

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 , T e k t i t e
T o w e r s , 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)

Ma. Virginia V. Abo-Hamda	8584-1700
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(Contact Person)

(Company Telephone Number)

1 2	3 1
<i>Month</i>	<i>Day</i>
(Fiscal Year)	

1 7 - Q
(Form Type)

<i>Month</i>	<i>Day</i>
(Annual Meeting)	

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

58

Total No. of Stockholders

Total Amount of Borrowings

n/a	n/a
Domestic	Foreign

 To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document ID

_____ Cashier

S T A M P S

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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, 2021**
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 nine (9) months ended, September 30, 2021 and September 30, 2020;
- b.) Consolidated Statements of Comprehensive Income for the nine (9) months, ended September 30, 2021 and September 30, 2020
- c.) Consolidated Statements of Financial Position as of September 30, 2021 and Audited Statements of Financial Position as of December 31, 2020;
- d.) Consolidated Statements of Changes in Equity for the nine (9) months ended, September 30, 2021 and September 30, 2020; and
- e.) Consolidated Statements of Cash Flows for the nine (9) months ended, September 30, 2021 and September 30, 2020.

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

Results of Operations for the Period Ended September 30, 2021 vs. September 30, 2020

Revenues

For the nine months of 2021, Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P302.3 million, which is P80.9 million, or 37%, higher than last year's revenues of P221.4 million. The increase in revenues was mainly due to the higher number of lottery agents that reopened and higher volume of players compared to the same period in 2020, when PCSO games were shut down due to the onset of the Covid-19 virus pandemic. In 2021, the country reverted to stricter quarantine measures and suspensions after a resurgence of the virus in March to April 2021 as well as August through September 2021, while the lottery market is still recovering from last year's impact.

Costs and Expenses

The Group incurred total operating expenses of P394.6 million, which is 22% or P111.1 million lower than last year's P505.7 million for the nine months of the year. The decrease in costs and expenses is attributable to the streamlined operations of the company after the effects of the Covid-19 pandemic.:

- Personnel costs decreased by P26.9 million (23%);
- Depreciation and amortization by P85.6 million (43%)
- Rent and utilities decreased by P16.7 million (42%);
- Entertainment, amusement and recreation by P2.5 million (66%)
- Professional fees by P0.7 million (14%)
- Marketing and promotion by P3.3 million (98%)
- Other expenses decreased by P2.2 million (39%).

The above decreases were offset by the increases in the following expense accounts:

- Software and license fees increased by P11.3 million (39%)
- Communications increased by P3.4 million (7%);
- Operating supplies increased by P0.9 million (12%);
- Repairs and maintenance increased by P9.3 million (51%)
- Taxes and licenses increased by P1.3 million (14%)

Other Income (Charges)

Other income (net of other charges) of P0.9 million is lower by P6.5 million (88%) for the period ended September 30, 2021 versus last year's P7.4 million. This change was due mainly to the decrease in dividend income received in 2021 by P14.0 million. This was offset by lower finance charges of P4.8 million, which pertains to a bank loan made in the previous year, plus P1.6 million in foreign exchange gains.

Operating Income, Net Income, Other Comprehensive Income and Total Comprehensive Income

Due to a 37% increase in revenues or P80.9 million, the Group incurred a lower operating loss by 67% or P192.0 million. This translates to P92.3 million loss versus last year's P284.3 million operating loss. In spite of a 22% decrease in cost and expenses, the group realized a net loss of P91.4 million due to the slow recovery from the impact of COVID-19, which was aggravated by the imposition of the ECQ across major regions in March-May and August-September.

A P34.8 million fair value loss on investment in stocks resulted to a total comprehensive loss of P126.2 million. This is a P289.5 million or 70% decline from last year's total comprehensive loss of P415.7 million.

Financial Condition as of September 30, 2021 vs. December 31, 2020

The Group's total assets of P909.4 million as of September 30, 2021 decreased by P194.0 million or 18% from P1.1 billion as of December 31, 2020. The decrease in total assets is largely attributable to the following:

- Marketable securities decreased by P18.3 million (22%) due to the mark-to-market loss incurred during the period;
- Financial assets at fair value through comprehensive income decreased by P34.8 million (12%) due to the fair value loss incurred during the period;
- Property and equipment decreased by P41.3 (49%) and Right of Use (ROU) assets decreased by P1.7 million (16%) due to depreciation expense for the period, and;
- Other current and noncurrent assets decreased by P33.4 million (13%) due to amortization expense for the period.

The Group's total liabilities at P172.4 million decreased by P67.9 million, or 28% from P240.3 million as of December 31, 2020 due to lower operating costs and expenses and payments of liabilities, more specifically, trade and other current liabilities decreased by P67.8 million (38%), withholding taxes payable decreased by P0.2 million (10%), and lease liabilities decreased by P2.8 million (24%).

Due to the P91.4 million net loss from operations and the P34.8 million fair value loss on investment in stocks, the Group's equity ended with P736.9 million as of September 30, 2021; i.e., a decrease of P126.2 million (15%) from the P863.1 million equity as of yearend 2020.

Cash Flows for the Nine Months Ended September 30, 2021 vs. September 30, 2020

The Group's cash balance as of September 30, 2021 of P91.90 million was lower by P68.7 million (43%), as compared to P160.6 million in 2020, mainly due to increase in operating expenses and payments to service providers.

Discussion and Analysis of Material Events and Uncertainties Known to Management

While the lottery market is still slowly recovering from the impact of the COVID-19 pandemic, new variants of the virus hit the Philippines early this year, causing a significant surge in the number of COVID cases in Metro Manila, and other major cities nationwide. The government had to contain the surge and imposed Enhanced Community Quarantine (ECQ) in the affected areas twice this year. Coupled with several Local Government Units (LGU) imposing their own version of quarantine restrictions, lottery sales to date have not been able to take-off.

The Philippine Charity Sweepstakes Office (PCSO) issued the Notice of Award of the PCSO Lottery System (PLS) project on September 16, 2021 to the joint venture of Pacific Online with Philippine Gaming Management Corporation (PGMC), and International Lottery and Totalizator Systems Inc. (ILTS). Pacific Online has a 50% stake in the JV, which has 14 months to operationalize the new PLS upon receipt of a Notice to Proceed from PCSO.

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, 2020 to September 30, 2021;
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	30 September 2021	31 December 2020
Current ratio	Current assets over current liabilities	3.96:1	2.89:1
Debt to equity ratio	Total liabilities over total equity	0.23:1	0.28:1
Asset-to-equity ratio	Total assets over total equity	1.23:1	1.28:1
Solvency ratio	Total assets over total liabilities	5.27:1	4.59:1
Operating income (loss) margin	Operating income (loss) over revenues	(30.52%)	(128.43%)
Net profit (loss) margin	Net income (loss) over revenues	(30.24%)	(125.10%)
Return on equity	Net income (loss) over total equity	(12.40%)	(32.09%)
Return on assets	Net income (loss) over total assets	(10.05%)	(25.10%)

PART II - OTHER INFORMATION

Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash in banks, cash equivalents, trade and other receivables, marketable securities, investments in stocks, refundable deposits, guarantee bonds, trade and other current liabilities, loan payable, lease liabilities, obligations under finance lease and installment payable. The main purpose of these financial instruments is to provide financing for the Group's capital expenditures and operations. The Group has various other financial assets and liabilities such as trade and other receivables, refundable deposits, guarantee bonds, trade and other current liabilities, which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, equity price risk, liquidity risk and foreign currency risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below:

Credit Risk

The Group's receivables arise mainly from the ELA with PCSO and the license agreement with PGEC. Since the Group has significant concentration of credit risk on its receivable from PCSO and PGEC, it is the Group's policy that all credit terms specified in the ELA and the license agreement are complied with and payment terms are observed. With respect to other receivables, the Group manages credit risk by transacting only with recognized, creditworthy third parties. It is the Group's policy that the BOD approves the major transactions with third parties. Receivable balances are monitored on an ongoing basis with the objective that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash in banks, marketable securities, financial assets at FVOCI, refundable deposits and guarantee bonds, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the maximum exposure to credit risk for the Group's financial assets as at September 30, 2021 and December 31, 2020 without taking into account any collateral and other credit enhancements:

	Sep. 30, 2021	Dec. 31, 2020
Cash in banks and cash equivalents*	P91,290,439	P161,572,701
Trade and other receivables - net**	174,001,536	202,692,553
Marketable securities	65,914,428	84,260,926
Refundable deposits	3,676,328	4,159,704
Financial assets at FVOCI	247,061,850	281,822,365
Guarantee bonds***	14,500,000	14,500,000
Total credit exposure	P596,444,581	P749,008,249

*Excludes cash on hand amounting to P0.6 million and P0.7 million as at September 30, 2021 and December 31, 2020, respectively.

**Inclusive of noncurrent portion of accrued license fee income amounting to P37.0 million and P70.3 million as at September 30, 2021 and December 31, 2020, respectively.

***Includes the cash bond under "Other current assets" in the consolidated statements of financial position.

The table below shows the aging analysis of receivables as at September 30, 2021 and December 31, 2020:

	September 30, 2021		
	Neither Past Due nor Impaired	Impaired	Total
Trade and other receivables - net	P115,142,492	P -	P115,142,492
Accrued receivable*	55,054,638	-	55,054,638
Other receivables	3,804,406	-	3,804,406
	P174,001,536	P -	P174,001,536

*Inclusive of noncurrent portion of license fee income of P37.0 million.

	December 31, 2020		
	Neither Past Due nor Impaired	Impaired	Total
Trade and other receivables - net	P112,733,498	P -	P112,733,498
Accrued receivable*	86,206,043	-	86,206,043
Other receivables	3,753,012	-	3,753,012
	P202,692,553	P -	P202,692,553

* Inclusive of noncurrent portion of license fee income of P70.3 million

Receivables that are past due but not impaired are still collectible based on the assessment of debtor's ability to pay and collection agreement.

The table below shows the credit quality of the Group's neither past due nor impaired financial assets based on their historical experience with the corresponding third parties:

	September 30, 2021			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P91,290,439	P -	P -	P91,290,439
Trade and nontrade receivables - net	115,142,492	-	-	115,142,492
Accrued receivable*		55,054,638		55,054,638
Other receivables		3,804,406		3,804,406
Refundable deposits	-	3,676,328	-	3,676,328
Guarantee bonds	-	-	14,500,000	14,500,000
At FVPL:				
Marketable securities	65,914,428	-	-	65,914,428
At FVOCI:				
Financial assets at FVOCI	247,061,850	-	-	247,061,850
	P519,409,209	P62,535,372	P14,500,000	P596,444,581

*Inclusive of noncurrent portion of accrued license fee income amounting to P37.0 million

	December 31, 2020			
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P161,572,701	P -	P -	P161,572,701
Trade and nontrade receivables - net	112,733,498	-	-	112,733,498
Accrued receivable*		86,206,043		86,206,043
Other receivables		3,753,012		3,753,012
Refundable deposits	-	4,159,704	-	4,159,704
Guarantee bonds	-	-	14,500,000	14,500,000
At FVPL:				
Marketable securities	84,260,926	-	-	84,260,926
At FVOCI:				
Financial assets at FVOCI	281,822,365	-	-	281,822,365
	P640,389,490	P94,118,759	P14,500,000	P749,008,249

* Inclusive of noncurrent portion of accrued license fee income amounting to P70.3 million

Grade A pertains to those cash in banks and guarantee bonds that are deposited in reputable banks, investments with reputable publicly listed companies and receivables from PCSO which are consistently collected before the maturity date.

Grade B pertains to receivables that are collected on their due dates even without an effort from the Group to follow them up. Grade C pertains to receivables which are collected on their due dates provided that the Group made a persistent effort to collect them.

Estimating ECL

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets as at September 30, 2021 by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

September 30, 2021	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL not Credit Impaired	Total	ECL	Carrying Amount
Cash in banks and cash equivalents	P91,290,439	P -	P91,290,439	P -	P91,290,439
Trade and other receivables - net*	315,826,540	-	315,826,540	(141,825,004)	174,001,536
Refundable security deposits	3,676,328	-	3,676,328	-	3,676,328
Guarantee bonds	14,500,000	-	14,500,000	-	14,500,000
	P425,293,307	P -	P425,293,307	(P141,825,004)	P283,468,303

* Inclusive of noncurrent portion of accrued license fee income amounting to P37.0 million

December 31, 2020	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL not Credit Impaired	Total	ECL	Carrying Amount
Cash in banks and cash equivalents	P161,572,701	P -	P161,572,701	P -	P161,572,701
Trade and other receivables - net*	344,517,557	-	344,517,557	(141,825,004)	202,692,553
Refundable security deposits	4,159,704	-	4,159,704	-	4,159,704
Guarantee bonds	14,500,000	-	14,500,000	-	14,500,000
	P524,749,962	P -	P524,749,962	(P141,825,004)	P382,924,958

* Inclusive of noncurrent portion of accrued license fee income amounting to P70.3 million

The Group computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience. Any adjustments to the loss rates for forecasts of future economic conditions are not expected to be material. The Group applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks.

Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash has low credit risk based on the external credit ratings of the counterparties.

Receivables and refundable security deposits are considered of good quality since these are transacted with counterparties with high external credit ratings. the credit quality of these financial assets is considered to be high grade.

Marketable Securities and Investment in Stocks are considered good quality since these are invested in companies listed in the PSE.

Equity Price Risk

Equity price risk is the risk that the fair value of equity investments decreases as a result of changes in the value of individual stock. The Group's current exposure to equity price risk relates primarily to the Group's quoted marketable securities and financial assets at FVOCI. The Group monitors the equity investments based on market expectations. Significant investments 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 consolidated income before income tax and equity:

Marketable Securities

Increase (Decrease) in Equity Price	Effect on Consolidated Income before Income Tax
September 30, 2021	
5%	P3,295,721
(5%)	(3,295,721)
December 31, 2020	
5%	P4,213,046
(5%)	(4,213,046)

Financial assets at FVOCI

Increase (Decrease) in Equity Price	Effect on Comprehensive Net Income
September 30, 2021	
8%	P19,764,948
(8%)	(19,764,948)
December 31, 2020	
8%	P22,545,789
(8%)	(22,545,789)

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances and equity securities. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. The Group also has a committed line of credit that it can access to meet liquidity needs.

The Group maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements and equity securities. These are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	September 30, 2021				
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	Total
Trade and other current liabilities*	P19,803,437	P4,916,940	P12,766,137	P71,267,263	P108,753,776
Lease liabilities**	6,725,294	1,291,990	794,406	-	8,811,690
	P26,528,730	P6,208,930	P13,560,543	P71,267,263	P117,565,466

* Excluding statutory liabilities amounting to P1.6 million

	December 31, 2020				
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	Total
Trade and other current liabilities*	P68,152,272	P69,757,566	P7,087,656	P31,766,804	P176,764,298
Lease liabilities**	4,691,906	2,952,185	2,311,204	1,650,071	11,605,367
	P72,844,178	P72,709,751	P9,398,860	P33,416,876	P188,369,665

* Excluding statutory liabilities amounting to P1.5 million

**Inclusive of noncurrent portion

Foreign Currency Risk

The Group has transactional currency exposures. Such exposure arises from cash in banks and payables to certain suppliers which are denominated in U.S. dollar (US\$). The Group's financial instruments which are denominated in foreign currency include cash and consultancy and software and license fees payable. The Group maintains a US\$ account to match its foreign currency requirements.

As at September 30, 2021 and December 31, 2020, assets and liabilities denominated in US\$ include cash in banks amounting to P6.2 million (\$121,429) and P19.6 million (\$409,091), and trade and software and license fees payables amounting to P49.8 million (US\$978,303) and P80.3 million (\$1,672,996), respectively.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were P50.90 and P48.00 to US\$1, the Php to US\$ exchange rates, as at September 30, 2021 and December 31, 2020, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Php-US\$ exchange rates, with all other variables held constant, of the Group's consolidated income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

Increase (Decrease) in US\$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity
September 30, 2021		
5%	(P2,180,745)	(P1,526,522)
(5%)	2,180,745	1,526,522
December 31, 2020		
5%	(P3,033,372)	(P2,123,361)
(5%)	3,033,372	2,123,361

The increase in US\$ rate means stronger US\$ against Php while the decrease in US\$ means stronger Php against the US\$.

Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can 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, reacquire its own shares, or issue new shares. The Group monitors capital on the basis of current ratio and debt-to-equity ratio. The Group's strategy, which was unchanged from prior year, was to maintain current ratio and debt-to-equity ratio at manageable levels.

There were no changes in the Group's approach to capital management during the year.

As at September 30, 2021 and December 31, 2020, the Group is compliant with the minimum public float requirement by the PSE.

The Group defines capital as capital stock, additional paid-in capital, treasury stock, and dividend distributable. Other components of equity are excluded from capital for purposes of capital management.

There were no changes in the Group's approach to capital management during the year. As at September 30, 2021 and December 31, 2020, the Group is compliant with the minimum public float requirement by PSE.

The Group's current ratio, calculated as total current assets over total current liabilities, and debt-to-equity ratio, calculated as total liabilities over equity, as at September 30, 2021 and December 31, 2020 are as follows:

Current Ratio

	Sep. 30, 2021	Dec. 31, 2020
Current assets	P471,065,826	P543,642,893
Current liabilities	118,985,416	187,891,135
Current ratio	3.96:1.00	2.89:1.00

Debt-to-Equity Ratio

	Sep. 30, 2021	Dec. 31, 2020
Total liabilities	172,401,436	P240,263,489
Total equity	736,965,080	863,140,552
Debt-to-equity ratio	0.23:1.00	0.28:1.00

To address the prohibition in maintaining excess retained earnings over the paid in capital under Sec. 43 of the Corporation Code, the Group intends to continuously declare dividends, and/or set aside funds for new projects that are in line with its business strategies with due consideration for the state of the gaming industry and national economy.

Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments as of September 30, 2021 and December 31, 2020:

	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At Amortized Cost:				
Cash and cash equivalents	P91,290,439	P91,290,439	P161,572,701	P161,572,701
Trade and other receivables-net*	174,001,536	174,001,536	202,692,553	202,692,553
Refundable deposits	3,676,328	3,676,328	4,159,704	4,159,704
Guarantee bonds	14,500,000	14,500,000	14,500,000	14,500,000
At FVPL:				
Marketable securities	65,914,428	65,914,428	84,260,926	84,260,926
At FVOCI:				
Financial Assets at FVOCI	247,061,850	247,061,850	281,822,365	281,822,365
	P596,444,581	P596,444,581	P 749,008,249	P 749,008,249

	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At Amortized Cost:				
Trade and other current liabilities**	P108,753,776	P108,753,776	P176,764,298	P176,764,298
Lease liabilities (inclusive of noncurrent portion)	8,811,690	8,811,690	11,605,367	11,605,367
	P117,565,466	P117,565,466	P188,369,665	P188,369,665

*Inclusive of noncurrent portion of accrued license fee income amounting to P37.0 million and P70.3 million as at September 30, 2021 and December 31, 2020, respectively.

**Excluding statutory liabilities of P1.6 million and P1.5 million as at September 30, 2021 and December 31, 2020, respectively.

The carrying amounts of cash and cash equivalents, trade and other receivables (excluding accrued license fee income), deposits, trade and other current liabilities and loan payable approximate their fair values due to the relatively short-term maturities of the financial instruments.

The carrying amount of accrued license fee income is based on present value using a discount rate that approximates the prevailing market rate.

The carrying amounts of guarantee bonds, deposits, lease liabilities, obligations under finance lease, and installment payable approximate their fair values since the Group does not anticipate that the effect of discounting using the prevailing market rate is significant.

	Level 1	Level 2	Level 3	Total
Marketable Securities				
September 30, 2021	P65,914,428	P -	P -	P65,914,428
December 31, 2020	84,260,926	-	-	84,260,926
Financial Assets at FVOCI				
September 30, 2021	P247,061,850	-	-	P247,061,850
December 31, 2020	281,822,365	-	-	281,822,365

There were no transfers between Levels as of September 30, 2021 and December 31, 2020.

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, 2021 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, 2021, 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, 2021.
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

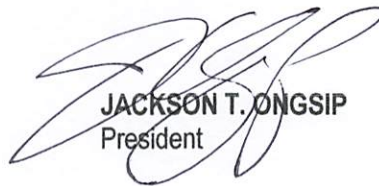
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **PACIFIC ONLINE SYSTEMS CORPORATION**



WILLY N. OCIER
Chairman of the Board

Date: November 4, 2021



JACKSON T. ONGSIP
President

Date: November 4, 2021



MA. VIRGINIA V. ABO-HAMDA
Chief Financial Officer

Date: November 4, 2021

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	September 30, 2021	December 31, 2020
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	P91,935,570	P162,274,833
Marketable securities	65,914,428	84,260,926
Trade and other receivables – net	136,986,301	132,373,468
Other current assets	176,229,527	164,733,666
Total Current Assets	471,065,826	543,642,893
Noncurrent Assets		
Financial assets at fair value through other comprehensive income	247,061,850	281,822,365
Investment and advances	1,223,420	-
Property and equipment – net	42,165,283	83,495,388
Right of use asset - net	8,449,867	10,119,536
Deferred tax asset-net	82,414,559	82,414,559
Other noncurrent assets	56,985,711	101,909,299
Total Noncurrent Assets	438,300,690	559,761,148
TOTAL ASSETS	P909,366,516	P1,103,404,041
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	P110,372,278	P178,225,995
Withholding taxes payable	1,787,462	1,982,170
Income tax payable	-	6,146
Lease liabilities	6,825,676	7,676,824
Total Current Liabilities	118,985,416	187,891,135
Noncurrent Liabilities		
Defined benefit liability	51,430,006	48,443,811
Lease liabilities - net of current portion	1,986,014	3,928,543
Total Noncurrent Liabilities	53,416,020	52,372,354
TOTAL LIABILITIES	172,401,436	240,263,489
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	895,330,946	895,330,946
Additional paid-in capital	257,250,677	257,250,677
Treasury shares	(285,267,558)	(285,267,558)
Fair value reserve	(497,371,001)	(462,610,486)
Retirement benefits reserve	(14,014,805)	(14,014,805)
Retained earnings	378,854,771	469,987,087
Sub-total	734,783,030	860,675,861
Non-controlling Interests	2,182,050	2,464,691
Total Equity	736,965,080	863,140,552
TOTAL LIABILITIES AND EQUITY	P909,366,516	P1,103,404,041

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)
For the nine months ended September 30, 2021 and 2020

	Nine Months Ended Sep 30		This Quarter	
	2021	2020	2021	2020
REVENUES				
Equipment rentals	P302,332,724	P175,256,046	P96,958,050	P41,251,687
Commission and distribution income	-	46,120,634	-	2,380
Total Revenues	302,332,724	221,376,680	96,958,050	41,254,066
COSTS AND EXPENSES				
Personnel costs	90,571,719	117,481,967	29,325,277	26,941,171
Software and license fees	40,468,153	29,170,768	10,814,487	8,588,222
Operating supplies	8,427,426	7,535,166	4,372,370	1,468,982
Depreciation and amortization	111,989,092	197,571,165	39,058,924	68,295,631
Communications	53,143,610	49,744,274	14,640,548	14,253,229
Travel and accommodation	18,991,112	18,547,324	6,315,461	5,334,758
Rent, utilities and outside services	23,346,630	40,043,789	8,241,665	7,667,375
Repairs and maintenance	27,654,570	18,309,180	13,171,076	5,770,820
Taxes and licenses	10,866,516	9,521,877	1,281,473	2,725,000
Entertainment, amusement and recreation	1,277,649	3,771,260	906,269	179,424
Professional fees	4,450,081	5,142,493	1,378,327	1,572,690
Marketing and promotions	46,929	3,265,264	32,000	(13,625)
Others	3,386,116	5,587,927	2,268,129	517,598
Total Costs and Expenses	394,619,602	505,692,453	131,829,055	143,301,275
OPERATING INCOME (LOSS)	(92,286,878)	(284,315,773)	(34,871,006)	(102,047,209)
OTHER INCOME (CHARGES)				
Dividend income	15,368,577	29,302,224	-	(321,720)
Interest income	106,961	355,401	60,194	178,538
Finance charges	(620,213)	(5,400,082)	(199,981)	(1,216,870)
Mark-to-market gain (loss) on marketable securities	(18,346,498)	(18,981,976)	(12,277,683)	(1,111,813)
Gain (loss) on sale of Property and equipment	10,000	850	-	-
Foreign exchange gain (loss)	790,421	(771,578)	31,896	(564,009)
Others – net	3,562,672	2,868,277	542,284	(7,924,009)
Total Other Income (Charges)	871,921	7,373,115	(11,843,289)	(10,959,883)
INCOME (LOSS) BEFORE INCOME TAX	(91,414,957)	(276,942,657)	(46,714,295)	(113,007,092)
INCOME TAX EXPENSE (BENEFIT)				
Current	-	-	-	-
Deferred	-	-	-	-
	-	-	-	-
NET INCOME (LOSS)	(P91,414,957)	(P276,942,657)	(P46,714,295)	(P113,007,092)
Attributable to:				
Equity holders of the Parent Company	(91,132,316)	(275,919,134)	(46,580,751)	(112,780,646)
Non-controlling interests	(282,641)	(1,023,523)	(133,544)	(226,446)
	(P91,414,957)	(P276,942,657)	(P46,714,295)	(P113,007,092)
Attributable to Equity Holders of the Parent Company				
Basic Earnings Per Share	(P0.1079)	(P0.3266)	(P 0.0551)	(P0.1335)
Diluted Earnings Per Share	(P0.1079)	(P0.3266)	(P 0.0551)	(P0.1335)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
For the nine months ended September 30, 2021 and 2020

	Nine Months Ended Sep 30		This Quarter	
	2021	2020	2021	2020
NET INCOME (LOSS)	(P91,414,957)	(P276,942,657)	(P46,714,295)	(P113,007,092)
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	(34,760,515)	(138,721,610)	(12,551,795)	(3,885,605)
Remeasurements of retirement benefits, net of tax	-	-	-	-
	(34,760,515)	(138,721,610)	(12,551,795)	(3,885,605)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P126,175,472)	(P415,664,267)	(P59,266,090)	(P116,892,697)
Attributable to:				
Owners of the Parent Company	(125,892,831)	(414,640,744)	(59,132,546)	(116,666,251)
Non-controlling interests	(282,641)	(1,023,523)	(133,544)	(226,446)
	(P126,175,472)	(P415,664,267)	(P59,266,090)	(P116,892,697)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended September 30, 2021 and 2020

	For the nine months ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(P91,414,957)	(P276,942,657)
Adjustments for:		
Depreciation and amortization	111,989,092	197,571,165
Dividend income	(15,368,577)	(29,302,224)
Retirement cost	7,986,195	5,200,000
Finance charges	620,213	5,400,082
Unrealized foreign exchange loss (gain)	(790,421)	771,578
Interest income	(106,961)	(355,401)
Fair value loss on marketable securities	18,346,498	18,981,976
Gain on sale of:		
Subsidiary	-	(9,547,745)
Property and equipment	(10,000)	(850)
Operating income before working capital changes	31,251,080	(88,224,076)
Decrease (increase) in:		
Trade and other receivables	(4,612,833)	(47,985,232)
Other current assets	(44,904,952)	(43,041,783)
Other noncurrent assets	44,923,590	15,246,199
Increase (decrease) in:		
Trade and other payables	(67,853,716)	93,697,495
Withholding taxes payable	(194,709)	(550,165)
Interest received	106,961	355,401
Income tax paid	(6,146)	(1,294,285)
Retirement contributions paid	(5,000,000)	-
Net cash flows provided by operating activities	(46,290,725)	(71,796,446)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of		
Property and equipment	(28,127,661)	(57,273,209)
Proceeds from sale of:		
Subsidiaries	-	137,413,892
Marketable securities	-	50,000,000
Property and equipment	10,000	850
Dividends received	15,368,577	29,302,224
Advances to joint venture	(1,223,420)	-
Net cash flows provided by investing activities	(13,972,503)	159,443,757
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Loan payable	-	(112,500,000)
Lease liabilities	(10,246,243)	(5,400,082)
Finance charges paid	(620,213)	(18,321,393)
Net cash flows used in financing activities	(10,866,456)	(136,221,475)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(71,129,684)	(48,574,164)
CASH AT BEGINNING OF YEAR	162,274,833	209,937,094
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	790,421	(771,578)
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	Treasury Shares	Fair Value Reserve	Reserve for Retirement Benefits	Retained Earnings	Total	Non- Controlling Interest	Total Equity
January 1, 2020	P895,330,946	P257,250,677	(P285,267,558)	(P396,801,971)	(P17,614,609)	P855,178,424	P1,308,075,910	P5,343,443	P1,313,419,353
Other comprehensive income (loss)	-	-	-	(138,721,610)	-	-	(138,721,610)	-	(138,721,610)
Net income (loss) for the period	-	-	-	-	-	(275,919,134)	(275,919,134)	(1,023,523)	(276,942,657)
Total comprehensive income (loss) for the period	-	-	-	(138,721,610)	-	(275,919,134)	(414,640,744)	(1,023,523)	(415,664,267)
Sale of subsidiaries	-	-	-	-	6,682,576	23,603,846	30,286,421	-	30,286,421
Total transactions with owners in their capacity as owners	-	-	-	(138,721,610)	6,682,576	(252,315,288)	(384,354,323)	(1,023,523)	(385,377,846)
September 30, 2020	P895,330,946	P257,250,677	(P285,267,558)	(535,523,581)	(P10,932,033)	P602,863,136	P923,721,587	P4,319,920	P928,041,507
January 1, 2021	P895,330,946	P257,250,677	(P285,267,558)	(P462,610,486)	(P14,014,805)	P469,987,087	P860,675,861	P2,464,691	P863,140,553
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)
Dividends paid	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	(34,760,515)	-	(91,132,316)	(125,892,831)	(282,641)	(126,175,472)
September 30, 2021	P895,330,946	P257,250,677	(P285,267,558)	(P497,371,001)	(P14,014,805)	P378,854,771	P734,783,029	P2,182,050	P736,965,079

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Trade and Other Receivables
As of September 30, 2021

1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
a.) Trade and Nontrade Receivables			
1.) Trade receivables	P36,610,804	P -	P36,610,804
2.) Nontrade receivable	80,679,079	-	80,679,079
3.) Accrued license fee income-current	18,039,403	-	18,039,403
	135,329,286	-	135,329,286
b.) Other Receivables			
1.) Advances to officers and employees	1,556,915	-	1,556,915
2.) Advances Contractors and suppliers	69,066	-	69,066
3.) Other receivables	31,034	-	31,034
	1,657,015	-	1,657,015
Total	P136,986,301	P -	P136,986,301

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, 2021

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. 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 business of leasing lottery equipment to PCSO (leasing activity) and sale of lottery tickets (distribution and retail activities), which was discontinued during the first half of the year.

Financial information about the Group's business segments are shown below:

	For the Nine Months Ended September 30, 2021					
	Equipment Leasing Activities	Distribution and Retail Activities	Eliminations	Consolidated		
Revenue						
Equipment rental	P302,332,724	P	-	P	-	P302,332,724
Commission and distribution income	-		-		-	-
Total revenue	P302,332,724	P	-	P	-	P302,332,724
Segments Results						
Income (loss) before income tax	(76,701,813)	(270,556)	(14,442,589)			(91,414,957)
Income tax expense (benefit)	-	-	-			-
Net income (loss)	(76,701,813)	(270,556)	(14,442,589)			(91,414,957)
Segment assets	P1,081,308,856	P83,157,929	(P255,100,270)			P909,366,515
Deferred tax assets – net	81,738,151	-	676,408			82,414,559
Segments assets (excluding deferred tax assets - net)	999,570,706	83,157,929	(255,776,679)			826,951,956
Segment liabilities	229,807,861	-	(57,406,425)			172,401,436
Other Information						
Capital expenditures	28,127,661	-	-			28,127,661
Depreciation and amortization	111,989,092	-	-			111,989,092
Finance charges	(620,213)	-	-			(620,213)
Interest income	106,961	-	-			106,961

End of Report