

# 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

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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 **September 30, 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
<b>Common Stock, ₱1.00 par value</b>	<b>895,330,946</b>
	<b>Amount of Debt Outstanding</b>
	<b>n/a</b>

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 nine (9) months ended September 30, 2022 and September 30, 2021;
- b.) Consolidated Statements of Comprehensive Income for the nine (9) months ended September 30, 2022 and September 30, 2021;
- c.) Consolidated Statements of Financial Position as of September 30, 2022 and Audited Statements of Financial Position as of December 31, 2021;
- d.) Consolidated Statements of Changes in Equity for the nine (9) months ended September 30, 2022 and September 30, 2021; and
- e.) Consolidated Statements of Cash Flows for the nine (9) months ended September 30, 2022 and September 30, 2021.

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

#### Results of Operations for the Period Ended September 30, 2022 vs. September 30, 2021

##### Revenues

Pacific Online Systems Corporation (the "Company"), consolidated with its subsidiaries (the "Group"), earned total revenues of P358.1 million for the nine months ended September 30, 2022. Revenues increased by P55.8 million (18%) from the P302.3 million revenues recorded for the same period in 2021. This improvement is driven by the higher Lotto sales, which improved year on year as a result of the opening up of the economy as restrictions loosened and the high jackpot prizes. KENO-related revenues, on the other hand, declined by P21.7 million (77%) due to the cessation of KENO operations effective April 1, 2022.

##### Cost and expenses

Costs and expenses decreased by P143.7 million (36%) to P251.0 million for the nine months ended September 30, 2022 from P394.6 million for the same period in 2021. This is mainly due to the following: 1) lower KENO-related variable costs such as software license fees and operating supplies because of the termination of KENO operations effective second quarter of 2022, and 2) the continuing effect of the cost efficiency measures implemented both at the operations and back office levels which aimed to rationalize manpower, telecommunications, rental and utilities expenses. In addition to this, fully utilized property and equipment allowed the Group to report lower depreciation expense in 2022.

##### Operating income

Due to the combination of higher revenues and efficiently controlled costs and expenses, the Group realized operating income of P107.2 million for the nine months ended September 30, 2022, which is P199.4 million (216%) better compared to the P92.3 million operating loss for the same period in 2021.

##### Other income (charges)

Other income (net of other charges) increased by P35.9 million to P36.7 million as of September 30, 2022 compared to P0.9 million for the period ended September 30, 2021. The improvement in other income is due to the following: higher dividend income in 2022, recognition of net mark-to-market gain on its marketable securities in 2022 (versus mark-to-market loss in the previous year), and a one-off gain on sale of property and equipment in 2022.

##### Net income

Because of the foregoing, the Group recognized net income amounting to P127.4 million for the nine months ended September 30, 2022, showing a P218.8 million (239%) improvement from the net loss of P91.4 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 minimal gain during the nine months of 2022 versus a P34.8 million loss for the same period in 2021. Because of this, total comprehensive income year to date September 30, 2022 is at P128.0 million, increasing by P254.1 million (201%) from the P126.2 million other comprehensive loss for the same period in 2021.

#### **Financial Condition as at September 30, 2022 vs. December 31, 2021**

##### **TOTAL ASSETS**

The Group's total assets of P974.6 million as of September 30, 2022 increased by P119.5 million or 14% from P855.2 million as of December 31, 2021. The main movements in the asset accounts are as follows:

##### **Cash**

Cash increased by P85.5 million (87%) to P184.2 million as at September 30, 2022 from P98.6 million as at December 31, 2021 due higher revenues and better collections of the Company's receivables, lower expenses that need to be paid, and the higher amount of cash dividends received.

##### **Marketable securities**

As at September 30, 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 increased by P5.7 million (9%) to P67.4 million as at September 30, 2022 from P61.6 million as at December 31, 2021 due to the net mark-to-market gain recognized during the period.

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

Trade and other receivables increased by P139.5 million (61%) to P368.9 million as at September 30, 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 P15.9 million (10%) to P173.1 million as at September 30, 2022 from P157.3 million as at December 31, 2021 due mainly to the additional creditable withholding taxes obtained during 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 P88.1M (35%) to P164.1 million as at September 30, 2022 from P252.2 million as at December 31, 2021 because of the sale of some of its financial assets, tempered by the mark to market movements 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 P18.7 million (80%) to P4.7 million as at September 30, 2022 from P23.4 million as at December 31, 2021 because of the depreciation expense recognized for the period.

##### **Right of use assets (ROU)**

Right of use assets decreased by P3.8 million (56%) to P2.9 million as at September 30, 2022 from P6.7 million as at December 31, 2021 because of the amortization of ROU assets during the period.

##### **Other noncurrent assets**

Other noncurrent assets decreased by P0.1 million (2%) to P4.5 million as at September 30, 2022 from P4.6 million as at December 31, 2021. The decrease is mainly because of a refund and consumed security deposit during the period.

## **LIABILITIES**

The Group recorded total liabilities amounting to P127.4 million as at September 30, 2022. This decreased by P8.5 million (6%) from P135.9 million as at December 31, 2021 because of the payment of accrued liabilities during the current period.

## **EQUITY**

Total equity of the Company increased by P128. million (18%) to P847.3 million as at September 30, 2022 from P719.3 million as at December 31, 2021. The increase is mainly brought about by the net income earned during the period offset by the fair value loss from its investments.

## **Cash Flows for the Nine Months Ended September 30, 2022 vs. September 30, 2021**

The Group's cash balance as of September 30, 2022 of P184.2 million was higher by P92.2 million (100%) compared to the cash balance of P91.9 million in September 30, 2021, mainly due to increase in revenues and income for the period.

## **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 September 30, 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:

<b>Liquidity &amp; Financial Leverage Ratios</b>	<b>The manner by which the Company calculates the performance indicators</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
Current ratio	Current assets over current liabilities	<b>6.97:1</b>	<b>4.64:1</b>
Debt to equity ratio	Total liabilities over total equity	<b>0.15:1</b>	<b>0.19:1</b>
Asset-to-equity ratio	Total assets over total equity	<b>1.15:1</b>	<b>1.19:1</b>
Solvency ratio	Total assets over total liabilities	<b>7.65:1</b>	<b>6.29:1</b>
Operating income (loss) margin	Operating income (loss) over revenues	<b>29.92%</b>	<b>(11.80%)</b>
Net profit (loss) margin	Net income (loss) over revenues	<b>35.58%</b>	<b>(10.60%)</b>
Return on equity	Net income (loss) over total equity	<b>15.04%</b>	<b>(1.81%)</b>
Return on assets	Net income (loss) over total assets	<b>13.07%</b>	<b>(1.52%)</b>

The Group's current ratio as of September 30, 2022 improved compared to the current ratio as of December 31, 2021 mainly due to the increase in the Group's current assets.

Operating income margin, net profit margin, return on equity and return on assets all considerably improved as of September 30, 2022 compared to the ratios as of December 31, 2021 due to the improvement in the Company's financial results from operations.

## 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.

	September 30, 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*	P183,684,978	P-	P-	P-	P-	P-	P183,684,978	
Trade and other receivables**	253,047,054	-	-	-	-	115,825,004	368,872,057	
Refundable deposit***	2,487,645	-	-	-	-	-	2,487,645	
Guarantee bonds***	14,500,000	-	-	-	-	-	14,500,000	
	<b>P453,719,676</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P115,825,004</b>	<b>P569,544,681</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.

	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	
	<b>P382,375,109</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P115,825,004</b>	<b>P498,200,113</b>	

\*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:

	September 30, 2022			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash*	P183,684,978	P-	P-	P183,684,978
Trade and other receivables-net**	253,047,054	-	115,825,004	368,872,057
Refundable deposit ***	2,487,645	-	-	2,487,645
Guarantee bonds***	14,500,000	-	-	14,500,000
<b>Gross Carrying Amount</b>	<b>P453,719,676</b>	<b>P-</b>	<b>P115,825,004</b>	<b>P569,544,681</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.

	December 31, 2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
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
<b>Gross Carrying Amount</b>	<b>P382,375,111</b>	<b>P-</b>	<b>P115,825,004</b>	<b>P498,200,114</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 2022 and 2021 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	Sep. 30, 2022	Dec. 31, 2021
Impact in profit or loss		
5%	<b>₱3,368,011</b>	<b>₱3,081,475</b>
(5%)	<b>(₱3,368,011)</b>	<b>(3,081,475)</b>
Impact in comprehensive income		
8%	<b>13,124,576</b>	<b>20,173,323</b>
(8%)	<b>(13,124,576)</b>	<b>(20,173,323)</b>

**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.

	September 30, 2022				
	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
Trade and other current liabilities*	<b>₱26,404,636</b>	<b>₱8,042,840</b>	<b>₱6,526,399</b>	<b>₱67,142,130</b>	<b>₱108,116,005</b>
Lease liabilities	<b>3,006,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,006,648</b>
	<b>₱29,411,284</b>	<b>₱8,042,840</b>	<b>₱6,526,399</b>	<b>₱67,142,130</b>	<b>₱109,742,105</b>

\*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*	<b>₱18,353,479</b>	<b>₱48,156,775</b>	<b>₱6,765,172</b>	<b>₱29,593,727</b>	<b>₱102,869,152</b>
Lease liabilities	<b>1,457,623</b>	<b>1,486,180</b>	<b>1,943,134</b>	<b>1,986,015</b>	<b>6,872,952</b>
	<b>₱19,811,102</b>	<b>₱49,642,955</b>	<b>₱8,708,306</b>	<b>₱31,579,742</b>	<b>₱109,742,104</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 September 30, 2022 and December 31, 2021, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	Sep. 30, 2022	Dec. 31, 2021
Cash	<b>₱3,720,690</b>	<b>₱10,653,717</b>
Software license fee payable*	<b>(66,969,016)</b>	<b>(54,002,683)</b>
Foreign currency-denominated financial assets (liabilities)	<b>(₱63,248,326)</b>	<b>(₱43,348,965)</b>

\*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 ₱58.68 to US\$1.0 and ₱51.09 to US\$1.0, as at September 30, 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 September 30, 2022 and December 31, 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.

	Sep. 30, 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	₱3,162,416	(₱3,162,416)	(₱2,167,448)	(₱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 2022 and 2021.

The Group considers the following as its capital:

	Sep. 30, 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:

	Sep. 30, 2022		Dec. 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
<b>At amortized cost:</b>				
Cash	₱183,684,978	₱183,684,978	₱98,103,751	₱98,103,751
Trade and other receivable	253,047,054	253,047,054	266,064,430	266,064,430
Refundable security deposits	2,487,645	2,487,645	3,706,928	3,706,928
Guaranteed deposits	14,500,000	14,500,000	14,500,000	14,500,000
<b>At FVPL</b>				
Marketable securities	67,360,227	67,360,227	61,629,495	61,629,495
<b>At FVOCI</b>				
Financial assets at FVOCI	164,057,205	164,057,205	252,166,540	252,166,540
	₱685,137,109	₱685,137,109	₱696,171,144	₱696,171,144

	Sep. 30, 2022		Dec. 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
<b>At amortized cost:</b>				
Trade and other current liabilities	₱108,116,005	₱108,116,005	₱102,869,152	₱102,869,152
Lease liabilities	3,006,648	3,006,648	11,605,367	11,605,367
	<b>₱111,122,653</b>	<b>₱111,122,653</b>	<b>₱114,474,519</b>	<b>₱114,474,519</b>

The Group has no financial liabilities measured at fair value as at September 30, 2022 and December 31, 2021. There were no transfers between fair value measurements as at September 30, 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).

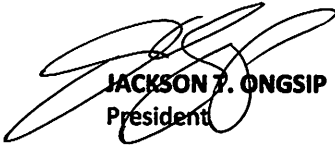
The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Group entities.

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 September 30, 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 September 30, 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 September 30, 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**

  
**JACKSON T. ONGSIP**  
President

Date: November 10, 2022

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

Date: November 10 , 2022

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

	<u>Sep. 30, 2022</u>	<u>Dec. 31, 2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	P184,163,978	P98,638,883
Marketable securities	67,360,227	61,629,495
Trade and other receivables	368,872,057	229,355,532
Other current assets	173,127,511	157,272,264
Total Current Assets	793,523,773	546,896,174
<b>Noncurrent Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI)	164,057,205	252,166,540
Property and equipment	4,702,640	23,398,041
Right-of-use assets	2,904,638	6,672,570
Deferred tax assets	4,923,216	21,398,655
Other noncurrent assets	4,528,336	4,624,920
Total Noncurrent Assets	181,116,035	308,260,726
	PP974,639,808	P855,156,900
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other current liabilities	PP110,798,653	P112,922,359
Lease liabilities	3,006,648	4,886,938
Total Current Liabilities	113,805,301	117,809,297
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion	-	1,986,014
Retirement liability	13,574,201	16,062,627
Total Noncurrent Liabilities	13,574,201	18,048,641
Total Liabilities	127,379,502	135,857,938

(Forward)

	Sep. 30, 2022	Dec. 31, 2021
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
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)
Fair value reserve	(307,934,555)	(492,266,311)
Retirement benefits reserve	12,544,249	12,544,249
Other reserve	2,610,354	2,610,354
Retained earnings	273,534,120	329,713,024
	<b>845,457,879</b>	<b>717,305,027</b>
<b>Non-controlling Interest</b>	<b>1,802,427</b>	<b>1,993,935</b>
<b>Total Equity</b>	<b>847,260,306</b>	<b>719,298,962</b>
	<b>P974,639,808</b>	<b>P855,156,900</b>

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Income (Unaudited)**  
**For the nine months ended September 30, 2022 and 2021**

	Nine Months Ended Sep 30		This Quarter	
	2022	2021	2022	2021
<b>REVENUES</b>				
Equipment rentals	P358,109,614	P302,332,724	P139,219,870	P96,958,050
<b>Total Revenues</b>	<b>P358,109,614</b>	<b>P302,332,724</b>	<b>P139,219,870</b>	<b>P96,958,050</b>
<b>COSTS AND EXPENSES</b>				
Personnel costs	63,453,036	90,571,719	19,427,930	29,325,277
Software and license fees	41,535,732	40,468,153	16,330,055	10,814,487
Operating supplies	4,923,900	8,427,426	2,080,917	4,372,370
Depreciation and amortization	32,504,376	111,989,092	3,117,923	39,058,924
Communications	41,772,736	60,893,877	14,650,548	16,731,456
Travel and accommodation	14,546,091	18,991,112	4,647,897	6,315,461
Rent and utilities	19,307,336	23,346,630	6,352,753	8,264,713
Repairs and maintenance	10,866,736	19,904,303	3,823,560	11,080,169
Taxes and licenses	3,579,948	10,818,490	946,707	1,251,682
Entertainment and representation	410,364	1,277,649	37,597	906,269
Professional fees	6,258,730	4,450,081	2,282,268	1,378,327
Marketing and promotion	28,000	46,929	-	32,000
Pre-operating expenses	8,887,749	-	475,133	-
Others	2,878,321	3,434,142	216,363	2,297,920
<b>Total Costs and Expenses</b>	<b>250,953,055</b>	<b>394,619,602</b>	<b>74,389,650</b>	<b>131,829,055</b>
<b>OPERATING INCOME (LOSS)</b>	<b>107,156,559</b>	<b>(92,286,878)</b>	<b>64,830,220</b>	<b>(34,871,006)</b>
<b>OTHER INCOME (CHARGES)</b>				
Dividend income	18,947,664	15,368,577	-	-
Interest income	71,788	106,961	29,138	60,194
Finance charges	(235,050)	(620,213)	(73,710)	(199,981)
Mark-to-market gain (loss) on marketable securities	5,730,732	(18,346,498)	9,980,111	(12,277,683)
Gain (loss) on sale of				
Property and equipment	2,942,781	10,000	1,309,556	-
Foreign exchange gain (loss)	(1,027,161)	790,421	(1,530,836)	31,896
Others – net	10,297,015	3,562,672	3,270,617	542,284
<b>Total Other Income (Charges)</b>	<b>36,727,767</b>	<b>871,921</b>	<b>12,984,875</b>	<b>(11,843,289)</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>143,884,328</b>	<b>(91,414,957)</b>	<b>77,815,095</b>	<b>(46,714,295)</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>				
Current	-	-	-	-
Deferred	16,475,439	-	(762,572)	-
	16,475,439	-	(762,572)	-
<b>NET INCOME (LOSS)</b>	<b>P127,408,889</b>	<b>(91,414,957)</b>	<b>P78,577,667</b>	<b>(P46,714,295)</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	127,600,397	(91,132,316)	78,644,315	(46,580,751)
Non-controlling interests	(191,508)	(282,641)	(66,648)	(133,544)
	<b>P127,408,889</b>	<b>(91,414,957)</b>	<b>P78,577,667</b>	<b>(P46,714,295)</b>
<b>Attributable to Equity Holders of the Parent Company</b>				
Basic / diluted earnings (loss) per share	P 0.1510	(P 0.1079)	P 0.0931	(P 0.0551)

**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income (Unaudited)**  
**For the nine months ended September 30, 2022 and 2021**

	Nine Months Ended Sep 30		This Quarter	
	2022	2021	2022	2021
<b>NET INCOME (LOSS)</b>	<b>P127,408,889</b>	<b>(P91,414,957)</b>	<b>P78,577,667</b>	<b>(P46,714,295)</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	552,455	(34,760,515)	14,533,265	(12,551,795)
Remeasurements of retirement benefits, net of tax	-	-	-	-
	552,455	(34,760,515)	14,533,265	(12,551,795)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P127,961,344</b>	<b>(P126,175,472)</b>	<b>P93,110,932</b>	<b>(P59,266,090)</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	128,152,852	(125,892,831)	93,177,580	(59,132,546)
Non-controlling interests	(191,508)	(282,641)	(66,648)	(133,544)
	<b>P127,961,344</b>	<b>(P126,175,472)</b>	<b>P93,110,932</b>	<b>(P59,266,090)</b>



**PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**For the nine months ended September 30, 2022 and 2021**

	For the nine months ended September 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) before income tax	P143,884,327	(P91,414,957)
Adjustments for:		
Depreciation and amortization	32,504,376	111,989,092
Retirement benefits	7,511,575	7,986,195
Finance charges	235,050	620,213
Unrealized foreign exchange loss (gain)	1,027,161	(790,421)
Interest income	(71,788)	(106,961)
Fair value loss on marketable securities	(5,730,732)	18,346,498
Dividend income	(18,947,664)	(15,368,577)
Gain on sale of property and equipment	(1,633,225)	(10,000)
Operating income before working capital changes	157,469,522	31,251,080
Decrease (increase) in:		
Trade and other receivables	(139,516,525)	(4,612,833)
Other current assets	(26,991,611)	(44,904,952)
Increase (decrease) in:		
Trade and other payables	(2,123,705)	(68,054,570)
Interest received	71,788	106,961
Retirement contributions paid	(10,000,000)	(5,000,000)
Net cash flows provided by operating activities	(21,090,532)	(91,214,315)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of		
Property and equipment	-	(28,127,661)
Proceeds from sale of		
Financial assets at fair value through other comprehensive income (FVOCI)	88,661,790	-
Property and equipment	3,825,960	10,000
Dividend received	18,947,664	15,368,577
Decrease (increase) in other noncurrent assets	96,584	44,923,589
Net cash flows provided by investing activities	111,531,998	30,951,086
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease liabilities	(3,654,160)	(10,246,243)
Finance charges paid	(235,050)	(620,213)
Net cash flows used in financing activities	(3,889,210)	(10,866,456)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	86,552,256	(71,129,684)
CASH AT BEGINNING OF YEAR	98,638,883	162,274,833
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,027,161)	790,421
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P184,163,978</b>	<b>P91,935,570</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	Fair Value Reserve	Reserve for Retirement Benefits	Other reserve	Retained Earnings	Total	Non- Controlling Interest	Total Equity
<b>January 1, 2021</b>	<b>P895,330,946</b>	<b>254,640,323</b>	<b>(P285,267,558)</b>	<b>(P462,610,486)</b>	<b>(P14,014,805)</b>	<b>P2,620,354</b>	<b>P469,987,087</b>	<b>P860,675,861</b>	<b>P2,464,691</b>	<b>P863,140,552</b>
Other comprehensive income (loss)	-	-	-	(34,760,515)	-	-	-	(34,760,515)	-	(34,760,515)
Net income (loss) for the period	-	-	-	-	-	-	(91,132,316)	(91,132,316)	(282,641)	(91,414,957)
Total comprehensive income (loss) for the period	-	-	-	(34,760,515)	-	-	(91,132,316)	(125,892,831)	(282,641)	(126,175,472)
Total transactions with owners in their capacity as owners	-	-	-	(34,760,515)	-	-	(91,132,316)	(125,892,831)	(282,641)	(126,175,472)
<b>September 30, 2021</b>	<b>P895,330,946</b>	<b>254,640,323</b>	<b>(P285,267,558)</b>	<b>(P497,371,001)</b>	<b>(P14,014,805)</b>	<b>P2,610,354</b>	<b>P378,854,771</b>	<b>P734,783,030</b>	<b>P2,182,049</b>	<b>P736,965,079</b>
<b>January 1, 2022</b>	<b>P895,330,946</b>	<b>P254,640,323</b>	<b>(P285,267,558)</b>	<b>(P492,266,311)</b>	<b>(P12,544,249)</b>	<b>P2,610,354</b>	<b>P329,713,024</b>	<b>P717,305,027</b>	<b>P1,993,935</b>	<b>P719,298,962</b>
Other comprehensive income (loss)	-	-	-	552,455	-	-	-	552,455	-	552,455
Realized portion of fair value reserve	-	-	-	183,779,301	-	-	(183,779,301)	(1,333,260)	-	(1,333,260)
Net income (loss) for the period	-	-	-	-	-	-	127,600,397	127,600,397	(191,508)	127,408,889
Total comprehensive income (loss) for the period	-	-	-	184,331,756	-	-	(56,178,904)	128,152,852	(191,508)	127,961,344
Dividends paid	-	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	184,331,756	-	-	(56,178,904)	128,152,852	(191,508)	127,961,344
<b>September 30, 2022</b>	<b>P895,330,946</b>	<b>P254,640,323</b>	<b>(P285,267,558)</b>	<b>(P307,934,555)</b>	<b>(P12,544,249)</b>	<b>P2,610,354</b>	<b>P273,534,120</b>	<b>P845,457,879</b>	<b>P1,802,427</b>	<b>P847,260,306</b>

**PACIFIC ONLINE SYSTEMS CORPORATION**  
**Attachments to Unaudited Financial Statements**  
**Trade and Other Receivables**  
**As of September 30, 2022**

## 1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
<b>a.) Trade and Nontrade Receivables</b>			
1.) Trade receivables	P78,555,266	P -	P78,555,266
2.) Nontrade receivable	10,527,605	115,825,004	126,352,609
3.) Accrued license fee income-current	11,867,238	-	11,867,238
	<b>100,950,109</b>	<b>115,825,004</b>	<b>216,775,113</b>
<b>b.) Other Receivables</b>			
1.) Advances to officers and employees	60,113	-	60,113
2.) Advances Contractors and suppliers	150,220,475	-	150,220,475
3.) Other receivables	1,816,356	-	1,816,356
	<b>152,096,944</b>	<b>-</b>	<b>152,096,944</b>
<b>Total</b>	<b>P253,047,053</b>	<b>P115,825,004</b>	<b>P368,872,057</b>

## 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 September 30, 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.

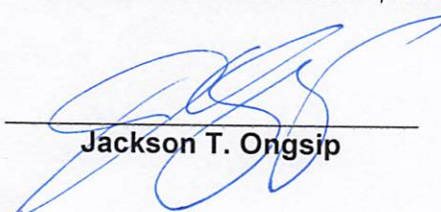
**End of Report**

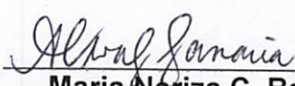
## Certification

We, **Jackson T. Ongsip**, President and Chief Executive Officer, and **Maria Neriza C. Banaria**, Chief Financial Officer and Treasurer of **Pacific Online Systems Corporation**, a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC registration number **AS93008809** and with principal office at **28/F East Tower, Philippine Stock Exchange, Exchange Road, Ortigas Center, Pasig City**, on oath state:

- 1) That we have caused this **SEC Form 17-Q (Quarterly Report)** for the period ended **September 30, 2022** to be prepared on behalf of **Pacific Online Systems Corporation**;
- 2) That we have read and understood its contents which are true and correct based on our own personal knowledge and/or on authentic records;
- 3) That the company, **Pacific Online Systems Corporation**, will comply with the requirements set forth in SEC Notice dated May 12, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
- 4) That we are fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
- 5) That the e-mail account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its submissions to CGFD.

IN WITNESS WHEREOF, we have hereunto set our hands this NOV 10 2022 day of \_\_\_\_\_, 2022.

  
\_\_\_\_\_  
**Jackson T. Ongsip**

  
\_\_\_\_\_  
**Maria Neriza C. Banaria**

SUBSCRIBED AND SWORN to before me this NOV 10 2022 day of \_\_\_\_\_, 2022, in PASIG CITY City, Philippines.

  
**GAUDENCIO A. BARBOZA, JR.**

**NOTARY PUBLIC**

City of Pasig, San Juan and  
in the Municipality of Pateros, Metro Manila  
Unit December 31, 2022

PTR No. 8098064 / 01/04/2022 Pasig City  
BP No. 167462 / 11/18/2021-For Year 2022/ RSM  
Roll No. 41969

MCLE Comp. VI-0021812 / March 28, 2019  
No. 11, Unit J Freemont Arcade Bldg.  
Shaw Blvd. Brgy. San Antonio, Pasig City  
Appointment No. 38 (2021-2022)

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