used in) investing activities		(64,175,339)	214,300,795

(Forward)

		Years Ended December 31	
	Note	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan payments	4	(P138,980,392)	(P133,647,059)
Finance charges paid	23	(26,050,319)	(32,566,315)
Payment of lease liabilities	18	(361,125)	(499,137)
Cash dividends paid	13	-	(89,533,095)
Loan availments	4	-	80,000,000
Net cash flows used in financing activities		(165,391,836)	(176,245,606)
NET INCREASE IN CASH AND CASH EQUIVALENTS		127,596,088	273,105,711
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		588,889,626	316,804,959
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(125,494)	(1,021,044)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	P716,360,220	P588,889,626

See accompanying Notes to Separate Financial Statements.

PACIFIC ONLINE SYSTEMS CORPORATION

NOTES TO SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1. General Information

Corporate Information

Pacific Online Systems Corporation (“POSC” or the “Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 11, 1993. POSC 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 Company is engaged in the development, design and management of online computer systems, terminals and software for the gaming industry. The Company can also engage in any lawful arrangement for sharing profits, union of interest, unitization or formal agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person on governmental, municipal or public authority, domestic or foreign.

In 2025, the Board of Directors (BOD) approved the amendments of the Company’s Articles of Incorporation to change its registered office address from 28th Floor East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City to Unit 1902-C West Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City. The amendment was approved by the SEC on September 12, 2025.

The Company is a 50.1% owned subsidiary of Premium Leisure Corp. (PLC or the “Immediate Parent Company”) and its ultimate parent company is Belle Corporation (Belle). Both Belle and PLC are incorporated and domiciled in the Philippines with shares that are listed in the PSE. On July 9, 2024, PLC’s shares were delisted from the PSE after a successful tender offer by Belle.

Status of Operations

Prior to October 1, 2023, the Company’s primary source of revenue arises from the Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO) for the lease of lotto terminals and related equipment. The ELA expired on September 30, 2023 (see Notes 18 and 20).

In 2024 and 2023, the Company participated in initiatives related to a web-based application betting platform (E-Lotto Project) with PCSO. However, in 2025, the national government adopted a policy discontinuing the licensing of online gaming and online betting platforms by state gaming agencies. As a result, the implementation of the E-Lotto Project did not proceed (see Note 20).

In light of these developments, the BOD approved the unwinding of the Company’s involvement in the E-Lotto Project and directed management to pursue other business opportunities within the industry.

The Company holds 50% ownership in PinoyLotto Technologies Corp. (PinoyLotto), a joint operation with Philippine Gaming Management Corp. and (PGMC) and International Lottery & Totalizator Systems, Inc. PinoyLotto was awarded with the five year-lease of the customized PCSO Philippine Lottery System (PLS Project) at a contract price of ₱5,800.0 million. PinoyLotto commenced its commercial operations on October 1, 2023. In accordance with the contract, terminals are being installed and operated nationwide, with a maximum capacity of up to 6,500 terminals (see Note 4).

On November 18, 2025, the Company, together with PinoyLotto and PGMC, formed an unincorporated joint operation to participate in PCSO's procurement for the supply, installation, and maintenance of Radio Frequency Identification (RFID)-enabled draw machines and related accessories. The joint operation was awarded the project at a contract price of ₱559.0 million in December 2025 (see Note 4).

Approval of the Separate Financial Statements

The separate financial statements as at and for the years ended December 31, 2025 and 2024 were approved and authorized for issuance by the Board of Directors (BOD) on February 26, 2026.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

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

The Company also prepares and issues consolidated financial statements for the same year in accordance with PFRS Accounting Standards. In the consolidated financial statements, the subsidiaries undertakings have been fully consolidated. Users of the separate financial statements should read the consolidated financial statements simultaneously in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company and its subsidiaries. The consolidated financial statements are available for public use and may be obtained at the Company's registered office address and at the SEC.

Measurement Bases

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

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

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

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

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

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 - *Investments Held for Trading*;
- Note 9 - *Financial Assets at FVOCI*; and
- Note 22 - *Financial Instruments*.

Adoption of Amendments to PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*, effective for annual periods beginning on or after January 1, 2025.

The amendments clarify when a currency is considered exchangeable and how the exchange rate should be determined when exchangeability is lacking. They also introduce additional disclosure requirements. The amendments are applied prospectively, with any effect of initial application recognized as an adjustment to opening retained earnings, as applicable.

The adoption of these amendments did not have a material impact on the Company's separate financial statements, except for additional disclosures, where applicable.

Amendments to PFRS Accounting Standards in Issue But Not Yet Effective or Adopted

Relevant amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025 and have not been applied in preparing the separate financial statements, are summarized below:

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

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendment clarify certain requirements relating to the recognition and derecognition of financial instruments, the assessment of contractual cash flow characteristics of financial assets, and related disclosures.
- Annual Improvements to PFRS Accounting Standards Volume 11 – These amendments provide clarifications to PFRS 7, PFRS 9 and PAS 7, *Statement of Cash Flows*, including guidance on derecognition and cash flow presentation.

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

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.

The Company expects the adoption of PFRS 18 to result in changes in presentation and additional disclosures in the separate financial statements. The standard is not expected to have an impact on the recognition or measurement of the Company's assets, liabilities, income or expenses.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS Accounting Standards is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

Joint Arrangements

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

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

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

Financial Instruments

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

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

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

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

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

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

Equity securities that have been designated to be measured at FVOCI may not be reclassified to a different category.

There were no reclassifications of financial assets in 2025 and 2024.

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

The Company does not have financial liabilities at FVPL and debt instruments measured at FVOCI.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classified under this category are the Company’s accounts payable and other current liabilities (excluding statutory payables and subscription payable), loans payable and lease liabilities.

Impairment of Financial Assets at Amortized Cost

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Assets and Liabilities

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

Creditable Withholding Taxes (CWTs)

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

Prepayments

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

Spare Parts and Accessories

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

Software Development Costs

Software development costs represent expenditures incurred by the Company in connection with the development of software and applications for a customer. Research costs are expensed as incurred. Development costs are capitalized when the recognition criteria are met, including technical feasibility, intention and ability to complete the asset for sale, probability of future economic benefits, and reliable measurement costs.

Property and Equipment

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

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

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

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

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the depreciable assets.

The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

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

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

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

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

Investments in Subsidiaries

Investments in subsidiaries are accounted for using the cost method. A subsidiary is an entity controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

An assessment of the carrying amount of the investment is performed when there is an indication that the investment has been impaired.

Investment in an Associate

An associate is an entity in which the Company has significant influence but not control or joint control. Investment in an associate is accounted for using the cost method.

Under the cost method, the investment is initially recognized at cost and subsequently measured at cost less any impairment losses, if any. Dividend income from the associate is recognized in profit or loss when the Company's right to receive payment is established.

Impairment of Nonfinancial Assets

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

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

Equity

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

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

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

Retained Earnings (Deficit). Retained earnings (deficit) represent the cumulative balance of the Company's results of operations and realized portion of the fair value reserve, net of dividends declared to date.

Revenue Recognition

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

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

Equipment Rental. For lease agreement with fixed payments and is classified as operating lease, revenue is recognized on a straight-line basis over the term of the lease.

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

Dividend Income. Dividend income is recognized when the Company's right to receive the payment is established.

Other Income. Income from other sources is recognized at a point in time when earned.

Contract Balances

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

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

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

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

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

Cost and Expense Recognition

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

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

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

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

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- a) the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- b) the right to direct the use of the identified asset.

Company as a Lessee. At the commencement date, the Company recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense in profit or loss on a straight-line basis. For leases with lease terms of 12 months or less but with an option to extend the lease, the management assesses whether there is reasonable certainty that the Company will extend the lease, by considering all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, to determine the appropriate lease term.

ROU Assets. At commencement date, the Company measures right-of-use (ROU) assets at cost which is comprised of the following:

- a) the amount of the initial measurement of lease liabilities;
- b) any lease payments made at or before the commencement date less any lease incentives received;
- c) any initial direct costs; and
- d) an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses and adjusted for any remeasurement of the related lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets.

Lease Liabilities. At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability consist of the following:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable by the lessee under residual value guarantees; and

- d) the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

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

Employee Benefits

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

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

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Past service costs are recognized in the profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognize related restructuring costs.

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

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

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

Foreign Currency-Denominated Transactions

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

Valued-Added Tax (VAT)

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Income Taxes

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

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

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

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

Related Parties and Transactions

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

A 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.

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

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year attributable to common equity holders of the Company, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

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

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS Accounting Standards requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the separate financial statements. The judgment, estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements.

While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments

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

Assessing Joint Control and Determining Proper Classification of a Joint Arrangement. Management applied judgment in assessing whether the Company's interest in PinoyLotto constitutes joint control and in determining the appropriate classification of the joint arrangement under PFRS 11, *Joint Arrangements*. PinoyLotto is 50% owned by the Company and is considered jointly controlled as the parties to the agreement have equal board representation and decisions about the relevant activities require unanimous consent of both parties.

In determining whether the arrangement is a joint operation or a joint venture, management considered the requirements of PFRS 11, including: whether the arrangement is structured through a separate vehicle; the legal form of the separate vehicle; the terms of the contractual arrangements; and other facts and circumstances, including the design and purpose of the arrangement. This assessment required significant judgment, particularly in evaluating the substance of the rights and obligations conveyed by the arrangement, including the parties' exposure to the economic benefits of assets used in the activities and their responsibility for settling liabilities arising from those activities. Based on this assessment, management classified the arrangement as a joint operation.

The nature, extent, financial impact and risks associated with joint arrangements are disclosed in Note 4.

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

Relevant details of the lease commitments are disclosed in Note 18.

Determining the Classification of Lease – Company as a Lessor. The Company leases to PCSO the lottery equipment it uses for its nationwide on-line lottery operations. The Company has determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. The ownership of the asset is not transferred to the lessee by the end of the lease term and the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable. Accordingly, the lease is accounted for as an operating lease.

Relevant details of the lease agreement and the amount of revenue from equipment rental are disclosed in Notes 18 and 20.

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

The carrying amount of capitalized contract costs is disclosed in Note 8.

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

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

Estimates and Assumptions

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

Assessing Impairment Losses on Financial Assets at Amortized Cost. Impairment losses on financial assets are determined based on ECL. The Company uses judgment in making the assumptions about risk of default and ECL rates and selected inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Company's cash in banks and cash equivalents are considered to have minimal risk of default because these are maintained at reputable financial institutions with good industry rating and score.

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

As at December 31, 2025 and 2024, allowance for impairment losses on trade and other receivables amounted to ₱113.7 million (see Note 7).

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

The Company recognized provision for impairment loss on advances to subsidiaries amounting to ₱50,000 and ₱116,051 in 2025 and 2024, respectively. As at December 31, 2025 and 2024, allowance for impairment losses on advances to subsidiaries amounted to ₱22.4 million (see Note 11).

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

Assessing the Impairment of Significant Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for significant nonfinancial assets at each reporting date. If there are any impairment indicators, management determines whether the recoverable amount is lower than the carrying amount which may result to impairment. Determining the recoverable amount of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets which will necessitate the Company to make estimates and assumptions that can materially affect the separate financial statements.

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

Management has considered the external and internal sources of impairment including the review of useful lives of the Company's property and equipment.

No provision for impairment loss was recognized on nonfinancial assets in 2025 and 2024 (see Note 11).

The carrying amounts of significant nonfinancial assets as at December 31, 2025 and 2024 are disclosed in Notes 8, 10 and 11.

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

There were no changes in the estimated useful lives of property and equipment in 2025 and 2024. The carrying amounts of property and equipment are disclosed in Note 10.

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

Details of recognized and unrecognized deferred tax assets are disclosed in Note 17.

4. Joint Arrangements

Joint Operation in PinoyLotto

On June 21, 2021, PinoyLotto, a joint venture corporation was incorporated and registered with the SEC primarily to provide software support and online lottery equipment service.

Interest in joint operation pertains to POSC's 50% ownership in PinoyLotto, the entity which was awarded a five-year lease of the customized PCSO Lottery System, also known as '2021 PLS Project' with a contract price of ₱5,800.0 million (see Note 1).

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

PinoyLotto started nationwide operations on October 1, 2023. The Company's share in assets, liabilities, revenues, cost and expenses of PinoyLotto are presented below:

	Note	2025	2024
Cash and cash equivalents	5	₱122,084,700	₱98,816,366
Trade and other receivables	7	56,480,134	49,737,037
CWTs	8	32,416,183	16,680,804
Other current assets	8	28,588,368	28,901,911
Total Current Assets		239,569,385	194,136,118
Property and equipment	10	497,951,256	652,001,130
Other noncurrent assets	8	741,547	483,026
Total Noncurrent Assets		498,692,803	652,484,156
Total Assets		₱738,262,188	₱846,620,274

	Note	2025	2024
Account payables and other current liabilities	12	(₱123,684,459)	(₱131,845,610)
Current portion of:			
Loans payable		(138,980,392)	(138,980,392)
Lease liabilities	18	(333,767)	(57,445)
Total Current Liabilities		(262,998,618)	(270,883,447)
Loans payable - net of current portion		(138,980,392)	(277,960,784)
Retirement liability	19	(1,903,499)	(662,330)
Net deferred tax liabilities		(1,200,688)	–
Lease liabilities - net of current portion	18	(444,791)	–
Total Noncurrent Liabilities		(142,529,370)	(278,623,114)
Total Liabilities		(₱405,527,988)	(₱549,506,561)
Revenue from equipment rental	18	₱523,457,143	₱517,857,143
Cost of services	14	(291,393,024)	(264,209,114)
General and administrative expenses	14	(159,408,045)	(130,901,005)
Finance cost		(24,599,262)	(36,577,881)
Interest income	5	178,092	158,808
Other charges	15	(193,259)	(960,463)
Provision for income taxes	17	(12,024,365)	(13,098,868)
Net income		₱36,017,280	₱72,268,620

Loan Agreement. On October 15, 2022, PinoyLotto entered into a long-term loan agreement with a local bank for a loan facility with a maximum aggregate principal amount of ₱1.0 billion, the proceeds of which was used to partially finance the capital expenditure requirements of the PLS Project. The loan has a term of five years, payable in equal quarterly installments beginning on the second year from initial drawdown up to maturity. The loan bears an annual interest ranging from 6.54% to 8.63% and 6.54% to 7.45% in 2025 and 2024, respectively.

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

The loan is secured by a continuing surety of POSC and PGMC and maintenance of a debt service reserve account (see Note 5).

The movements in the Company's share in loans payable recognized in the separate statements of financial position are presented below:

	2025	2024
Balance at beginning of year	₱416,941,176	₱470,588,235
Repayments	(138,980,392)	(133,647,059)
Availments	–	80,000,000
Balance at end of year	277,960,784	416,941,176
Current portion	138,980,392	138,980,392
Noncurrent portion	₱138,980,392	₱277,960,784

The Company's share in interest expense on loans payable which was recognized as "Finance cost" amounted to ₱24.6 million and ₱36.6 million in 2025 and 2024, respectively. The related accrued interest as at December 31, 2025 and 2024 amounting to ₱2.6 million and ₱4.0 million, respectively, was presented as "Accrued expenses" under "Accounts payable and other current liabilities" account in the separate statements of financial position (see Note 12).

Pursuant to the terms of these loan agreements, PinoyLotto is subject to financial covenants starting June 30, 2024, including maintaining certain bank debt to equity ratio, debt-to-equity ratio and debt service coverage ratio. PinoyLotto is also restricted from performing certain corporate acts including declaration of dividends, material change in business and ownership, among others, without prior consent of the bank and must adhere to all financial and funding requirements. As at December 31, 2025 and 2024, PinoyLotto is compliant with the financial covenants and agreements.

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

Unincorporated Joint Operation between Company, PinoyLotto and PGMC

As discussed in Note 1, in 2025, the Company, PinoyLotto, and PGMC formed an unincorporated joint operation to participate in the procurement by the PCSO for the supply, installation, and maintenance of RFID-enabled draw machines and related accessories.

On December 19, 2025, the Unincorporated Joint Operation was awarded with the project at a contract price of ₱559.0 million as the bidder with the single calculated and responsive bid and received a Notice to Proceed for the project on December 26, 2025.

Under the joint operation agreement, PinoyLotto holds a 90% participating interest and is primarily responsible for the implementation and execution of the project while PGMC and the Company each hold a 5% participating interest and provides funding support.

Each party recognizes its proportionate share of assets, liabilities, revenues, and expenses arising from the project.

5. **Cash and Cash Equivalents**

This account consists of:

	2025	2024
Cash on hand	₱409,730	₱354,730
Cash in banks	90,537,751	93,267,445
Cash equivalents	581,554,214	451,444,854
Restricted cash	43,858,525	43,822,597
	₱716,360,220	₱588,889,626

Out of the above cash and cash equivalents, amounts attributable to the share in joint operation are as follows (see Note 4):

	2025	2024
Cash on hand	₱394,730	₱349,730
Cash in banks	77,831,445	54,644,039
Restricted cash	43,858,525	43,822,597
	₱122,084,700	₱98,816,366

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

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

Under its loan agreement, PinoyLotto is required to maintain a debt service reserve account for the security of interest and/or principal repayments to the lenders. PinoyLotto is required to deposit cash to the debt service reserve account equivalent to the upcoming interest and/or principal repayment (see Note 4).

Interest income from cash and cash equivalents amounted to ₱21.1 million and ₱13.8 million in 2025 and 2024, respectively.

Out of the above interest income, amounts attributable to the share in joint operation amounted to ₱178,092 and ₱158,808 in 2025 and 2024, respectively (see Note 4).

6. Investments Held for Trading

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

Movements in investments held for trading are as follows:

	2025	2024
Balance at beginning of year	₱42,744,518	₱100,012,769
Marked-to-market gain (loss)	717,816	(952,007)
Disposals	-	(56,316,244)
Balance at end of year	₱43,462,334	₱42,744,518

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

Dividend income from investments held for trading amounted to ₱15.2 million in 2025. The related dividend receivable amounting to ₱3.5 million as at December 31, 2025 was presented as "Other receivables" under "Trade and other receivables" account in the separate statements of financial position.

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

7. Trade and Other Receivables

This account consists of:

	2025	2024
Trade	₱49,117,333	₱48,333,333
Nontrade	126,188,015	162,721,014
Receivable from disposal of investment	65,000,000	–
Advances to:		
Contractors and suppliers	10,652,043	242,991
Officers and employees	1,975,430	1,265,743
Others	3,470,140	10,455,217
	256,402,961	223,018,298
Less allowance for impairment losses	113,677,614	113,677,614
	₱142,725,347	₱109,340,684

Out of the above trade and other receivables, amounts attributable to the share in joint operation are as follows (see Note 4):

	2025	2024
Trade	₱49,117,333	₱48,333,333
Advances to:		
Contractors and suppliers	5,296,206	242,991
Officers and employees	1,925,766	1,117,312
Others	140,829	43,401
	₱56,480,134	₱49,737,037

Trade Receivables

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

Nontrade Receivables

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

Nontrade receivables also include amounts due from third parties representing noninterest-bearing advances made to a consultant for the exploration of potential projects and business opportunities. The Company has discontinued the related project, and recovery efforts are ongoing. The Company has already begun receiving payments from the consultant and continues to finalize the remaining terms and manner of collection of the outstanding receivables.

Receivable from Disposal of Investment

On January 29, 2025, POSC entered into an Investment Agreement for the acquisition of 37.5% ownership of HHR Philippines, Inc. for a consideration of ₱150.0 million, out of which ₱65.0 million was paid in 2025. The investment qualifies as an investment in associate.

On December 29, 2025, due to tightening of government policy toward online gaming, POSC sold its investments for a consideration of ₱65.0 million. The buyer assumes the remaining subscription payable amounting to ₱85.0 million. No gain or loss was recognized upon the disposal of the investment.

Other Receivables

Other receivables primarily arise from dividends receivable in relation to investments held for trading (see Note 6) and shared services rendered in 2024 which are collectible in the following financial period (see Note 15).

8. **CWTs and Other Assets**

CWT

This account pertains to CWT of:

	Note	2025	2024
POSC		₱75,434,428	₱75,809,125
PinoyLotto	4	32,416,183	16,680,804
		₱107,850,611	₱92,489,929

Other Current Assets

This account consists of:

	Note	2025	2024
Prepayments		₱9,714,524	₱49,589,300
Sparts and accessories		9,495,203	8,170,480
Software development costs		7,573,167	–
Guarantee deposits	20	5,355,837	79,000,000
Input VAT		630,106	–
Others		2,011,190	2,240,464
		₱34,780,027	₱139,000,244

Out of the above other current assets, amounts attributable to the share in joint operation are as follows (see Note 4):

	2025	2024
Prepayments	₱9,508,809	₱18,490,967
Spare parts and accessories	9,495,203	8,170,480
Software development costs	7,573,167	–
Others	2,011,189	2,240,464
	₱28,588,368	₱28,901,911

Prepayments represent mainly insurance and rent. It also includes prepaid technical training, advisory and maintenance services. In 2024, prepayments also include contract costs amounting to ₱30.7 million which pertains to costs incurred to fulfil the obligations under the E-Lotto Project (see Note 20).

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

Software development costs pertain to charges incurred by the Company for the development of software and applications for PCSO. The Company expects the turnover of asset and realization of economic benefits to occur in 2026. The total costs include the amount reclassified from property and equipment amounting to ₱5.7 million (see Note 10).

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

Other Noncurrent Assets

This account consists of:

	Note	2025	2024
Net retirement asset	19	₱2,852,698	₱-
Refundable deposits	18	795,326	2,291,727
ROU assets	18	741,547	54,148
		₱4,389,571	₱2,345,875

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

9. **Financial Assets at FVOCI**

Financial assets at FVOCI pertain to the Company's investment in PLC shares which were sold in 2024 for ₱320.6 million as a result of the tender offer conducted by the Ultimate Parent Company for the purpose of voluntary delisting the Immediate Parent Company shares from the Main Board of PSE.

Movements in this account are as follows:

	2024
Balance at beginning of year	₱237,600,090
Unrealized valuation gain	82,971,460
Disposal	(320,571,550)
Balance at end of year	₱-

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

	2024
Balance at beginning of year	(₱234,391,670)
Unrealized valuation gain	82,971,460
Realized portion	151,420,210
Balance at end of year	₱-

The fair values of these securities are based on the quoted prices (Level 1).

10. Property and Equipment

The movements in this account are as follows:

	2025				
	Lottery Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱814,869,320	₱58,419,496	₱3,594,826	₱6,523,425	₱883,407,067
Additions	20,958,237	533,281	232,142	723,661	22,447,321
Disposals	–	(19,152,632)	–	(1,652,459)	(20,805,091)
Reclassification	(5,715,000)	–	–	–	(5,715,000)
Balance at end of year	830,112,557	39,800,145	3,826,968	5,594,627	879,334,297
Accumulated Depreciation and Amortization					
Balance at beginning of year	184,834,741	39,806,901	890,156	5,874,130	231,405,928
Depreciation and amortization	164,853,568	4,987,013	743,221	198,402	170,782,204
Disposals	–	(19,152,632)	–	(1,652,459)	(20,805,091)
Balance at end of year	349,688,309	25,641,282	1,633,377	4,420,073	381,383,041
Carrying Amount	₱480,424,248	₱14,158,863	₱2,193,591	₱1,174,554	₱497,951,256

	2024				
	Lottery Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱716,564,344	₱57,296,215	₱3,537,822	₱6,801,996	₱784,200,377
Additions	98,304,976	1,434,888	57,004	721,429	100,518,297
Disposals and retirement	–	(311,607)	–	(1,000,000)	(1,311,607)
Balance at end of year	814,869,320	58,419,496	3,594,826	6,523,425	883,407,067
Accumulated Depreciation and Amortization					
Balance at beginning of year	35,840,817	35,288,854	176,890	6,685,318	77,991,879
Depreciation and amortization	148,993,924	4,829,654	713,266	105,488	154,642,332
Disposals and retirement	–	(311,607)	–	(916,676)	(1,228,283)
Balance at end of year	184,834,741	39,806,901	890,156	5,874,130	231,405,928
Carrying Amount	₱630,034,579	₱18,612,595	₱2,704,670	₱649,295	₱652,001,139

Out of the above property and equipment, amounts attributable to the share in joint operation are as follows (see Note 4):

	2025				
	Lottery Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱814,869,320	₱24,697,775	₱3,594,826	₱721,429	₱843,883,350
Additions	20,958,237	533,281	232,142	723,661	22,447,321
Reclassification	(5,715,000)	–	–	–	(5,715,000)
Balance at end of year	830,112,557	25,231,056	3,826,968	1,445,090	860,615,671
Accumulated Depreciation and Amortization					
Balance at beginning of year	184,834,741	6,085,180	890,156	72,143	191,882,220
Depreciation and amortization	164,853,568	4,987,013	743,221	198,393	170,782,195
Balance at end of year	349,688,309	11,072,193	1,633,377	270,536	362,664,415
Carrying Amount	₱480,424,248	₱14,158,863	₱2,193,591	₱1,174,554	₱497,951,256

	2024				Total
	Lottery Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	
Cost					
Balance at beginning of year	₱716,564,344	₱23,262,887	₱3,537,822	₱-	₱743,365,053
Additions	98,304,976	1,434,888	57,004	721,429	100,518,297
Balance at end of year	814,869,320	24,697,775	3,594,826	721,429	843,883,350
Accumulated Depreciation and Amortization					
Balance at beginning of year	35,840,817	1,255,526	176,890	-	37,273,233
Depreciation and amortization	148,993,924	4,829,654	713,266	72,143	154,608,987
Balance at end of year	184,834,741	6,085,180	890,156	72,143	191,882,220
Carrying Amount	₱630,034,579	₱18,612,595	₱2,704,670	₱649,286	₱652,001,130

The Company sold certain equipment for a total consideration of ₱441,540 and ₱123,591 in 2025 and 2024, respectively. The related gain on disposal is disclosed in Note 15.

In 2025, a lottery equipment with carrying value of ₱5.7 million was reclassified to other assets from property and equipment in preparation for its delivery to PCSO as part of the first phase of deliverables of their new project.

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

	Note	2025	2024
Property and equipment		₱170,782,204	₱154,642,332
ROU assets	18	339,359	510,325
		₱171,121,563	₱155,152,657

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

	2025	2024
Cost of services	₱170,782,195	₱148,993,924
General and administrative expenses	339,368	6,158,733
	₱171,121,563	₱155,152,657

11. Investments in and Advances to Subsidiaries

As at December 31, 2025 and 2024, the Company has investments in the following subsidiaries:

Subsidiaries	Principal Activity	Principal Place of Business	Percentage of Ownership
Total Gaming Technologies, Inc. (TGTI)	Gaming Business	Pasig City	98.9%
Loto Pacific Leisure Corporation (LotoPac)	Gaming Business	Pasig City	100%
Futurelab Interactive Corp. (FIC)	Gaming Business	Pasig City	50%

The movements in this account are as follows:

Subsidiaries	Note	2025	2024
Acquisition cost:			
TGTI		₱164,640,809	₱164,640,809
FIC		1,250,000	1,250,000
LotoPac		625,000	625,000
		166,515,809	166,515,809
Less allowance for impairment loss:			
TGTI		100,089,236	100,089,236
LotoPac		625,000	625,000
FIC		312,500	312,500
		101,026,736	101,026,736
		65,489,073	65,489,073
Advances to subsidiaries:			
	16		
TGTI		63,441,426	71,542,197
LotoPac		22,448,338	22,398,338
		85,889,764	93,940,535
Less allowance for impairment loss			
		22,448,338	22,398,338
		63,441,426	71,542,197
		₱128,930,499	₱137,031,270

The movements in allowance for impairment loss on advances to subsidiaries are as follows:

	Note	2025	2024
Balance at beginning of year		₱22,398,338	₱22,282,287
Provision	14	50,000	116,051
Balance at end of year		₱22,448,338	₱22,398,338

TGTI. In 2022, TGTI ceased its operations as lessor of PCSO's Online Keno games. TGTI is still evaluating its future operating plans and management continues to actively look for other viable opportunities within the gaming industry.

In 2025 and 2024, the Company performed impairment testing of its investment in TGTI and assessed that an additional allowance for impairment loss should be recognized if TGTI's net assets become substantially lower than the carrying amount of the investments.

FIC. FIC was incorporated on April 4, 2016 primarily to operate and manage amusement, recreational, and gaming equipment facilities.

As at December 31, 2025 and 2024, the Company has subscription payable to FIC as follows (see Note 12):

	2025	2024
Balance at beginning of year	₱625,000	₱937,500
Payment	–	(312,500)
Balance at end of year	₱625,000	₱625,000

In 2025 and 2024, the Company performed impairment testing of its investment in FIC and assessed that an additional allowance for impairment loss should be recognized if FIC's net assets become substantially lower than the carrying amount of the investments.

As at December 31, 2025 and 2024, FIC has not started its commercial operations.

LotoPac. LotoPac was incorporated on March 16, 2007, primarily to acquire, establish, operate and manage amusement, recreational and gaming equipment facilities.

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

The investment was fully provided with allowance for impairment losses as at December 31, 2025 and 2024.

Presented below are financial information of the subsidiaries as at and for the years ended December 31:

	2025	2024
Current assets	₱159,648,013	₱237,019,339
Noncurrent assets	937,500	937,500
Current liabilities	93,998,781	102,093,770
Equity	66,586,732	135,863,069
Expenses	532,072	322,036
Other charges	(68,737,945)	(95,711,631)
Net loss/total comprehensive loss	(69,276,337)	(97,132,419)

12. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	2025	2024
Accounts payable		₱115,337,254	₱159,248,509
Accrued expenses		79,086,120	50,572,845
Advances from a related party	16	9,736,600	–
Statutory payables		7,613,418	6,450,698
Others		1,488,570	1,282,233
		₱213,261,962	₱217,554,285

Out of the above accounts payable and other current liabilities, amounts attributable to the share in joint operation are as follows (see Note 4):

	2025	2024
Accounts payable	₱37,430,674	₱82,676,217
Accrued expenses	77,516,887	43,452,138
Statutory payables	7,494,217	5,276,180
Other payables	1,242,681	441,075
	₱123,684,459	₱131,845,610

Accounts payable generally has a 30 to 45 day credit term.

Accrued expenses primarily include communications, outside services, software support fees, professional fees, salaries and other employee benefits, and interests, among others. These are normally settled in the following financial year.

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

Others mainly pertain to subscription payable.

13. Equity

Capital Stock and Additional Paid-in Capital

Details of capital stock are as follows:

	Number of Shares	Amount
Authorized - ₱1 per share:		
Common shares	2,288,000,000	₱2,288,000,000
Issued and outstanding:		
Balance at beginning and end of year	895,330,946	₱895,330,946

Additional paid-in capital amounted to ₱254.6 million as at December 31, 2025 and 2024.

Other Equity Reserves

As at December 31, 2025 and 2024, the balance of other equity reserves pertains to cumulative remeasurement gains on retirement plan (see Note 19).

Retained Earnings (Deficit)

On February 28, 2024, the Company's BOD approved the declaration of cash dividends of ₱0.10 per share amounting to approximately ₱89.5 million to shareholders of record as at March 14, 2024. The Company paid the dividends on March 26, 2024.

14. Cost and Expenses

Cost of Services

This account consists of:

	Note	2025	2024
Depreciation and amortization	10	₱170,782,195	₱148,993,924
Software and license fees		59,770,173	43,447,330
Communication		55,347,565	67,316,596
Personnel costs		8,116,025	13,046,949
Repairs and maintenance		5,571,667	4,963,355
Travel and accommodation		3,483,374	4,764,921
Rent and utilities		2,032,886	4,772,410
Operating supplies		6,821	66,070
Service charge		–	6,679,913
Others		55,947	170,389
		₱305,166,653	₱294,221,857

Out of the above cost of services, amounts attributable to the share in joint operation are as follows (see Note 4):

	2025	2024
Depreciation and amortization	₱170,782,195	₱148,993,924
Software and license fees	59,770,173	43,447,330
Communication	55,268,989	67,093,717
Repairs and maintenance	5,571,667	4,674,143
	₱291,393,024	₱264,209,114

General and Administrative Expenses

This account consists of:

	Note	2025	2024
Personnel costs		₱59,142,420	₱66,124,666
Other external services		39,177,965	32,297,870
Rent and utilities		22,135,109	24,898,223
Professional fees		19,504,176	6,196,205
Travel and accommodation		14,102,172	15,805,802
Taxes and licenses		11,667,287	12,340,517
Research and development		7,500,000	–
Operating supplies		4,814,879	2,641,886
Representation and entertainment		4,805,220	4,328,438
Repairs and maintenance		3,493,941	3,023,138
Communication		1,922,198	2,907,891
Director's fee		1,869,444	1,994,118
Depreciation and amortization	10	339,368	6,158,733
Provision for impairment loss on investments in and advances to subsidiaries	11	50,000	116,051
Others		2,614,176	52,862,675
		₱193,138,355	₱231,696,213

Out of the above general and administrative expenses, amounts attributable to the share in joint operation are as follows (see Note 4):

	2025	2024
Personnel costs	₱45,591,912	₱43,388,104
Other external services	39,177,965	32,297,870
Rent and utilities	17,994,720	19,161,541
Professional fees	15,849,813	304,450
Travel and accommodation	9,342,951	9,442,644
Taxes and licenses	7,516,371	7,545,306
Research and development	7,500,000	-
Representation and entertainment	4,782,350	3,946,038
Operating supplies	4,501,987	1,901,430
Repairs and maintenance	3,021,098	1,714,777
Communication	1,437,683	2,210,773
Depreciation and amortization	339,359	6,125,397
Others	2,351,836	2,862,675
	₱159,408,045	₱130,901,005

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

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

Personnel costs are as follows:

	Note	2025	2024
Salaries and wages		₱53,011,333	₱56,183,099
Post-employment benefits	19	907,380	3,937,534
Other short-term employee benefits		13,339,732	19,050,982
		₱67,258,445	₱79,171,615

15. Other Income - Net

This account consists of:

	Note	2025	2024
Reimbursable charges		₱24,387,194	₱-
Gain on disposal of:			
Property and equipment	10	441,540	40,267
Scrap items		-	365,126
Investment held for trading	6	-	885,410
Foreign exchange gains (losses) - net:			
Unrealized		(125,494)	(1,021,044)
Realized		-	1,073
Income from external services		-	10,296,743
Interest expense on lease liabilities	18	(55,480)	(30,797)
Others		-	187,735
		₱24,647,760	₱10,724,513

Out of the above other income (charges), amounts attributable to the share in joint operation are as follows (see Note 4):

	Note	2025	2024
Unrealized foreign exchange losses		(P137,779)	(P1,049,884)
Interest expense on lease liabilities	18	(55,480)	(30,797)
Others		–	120,218
		(P193,259)	(P960,463)

Reimbursable charges pertain to amounts collected from PCSO in relation to the E-Lotto trial run, net of additional expenses incurred in 2025 (see Note 20).

Income from external services primarily arise from shared services rendered to a third party covering the functional areas of business development, internal audit, treasury and finance, procurement and human resources, among others.

Others mainly consist of miscellaneous income and bank charges.

16. Related Party Transactions and Balances

In the normal course of business, the Company has transactions and balances with its related parties. Details are as follows:

	Note	Nature of Transactions	Related Party	Year	Transactions for the Year	Outstanding Balance	Terms and Conditions
Advances to subsidiaries	11	Cash advances	Subsidiaries	2025	P54,990,310	P54,990,310	Unsecured and noninterest-bearing, on demand
				2024	62,990,310	62,990,310	
		Reimbursable charges and transfer of retirement plan	Subsidiaries	2025	–	30,899,454	
			2024	–	30,950,225		
	11	Less allowance for impairment losses	Subsidiaries	2025	50,000	(22,448,338)	
				2024	–	(22,398,338)	
				2025		P63,441,426	
				2024		71,542,197	
Accounts payable and other current liabilities	12	Acquisition of lottery equipment and maintenance fees	Joint operator	2025	P37,995,780	P37,352,128	Unsecured, noninterest-bearing, 30 to 45 day credit term
				2024	76,674,2343	82,635,722	
Advances from a related party	12	Collections on behalf of the related party	Subsidiary	2025	P9,736,600	P9,736,600	Unsecured and noninterest-bearing, on demand
				2024	–	–	

Compensation of key management personnel are as follows:

	2025	2024
Salaries and wages	P12,159,211	P15,050,945
Post-employment benefits	839,343	795,704
	P12,998,554	P15,846,649

17. Income Taxes

The components of provision for income tax are as follows:

	2025	2024
Current income tax expense:		
PinoyLotto - RCIT	₱12,024,365	₱13,527,746
POSC - MCIT	1,117,755	–
	13,142,120	13,527,746
Deferred income tax expense (benefit):		
POSC	(7,311,434)	7,134,566
PinoyLotto	–	(428,878)
	(7,311,434)	6,705,688
	₱5,830,686	₱20,233,434

The Company's deferred tax assets (liabilities) consist of:

	Note	2025	2024
Items recognized in profit or loss			
Net retirement liability		₱4,564,998	₱4,655,695
Unamortized past service costs		1,671,082	1,941,190
Temporary differences attributable to the joint operation		(1,193,439)	428,878
Costs incurred to fulfill a contract		–	(7,665,028)
Unrealized foreign exchange gain		–	(7,210)
		5,042,641	(646,475)
Item recognized in other comprehensive income			
Cumulative remeasurement gains on net retirement liability	19	(5,761,296)	(4,236,326)
Net deferred tax assets (liabilities)		(₱718,655)	(₱4,882,801)

In 2024, the Company incurred a NOLCO of ₱88.7 million. In 2025, the Company applied a NOLCO amounting to ₱10.2 million. As at December 31, 2025, the remaining NOLCO which can be claimed as deduction against future taxable income until 2027 amounted to ₱78.5 million.

In 2025, the Company incurred excess MCIT over RCIT amounting to ₱1.1 million which can be applied against income tax due until 2028.

Unrecognized deferred tax assets pertain to the following:

	2025	2024
NOLCO	₱19,648,308	₱22,185,897
Excess MCIT over RCIT	1,117,755	–
	₱20,766,063	₱22,185,897

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

	2025	2024
Provision for (benefit from) income tax at statutory income tax rate	₱15,729,477	(₱2,867,399)
Change in unrecognized deferred tax asset	(1,419,834)	22,185,897
Income tax effects of:		
Income attributable to joint operation	(12,010,412)	(21,341,872)
Provision for income tax attributable to joint operation	12,024,365	13,098,868
Interest income subjected to final tax	(5,231,304)	(3,403,224)
Nontaxable dividend income	(3,795,466)	–
Nondeductible expense	713,314	12,544,515
Marked-to-market loss (gain) on investments held for trading	(179,454)	238,002
Nontaxable income from disposal of investments held for trading	–	(221,353)
Provision for income tax	₱5,830,686	₱20,233,434

18. Lease Commitments

Company as Lessor

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

Rental income amounted to ₱714,286 and ₱9.6 million in 2025 and 2024, respectively (see Note 20). The rental income is primarily due to continuing costs incurred from ticket validations in 2024 and lease of draw machines in 2025.

On October 1, 2023, PinoyLotto, joint operation entity, commenced its commercial operations for the five year-lease of the customized PCSO Lottery System at a contract price of ₱5,800.0 million.

Rental income attributable to the joint operation amounted to ₱523.5 million and ₱517.9 million in 2025 and 2024, respectively (see Note 4).

Company as Lessee

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

As at December 31, 2025 and 2024, refundable deposits from lease agreements amounted to ₱795,326 and ₱2.3 million, respectively (see Note 8). These are subject to adjustments every year if rent rates increase and shall be returned to the lessee without interest.

Amounts recognized in the separate statements of comprehensive income follow:

	Note	2025	2024
Rent expense		₱14,410,474	₱17,266,475
Amortization of ROU assets	10	339,359	510,325
Interest expense on lease liabilities	15	55,480	30,797
		₱14,805,313	₱17,807,597

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

The movements in the ROU assets are presented below:

	2025	2024
Balance at beginning of year	₱54,148	₱541,486
Addition	1,026,758	–
Amortization	(339,359)	(510,325)
Modification	–	22,987
Balance at end of year	₱741,547	₱54,148

The movements in the lease liabilities are presented below:

	2025	2024
Balance at beginning of year	₱57,445	₱502,798
Additions	1,026,758	–
Payments	(361,125)	(499,137)
Interest expense	55,480	30,797
Modification	–	22,987
	778,558	57,445
Current portion	333,767	57,445
Noncurrent portion	₱444,791	₱–

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

	2025	2024
Within one year	₱379,181	₱114,890
After one year but not more than five years	465,028	–
	₱844,209	₱114,890

19. Retirement Benefits

The Company has funded, noncontributory defined benefit pension plan covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is for the year ended December 31, 2025.

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

	2025		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Retirement Liability (Asset)
Balance at beginning of year	₱33,396,834	₱31,057,033	₱2,339,801
Net retirement costs (income) recognized in profit or loss:			
Current service cost	3,552,413	-	3,552,413
Interest expense	2,042,374	-	2,042,374
Past service income	(2,833,770)	-	(2,833,770)
Interest income	-	1,853,637	(1,853,637)
	2,761,017	1,853,637	907,380
Benefits paid from retirement fund	(3,528,122)	(3,528,122)	-
Remeasurement loss (gain) recognized in other comprehensive income:			
Actuarial changes due to experience adjustment	(3,086,287)	-	(3,086,287)
Actual return excluding amount included in net interest cost	(5,100,140)	-	(5,100,140)
Actuarial changes arising from changes in financial assumptions		(2,086,548)	2,086,548
	(8,186,427)	(2,086,548)	(6,099,879)
Balance at end of year	₱24,443,302	₱27,296,000	(₱2,852,698)
	2024		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	₱68,930,669	₱63,644,798	₱5,285,871
Net retirement costs (income) recognized in profit or loss:			
Current service cost	3,998,240	-	3,998,240
Interest expense	2,402,859	-	2,402,859
Interest income	-	2,079,892	(2,079,892)
Past service income	(383,673)	-	(383,673)
	6,017,426	2,079,892	3,937,534
Benefits paid from retirement fund	(35,555,580)	(35,555,580)	-
Remeasurement gain recognized in other comprehensive income:			
Actuarial changes due to experience adjustment	(5,841,880)	-	(5,841,880)
Actual return excluding amount included in net interest cost	-	887,923	(887,923)
Actuarial changes arising from changes in financial assumptions	(153,801)	-	(153,801)
	(5,995,681)	887,923	(6,883,604)
Balance at end of year	₱33,396,834	₱31,057,033	₱2,339,801

Retirement benefits cost attributable to the share in joint operation amounted to ₱1.2 million and ₱662,330 in 2025 and 2024, respectively (see Note 4).

Retirement liability attributable to the share in joint operation amounted to ₱1.9 million and ₱662,330 as at December 31, 2025 and 2024, respectively (see Note 4).

Movements in cumulative remeasurement gains on net retirement liability consist of the following:

	2025		
	Cumulative Remeasurement Gains on Net Retirement Liability	Deferred Tax (see Note 17)	Total
Balance at beginning of year	₱16,945,303	(₱4,236,326)	₱12,708,977
Remeasurement gain	6,099,879	(1,524,970)	4,574,909
Balance at end of year	₱23,045,182	(₱5,761,296)	₱17,283,886

	2024		
	Cumulative Remeasurement Gains on Net Retirement Liability	Deferred Tax (see Note 17)	Total
Balance at beginning of year	₱10,061,699	(₱2,515,424)	₱7,546,275
Remeasurement gain	6,883,604	(1,720,902)	5,162,702
Balance at end of year	₱16,945,303	(₱4,236,326)	₱12,708,977

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

	2025	2024
Cash	₱3,708	₱7,266
Debt instruments - government bonds	14,970,093	16,560,599
Unit investment trust funds	8,269,419	9,763,744
Debt instruments - other bonds	3,895,306	4,529,172
Others	157,474	196,252
	₱27,296,000	₱31,057,033

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

The Company is not expected to contribute to the plan in 2026.

The principal assumptions used to determine retirement liability or defined benefit obligation as at December 31 are as follows:

	2025	2024
Discount rates	6.28%	6.15%
Future salary increases	6.00%	8.00%

The retirement benefits expose the Company to the following risks:

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

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2025 and 2024 assuming all other assumptions were held constant:

	2025		2024	
	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	-1.00%	₱25,553,319	-1.00%	₱36,686,128
	+1.00%	(21,139,583)	+1.00%	(29,512,371)
Salary increase rate	+1.00%	25,680,057	+1.00%	36,760,480
	-1.00%	(20,991,698)	-1.00%	(29,387,653)

The average duration of the Company's defined benefit obligation is 10.93 years and 14.64 years in 2025 and 2024, respectively.

The maturity analysis of the undiscounted benefit payments follows:

	2025	2024
Less than one year	₱432,410	₱1,833,197
More than one to five years	3,475,486	3,528,693
More than five to ten years	76,076,785	170,662,201

20. Significant Contracts and Commitments

Agreements with PCSO

ELA. The Company entered into an ELA with the PCSO for the lease of lotto terminals, including the central computer system, communications equipment, related application software and manuals, and the supply of betting slips and ticket paper rolls.

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

The ELA expired on September 30, 2023. Upon its expiration, the operations were transferred to PinoyLotto pursuant to a separate agreement with PCSO (see Note 18).

The rental fee presented as “Equipment rental” in the separate statements of comprehensive income is disclosed in Note 18.

Web-Based Application Betting Platform (WABP) or E-Lotto Project. On August 30, 2023, POSC was granted a one-year trial period to provide a WABP for PCSO., under which it acted as PCSO’s exclusive agent. The platform was launched on December 15, 2023 and operated until July 12, 2024 upon PCSO’s instruction.

In 2024, the arrangement was revised such that the Company was reimbursed for reasonable actual costs, subject to a ceiling of 8.0% of generated sales less applicable taxes. The Company billed PCSO ₱35.4 million, net of taxes, in September 2024, which was fully collected in 2025.

On June 19, 2024, the Company received a Notice of Award from PCSO for the five year lease of the WABP following a competitive bidding process. Preparatory activities were undertaken pending contract execution.

Subsequently, the national government adopted a policy discontinuing the licensing of online gaming and online betting platforms by state gaming agencies. As a result, the implementation of the E-Lotto Project did not proceed. The BOD approved the unwinding of the Company’s involvement in the project.

Costs incurred to fulfill a contract amounting to ₱30.7 million were recognized under “Other current assets” account in 2024 (see Note 8). Following the discontinuation of the project, ₱22.0 million of these costs were reimbursed in 2025, while the remaining ₱8.7 million was recognized in profit or loss during the year.

A cash bond related to the WABP trial run amounting to ₱79.0 million was posted in favor of PCSO and is presented under “Other current assets” account in the separate statements of financial position as at December 31, 2024 (see Note 8).

Following the termination of the trial run in July 2024, the Company initiated the refund process. During 2025, a substantial portion of the bond was refunded, resulting in the remaining balance of ₱5.4 million as at December 31, 2025. The outstanding balance is expected to be collected upon completion of the refund process (see Note 8).

21. Basic/Diluted Earnings (Loss) Per Share

As at December 31, 2025 and 2024, earnings (loss) per share was computed as follows:

	2025	2024
Net income (loss) (a)	₱57,087,220	(₱31,703,031)
Number of issued and outstanding common shares (b)	895,330,946	895,330,946
Earnings (loss) per common share (a/b)	₱0.0638	(₱0.0354)

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

22. Financial Instruments

Financial Risk Management Objectives and Policies

The financial instruments mainly comprise cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), guarantee deposits (presented as part of “Other current assets” account), advances to subsidiaries, refundable deposits, investments held for trading, financial assets at FVOCI, accounts payable and other current liabilities (excluding statutory payables and subscription payable), loans payable and lease liabilities. The main purpose of these financial instruments is to finance the Company’s projects and operations.

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

Credit Risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. 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 Company does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

With respect to credit risk arising from the financial assets of the Company, which comprise of trade and other receivables (excluding advances to officers and employees), guarantee deposits (presented as part of “Other current assets” account), advances to subsidiaries and refundable deposits, the Company’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

Except for nontrade receivables from former investees and advances to subsidiaries which are provided with allowance for impairment losses, the Company’s financial assets at amortized cost are neither past due nor impaired as at December 31, 2025 and 2024.

Credit Quality of Financial Assets

The financial assets are grouped according to stage whose description is explained as follows:

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

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

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

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

	2025			Total
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalents*	₱715,950,490	₱-	₱-	₱715,950,490
Trade and other receivables**	140,749,917	-	113,677,614	254,427,531
Advances to subsidiaries	63,441,426	-	22,448,338	85,889,764
Guarantee deposits***	5,355,837	-	-	5,355,837
Refundable deposits****	795,326	-	-	795,326
Gross Carrying Amount	₱926,292,996	₱-	₱136,125,952	₱1,062,418,948

*Excluding cash on hand.

**Excluding advances to officers and employees.

***Presented under "Other current assets" account.

****Presented under "Other noncurrent assets" account.

	2024			Total
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalents*	₱588,534,896	₱-	₱-	₱588,534,896
Trade and other receivables**	108,074,941	-	113,677,614	221,752,555
Advances to subsidiaries	71,542,197	-	22,398,338	93,940,535
Guarantee deposits***	79,000,000	-	-	79,000,000
Refundable deposits	2,291,727	-	-	2,291,727
Gross Carrying Amount	₱849,443,761	₱-	₱136,075,952	₱985,519,713

*Excluding cash on hand.

**Excluding advances to officers and employees.

***Presented under "Other current assets" account.

****Presented under "Other noncurrent assets" account.

Cash and cash equivalents are deposited and invested with the top ten banks in the Philippines and are considered to have low credit risk. Trade receivables which are always subject to lifetime ECL, and guarantee and refundable deposits have low credit risk since PCSO and other counterparties are not expected to default in settling its obligation.

Nontrade receivables and advances to subsidiaries with high probability of delinquency and default were provided with allowance for impairment losses.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted investments decreases as a result of changes in the value of individual stock. The Company's exposure to equity price risk relates primarily to the Company's investments held for trading and financial assets at FVOCI. The Company monitors the equity investments based on market expectations.

Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's 2025 and 2024 income before income tax:

	2025		2024	
	Increase (Decrease in Equity Price)	Financial Impact	Increase (Decrease in Equity Price)	Financial Impact
Impact in profit or loss	27.12% (27.12%)	₱15,512,513 (15,512,513)	30.61% (30.61%)	₱13,084,249 (13,084,249)

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

The Company considers obtaining borrowings as the need arises.

The following table summarizes the maturity profile of the Company's financial liabilities as at December 31, 2025 and 2024 based on contractual undiscounted cash flows.

	2025				Total
	Less than three months	Three to six months	More than six-to 12 months	More than 12 months	
Accounts payable and other current liabilities*	₱205,023,544	₱-	₱-	₱-	₱205,023,544
Loans payable	-	-	138,980,392	138,980,392	277,960,784
Lease liabilities	379,181	-	-	444,791	823,972
	₱205,402,725	₱-	₱138,980,392	₱139,425,183	₱483,808,300

*Excluding statutory payables and subscription payable.

	2024				Total
	Less than three months	Three to six months	More than six-to 12 months	More than 12 months	
Accounts payable and other current liabilities*	₱210,478,587	₱-	₱-	₱-	₱210,478,587
Loans payable	34,745,098	34,745,098	69,490,196	277,960,784	416,941,176
Lease liabilities	114,890	-	-	-	114,890
	₱245,338,575	₱34,745,098	₱69,490,196	₱277,960,784	₱627,534,653

*Excluding statutory payables and subscription payable.

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

As at December 31, 2025 and 2024, the Company's foreign currency-denominated financial assets (liabilities) in United States Dollars (US\$), translated into Peso at the closing rate are as follows:

	2025		2024	
	US\$	Peso Equivalent	US\$	Peso Equivalent
Cash and cash equivalents	\$17,196	₱1,011,304	\$1,080,984	₱62,534,951
Accounts payable and other current liabilities*	(1,270,696)	(74,729,216)	(2,180,257)	(126,127,922)
Net foreign currency-denominated liabilities	(\$1,253,500)	(₱73,717,912)	(\$1,099,273)	(₱63,592,971)

In translating the foreign currency-denominated financial instruments into Peso amounts, the exchange rate used was ₱58.81 to US\$1.0 and ₱57.85 to US\$1.0, as at December 31, 2025 and 2024, respectively.

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

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ exchange rates, with all other variables held constant, of the Company's income before tax as at December 31, 2025 and 2024. There is no other impact on the Company's equity other than those already affecting the profit or loss in the separate statements of comprehensive income.

	2025		2024	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
Change in US\$ rate	5%	(5%)	5%	(5%)
Effect on income before income tax	(₱3,685,943)	₱3,685,943	(₱3,179,649)	₱3,179,649

The increase in US\$ rate means stronger US\$ against Peso while the decrease in US\$ means stronger Peso against the US\$.

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2025 and 2024.

The Company considers the following as its capital:

	2025	2024
Common stock	₱895,330,946	₱895,330,946
Additional paid-in capital	254,640,323	254,640,323
Retained earnings (deficit)	16,257,493	(40,612,469)
	₱1,166,228,762	₱1,109,358,800

Fair Value of Assets and Financial Liabilities

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding hierarchy:

	2025			
	Fair Value Measurement			
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Asset measured at fair value				
Investments held for trading -				
Quoted equity securities	P43,462,334	P43,462,334	P-	P-
Liabilities for which fair values are disclosed				
Loans payable	P277,960,784	P-	P294,035,746	P-
Lease liabilities	778,558	-	823,703	-
	P278,739,342	P-	P294,859,449	P-
2024				
Fair Value Measurement				
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Asset measured at fair value				
Investments held for trading -				
Quoted equity securities	P42,744,518	P42,744,518	P-	P-
Liabilities for which fair values are disclosed				
Loans payable	P416,941,176	P-	P404,355,763	P-
Lease liabilities	57,445	-	113,257	-
	P416,998,621	P-	P404,469,020	P-

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

Investments Held for Trading and Financial Assets at FVOCI. The fair values of investments held for trading and financial assets at FVOCI are based on quoted prices in the PSE.

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

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

	2025	2024
Liabilities for which fair values are disclosed		
Loans payable	5.78%	6.05%
Lease liabilities	5.80%	5.89%

There were no transfers between fair value measurements in 2025 and 2024.

The table below presents the financial assets and liabilities of the Company whose carrying amounts approximate the fair values due to the short-term maturities or demand feature of the instruments.

	2025	2024
Financial Assets at Amortized Cost		
Cash and cash equivalents	₱716,360,220	₱588,889,626
Trade and other receivables*	140,749,917	108,074,941
Guarantee deposits**	5,355,837	79,000,000
Advances to subsidiaries	63,441,426	71,542,197
Refundable deposits	795,326	2,291,727
	₱926,702,726	₱849,798,491
Financial Liabilities at Amortized Cost		
Accounts payable and other current liabilities***	₱205,023,544	₱210,478,587

*Excluding advances to officers and employees.

**Presented under "Other current assets" account.

***Excluding statutory payables and subscription payable.

23. Supplemental Disclosures of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

2025	Balance at Beginning of Year	Noncash Changes		Cash Flows		Balance at End of Year
		Additions	Accretion of Interest	Receipts	Payments	
Loan payable	₱416,941,176	₱-	₱-	₱-	(₱138,980,392)	₱277,960,784
Accrued interest on loans payable	4,011,566	-	24,599,262	-	(26,050,319)	2,560,509
Lease liabilities	57,445	1,026,758	55,480	-	(361,125)	778,558
Total liabilities from financing activities	₱421,010,187	₱1,026,758	₱24,654,742	₱-	(₱165,391,836)	₱281,299,851

2024	Balance at Beginning of Year	Noncash Changes		Cash Flows		Balance at End of Year
		Dividends Declared	Lease Modification/ Accretion of Interest	Receipts	Payments	
Loan payable	₱470,588,235	₱-	₱-	₱80,000,000	(₱133,647,059)	₱416,941,176
Accrued interest on loans payable	-	-	36,577,881	-	(32,566,315)	4,011,566
Lease liabilities	502,798	-	53,784	-	(499,137)	57,445
Dividends payable	-	89,533,095	-	-	(89,533,095)	-
Total liabilities from financing activities	₱471,091,033	₱89,533,095	₱36,631,665	₱80,000,000	(₱256,245,606)	₱421,010,187

Other noncash financial information affecting the Company's investing activities includes:

- Reclassification of property and equipment to other current assets amounting to ₱5.7 million in 2025 (see Note 10);
- Recognition of ROU assets amounting to ₱1.0 million in 2025 (see Note 18);
- Reclassification of advances to suppliers to property and equipment amounting to ₱68,850; and
- Impact of lease modification in 2024 amounting to ₱22,987 on ROU assets (see Note 18).



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

The Stockholders and the Board of Directors
Pacific Online Systems Corporation
Unit 1902-C West Tower, Tektite Towers
Exchange Road, Ortigas Center, Pasig City

We have audited the accompanying separate financial statements of Pacific Online Systems Corporation (the Company), as at and for the years ended December 31, 2025 and 2024, on which we have rendered our report dated February 26, 2026.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 60 stockholders owning 100 or more shares each.

REYES TACANDONG & Co.

GRACE M. ALBUNIAN

Partner

CPA Certificate No. 0144364

Tax Identification No. 410-858-879-000

BOA Accreditation No. 4782/P-024; Valid until June 6, 2026

SEC Accreditation No. 144364-SEC Group A

Issued October 21, 2025

Valid for Financial Periods 2025 to 2029

BIR Accreditation No. 08-005144-018-2024

Valid until November 25, 2027

PTR No. 10764003

Issued January 2, 2026, Makati City

February 26, 2026
Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS
ON SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Stockholders and Board of Directors
Pacific Online Systems Corporation
Unit 1902-C West Tower, Tektite Towers
Exchange Road, Ortigas Center, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Pacific Online Systems Corporation (the Company) as at and for the years ended December 31, 2025 and 2024 and have issued our report thereon dated February 26, 2026. Our audits were made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2025 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic separate financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic separate financial statements or to the basic separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & Co.

GRACE M. ALBUNIAN

Partner

CPA Certificate No. 0144364

Tax Identification No. 410-858-879-000

BOA Accreditation No. 4782/P-024; Valid until June 6, 2026

SEC Accreditation No. 144364-SEC Group A

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BIR Accreditation No. 08-005144-018-2024

Valid until November 25, 2027

PTR No. 10764003

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

PACIFIC ONLINE SYSTEMS CORPORATION

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2025**

	Amount
Deficit, beginning of reporting period	(₱63,576,415)
Add: <u>Category A</u>: Items that are directly credited to unappropriated retained earnings	
Reversal of retained earnings appropriation/s	₱–
Effect of restatements or prior-period adjustments	–
Others	–
Less: <u>Category B</u>: Items that are directly debited to unappropriated retained earnings	
Dividend declaration during the reporting period	–
Retained earnings appropriated during the reporting period	–
Effect of restatements or prior-period adjustments	–
Others (describe nature)	–
Deficit, as adjusted	(63,576,415)
Add/less: Net income (loss) for the current year	57,087,220
Less: <u>Category C.1</u>: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	–
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPL)	–
Unrealized fair value gain of Investment property	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (Share in net income of a joint operation)	36,017,280
Sub-total	36,017,280

	Amount
Add: <u>Category C.2: Unrealized income recognized in profit or loss in prior periods but realized in the current reporting period (net of tax)</u>	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	P-
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVPL	-
Realized fair value of investment property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
Sub-total	P-
Add: <u>Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)</u>	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVPL	-
Reversal of previously recorded fair value of investment property	-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-
Sub-total	-
Adjusted net income	21,069,940
Add: <u>Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)</u>	
Depreciation on revaluation increment (after tax)	-
Sub-total	-
Add/less: <u>Category E: Adjustments related to relief granted by the SEC</u>	
Amortization of the effect of reporting relief	-
Total amount of reporting relief granted during the year	-
Others	-
Sub-total	-

	Amount
Add/less: <u>Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution</u>	
Net movement of treasury shares (except for reacquisition of redeemable shares)	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	P360,805
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	-
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-
Others	-
Subtotal	360,805
Total deficit, end of the reporting period	(P42,145,670)