

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

60

Total No. of Stockholders

Total Amount of Borrowings

n/a n/a

Domestic

Foreign

 To be accomplished by SEC Personnel concerned

[]

File Number

_____ LCU

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Document ID

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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, 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
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, 2023 and March 31, 2022;
- b.) Consolidated Statements of Comprehensive Income for the three (3) months, ended March 31, 2023 and March 31, 2022;
- c.) Consolidated Statements of Financial Position as of March 31, 2023 and Audited Statements of Financial Position as of December 31, 2022;
- d.) Consolidated Statements of Changes in Equity for the three (3) months ended, March 31, 2023 and March 31, 2022; and
- e.) Consolidated Statements of Cash Flows for the three (3) months ended, March 31, 2023 and March 31, 2022.

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

Results of Operations for the Period Ended March 31, 2023 vs. March 31, 2022

Revenues

Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P179.2 million for the three months ended March 31, 2023. Revenues increased by P75.1 million (72%) from revenues of the same period in 2022 of P104.1 million mainly due to increased number of selling terminals especially in Luzon, higher Lotto sales driven by high jackpot prizes and the more open economy in 2023, as well as the Keno revenue final settlement.

Cost and expenses

Costs and expenses decreased by P17.5 million (17%) to P83.5 million for the first quarter of 2023 from P100.9 million for the first quarter of 2022 mainly due to the lower depreciation costs of the Company due to its property and equipment being fully utilized. Without the effect of depreciation, costs and expenses would have increased by P7.8 million (11%) due to higher variable costs such as software license fees and operating supplies, 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 operating income of P95.7 million for the three months ended March 31, 2023, which is P92.5 million, or 30X better compared to the P3.2 million operating income for the first quarter in 2022.

Other income (charges)

Other income (net of other charges) increased by P10.9 million (134%) to P19.1 million as of March 31, 2023 compared to P8.1 million for the period ended March 31, 2022. The improvement in other income is due mainly to the dividend income received in 2023.

Net income

As a result, the Group recognized net income amounting to P93.5 million for the three months ended March 31, 2023, showing an improvement of P82.2 million (726%) P11.3 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 P1.9 million during the first quarter of 2023 versus P10.1 million for the same period in 2022. Because of this, total

comprehensive income year to date March 31, 2023 is at P95.4 million, increasing by P74.1 million (348%) from the P21.3 million other comprehensive income for the same period in 2022.

Financial Condition as of March 31, 2023 vs. December 31, 2022

TOTAL ASSETS

The Group's total assets of P1,346.3 million as of March 31, 2023 increased by P230.3 million or 21% 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 P86.5 million (29%) to P388.2 million as at March 31, 2023 from P301.7 million as at December 31, 2022 due to additional cash from loan availments of PinoyLotto Technologies Corp, the joint venture operation owned by POSC, 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 commence operations at the latter half of the year. Loan availments are being used to fund equipment purchases for the said project.

Investments held for trading

As at March 31, 2023, investment held for trading of the Group consist of investment in listed shares of stock of Leisure and Resorts World Corporation, Vantage Equities, Inc. and APC Group. The amount of the Group's investment held for trading decreased by P1.5 million (2%) as at March 31, 2023 due to mark-to-market loss for the period.

Trade and other receivables

Trade and other receivables increased by P10.6 million (5%) to P211.8 million as at March 31, 2023 from P201.2 million as at December 31, 2022 due to dividends receivable during the end of the period.

Creditable withholding taxes (CWTs)

Creditable withholding taxes decreased by P7.5 million (6%) to P122.1 million as at March 31, 2023 from P129.6 million as at December 31, 2022 due to application of income tax due for the first quarter of 2023.

Other current assets

Other current assets of the Group is composed of spare parts and supplies, prepayments and input taxes. It increased by P1.5 million (8%) to P20.9 million as at March 31, 2023 from P19.4 million as at December 31, 2022 due mainly to the input taxes for the current 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 P0.6 million (30%) to P1.4 million as at March 31, 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 P1.2 million (60%) to P0.7 million as at March 31, 2023 from P1.8 million as at December 31, 2022 mainly because of the amortization of ROU assets during the period.

Other noncurrent assets

Other noncurrent assets increased by P140.5 million (67%) to P350.3 million as at March 31, 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 P399.3 million as at March 31, 2023, higher by P219.4 million (122%) 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.

EQUITY

Total equity of the Company increased by P10.9 million (1%) to P947.0 million as at March 31, 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 period.

Cash Flows for the Three Months Ended March 31, 2023 vs. March 31, 2022

The Group's cash balance as of March 31, 2023 of P388.2 million was higher by P264.4 million (214%) compared to the cash balance of P123.8 million in March 31 2022, due to higher revenues and net income, as well as proceeds from the loan availments for the quarter, reduced 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 March 31, 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:

Liquidity & Financial Leverage Ratios	The manner by which the Company calculates the performance indicators	31 March 2023	31 December 2022
Current ratio	Current assets over current liabilities	7.09:1	6.49:1
Debt to equity ratio	Total interest-bearing debt over total equity	0.30:1	0.07:1
Asset-to-equity ratio	Total assets over total equity	1.42:1	1.19:1
Solvency ratio	Total assets over total liabilities	3.37:1	6.20:1
Operating income margin	Operating income over revenues	53.42%	3.05%
Net profit (loss) margin	Net income over revenues	52.19%	10.88%
Return on equity	Net income over total equity	9.88%	1.21%
Return on assets	Net income over total assets	6.95%	1.01%

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, 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*	P387,650,444	P-	P-	P-	P-	P-	P387,650,444	
Trade and other receivables**	211,646,380	-	-	-	-	115,825,004	327,471,384	
Refundable deposit***	2,568,084	-	-	-	-	-	2,568,084	
Guarantee bonds***	14,500,000	-	-	-	-	-	14,500,000	
	P 616,364,908	P-	P-	P-	P-	P115,825,004	P732,189,912	

*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	
	P518,473,001	P-	P-	P-	P-	P113,677,614	P632,150,615	

*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:

	March 31, 2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalents*	P387,650,444	P-	P-	P387,650,444
Trade and other receivables-net**	211,646,380	-	115,825,004	327,471,384
Refundable deposit ***	2,568,084	-	-	2,568,084
Guarantee bonds***	14,500,000	-	-	14,500,000
Gross Carrying Amount	P616,364,908	P-	P115,825,004	P732,189,912

**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, 2022			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Financial Assets at Amortized Cost				
Cash and cash equivalents*	P301,164,883	P-	P-	P301,164,883
Trade and other receivables-net**	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
Gross Carrying Amount	P518,473,001	P-	P113,677,614	P632,150,615

**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	Mar. 31, 2023	Dec. 31, 2022
Impact in profit or loss		
5%	₱3,490,922	₱3,564,429
(5%)	(3,490,922)	(3,564,429)
Impact in comprehensive income		
8%	14,482,291	14,331,434
(8%)	(14,482,291)	(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.

	March 31, 2023				Total
	Less than 3 months	3-6 months	6-12 months	More than 12 months	
Trade payables and other current liabilities*	₱33,860,449	₱7,589,265	₱5,324,310	₱49,755,062	₱96,529,086
Loan payable	-	-	-	282,000,000	282,000,000
Lease liabilities	761,535	-	-	-	761,535
	₱34,621,984	₱7,589,265	₱5,324,310	₱331,755,062	₱379,290,621

*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*	₱39,290,044	₱-	₱-	₱58,832,186	₱98,122,230
Loan payable	-	-	-	67,500,000	67,500,000
Lease liabilities	1,149,804	766,536	-	-	1,916,340
	₱40,439,848	₱766,536	₱-	₱126,332,186	₱167,538,570

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

	Mar. 31, 2023		Dec. 31, 2022	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash and cash equivalents	\$89,410	P4,859,310	\$1,962,285	P109,097,145
Software license fee payable*	(693,647)	(37,698,666)	(838,192)	(46,600,971)
Net foreign currency-denominated assets (liabilities)	(\$604,237)	(P32,839,356)	\$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 ₱54.35 to US\$1.0 and ₱55.60 to US\$1.0, as at March 31, 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 December 31, 2022 and 2021. 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, 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	(P1,641,968)	P1,641,968	₱10,756,670	(₱10,756,670)

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 2021 and 2020.

The Group considers the following as its capital:

	Mar. 31, 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:

	Mar. 31, 2023		Dec. 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱388,161,944	₱388,161,944	₱301,656,383	₱301,656,383
Trade and other receivables*	211,646,380	211,646,380	200,038,359	200,038,359
Refundable security deposits**	2,568,084	2,568,084	2,769,759	2,769,759
Guaranteed deposits**	14,500,000	14,500,000	14,500,000	14,500,000
At FVPL				
Investment held for trading	69,818,448	69,818,448	71,288,577	71,288,577
At FVOCI				
Financial assets at FVOCI	181,028,640	181,028,640	179,142,925	179,142,925
	₱867,723,496	₱867,723,496	₱769,396,003	₱769,396,003
Financial Liabilities				
At amortized cost:				
Trade payables and other current liabilities***	₱96,529,086	₱96,529,086	₱98,122,230	₱98,122,230
Loan payable	282,000,000	282,000,000	67,500,000	66,538,186
Lease liabilities	761,534	761,534	1,891,442	1,899,514
	₱379,290,620	₱379,290,620	₱167,513,672	₱166,559,930

*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 March 31, 2023 and December 31, 2022. There were no transfers between fair value measurements as at March 31, 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 March 31, 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 March 31, 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 March 31, 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

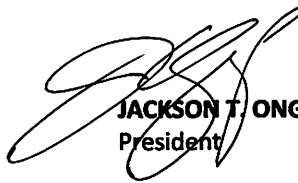
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **PACIFIC ONLINE SYSTEMS CORPORATION**



WILLY N. OJIER
Chairman of the Board

Date: April 25, 2023



JACKSON T. ONGSIP
President

Date: April 25, 2023



MARIA NERIZA C. BANARIA
Chief Financial Officer

Date: April 25, 2023

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	Mar. 31, 2023	Dec. 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	P388,161,944	P301,656,383
Investments held for trading	69,818,448	71,288,577
Trade and other receivables	211,837,926	201,198,131
Creditable withholding taxes (CWTs)	122,105,686	129,606,983
Other current assets	20,864,519	19,411,394
Total Current Assets	812,788,523	723,161,468
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI)	181,028,640	179,142,925
Property and equipment	1,412,016	2,013,551
Right-of-use (ROU) assets	726,159	1,815,399
Other noncurrent assets	350,344,302	209,824,090
Total Noncurrent Assets	533,511,117	392,795,965
	P1,346,299,640	P1,115,957,433
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities	P113,815,428	P109,487,367
Current portion of lease liabilities	761,534	1,891,442
Total Current Liabilities	114,576,962	111,378,809
Noncurrent Liabilities		
Loan payable	282,000,000	67,500,000
Net retirement liability	2,167,502	442,153
Net deferred tax liabilities	531,152	531,152
Total Noncurrent Liabilities	284,698,654	68,473,305
Total Liabilities	399,275,616	179,852,114

(Forward)

	Mar. 31, 2023	Dec. 31, 2022
Equity Attributable to Equity Holders of the Parent Company		
Capital 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)
Other equity reserves	(271,390,701)	(273,276,416)
Retained earnings	351,381,601	342,701,848
	944,694,611	934,129,143
Non-controlling Interest	2,329,413	1,976,176
Total Equity	947,024,024	936,105,319
	P1,346,299,640	P1,115,957,433

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income (Unaudited)
For the three months ended March 31, 2023 and 2022

	Three Months Ended Mar 31		This Quarter	
	2023	2022	2023	2022
REVENUES				
Equipment rentals	P179,188,478	P104,107,390	P179,188,478	P104,107,390
Total Revenues	P179,188,478	P104,107,390	P179,188,478	P104,107,390
COSTS AND EXPENSES				
Personnel costs	16,831,656	21,422,071	16,831,656	21,422,071
Software and license fees	19,488,093	11,791,456	19,488,093	11,791,456
Operating supplies	3,117,030	4,605,935	3,117,030	4,605,935
Depreciation and amortization	1,528,652	11,817,578	1,528,652	11,817,578
Communications	9,295,931	14,106,754	9,295,931	14,106,754
Travel and accommodation	9,049,430	5,055,899	9,049,430	5,055,899
Rent and utilities	5,969,455	6,065,280	5,969,455	6,065,280
Repairs and maintenance	3,487,030	2,683,274	3,487,030	2,683,274
Taxes and licenses	1,238,684	1,710,479	1,238,684	1,710,479
Entertainment and representation	3,565,954	182,593	3,565,954	182,593
Professional fees	1,198,053	2,098,008	1,198,053	2,098,008
Marketing and promotion	-	26,000	-	26,000
Pre-operating expenses	6,887,548	6,059,057	6,887,548	6,059,057
Others	1,803,453	615,606	1,803,453	615,606
Total Costs and Expenses	83,460,969	100,929,025	83,460,969	100,929,025
OPERATING INCOME	95,727,509	3,178,365	95,727,509	3,178,365
OTHER INCOME (CHARGES)				
Dividend income	18,947,664	-	18,947,664	-
Interest income	724,774	16,707	724,774	16,707
Finance charges	(19,896)	(98,657)	(19,896)	(98,657)
Mark-to-market gain (loss) on marketable securities	(1,470,129)	94,143	(1,470,129)	94,143
Others – net	890,834	8,131,384	890,834	8,131,384
Total Other Income (Charges)	19,073,247	8,143,576	19,073,247	8,143,576
INCOME BEFORE INCOME TAX	114,800,756	11,321,942	114,800,756	11,321,942
INCOME TAX EXPENSE (BENEFIT)				
Current	21,281,370	-	21,281,370	-
Deferred	-	-	-	-
	21,281,370	-	21,281,370	-
NET INCOME (LOSS)	P93,519,386	P11,321,942	P93,519,386	P11,321,942
Attributable to:				
Equity holders of the Parent Company	93,166,149	11,388,137	93,166,149	11,388,137
Non-controlling interests	353,237	(66,195)	353,237	(66,195)
	P93,519,386	P11,321,942	P93,519,386	P11,321,942
Attributable to Equity Holders of the Parent Company				
Basic / diluted earnings (loss) per share	P 0.1103	P0.0135	P 0.1103	P0.0135

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
For the three months ended March 31, 2023 and 2022

	Three Months Ended Mar 31		This Quarter	
	2023	2022	2023	2022
NET INCOME (LOSS)	P93,519,386	P11,321,942	P93,519,386	P11,321,942
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	1,885,715	9,981,030	1,885,715	9,981,030
Remeasurements of retirement benefits, net of tax	-	-	-	-
	1,885,715	9,981,030	1,885,715	9,981,030
TOTAL COMPREHENSIVE INCOME (LOSS)	P95,405,101	P21,302,972	P95,405,101	P21,302,972
Attributable to:				
Equity holders of the Parent Company	95,051,864	21,369,167	95,051,864	21,369,167
Non-controlling interests	353,237	(66,195)	353,237	(66,195)
	P95,405,101	P21,302,972	P95,405,101	P21,302,972

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the three months ended March 31, 2023 and 2022

	For the three months ended	
	March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	P114,800,756	P11,321,942
Adjustments for:		
Depreciation and amortization	1,528,652	26,795,789
Retirement benefits	1,725,350	2,093,192
Finance charges	19,896	98,657
Unrealized foreign exchange loss (gain)	(221,874)	(141,892)
Interest income	(724,774)	(16,707)
Fair value loss on marketable securities	1,470,129	(94,143)
Gain on sale of property and equipment	140,322	(1,623,225)
Operating income before working capital changes	99,790,792	38,433,612
Decrease (increase) in:		
Trade and other receivables	(10,639,795)	(83,193,718)
Other current assets	6,048,172	(15,992,042)
Other noncurrent assets	(140,520,212)	1,773,075
Increase (decrease) in:		
Trade and other payables	4,328,062	(4,776,795)
Interest received	724,774	16,707
Income tax paid	(21,281,370)	
Net cash flows provided by operating activities	(61,549,578)	(63,739,161)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	18,947,664	-
Proceeds from sale of:		
Financial assets at fair value through other comprehensive income (FVOCI)	-	88,661,790
Property and equipment	21,800	1,639,305
Net cash flows provided by investing activities	18,969,465	90,301,095
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availments	214,500,000	
Cash dividend paid	(84,486,396)	
Payment of lease liabilities	(1,129,908)	(1,457,623)
Finance charges paid	(19,896)	(98,657)
Net cash flows used in financing activities	128,863,800	(1,556,280)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	86,283,687	25,005,655
CASH AT BEGINNING OF YEAR	301,656,383	98,638,883
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	221,874	141,892
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P388,161,944	P91,935,570

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
January 1, 2023	P895,330,946	P254,640,323	(P285,267,558)	(P273,276,416)	P342,701,848	P934,129,143	P1,976,176	P936,105,319
Net income for the period	-	-	-	-	93,166,149	93,166,149	353,237	93,519,386
Other comprehensive income:								
Unrealized valuation gains on financial assets at FVOCI	-	-	-	1,885,715	-	1,885,715	-	1,885,715
Total comprehensive income (loss) for the period	-	-	-	1,885,715	93,166,149	95,051,864	353,237	95,405,101
Dividends paid	-	-	-	-	(84,486,396)	(84,486,396)	-	(84,486,396)
Balance at March 31, 2023	P895,330,946	254,640,323	(P285,267,558)	(P271,390,701)	P351,381,601	P944,694,611	P2,329,413	P947,024,024

	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
January 1, 2022	P895,330,946	P254,640,323	(P285,267,558)	(P477,111,708)	P329,713,024	P717,305,027	P1,993,935	P719,298,962
Net income (loss) for the period	-	-	-	-	11,388,137	11,388,137	(66,195)	11,321,942
Other comprehensive income:								
Unrealized valuation gains on financial assets at FVOCI	-	-	-	9,981,030	-	9,981,030	-	9,981,030
Total comprehensive income (loss) for the period	-	-	-	9,981,030	11,388,137	21,369,167	(66,195)	21,302,972
Balance at March 31, 2022	P895,330,946	P254,640,323	(P285,267,558)	(P467,130,678)	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, 2023

1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
a.) Trade and Nontrade Receivables			
1.) Trade receivables	P58,156,226	P -	P58,156,226
2.) Nontrade receivable	31,274,147	115,825,004	147,099,150
3.) Accrued license fee income-current	4,000,000	-	4,000,000
	93,430,373	115,825,004	209,255,377
b.) Other Receivables			
1.) Advances to officers and employees	159,615	-	159,615
2.) Advances Contractors and suppliers	2,179,322	-	2,179,322
3.) Other receivables	243,612	-	243,612
	2,582,549	-	2,582,549
Total	P96,012,922	P115,825,004	P211,837,926

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, 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