

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)

28 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

57

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2022**
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
Common Stock, ₱1.00 par value	895,330,946
	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 three (3) months ended, March 31, 2022 and March 31, 2021;
- b.) Consolidated Statements of Comprehensive Income for the three (3) months, ended March 31, 2022 and March 31, 2021;
- c.) Consolidated Statements of Financial Position as of March 31, 2022 and Audited Statements of Financial Position as of December 31, 2021;
- d.) Consolidated Statements of Changes in Equity for the three (3) months ended, March 31, 2022 and March 31, 2021; and
- e.) Consolidated Statements of Cash Flows for the three (3) months ended, March 31, 2022 and March 31, 2021.

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

Results of Operations for the Period Ended March 31, 2022 vs. March 31, 2021

Revenues

Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P104.1 million for the three months ended March 31, 2022. Revenues decreased by P18.7 million (15%) from revenues of the same period in 2021 of P122.8 million mainly due to the continuing effects of the COVID-19 pandemic on the country, particularly during the start of the year, prompting the government to tighten restrictions during the period.

Cost and expenses

Costs and expenses decreased by P36.4 million (26%) to P100.9 million for the first quarter of 2022 from P137.3 million for the first quarter of 2021 mainly due to lower variable costs such as software license fees and operating supplies, which move in line with revenues, continuing effect of the cost efficiency measures implemented both at the operations and the backoffice levels which aimed to rationalize manpower, telecommunications, rental and utilities. In addition to this, the Group reported lower depreciation expense due to property and equipment being fully utilized in 2021.

Operating income

Despite the lower revenues, the Group was able to improve its performance by controlling costs and expenses through operational efficiencies. As a result, the Group realized operating income of P3.2 million for the three months ended March 31, 2022, which is P17.7 million (122%) better compared to the P14.5 million operating loss for the first quarter in 2021.

Other income (charges)

Other income (net of other charges) increased by P6.7 million (455%) to P8.1 million as of March 31, 2022 compared to P1.5 million for the period ended March 31, 2021. The improvement in other income is due mainly to mark-to-market gains in 2022 on its marketable securities versus losses in 2021 and a one-off gain on sale on property and equipment in 2022.

Net income

Because of the foregoing, the Group recognized net income amounting to P11.3 million for the three months ended March 31, 2022, showing a P24.3 million (187%) improvement from the net loss of P13.0 million for the same period in 2021.

Other comprehensive income and Total comprehensive income

Other comprehensive income (loss) of the Group pertains to the mark to market gains and losses on its financial assets at fair value through other comprehensive income. The Group posted a P10 million gain during the first quarter of 2022 versus a P38.6 million loss for the same period in 2021. Because of this, total comprehensive income year to date March 31, 2022 is at P21.3 million, increasing by P73.0 million (141%) from the P51.6 million other comprehensive loss for the same period in 2021.

Financial Condition as of March 31, 2022 vs. December 31, 2021**TOTAL ASSETS**

The Group's total assets of P872.3 million as of March 31, 2022 increased by P17.2 million or 2% from P855.2 million as of December 31, 2021. The main movements in the asset account are as follows:

Cash

Cash increased by P25.1 million (26%) to P123.8 million as at March 31, 2022 from P98.6 million as at December 31, 2021 due to collections of the Company's receivables.

Marketable securities

As at March 31, 2022, marketable securities of the Group consist of investment in listed shares of stock of Leisure and Resorts World Corporation, Vantage Equities, Inc. and PLDT, Inc. The amount of the Group's marketable securities remain virtually unchanged as P61.7 million as at March 31, 2022 and December 31, 2021.

Trade and other receivables

Trade and other receivables increased by P83.2 million (36%) to P312.5 million as at March 31, 2022 from P229.4 million as at December 31, 2021 due to advance payments made to suppliers.

Other current assets

Other current assets of the Company is composed of creditable withholding taxes, spare parts and supplies and prepayments. It increased by P4.9 million (3%) to P162.1 million as at March 31, 2022 from P157.3 million as at December 31, 2021 due mainly to higher prepaid expenses for the current period.

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

The Company's financial assets at FVOCI is mainly composed of the Company's shares of stock of its parent and ultimate parent companies. This decreased by P78.8M (31%) to P173.5 million as at March 31, 2022 from P252.2 million as at December 31, 2021 due to the sale of financial assets, tempered by the mark to market of the share prices during 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 P14.2 million (61%) to P9.2 million as at March 31, 2022 from P23.4 million as at December 31, 2021 mainly due to depreciation expense recognized for the period.

Right of use assets (ROU)

Right of use assets decreased by P1.6 million (22%) to P5.2 million as at March 31, 2022 from P6.7 million as at December 31, 2021 mainly because of the amortization of ROU assets during the period.

Other noncurrent assets

Other noncurrent assets decreased by P1.8 million (38%) to P2.9 million as at March 31, 2022 from P4.6 million as at December 31, 2021. The decrease is mainly because of a refund of security deposit during the period.

LIABILITIES

The Group recorded total liabilities at P131.7 million as at March 31, 2022, lower by P4.1 million (3%) compared to the total liabilities of P135.9 million as at December 31, 2021. The decrease was mainly

brought about by the lower operating costs and expense incurred, payment of trade and accrued payable during the period and lower lease liabilities, offset by the higher retirement liability due to accruals made.

EQUITY

Total equity of the Company increased by P21.3 million (3%) to P740.6 million as at March 31, 2022 from P719.3 million as at December 31, 2021. The increase is mainly brought about by the net income earned during the period and the fair value gains from its investments.

Cash Flows for the Three Months Ended March 31, 2022 vs. March 31, 2021

The Group's cash balance as of March 31, 2022 of P123.8 million was lower by P40.8 million (25%) compared to the cash balance of P164.5 million in March 31 2021, mainly due to increase in advances to supplier.

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, 2021 to March 31, 2022;
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:

Liquidity & Financial Leverage Ratios	The manner by which the Company calculates the performance indicators	31 March 2022	31 December 2021
Current ratio	Current assets over current liabilities	5.81:1	4.64:1
Debt to equity ratio	Total liabilities over total equity	0.18:1	0.19:1
Asset-to-equity ratio	Total assets over total equity	1.18:1	1.19:1
Solvency ratio	Total assets over total liabilities	6.62:1	6.29:1
Operating income (loss) margin	Operating income (loss) over revenues	3.05%	(11.80%)
Net profit (loss) margin	Net income (loss) over revenues	10.88%	(10.60%)
Return on equity	Net income (loss) over total equity	1.53%	(1.81%)
Return on assets	Net income (loss) over total assets	(1.30%)	(1.52%)

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.

	March 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*	P123,262,763	P-	P-	P-	P-	P-	P123,262,763	
Trade and other receivables**	196,724,246	-	-	-	-	115,825,004	312,549,250	
Refundable deposit***	2,851,845	-	-	-	-	-	2,851,845	
Guarantee bonds***	14,500,000	-	-	-	-	-	14,500,000	
	P337,338,854	P-	P-	P-	P-	P115,825,004	P453,163,858	

*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.

	December 31, 2021							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*	P98,103,751	P-	P-	P-	P-	P-	P98,103,751	
Trade and other receivables**	266,064,430	-	-	-	-	115,825,004	381,889,434	
Refundable deposit***	3,706,928	-	-	-	-	-	3,706,928	
Guarantee bonds***	14,500,000	-	-	-	-	-	14,500,000	
	P382,375,109	P-	P-	P-	P-	P115,825,004	P498,200,113	

*Excluding cash on hand.

**Including noncurrent portion of accrued license fee and excluding advances to contractors, suppliers, officers and employees.

***Presented under "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:

	March 31, 2022			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial Assets at Amortized Cost				
Cash*	P 123,262,763	P-	P-	P123,262,763
Trade and other receivables-net**	196,724,246	-	115,825,004	312,549,250
Refundable deposit ***	2,851,845	-	-	2,851,845
Guarantee bonds***	14,500,000	-	-	14,500,000
Gross Carrying Amount	P337,338,854	P-	P115,825,004	P453,163,858

*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.

	December 31, 2021			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial Assets at Amortized Cost				
Cash*	P98,103,753	P-	P-	P98,103,752
Trade and other receivables-net**	266,064,430	-	115,825,004	381,889,434
Refundable deposit ***	3,706,928	-	-	3,706,928
Guarantee bonds***	14,500,000	-	-	14,500,000
Gross Carrying Amount	P382,375,111	P-	P115,825,004	P498,200,114

*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 2022 and 2021 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	Mar. 31, 2022	Dec. 31, 2021
Impact in profit or loss		
5%	₱3,086,182	₱3,081,475
(5%)	(3,086,182)	(3,081,475)
Impact in comprehensive income		
8%	13,878,862	20,173,323
(8%)	(13,878,862)	(20,173,323)

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.

	March 31, 2022				
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	₱15,669,111	₱8,042,840	₱7,216,403	₱72,348,060	₱103,276,414
Lease liabilities	1,102,617	1,155,731	1,170,966	1,986,015	5,415,329
	₱16,771,728	₱9,198,571	₱8,387,369	₱74,334,075	₱108,691,743

*excluding statutory payables

	December 31, 2021				
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	₱18,353,479	₱48,156,775	₱6,765,172	₱29,593,727	₱102,869,152
Lease liabilities	1,457,623	1,486,180	1,943,134	1,986,015	6,872,952
	₱19,811,102	₱49,642,955	₱8,708,306	₱31,579,742	₱109,742,104

*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 March 31, 2022 and December 31, 2021, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	Mar. 31, 2022	Dec. 31, 2021
Cash	₱8,145,086	₱10,653,717
Software license fee payable*	(69,062,882)	(54,002,683)
Foreign currency-denominated financial assets (liabilities)	(₱60,917,796)	(₱43,348,965)

*Presented under "Trade and other current liabilities" account in the consolidated statement of financial position.

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱51.98 to US\$1.0 and ₱51.09 to US\$1.0, as at March 31, 2022 and December 31, 2021, 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, 2021 and 2020. 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.

	Mar. 31, 2022		Dec. 31, 2021	
	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	₱3,045,890	(₱3,045,890)	₱2,167,448	₱2,167,448

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 2021 and 2020.

The Group considers the following as its capital:

	Mar. 31, 2022	Dec. 31, 2021
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	(285,267,558)	(285,267,558)
	₱864,703,711	₱864,703,711

Fair Value of Assets and Financial Liabilities

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

	Mar. 31, 2022		Dec. 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash	₱123,262,763	₱123,262,763	₱98,103,751	₱98,103,751
Trade and other receivable	196,724,246	196,724,246	266,064,430	266,064,430
Refundable security deposits	2,851,845	2,851,845	3,706,928	3,706,928
Guaranteed deposits	14,500,000	14,500,000	14,500,000	14,500,000
At FVPL				
Marketable securities	61,723,638	61,723,638	61,629,495	61,629,495
At FVOCI				
Financial assets at FVOCI	173,485,780	173,485,780	252,166,540	252,166,540
	₱572,548,271	₱572,548,271	₱696,171,144	₱696,171,144

	Mar. 31, 2022		Dec. 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Trade and other current liabilities	P103,276,414	P103,276,414	P102,869,152	P102,869,152
Lease liabilities	5,415,329	5,415,329	11,605,367	11,605,367
	P108,691,743	P108,691,743	P114,474,519	P114,474,519

The Group has no financial liabilities measured at fair value as at March 31, 2022 and December 31, 2021. There were no transfers between fair value measurements as at March 31, 2022 and December 31, 2021.

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.

Lease Liabilities. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used are 5.25% to 6.50% in 2022 and 2021.

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 March 31, 2022 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 March 31, 2022, 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 March 31, 2022.
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. OCIER
Chairman of the Board

Date: April 25, 2022



JACKSON T. ONGSIP
President

Date: April 25, 2022



MARIA NERIZA C. BANARIA
Chief Financial Officer

Date: April 25, 2022

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	Mar. 31, 2022	Dec. 31, 2021
ASSETS		
Current Assets		
Cash	P123,786,430	P98,638,883
Marketable securities	61,723,638	61,629,495
Trade and other receivables	312,549,250	229,355,532
Other current assets	162,127,942	157,272,264
Total Current Assets	660,187,260	546,896,174
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI)	173,485,780	252,166,540
Property and equipment	9,188,240	23,398,041
Right-of-use assets	5,206,865	6,672,570
Deferred tax assets	21,398,655	21,398,655
Other noncurrent assets	2,851,845	4,624,920
Total Noncurrent Assets	212,131,385	308,260,726
	P872,318,645	P855,156,900
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	P108,145,564	P112,922,359
Lease liabilities	5,415,329	4,886,938
Income tax payable	-	-
Total Current Liabilities	113,560,893	117,809,297
Noncurrent Liabilities		
Lease liabilities - net of current portion	-	1,986,014
Retirement liability	18,155,818	16,062,627
Total Noncurrent Liabilities	18,155,818	18,048,641
Total Liabilities	131,716,711	135,857,938

(Forward)

	Mar. 31, 2022	Dec. 31, 2021
Equity Attributable to Equity Holders of the Parent Company		
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	(285,267,558)	(285,267,558)
Fair value reserve	(482,285,281)	(492,266,311)
Retirement benefits reserve	12,544,249	12,544,249
Other reserve	2,610,354	2,610,354
Retained earnings	341,101,161	329,713,024
	738,674,194	717,305,027
Non-controlling interest	1,927,740	1,993,935
Total Equity	740,601,934	719,298,962
	₱872,318,645	₱855,156,900

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income (Unaudited)
For the three months ended March 31, 2022 and 2021

	Three Months Ended Mar 31		This Quarter	
	2022	2021	2022	2021
REVENUES				
Equipment rentals	P104,107,390	P122,816,181	P104,107,390	P122,816,181
Total Revenues	P104,107,390	P122,816,181	P104,107,390	P122,816,181
COSTS AND EXPENSES				
Personnel costs	21,422,071	28,049,766	21,422,071	28,049,766
Software and license fees	11,791,456	20,544,420	11,791,456	20,544,420
Operating supplies	1,494,395	2,179,663	1,494,395	2,179,663
Depreciation and amortization	26,795,789	37,995,614	26,795,789	37,995,614
Communications	14,106,754	21,326,076	14,106,754	21,326,076
Travel and accommodation	5,055,899	6,481,188	5,055,899	6,481,188
Rent and utilities	6,065,280	6,840,252	6,065,280	6,840,252
Repairs and maintenance	3,505,639	7,909,105	3,505,639	7,909,105
Taxes and licenses	1,710,479	3,842,567	1,710,479	3,842,567
Entertainment and representation	182,593	184,603	182,593	184,603
Professional fees	2,098,008	1,559,045	2,098,008	1,559,045
Marketing and promotion	26,000	14,929	26,000	14,929
Pre-operating expenses	6,059,057	-	6,059,057	-
Others	615,606	377,413	615,606	377,413
Total Costs and Expenses	100,929,025	137,304,641	100,929,025	137,304,641
OPERATING INCOME (LOSS)	3,178,365	(14,488,460)	3,178,365	(14,488,460)
OTHER INCOME (CHARGES)				
Interest income	16,707	3,475	16,707	3,475
Finance charges	(98,657)	(318,795)	(98,657)	(318,795)
Mark-to-market gain (loss) on marketable securities	94,143	(3,582,445)	94,143	(3,582,445)
Gain (loss) on sale of				
Property and equipment	1,623,225	-	1,623,225	-
Foreign exchange gain (loss)	141,892	399,103	141,892	399,103
Others – net	6,366,267	4,965,893	6,366,267	4,965,893
Total Other Income (Charges)	8,143,576	1,467,231	8,143,576	1,467,231
INCOME (LOSS) BEFORE INCOME TAX	11,321,942	(13,021,229)	11,321,942	(13,021,229)
INCOME TAX EXPENSE (BENEFIT)				
Current	-	-	-	-
Deferred	-	-	-	-
	-	-	-	-
NET INCOME (LOSS)	P11,321,942	(P13,021,229)	P11,321,942	(P13,021,229)
Attributable to:				
Equity holders of the Parent Company	11,388,137	(12,765,443)	11,388,137	(12,765,443)
Non-controlling interests	(66,195)	(255,786)	(66,195)	(255,786)
	P11,321,942	(P13,021,229)	P11,321,942	(P13,021,229)
Attributable to Equity Holders of the Parent Company				
Basic / diluted earnings (loss) per share	P0.0135	(P0.0151)	P0.0135	(P0.0151)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
For the three months ended March 31, 2022 and 2021

	Three Months Ended Mar 31		This Quarter	
	2022	2021	2022	2021
NET INCOME (LOSS)	P11,321,942	(P13,021,229)	P11,321,942	(P13,021,229)
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	9,981,030	(38,627,700)	9,981,030	(38,627,700)
Remeasurements of retirement benefits, net of tax	-	-	-	-
	9,981,030	(38,627,700)	9,981,030	(38,627,700)
TOTAL COMPREHENSIVE INCOME (LOSS)	P21,302,972	(P51,648,929)	P21,302,972	(P51,648,929)
Attributable to:				
Equity holders of the Parent Company	21,369,167	(51,393,143)	21,369,167	(51,393,143)
Non-controlling interests	(66,195)	(255,786)	(66,195)	(255,786)
	P21,302,972	(P51,648,929)	P21,302,972	(P51,648,929)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the three months ended March 31, 2022 and 2021

	For the three months ended	
	March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	P11,321,942	(P276,942,657)
Adjustments for:		
Depreciation and amortization	26,795,789	37,995,614
Retirement benefits	2,093,192	2,662,065
Finance charges	98,657	318,795
Unrealized foreign exchange loss (gain)	(141,892)	(399,103)
Interest income	(16,707)	(3,475)
Fair value loss on marketable securities	(94,143)	3,582,445
Gain on sale of property and equipment	(1,623,225)	-
Operating income before working capital changes	38,433,612	31,135,113
Decrease (increase) in:		
Trade and other receivables	(83,193,718)	(9,270,203)
Other current assets	(15,992,042)	(15,358,003)
Increase (decrease) in:		
Trade and other payables	(4,776,795)	(20,859,595)
Interest received	16,707	3,475
Net cash flows provided by operating activities	(65,512,236)	(14,349,214)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of		
Property and equipment	-	(763,079)
Proceeds from sale of		
Financial assets at fair value through other comprehensive income (FVOCI)	88,661,790	-
Property and equipment	1,639,305	-
Decrease (increase) in other noncurrent assets	1,773,075	22,005,427
Net cash flows provided by investing activities	92,074,170	21,242,348
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,457,623)	(4,691,906)
Finance charges paid	(98,657)	(318,795)
Net cash flows used in financing activities	(1,556,280)	(5,010,701)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	25,005,655	1,882,433
CASH AT BEGINNING OF YEAR	98,638,883	162,274,833
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	141,892	399,103
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P91,935,570	P160,591,351

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	Fair Value Reserve	Reserve for Retirement Benefits	Other reserve	Retained Earnings	Total	Non- Controlling Interest	Total Equity
January 1, 2021	P895,330,946	254,640,323	(P285,267,558)	(P462,610,486)	(P14,014,805)	P2,620,354	P469,987,087	P860,675,861	P2,464,691	P863,140,553
Other comprehensive income (loss)	-	-	-	(38,627,700)	-	-	-	(38,627,700)	-	(38,627,700)
Net income (loss) for the period	-	-	-	-	-	(12,765,443)	(12,765,443)	(12,765,443)	(255,786)	(13,021,229)
Total comprehensive income (loss) for the period	-	-	-	(38,627,700)	-	(12,765,443)	(12,765,443)	(51,393,143)	(255,786)	(51,648,929)
Total transactions with owners in their capacity as owners	-	-	-	(38,627,700)	-	(12,765,443)	(12,765,443)	(51,393,143)	(255,786)	(51,648,929)
March 31, 2021	P895,330,946	254,640,323	(P285,267,558)	(P501,238,186)	(P14,014,805)	P2,620,254	P457,221,644	P809,282,718	P2,208,905	P811,491,623
January 1, 2022	P895,330,946	P254,640,323	(P285,267,558)	(P492,266,311)	(P12,544,249)	P2,610,354	P329,713,024	P717,305,027	P1,993,935	P719,298,962
Other comprehensive income (loss)	-	-	-	9,981,030	-	-	-	9,981,030	-	9,981,030
Net income (loss) for the period	-	-	-	-	-	11,388,137	11,388,137	11,388,137	(66,195)	11,321,942
Total comprehensive income (loss) for the period	-	-	-	9,981,030	-	11,388,137	11,388,137	21,369,167	(66,195)	21,302,972
Dividends paid	-	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	9,981,030	-	11,388,137	11,388,137	21,369,167	(66,195)	21,302,972
March 31, 2022	P895,330,946	P254,640,323	(P285,267,558)	(P482,285,281)	(P12,544,249)	P2,610,354	P341,101,161	P738,674,194	P1,927,740	P740,601,934

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Trade and Other Receivables
As of March 31, 2022

1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
a.) Trade and Nontrade Receivables			
1.) Trade receivables	P50,584,263	P -	P50,584,263
2.) Nontrade receivable	12,027,605	115,825,004	127,852,609
3.) Accrued license fee income-current	35,124,538	-	35,124,538
	97,736,406	115,825,004	213,561,410
b.) Other Receivables			
1.) Advances to officers and employees	755,066	-	755,066
2.) Advances Contractors and suppliers	97,973,062	-	97,973,062
3.) Other receivables	259,712	-	259,712
	98,987,840	-	98,987,840
Total	P196,724,246	P115,825,004	P312,549,250

2.) Description of 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.) Advances to contractors and suppliers	Receivables from / advances to contractors and suppliers	Within one (1) year
3.) 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 March 31, 2022

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 2022.

End of Report