

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

1. For the quarterly period ended  
Jun 30, 2023
2. SEC Identification Number  
AS093-008809
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  
28F East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center,  
Pasig City  
Postal Code  
1605
8. Issuer's telephone number, including area code  
+632-8584-1700
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. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 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

*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 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2023
Currency (indicate units, if applicable)	Philippine Peso

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2023	Dec 31, 2022
<b>Current Assets</b>	884,609,484	723,161,468
<b>Total Assets</b>	1,617,426,660	1,115,957,433
<b>Current Liabilities</b>	84,366,008	111,378,809
<b>Total Liabilities</b>	588,258,860	179,852,114
<b>Retained Earnings/(Deficit)</b>	403,355,704	342,701,848
<b>Stockholders' Equity</b>	1,029,167,800	936,105,319
<b>Stockholders' Equity - Parent</b>	1,026,840,154	934,129,143
<b>Book Value per Share</b>	1.22	1.11

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
<b>Gross Revenue</b>	164,259,543	114,782,354	343,448,021	218,889,744
<b>Gross Expense</b>	103,210,586	75,634,380	186,671,554	176,563,404
<b>Non-Operating Income</b>	9,787,775	20,005,520	28,880,917	28,153,611

<b>Non-Operating Expense</b>	5,001	4,406,203	24,897	4,410,718
<b>Income/(Loss) Before Tax</b>	70,831,731	54,747,291	185,632,487	66,069,232
<b>Income Tax Expense</b>	18,859,395	17,238,011	40,140,765	17,238,011
<b>Net Income/(Loss) After Tax</b>	51,972,336	37,509,280	145,491,722	48,831,221
<b>Net Income Attributable to Parent Equity Holder</b>	51,974,103	37,567,945	145,140,252	48,956,081
<b>Earnings/(Loss) Per Share (Basic)</b>	0.06	0.04	0.17	0.06
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.06	0.04	0.17	0.06

	<b>Current Year (Trailing 12 months)</b>	<b>Previous Year (Trailing 12 months)</b>
<b>Earnings/(Loss) Per Share (Basic)</b>	0.17	0.06
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.17	0.06

**Other Relevant Information**

None

**Filed on behalf by:**

<b>Name</b>	Irene Bautista
<b>Designation</b>	Controller

# COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

2 8 t h F l o o r , E a s t T o w e r , P h i l i p p i n e  
 S t o c k E x c h a n g e C e n t r e , E x c h a n g e  
 R o a d , O r t i g a s C e n t e r , P a s i g C i t y

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

Maria Neriza C. Banaria 8584-1700

(Contact Person)

(Company Telephone Number)

1 2    3 1

Month    Day  
(Fiscal Year)

1 7 - Q

(Form Type)

Month    Day  
(Annual Meeting)

[ ]

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

[ ]

Amended Articles Number/Section

61

Total No. of Stockholders

Total Amount of Borrowings

n/a    n/a

Domestic

Foreign

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 To be accomplished by SEC Personnel concerned

[ ]

File Number

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Document ID

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended **June 30, 2023**
2. SEC Identification Number: **AS093-008809** 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** 6. \_\_\_\_\_ (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code  
Incorporation or organization
7. **28/F, East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City** **1605**  
Address of principal office 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
<b>Common Stock, ₱1.00 par value</b>	<b>895,330,946</b>
	Amount of Debt Outstanding
	n/a

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 [  ]

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

The following unaudited financial statements are submitted as part of this report:

- a.) Consolidated Statements of Income for the six (6) months ended, June 30, 2023 and June 30, 2022;
- b.) Consolidated Statements of Comprehensive Income for the six (6) months, ended June 30, 2023 and June 30, 2022;
- c.) Consolidated Statements of Financial Position as of June 30, 2023 and Audited Statements of Financial Position as of December 31, 2022;
- d.) Consolidated Statements of Changes in Equity for the six (6) months ended, June 30, 2023 and June 30, 2022; and
- e.) Consolidated Statements of Cash Flows for the six (6) months ended, June 30, 2023 and June 30, 2022.

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

#### **Results of Operations for the Period Ended June 30, 2023 vs. June 30, 2022**

##### **Revenues**

Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P343.4 million for the six months ended June 30, 2023. Revenues increased by P124.6 million (57%) from revenues of the same period in 2022 amounting to P218.9 million mainly because of the increase in Lotto sales driven by the more open economy in 2023, the high jackpot prizes for the Lotto games, and the increase in the number of selling terminals, especially in Luzon. In addition to this, the Company was also able to recognize and collect rent deficiency claims from its KENO operations.

##### **Cost and expenses**

Costs and expenses increased by P10.1 million (6%) to P186.7 million for the period ended June 2023 from P176.6 million for the same period in 2022 due to higher variable costs such as software license fees, operating supplies and travel and accommodation, which increased with the improvement in revenues. On the other hand, fixed costs such as back office expenses continue to decline due to the continuing effect of the cost efficiency measures implemented at back office levels which aimed to rationalize manpower, telecommunications, rental and utilities.

##### **Operating income**

Due to the foregoing, the Group realized an operating income of P156.8 million for the six months ended June 30, 2023, which is P114.5 million, or 4X better compared to the P42.3 million operating income for the same period in 2022.

##### **Other income (charges)**

Other income (net of other charges) increased by P5.1 million (22%) to P28.9 million as of June 30, 2023 compared to P23.7 million for the period ended June 30, 2022. The improvement in other income is due to the mark to market gains on the Company's marketable securities as well as increase in interest income earned from its short-term investments of excess cash.

##### **Net income**

As a result, the Group recognized net income amounting to P145.5 million for the six months ended June 30, 2023, showing an improvement of P96.7 million (198%) from the P48.8 million for the same period in 2022.

##### **Other comprehensive income and Total comprehensive income**

Other comprehensive income of the Group pertains to the unrealized valuation gains and losses on its financial assets at fair value through other comprehensive income. The Group posted a gain of P32.1 million

during the for the six months period ended June 30, 2023 versus the loss of P12.6 million for the same period in 2022. Because of this, total comprehensive income year to date June 30, 2023 is at P177.5 million, increasing by P141.4 million (391%) from the P36.2 million other comprehensive income for the same period in 2022.

### **Financial Condition as of June 30, 2023 vs. December 31, 2022**

#### **TOTAL ASSETS**

The Group's total assets of P1,617.4 million as of June 30, 2023 increased by P501.5 million or 45% from P1,116.0 million as of December 31, 2022. The main movements in the asset accounts are as follows:

#### **Cash and cash equivalents**

Cash and cash equivalents increased by P144.0 million (48%) to P445.7 million as at June 30, 2023 from P301.7 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 Technologies Corp (PinoyLotto), offset in part by the payment of dividends amounting to P89.5 million during the first quarter of the year.

Pinoylotto is 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 nationwide lottery system of the Philippine Charity Sweepstakes Office, and is gearing to start commercial operations during the latter part of the year. Loan drawdowns are being used to fund equipment purchases for the said project.

#### **Investments held for trading**

As at June 30, 2023, 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. The amount of the Group's investment held for trading increased by P6.3 million (9%) as at June 30, 2023 due to the net increase in the share prices of the investments for the period.

#### **Trade and other receivables**

Trade and other receivables increased by P12.8 million (6%) to P214.0 million as at June 30, 2023 from P201.2 million as at December 31, 2022 due to higher Lotto sales and corresponding Pacific Online revenues and receivable for the month of June 2023.

#### **Creditable withholding taxes (CWTs)**

Creditable withholding taxes decreased by P20.2 million (16%) to P109.4 million as at June 30, 2023 from P129.6 million as at December 31, 2022 due to application of income tax due for the six months ended June 30, 2023.

#### **Other current assets**

Other current assets of the Group are composed of spare parts and supplies, prepayments and input taxes. This account increased by P18.6 million (96%) to P38.0 million as at June 30, 2023 from P19.4 million as at December 31, 2022 due mainly to the additional input taxes 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 increased by P32.1 million (18%) to P221.2 million as at June 30, 2023 from P179.1 million as at December 31, 2022 due to unrealized valuation gains for the period.

#### **Property and equipment**

The Company's property and equipment is composed of lottery equipment, leasehold improvements, office furniture, fixtures and equipment and transportation equipment. This decreased by P1.0 million (49%) to P1.0 million as at June 30, 2023 from P2.0 million as at December 31, 2022 mainly due to depreciation expense recognized for the period.

**Right of use assets (ROU)**

Right of use assets decreased by P1.8 million (100%) to nil as at June 30, 2023 from P1.8 million as at December 31, 2022 because of the amortization of ROU assets during the period.

**Other noncurrent assets**

Other noncurrent assets increased by P309.0 million (147%) to P518.9 million as at June 30, 2023 from P209.8 million as at December 31, 2022. The increase is mainly because of the advance payments by Pinoylotto to its suppliers for the equipment of the new lottery system.

**LIABILITIES**

The Group recorded total liabilities at P588.3 million as at June 30, 2023, higher by P408.4 million (227%) compared to the total liabilities of P179.8 million as at December 31, 2022. The increase was mainly by the drawdown of loan for the capital expenditure requirements of the PLS Project. Loans payable as at June 30, 2023 is at P500.0 million, increasing by P432.5 million (641%) from P67.5 million as at December 31, 2022.

**EQUITY**

Total equity of the Company increased by P93.1 million (10%) to P1,029.2 million as at June 30, 2023 from P936.1 million as at December 31, 2022. The increase is mainly brought about by the net income earned during the period offset with the cash dividends declared and paid during the first quarter of the year.

**Cash Flows for the Six Months Ended June 30, 2023 vs. June 30, 2022**

The Group's cash balance as of June 30, 2023 of P445.7 million was higher by P265.4 million (147%) compared to the cash balance of P180.3 million in June 30, 2022, due to higher revenues and net income, as well as proceeds from the loan availments for the period, and reduced in part by the payment of cash dividends.

**Discussion and Analysis of Material Events and Uncertainties Known to Management**

Except for what has been noted above, 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:

1. Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
2. Material commitments for capital expenditures that are reasonably expected to have a material impact on the Group's short-term or long-term liquidity;
3. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
4. Significant elements of income or loss that did not arise from the Group's continuing operations;
5. Seasonal aspects that had a material impact on the Group's results of operations;
6. Material changes in the financial statements of the Group for the periods ended December 31, 2022 to June 30, 2023;
7. Any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation; and
8. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.



### **Key Performance Indicators**

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

<b>Liquidity &amp; Financial Leverage Ratios</b>	<b>The manner by which the Company calculates the performance indicators</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
Current ratio	Current assets over current liabilities	<b>10.49:1</b>	<b>6.49:1</b>
Debt to equity ratio	Total interest-bearing debt over total equity	<b>0.49:1</b>	<b>0.07:1</b>
Asset-to-equity ratio	Total assets over total equity	<b>1.57:1</b>	<b>1.19:1</b>
Solvency ratio	Total assets over total liabilities	<b>2.75:1</b>	<b>6.20:1</b>
Operating income margin	Operating income over revenues	<b>45.65%</b>	<b>19.34%</b>
Net profit (loss) margin	Net income over revenues	<b>42.36%</b>	<b>22.31%</b>
Return on equity	Net income over total equity	<b>14.14%</b>	<b>5.22%</b>
Return on assets	Net income over total assets	<b>9.00%</b>	<b>4.38%</b>

## PART II - OTHER INFORMATION

### Financial Instruments

#### Financial Risk Management Objectives and Policies

The financial instruments mainly comprise cash, trade and other receivables (excluding advances to contractors and suppliers) and guarantee and refundable deposits (presented as part of “Other current assets” or “Other noncurrent assets”), marketable securities and financial assets at FVOCI, trade and other current liabilities (excluding statutory payables) and lease liabilities. The main purpose of these financial instruments is to finance the Group’s projects and operations.

It is the policy that no trading of financial instruments should be undertaken by the Group. The main risks arising from the financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing these risks.

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

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

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

	June 30, 2023							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*	P445,126,389	P-	P-	P-	P-	P-	P445,126,389	
Trade and other receivables**	213,581,807	-	-	-	-	113,677,614	327,259,421	
Refundable deposit***	2,867,715	-	-	-	-	-	2,867,715	
Guarantee bonds***	12,000,000	-	-	-	-	-	12,000,000	
	<b>P673,575,911</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P113,677,614</b>	<b>P787,253,525</b>	

\*Excluding cash on hand.

\*\*Excluding advances to suppliers, officers and employees.

\*\*\*Presented under “Other current assets” and/or “Other noncurrent assets” account in the consolidated statement of financial position.

	December 31, 2022							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*	P301,164,883	P-	P-	P-	P-	P-	P301,164,883	
Trade and other receivables**	200,038,359	-	-	-	-	113,677,614	313,715,973	
Refundable deposit***	2,769,759	-	-	-	-	-	2,769,759	
Guarantee bonds***	14,500,000	-	-	-	-	-	14,500,000	
	<b>P518,473,001</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P113,677,614</b>	<b>P632,150,615</b>	

\*Excluding cash on hand.

**\*\*Excluding advances to suppliers, officers and employees.**

**\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.**

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:

	<b>June 30, 2023</b>			
	<b>ECL Staging</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	<b>₱445,126,389</b>	<b>₱-</b>	<b>₱-</b>	<b>₱445,126,389</b>
Trade and other receivables-net**	<b>213,581,807</b>	<b>-</b>	<b>113,677,614</b>	<b>327,259,421</b>
Refundable deposit ***	<b>2,867,715</b>	<b>-</b>	<b>-</b>	<b>2,867,715</b>
Guarantee bonds***	<b>12,000,000</b>	<b>-</b>	<b>-</b>	<b>12,000,000</b>
<b>Gross Carrying Amount</b>	<b>₱673,575,911</b>	<b>₱-</b>	<b>₱113,677,614</b>	<b>₱787,253,525</b>

*\*Excluding cash on hand.*

*\*\*Excluding advances to contractors, suppliers, officers and employees.*

*\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.*

	<b>December 31, 2022</b>			
	<b>ECL Staging</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	<b>₱301,164,883</b>	<b>₱-</b>	<b>₱-</b>	<b>₱301,164,883</b>
Trade and other receivables-net**	<b>200,038,359</b>	<b>-</b>	<b>113,677,614</b>	<b>313,715,973</b>
Refundable deposit ***	<b>2,769,759</b>	<b>-</b>	<b>-</b>	<b>2,769,759</b>
Guarantee bonds***	<b>14,500,000</b>	<b>-</b>	<b>-</b>	<b>14,500,000</b>
<b>Gross Carrying Amount</b>	<b>₱518,473,001</b>	<b>₱-</b>	<b>₱113,677,614</b>	<b>₱632,150,615</b>

*\*Excluding cash on hand.*

*\*\*Excluding advances to contractors, suppliers, officers and employees.*

*\*\*\*Presented under "Other current assets" and/or "Other noncurrent assets" account in the consolidated statement of financial position.*

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

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

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

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

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's 2023 and 2022 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	Jun. 30, 2023	Dec. 31, 2022
Impact in profit or loss		
5%	<b>₱3,879,053</b>	₱3,564,429
(5%)	<b>(3,879,053)</b>	(3,564,429)
Impact in comprehensive income		
8%	<b>16,896,006</b>	14,331,434
(8%)	<b>(16,896,006)</b>	(14,331,434)

**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.

	June 30, 2023				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade payables and other current liabilities*	<b>₱11,125,919</b>	<b>₱213,211</b>	₱-	<b>₱56,315,651</b>	<b>₱67,654,781</b>
Loan payable	-	-	-	<b>500,000,000</b>	<b>500,000,000</b>
	<b>₱11,125,919</b>	<b>₱213,211</b>	₱-	<b>₱56,315,651</b>	<b>₱67,654,781</b>

\*excluding statutory payables

	December 31, 2022				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade payables and other current liabilities*	<b>₱39,290,044</b>	₱-	₱-	<b>₱58,832,186</b>	<b>₱98,122,230</b>
Loan payable	-	-	-	<b>67,500,000</b>	<b>67,500,000</b>
Lease liabilities	<b>1,149,804</b>	<b>766,536</b>	-	-	<b>1,916,340</b>
	<b>₱40,439,848</b>	<b>₱766,536</b>	₱-	<b>₱126,332,186</b>	<b>₱167,538,570</b>

\*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 June 30, 2023 and December 31, 2022, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	Jun. 30, 2023		Dec. 31, 2022	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash and cash equivalents	\$51,427	P2,846,932	\$1,962,285	P109,097,145
Software license fee payable*	(720,144)	(39,866,103)	(838,192)	(46,600,971)
Net foreign currency-denominated assets (liabilities)	(\$668,717)	(P37,019,171)	\$1,124,093	P62,496,174

\*Presented under "Trade payables and other current liabilities" account.

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was P55.36 to US\$1.0 and P55.60 to US\$1.0, as at June 30, 2023 and December 31, 2022, 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 June 30, 2023 and December 31, 2022. There is no other impact on the Group's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	Jun. 30, 2023		Dec. 31, 2022	
	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	(P1,850,959)	P1,850,959	P10,756,670	(P10,756,670)

The increase in US\$ rate means stronger US dollar against peso while the decrease in US\$ 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 2023 and 2022.

The Group considers the following as its capital:

	Jun. 30, 2023	Dec. 31, 2022
Common stock	P895,330,946	P895,330,946
Additional paid-in capital	254,640,323	254,640,323
Cost of Parent Company common shares held by a subsidiary	(285,267,558)	(285,267,558)
	P864,703,711	P864,703,711

### **Fair Value of Assets and Financial Liabilities**

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

	Jun. 30, 2023		Dec. 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
<b>At amortized cost:</b>				
Cash and cash equivalents	₱445,655,689	₱445,655,689	₱301,656,383	₱301,656,383
Trade and other receivables*	213,581,807	213,581,807	200,038,359	200,038,359
Refundable security deposits**	2,867,715	2,867,715	2,769,759	2,769,759
Guaranteed deposits**	12,000,000	12,000,000	14,500,000	14,500,000
<b>At FVPL</b>				
Investment held for trading	77,581,062	77,581,062	71,288,577	71,288,577
<b>At FVOCI</b>				
Financial assets at FVOCI	211,200,080	211,200,080	179,142,925	179,142,925
	<b>₱962,886,353</b>	<b>₱962,886,353</b>	<b>₱769,396,003</b>	<b>₱769,396,003</b>
<b>Financial Liabilities</b>				
<b>At amortized cost:</b>				
Trade payables and other current liabilities***	₱67,654,781	₱67,654,781	₱98,122,230	₱98,122,230
Loan payable	500,000,000	500,000,000	67,500,000	66,538,186
Lease liabilities	-	-	1,891,442	1,899,514
	<b>₱567,654,781</b>	<b>₱567,654,781</b>	<b>₱167,513,672</b>	<b>₱166,559,930</b>

\*Excluding advances to 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 June 30, 2023 and December 31, 2022. There were no transfers between fair value measurements as at June 30, 2023 and December 31, 2022.

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

*Cash, Trade and Other Receivables, Trade and Other Current Liabilities (excluding Statutory Payables).* The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

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

*Loan 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. Discount rate used for loan payable is 5.78% in 2022 and 5.25% to 6.50% for lease liabilities in 2023 and 2022.

### **Other Required Disclosures**

1. The attached interim financial reports were prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The accounting policies set out below have been applied consistently to all years presented in


these consolidated financial statements and have been applied consistently by the Group entities.

2. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD & A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
3. There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
4. Except as disclosed in the MD & A, there were no other issuance, repurchases and repayments of debt and equity securities.
5. Except as disclosed in the MD & A, there were no material events that occurred subsequent to June 30, 2023 and up to the date of this report that need disclosure herein.
6. Except as disclosed in the MD & A, there were no changes in the composition of the Group since June 30, 2023, such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations.
7. There were no changes in contingent liabilities or contingent assets since June 30, 2023.
8. Except as disclosed in the MD & A, there exist no material contingencies and other material events or transactions affecting the current interim period.

**SIGNATURES**


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

Issuer: **PACIFIC ONLINE SYSTEMS CORPORATION**



**WILLY N. OJIER**  
Chairman of the Board

Date: August 10, 2023



**JACKSON T. ONGSIP**  
President

Date: August 10, 2023



**MARIA NERIZA C. BANARIA**  
Chief Financial Officer

Date: August 10, 2023



**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**

	<b>Jun. 30, 2023</b>	<b>Dec. 31, 2022</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P445,655,689	P301,656,383
Investments held for trading	77,581,062	71,288,577
Trade and other receivables	213,954,522	201,198,131
Creditable withholding taxes (CWTs)	109,429,664	129,606,983
Other current assets	37,988,547	19,411,394
<b>Total Current Assets</b>	<b>884,609,484</b>	<b>723,161,468</b>
<b>Noncurrent Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI)	211,200,080	179,142,925
Property and equipment	1,031,677	2,013,551
Right-of-use (ROU) assets	-	1,815,399
Deferred tax asset	1,718,988	-
Other noncurrent assets	518,866,431	209,824,090
<b>Total Noncurrent Assets</b>	<b>732,817,176</b>	<b>392,795,965</b>
	<b>P1,617,426,660</b>	<b>P1,115,957,433</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and other current liabilities	P84,366,008	P109,487,367
Current portion of lease liabilities	-	1,891,442
<b>Total Current Liabilities</b>	<b>84,366,008</b>	<b>111,378,809</b>
<b>Noncurrent Liabilities</b>		
Loan payable	500,000,000	67,500,000
Net retirement liability	3,892,852	442,153
Net deferred tax liabilities	-	531,152
<b>Total Noncurrent Liabilities</b>	<b>503,892,852</b>	<b>68,473,305</b>
<b>Total Liabilities</b>	<b>588,258,860</b>	<b>179,852,114</b>

*(Forward)*

	Jun. 30, 2023	Dec. 31, 2022
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock	<b>₱895,330,946</b>	<b>₱895,330,946</b>
Additional paid-in capital	<b>254,640,323</b>	<b>254,640,323</b>
Cost of Parent Company common shares held by a subsidiary	<b>(285,267,558)</b>	<b>(285,267,558)</b>
Other equity reserves	<b>(241,219,261)</b>	<b>(273,276,416)</b>
Retained earnings	<b>403,355,704</b>	<b>342,701,848</b>
	<b>1,026,840,154</b>	<b>934,129,143</b>
<b>Non-controlling Interest</b>	<b>2,327,646</b>	<b>1,976,176</b>
<b>Total Equity</b>	<b>1,029,167,800</b>	<b>936,105,319</b>
	<b>₱1,617,426,660</b>	<b>₱1,115,957,433</b>

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Income (Unaudited)**  
**For the six months ended June 30, 2023 and 2022**

	Six Months Ended Jun 30		This Quarter	
	2023	2022	2023	2022
<b>REVENUES</b>				
Equipment rentals	P343,448,021	P218,889,744	P164,259,543	P114,782,354
<b>Total Revenues</b>	<b>P343,448,021</b>	<b>P218,889,744</b>	<b>P164,259,543</b>	<b>P114,782,354</b>
<b>COSTS AND EXPENSES</b>				
Personnel costs	41,061,510	44,025,106	24,229,853	22,603,035
Software and license fees	39,817,950	25,205,678	20,329,857	13,414,222
Operating supplies	5,164,535	2,842,983	2,047,504	526,223
Depreciation and amortization	2,633,350	29,386,452	1,104,698	2,590,664
Communications	19,477,832	23,286,530	10,181,901	11,468,952
Travel and accommodation	23,700,362	9,898,194	14,650,933	4,842,296
Rent and utilities	12,285,682	12,500,144	6,316,228	6,434,863
Repairs and maintenance	7,619,193	11,333,273	4,132,164	6,360,824
Taxes and licenses	2,290,361	2,633,241	1,051,677	922,762
Entertainment and representation	3,618,772	372,767	52,818	190,174
Professional fees	2,554,781	3,976,462	1,356,728	1,878,454
Marketing and promotion	-	28,000	-	2,000
Pre-operating expenses	24,277,110	8,412,616	17,389,562	2,353,558
Directors fees	814,379	1,332,680	340,523	721,895
Others	1,355,737	1,329,278	26,140	1,324,458
<b>Total Costs and Expenses</b>	<b>186,671,554</b>	<b>176,563,404</b>	<b>103,210,586</b>	<b>75,634,380</b>
<b>OPERATING INCOME</b>	<b>156,776,467</b>	<b>42,326,339</b>	<b>61,048,957</b>	<b>39,147,974</b>
<b>OTHER INCOME (CHARGES)</b>				
Dividend income	18,947,664	18,947,664	-	18,947,664
Interest income	2,497,178	42,651	1,772,404	25,944
Finance charges	(24,897)	(161,339)	(5,001)	(62,682)
Mark-to-market gain (loss) on marketable securities	6,292,485	(4,249,379)	7,762,614	(4,343,521)
Others – net	1,143,590	9,163,296	252,757	1,031,912
<b>Total Other Income (Charges)</b>	<b>28,856,020</b>	<b>23,742,893</b>	<b>9,782,774</b>	<b>15,599,317</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>185,632,487</b>	<b>66,069,232</b>	<b>70,831,731</b>	<b>54,747,291</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>				
Current	41,427,645	-	20,146,275	-
Deferred	(1,286,880)	17,238,011	(1,286,880)	17,238,011
	40,140,765	17,238,011	18,859,395	17,238,011
<b>NET INCOME (LOSS)</b>	<b>P145,491,722</b>	<b>P48,831,221</b>	<b>P51,972,336</b>	<b>P37,509,280</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	145,140,252	48,956,081	51,974,103	37,567,945
Non-controlling interests	351,470	(124,860)	(1,767)	(58,665)
	<b>P145,491,722</b>	<b>P48,831,221</b>	<b>P51,972,336</b>	<b>P37,509,280</b>
<b>Attributable to Equity Holders of the Parent Company</b>				
Basic / diluted earnings (loss) per share	P 0.1718	P0.0579	P0.0617	P0.0445

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income (Unaudited)**  
**For the six months ended June 30, 2023 and 2022**

	Six Months Ended Jun 30		This Quarter	
	2023	2022	2023	2022
<b>NET INCOME (LOSS)</b>	<b>P145,491,722</b>	<b>P48,831,221</b>	<b>P51,972,336</b>	<b>P37,509,280</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	32,057,155	(12,647,550)	30,171,440	(22,628,580)
Remeasurements of retirement benefits, net of tax	-	-	-	-
	32,057,155	(12,647,550)	30,171,440	(22,628,580)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P177,548,877</b>	<b>P36,183,671</b>	<b>P82,143,776</b>	<b>P14,880,700</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	177,197,407	36,308,531	82,145,543	14,939,365
Non-controlling interests	351,470	(124,860)	(1,767)	(58,665)
	<b>P177,548,877</b>	<b>P36,183,671</b>	<b>P82,143,776</b>	<b>P14,880,700</b>

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**For the six months ended June 30, 2023 and 2022**

	For the six months ended June 30	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) before income tax	P186,919,367	P66,069,232
Adjustments for:		
Depreciation and amortization	2,633,350	29,386,452
Retirement benefits	3,450,699	4,494,383
Finance charges	24,897	161,339
Unrealized foreign exchange loss (gain)	(137,917)	(503,676)
Interest income	(2,497,178)	(42,651)
Fair value loss on marketable securities	(6,292,485)	4,249,379
Dividend income	(18,947,664)	(18,947,664)
Gain on sale of property and equipment	137,823	(1,633,223)
Operating income before working capital changes	165,290,892	83,233,571
Decrease (increase) in:		
Trade and other receivables	(12,756,391)	(88,925,034)
Other current assets	1,600,166	(21,096,931)
Other noncurrent assets	(309,042,341)	2,195,275
Increase (decrease) in:		
Trade and other payables	(25,121,359)	(1,690,141)
Interest received	2,497,178	42,652
Income tax paid	(43,677,785)	-
<b>Net cash flows provided by operating activities</b>	<b>(221,209,640)</b>	<b>(26,240,608)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	18,947,664	18,947,664
Proceeds from sale of:		
Financial assets at fair value through other comprehensive income (FVOCI)	-	88,661,790
Property and equipment	26,100	2,487,684
<b>Net cash flows provided by investing activities</b>	<b>18,973,764</b>	<b>110,097,138</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan availments	432,500,000	-
Cash dividend paid	(84,486,396)	-
Payment of lease liabilities	(1,891,442)	(2,553,465)
Finance charges paid	(24,897)	(161,339)
<b>Net cash flows used in financing activities</b>	<b>346,097,265</b>	<b>(2,714,804)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>143,861,389</b>	<b>81,141,726</b>
CASH AT BEGINNING OF YEAR	301,656,383	98,638,883
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	137,917	503,676
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P445,655,689</b>	<b>P180,284,285</b>

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity (Unaudited)**

	Capital Stock	Additional Paid-in Capital	Cost of Parent Company Common Shares Held by a Subsidiary	Other Equity Reserves	Retained Earnings	Total	Non- Controlling Interest	Total Equity
<b>January 1, 2023</b>	<b>P895,330,946</b>	<b>P254,640,323</b>	<b>(P285,267,558)</b>	<b>(P273,276,416)</b>	<b>P342,701,848</b>	<b>P934,129,143</b>	<b>P1,976,176</b>	<b>P936,105,319</b>
Net income for the period	-	-	-	-	145,140,252	145,140,252	351,470	145,491,722
Other comprehensive income:								
Unrealized valuation gains on financial assets at FVOCI	-	-	-	32,057,155	-	32,057,155	-	32,057,155
Total comprehensive income (loss) for the period	-	-	-	32,057,155	145,140,252	177,197,407	351,470	177,548,877
Dividends paid	-	-	-	-	(84,486,396)	(84,486,396)	-	(84,486,396)
<b>Balance at June 30, 2023</b>	<b>P895,330,946</b>	<b>254,640,323</b>	<b>(P285,267,558)</b>	<b>(241,219,261)</b>	<b>403,355,704</b>	<b>1,026,840,154</b>	<b>2,327,646</b>	<b>1,029,167,800</b>

	Capital Stock	Additional Paid-in Capital	Cost of Parent Company Common Shares Held by a Subsidiary	Other Equity Reserves	Retained Earnings	Total	Non- Controlling Interest	Total Equity
<b>January 1, 2022</b>	<b>P895,330,946</b>	<b>P254,640,323</b>	<b>(P285,267,558)</b>	<b>(P477,111,708)</b>	<b>P329,713,024</b>	<b>P717,305,027</b>	<b>P1,993,935</b>	<b>P719,298,962</b>
Net income (loss) for the period	-	-	-	-	48,956,082	48,956,081	(124,860)	48,831,221
Other comprehensive income:								
Unrealized valuation gains on financial assets at FVOCI	-	-	-	(12,647,550)	-	(12,647,550)	-	(12,647,550)
Total comprehensive income (loss) for the period	-	-	-	(12,647,550)	11,388,137	36,308,532	(124,860)	36,183,671
<b>Balance at June 30, 2022</b>	<b>P895,330,946</b>	<b>P254,640,323</b>	<b>(P285,267,558)</b>	<b>(P489,759,258)</b>	<b>P378,669,106</b>	<b>P753,613,558</b>	<b>P1,869,075</b>	<b>P755,482,633</b>

**PACIFIC ONLINE SYSTEMS CORPORATION**  
**Attachments to Unaudited Financial Statements**  
**Trade and Other Receivables**  
**As of June 30, 2023**

## 1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
<b>a.) Trade and Nontrade Receivables</b>			
1.) Trade receivables	P83,861,041	P -	P83,861,041
2.) Nontrade receivable	11,822,386	113,677,614	125,500,000
3.) Accrued license fee income	4,000,000	-	4,000,000
	<b>99,683,427</b>	<b>113,677,614</b>	<b>213,361,041</b>
<b>b.) Other Receivables</b>			
1.) Advances to officers and employees	372,715	-	372,715
2.) Other receivables	220,766	-	220,766
	<b>593,481</b>	<b>-</b>	<b>593,481</b>
<b>Total</b>	<b>P100,276,908</b>	<b>P113,677,614</b>	<b>P213,954,522</b>

## 2.) Description of other receivables

<i>Types of Receivables</i>	<i>Nature and Description</i>	<i>Collection / Liquidation Period</i>
1.) Advances to officers and employees	Company loan and other advances granted to officers and employees	Within one (1) year
2.) Other receivables	Other advances	Within one (1) year

## 3.) Normal operating cycle: 365 days

**PACIFIC ONLINE SYSTEMS CORPORATION**  
**Attachments to Unaudited Financial Statements**  
**Segment Information**  
**For the period ended June 30, 2023**

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.

The Group is engaged in the businesses of leasing lottery equipment to PCSO (leasing activities. Revenue generated from the leasing activities account for 100% of the Group's revenue in 2023.

**End of Report**