

COVER SHEET

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SEC Registration Number

P A C I F I C O N L I N E S Y S T E M S
C O R P O R A T I O N A N D S U B S I D I A R I E S

(Company's Full Name)

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

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

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

(Company Telephone Number)

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<i>Month</i>	<i>Day</i>
(Fiscal Year)	

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(Form Type)

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

(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

56
Total No. of Stockholders

Total Amount of Borrowings	
Php37.5 M	n/a
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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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, 2020 and September 30, 2019;
- b.) Consolidated Statements of Comprehensive Income for the nine (9) months, ended September 30, 2020 and September 30, 2019;
- c.) Consolidated Statements of Financial Position as of September 30, 2020 and Audited Statements of Financial Position as of December 31, 2019;
- d.) Consolidated Statements of Changes in Equity for the nine (9) months ended, September 30, 2020 and September 30, 2019; and
- e.) Consolidated Statements of Cash Flows for the nine (9) months ended, September 30, 2020 and September 30, 2019.

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

Results of Operations for the Period Ended September 30, 2020 vs. September 30, 2019

Revenues

For the nine months of 2020, Pacific Online Systems Corporation (the "Company") consolidated with its subsidiaries (the "Group"), earned total revenues of P221.4 million, which is P545.0 million, or 71%, lower than last year's revenues of P766.4 million. The decrease in revenues was mainly due to the suspension of PCSO lotto sales from March 17 to August 3, 2020, and keno sales from March 17 to July 27, in compliance with the Enhanced Community Quarantine (ECQ) and General Community Quarantine (GCQ) guidelines mandated by the government in response to the Covid-19 Pandemic. Additionally, the sale of its subsidiary Lucky Circle Corporation (LCC) in February 2020 and lower rental rate for keno also caused the decrease in revenues.

Costs and Expenses

The Group incurred total operating expenses of P505.7 million, which is 49% or P483.0 million lower than last year's P988.7 million for the nine months of the year. The decrease in costs and expenses is attributable to the suspension of the lottery games and sale of LCC. Company operations was kept at essential skeletal force upon commencement of the ECQ, and the "no work-no pay" policy was implemented starting May. This resulted to double-digit percentage decrease in expenses as follows:

- Personnel costs decreased by P136.5 million (54%);
- Software and license fees decreased by P91.1 million (76%);
- Operating supplies decreased by P28.8 million (79%);
- Communications decreased by P35.2 million (41%);
- Travel and accommodation decreased by P48.2 million (72%);
- Repairs and maintenance decreased by P64.2 million (78%);
- Taxes and licenses decreased by P27.3 million (74%); and
- Other expenses decreased by P10.9 million (66%).

Other Income (Charges)

Other income (net of other charges) of P7.4 million decreased by P18.0 million (71%) for the period ended September 30, 2020 versus last year's P25.4 million. This change is mainly due to the P19.0 million mark to market (MTM) loss on marketable securities, offset by P9.5M net gain on the sale of LCC.

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

Due to a P545.0 million (71%) decline in revenues, the Group incurred an operating loss of P276.9 million, which is higher by P80.0 million (41%) from last year's P196.9 million operating loss. Said operating loss was incurred in spite of a P483.0 million (49%) decrease in costs and expenses. Other income of P7.4 million was lower by P18.0 million (71%) from last year's P25.4 million other income, mostly due to a P19.0 million mark to market loss on marketable securities. The Group realized a net loss of P276.9 million, which is higher by P75.2 million (37%), from the P201.7 million net loss during the same period last year,

A P138.7 million fair value loss on investment in stocks resulted to a total comprehensive loss of P415.7 million, this is a P161.6 million or 63.6% decline from last year's total comprehensive loss of P254.1 million.

Financial Condition as of September 30, 2020 vs. December 31, 2019

The Group's total assets of P1.1 billion as of September 30, 2020 decreased by P591.0 million or 35% from P1.7 billion as of December 31, 2019. The decrease in total assets is largely attributable to the following:

- Marketable securities decreased by P69.0 million (49%) due to the redemption of P50.0 million LR preferred shares and P19.0 million mark to market loss for the period;
- Investment in stocks decreased by P138.7 million (40%) due to the fair value loss incurred during the period, and;
- Other current assets decreased by P81.3 million (38%), Right of Use (ROU) assets decreased by P25.1 million (50%), Deferred tax assets decreased by P24.0 million and Other noncurrent assets decreased by P98.8 million (34%) mainly due to the effect of sale of LCC.

The above-mentioned decreases were offset by the increase in trade and other receivables of P44.1 million (26%).

The Group's total liabilities at P193.8 million decreased by P205.6 million, or 51% from P399.4 million as of December 31, 2019. The decrease in total liabilities is explained as follows:

- Trade and other current liabilities decreased by P64.0 million (44%), Withholding taxes payable decreased by P2.3 million (67%), Income taxes payable decreased by P4.3 million (100%) and Lease liabilities decreased by P22.6 million (39%) due to lower operating costs and expenses during the period under ECQ and GCQ plus the sale of LCC in February 2020;
- Loans payable decreased by P112.5 million (75%) due to payments made during the nine months of 2020.

The decreases above were offset by the increase in defined benefit liability of P8.1 million (27%), resulting from the P5.2 million additional accrual of retirement expense and exclusion of retirement benefit asset of LCC.

Total equity as of September 30, 2020 of P928.0 million decreased by P385.4 million from the P1.313 billion equity as of yearend 2019. The decrease in total equity resulted from the P138.7 million fair value loss on investment in stocks and the P276.9 million net loss from operations for the period. However, said decrease was offset by the exclusion of LCC's P23.6 million deficit and P6.7 million reserve for retirement benefits, as LCC was sold in February 2020. Refer to Consolidated Statement of Changes in Equity for details.

Cash Flows for the Six Months Ended September 30, 2020 vs. September 30, 2019

The Group's cash balance as of September 30, 2020 of P160.6 million was lower by P208.6 million (56%), as compared to P369.2 million in 2019, mainly due to the substantial decrease in revenues resulting from suspension of lottery sales for over four (4) months, exclusion of LCC cash, and amortization payments of P112.5 million for the company's bank loan.

Discussion and Analysis of Material Events and Uncertainties Known to Management

PCSO resumed the operations of keno and lotto on July 28 and August 4, respectively, in selected areas allowed by the Local Government Units under GCQ and less quarantine restriction. The suspension of the keno and lotto operations of PCSO for over four (4) months had a major impact on the Company's financial results. With the said resumption of operations, and the gradual easing up of community quarantine rules, the Company expects that its lottery revenues will gradually improve to approximate pre-COVID levels.

The Company's existing agreement with PCSO has been extended up to another year through July 2021. The indication from PCSO is that the process of rebidding the PCSO Lottery System (PLS), will be put on the table again in 2021, quarantine conditions permitting. In the event of the final completion of the rebidding process, the Company expects that its lease agreement with PCSO will, nonetheless, be extended further by at least eighteen (18) months after the contract award to serve as a transition period to the new system of the winning bidder.

Except for what has been noted in the 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, 2019 to September 30, 2020, except those mentioned above;
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 2020	31 December 2019
Current ratio	Current assets over current liabilities	3.76:1	2.40:1
Debt to equity ratio	Total liabilities over total equity	0.21:1	0.30:1
Asset-to-equity ratio	Total assets over total equity	1.21:1	1.30:1
Solvency ratio	Total assets over total liabilities	5.79:1	4.29:1

Profitability Ratios	The manner by which the Company calculates the performance indicators	30 September 2020	30 September 2019
Operating income (loss) margin	Operating income (loss) over revenues	(128.43%)	(29.00%)
Net profit (loss) margin	Net income (loss) over revenues	(125.10%)	(26.32%)
Return on equity	Net income (loss) over total equity	(29.84%)	(15.36%)
Return on assets	Net income (loss) over total assets	(24.69%)	(11.78%)

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, investments in stocks, 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, 2020 and December 31, 2019 without taking into account any collateral and other credit enhancements:

	Sep. 30, 2020	Dec. 31, 2019
Cash in banks and cash equivalents	P159,561,351	P332,880,313
Trade and other receivables - net*	240,359,582	212,881,594
Marketable securities	71,474,605	140,456,581
Refundable deposits	6,214,746	35,424,154
Investments in stocks	208,909,270	347,630,880
Guarantee bonds**	12,000,000	12,000,000
Total credit exposure	P698,519,554	P1,081,273,522

The table below shows the aging analysis of receivables other financial assets as at September 30, 2020 and December 31, 2019:

	September 30, 2020		
	Neither Past Due nor Impaired	Impaired	Total
Trade and other receivables - net	P46,690,794	P -	P46,690,794
Accrued receivable*	122,270,147	-	122,270,147
Note receivable	68,400,000	-	68,400,000
Guarantee bonds**	12,000,000	-	12,000,000
Refundable deposits	6,214,746	-	6,214,746
Other receivables	2,998,641	-	2,998,641
	P258,574,328	P -	P258,574,328

* Inclusive of noncurrent portion of license fee income of P81.2 million and exclusive of advance payments of P57.5 million.

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

	December 31, 2019		
	Neither Past Due nor Impaired	Impaired	Total
Trade and other receivables - net	P75,106,370	P -	P75,106,370
Accrued receivable*	136,615,655	-	136,615,655
Guarantee bonds**	12,000,000	-	12,000,000
Refundable deposits	35,424,154	-	35,424,154
Other receivables	1,159,570	-	1,159,570
	P260,305,748	P -	P260,305,748

* Inclusive of noncurrent portion of license fee income of P96.6 million and exclusive of advance payments of P56.2 million.

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

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, 2020			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P159,561,351	P -	P -	P159,561,351
Trade and other receivables - net*	118,089,435	122,270,147	-	240,359,582
Refundable deposits	-	6,214,746	-	6,214,746
Guarantee bonds	-	-	12,000,000	12,000,000
At FVPL:				
Marketable securities	71,474,605	-	-	71,474,605
At FVOCI:				
Investments in stocks	208,909,270	-	-	208,909,270
	P558,034,661	P128,484,893	P12,000,000	P698,519,554

* Inclusive of noncurrent portion of accrued license fee income amounting to P81.2 million and exclusive of advance payments of P57.5 million.

	December 31, 2019			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P332,880,313	P -	P -	P332,880,313
Trade and other receivables - net*	76,265,939	136,615,655	-	212,881,594
Refundable deposits	-	35,424,154	-	35,424,154
Guarantee bonds	-	-	12,000,000	12,000,000
At FVPL:				
Marketable securities	140,456,581	-	-	140,456,581
At FVOCI:				
Investments in stocks	347,630,880	-	-	347,630,880
	P897,233,714	P172,039,809	P12,000,000	P1,081,273,522

* Inclusive of noncurrent portion of accrued license fee income amounting to P96.6 million and exclusive of advance payments of P56.2 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.

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 investments in stocks. 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, 2020		
5%		P3,573,730
(5%)		(3,573,730)
December 31, 2019		
5%		P7,022,829
(5%)		(7,022,829)

Investments in Stocks

Increase (Decrease) in Equity Price		Effect on Comprehensive Net Income
September 30, 2020		
8%		P16,712,742
(8%)		(16,712,742)
December 31, 2019		
8%		P27,810,470
(8%)		(27,810,470)

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, 2020				Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	
Trade and other current liabilities*	P49,829,956	P5,625,502	P2,870,574	P21,094,914	P79,420,946
Loans payable	37,500,000	-	-	-	37,500,000
Lease liabilities	9,260,207	14,502,773	7,778,356	5,453,533	36,994,869
	P96,590,163	P20,128,275	P10,648,930	P26,548,447	P153,915,815

* Excluding statutory liabilities amounting to P0.8 million.

	December 31, 2019				Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	
Trade and other current liabilities*	P61,145,801	P52,988,151	P634,800	P27,627,805	P142,396,558
Loans payable	37,500,000	75,000,000	37,500,000	-	150,000,000
Lease liabilities	9,736,270	18,392,707	30,244,143	9,248,884	67,602,005
	P108,382,072	P146,380,859	P68,358,943	P36,876,689	P359,998,563

* Excluding statutory liabilities amounting to P1.8 million.

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, 2020 and December 31, 2019, assets and liabilities denominated in US\$ include cash in banks amounting to P20.7 million (\$427,770) and P51.8 million (\$1,022,373), and consultancy and software and license fees payable amounting to P10.1 million (\$209,052) and P17.2 million (\$339,792), respectively.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were P48.40 and P50.64 to US\$1, the Php to US\$ exchange rates, as at September 30, 2020 and December 31, 2019, 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, 2020		
5%	P529,299	P370,510
(5%)	(529,299)	(370,510)
December 31, 2019		
5%	(P691,698)	(P484,188)
(5%)	691,698	484,188

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.

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

There were no changes in the Company's approach to capital management during the period. As at September 30, 2020 and December 31, 2019, the Company is compliant with the minimum public float requirement by PSE.

The Group's current ratio and debt-to-equity ratio as at September 30, 2020 and December 31, 2019 are as follows:

Current Ratio

	Sep. 30, 2020	Dec. 31, 2019
Current assets	581,598,424	P864,695,033
Current liabilities	154,599,860	360,318,424
Current ratio	3.76:1.00	2.40:1.00

Debt-to-Equity Ratio

	Sep. 30, 2020	Dec. 31, 2019
Total liabilities	P193,812,665	P399,410,077
Total equity	928,041,507	1,313,419,353
Debt-to-equity ratio	0.21:1.00	0.30:1.00

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 at September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At Amortized Cost:				
Cash and cash equivalents	P160,591,351	P160,591,351	P337,471,529	P337,471,529
Trade and other receivable*	240,359,582	240,359,582	212,881,594	212,881,594
Refundable deposits	6,214,746	6,214,746	35,424,154	35,424,154
Guarantee bonds	12,000,000	12,000,000	12,000,000	12,000,000
At FVPL:				
Marketable securities	71,474,605	71,474,605	140,456,581	140,456,581
At FVOCI:				
Investments in stocks	208,909,270	208,909,270	347,630,880	347,630,880
	P699,549,554	P699,549,554	P1,085,864,738	P1,085,864,738

	September 30, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At Amortized Cost:				
Trade and other current liabilities**	P79,420,946	P79,420,946	P142,396,558	P142,396,558
Loan payable	37,500,000	37,500,000	150,000,000	150,000,000
Lease liabilities (inclusive of noncurrent portion)	36,994,870	36,994,870	67,602,005	67,602,005
	P153,915,815	P153,915,815	P359,998,563	P359,998,563

*Inclusive of noncurrent portion of accrued license fee income amounting to P81.2 million and P96.6 million and exclusive of advances amounting to P57.5 million and P56.2 million as at September 30, 2020 and December 31, 2019, respectively.

**Excluding statutory liabilities of P0.6 million and P1.8 million as at September 30, 2020 and December 31, 2019, 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 fair values of marketable securities and investments in stocks are based on quoted market prices.

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				
Sep. 30, 2020	P71,474,605	P -	P -	P71,474,605
Dec. 31, 2019	155,704,892	-	-	155,704,892
Investments in Stocks				
Sep. 30, 2020	208,909,270	-	-	208,909,270
Dec. 31, 2019	455,705,930	-	-	455,705,930

There were no transfers between Levels as at September 30, 2020 and December 31, 2019.

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, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise stated, the adoption did not have a material impact on the Group's consolidated financial statements.

- *PFRS 16 Leases supersedes PAS 17 Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

The Group has adopted PFRS 16 on the date of initial application, January 1, 2019. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The average rate applied for lease contracts with duration of 13 months to 23 months is 6% and the rate applied for lease contracts with duration of 24 months to 35 months is 6.5%.

The following amended standards and interpretations are relevant but did not have a significant impact on the Group's consolidated financial statements.

- Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to PFRS 9 Financial Instruments).
- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28 Investments in Associates and Joint Ventures).
- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19 Employee Benefits).
- Annual Improvements to PFRSs 2015 - 2017 Cycle.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards sets*
- *Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8*

Accounting Policies, Changes in Accounting Estimates and Errors).

- Definition of a Business (Amendments to PFRS 3 Business Combinations).
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, 2020 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, 2020, 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, 2020
 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
and President

Date: October 29, 2020



MA. VIRGINIA V. ABO-HAMDA
Chief Financial Officer

Date: October 29, 2020

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	September 30, 2020	December 31, 2019
	Unaudited	Audited
ASSETS		
Current Assets		
Cash	P160,591,351	P337,471,529
Marketable securities	71,474,605	140,456,581
Trade and other receivables – net	216,602,602	172,501,609
Other current assets	132,929,867	214,265,314
Total Current Assets	581,598,425	864,695,033
Noncurrent Assets		
Investments in stocks	208,909,270	347,630,880
Property and equipment – net	86,162,878	107,415,991
Right of use asset - net	25,235,003	50,298,070
Deferred tax asset-net	28,496,446	52,501,395
Other noncurrent assets	191,452,150	290,288,060
Total Noncurrent Assets	540,255,747	848,134,396
TOTAL ASSETS	P1,121,854,172	P1,712,829,429
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	P80,217,039	P144,231,951
Withholding taxes payable	1,130,450	3,458,412
Income tax payable	6,043	4,274,940
Loan payable	37,500,000	150,000,000
Lease liabilities	35,746,326	58,353,121
Total Current Liabilities	154,599,860	360,318,424
Noncurrent Liabilities		
Defined benefit liability	37,964,261	29,842,768
Lease liabilities - net of current portion	1,248,543	9,248,885
Total Noncurrent Liabilities	39,212,804	39,091,653
TOTAL LIABILITIES	193,812,665	399,410,077
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	(535,523,581)	(396,801,971)
Retirement benefits reserve	(10,932,033)	(17,614,609)
Retained earnings	602,863,136	855,178,424
Non-controlling Interests	923,721,587	1,308,075,910
Total Equity	4,319,920	5,343,443
TOTAL LIABILITIES AND EQUITY	P1,121,854,172	P1,712,829,429

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)
For the nine months ended September 30, 2020 and 2019

	Nine Months Ended Sep 30		This Quarter	
	2020	2019	2020	2019
REVENUE				
Equipment rental	175,256,046	P530,301,534	P41,251,687	P161,255,106
Commission and distribution income	46,120,634	236,112,075	2,380	46,395,417
	221,376,680	766,413,608	41,254,066	207,650,523
COSTS AND EXPENSES				
Personnel costs	117,481,967	253,978,780	26,941,171	76,513,985
Software and license fees	29,170,768	120,241,104	8,588,222	29,223,259
Operating supplies	7,535,166	36,368,544	1,468,982	5,425,097
Depreciation and amortization	197,571,165	149,491,691	68,295,631	40,439,588
Communications	49,744,274	84,962,814	14,253,229	24,546,957
Travel and accommodation	18,547,324	66,722,292	5,334,758	35,719,663
Rent, utilities and outside services	40,043,789	114,941,079	7,667,375	38,608,536
Management fees	-	-	-	(1,634,426)
Repairs and maintenance	18,309,180	82,529,455	5,770,820	37,442,728
Taxes and licenses	9,521,877	36,873,146	2,725,000	17,274,086
Entertainment, amusement and recreation	3,771,260	12,392,949	179,424	8,570,237
Professional fees	5,142,493	11,278,912	1,572,690	4,758,784
Marketing and promotions	3,265,264	2,408,126	(13,625)	255,566
Others	5,587,927	16,470,219	517,598	2,884,980
	505,692,453	988,659,110	143,301,275	320,029,038
OPERATING INCOME (LOSS)	(284,315,773)	(222,245,502)	(102,047,209)	(112,378,515)
OTHER INCOME (CHARGES)				
Dividend income	29,302,224	31,657,224	(321,720)	4,710,000
Interest income	355,401	1,360,063	178,538	372,124
Finance charges	(5,400,082)	(3,653,320)	(1,216,870)	(905,735)
Mark-to-market gain (loss) on marketable securities	(18,981,976)	1,766,409	(1,111,813)	(7,207,302)
Gain (loss) on sale of Property and equipment	850	49,998	-	10,000
Foreign exchange gain (loss)	(771,578)	(429,354)	(564,009)	(49,915)
Others - net	2,868,277	(5,389,907)	(7,924,009)	(14,754,139)
	7,373,115	25,361,113	(10,959,883)	(17,824,967)
INCOME (LOSS) BEFORE INCOME TAX	(276,942,657)	(196,884,388)	(113,007,092)	(130,203,482)
INCOME TAX EXPENSE (BENEFIT)				
Current	-	4,818,540	-	(4,837,931)
Deferred	-	-	-	-
	-	4,818,540	-	(4,837,931)
NET INCOME (LOSS)	(P276,942,657)	(P201,702,928)	(P113,007,092)	(P125,365,551)
Attributable to:				
Equity holders of the Parent Company	(275,919,134)	(200,597,390)	(112,780,646)	(125,104,374)
Non-controlling interests	(1,023,523)	(1,105,538)	(226,446)	(261,176)
	(P276,942,657)	(P201,702,928)	(P113,007,092)	(P125,365,550)
Attributable to Equity Holders of the Parent Company				
Basic Earnings Per Share	(P0.3266)	(P0.2374)	(P0.1335)	(P0.1481)
Diluted Earnings Per Share	(P0.3266)	(P0.2374)	(P0.1335)	(P0.1481)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
 Consolidated Statements of Comprehensive Income (Unaudited)
 For the nine months ended September 30, 2020 and 2019

	Nine Months Ended Sep 30		This Quarter	
	2020	2019	2020	2019
NET INCOME (LOSS)	(P276,942,657)	(P201,702,928)	(P113,007,092)	(P125,365,551)
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Fair value gain (loss) on investment in shares of stock	(138,721,610)	(52,380,160)	(3,885,605)	(53,713,420)
Remeasurements of retirement benefits, net of tax	-	-	-	-
	(138,721,610)	(52,380,160)	(3,885,605)	(53,713,420)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P415,664,267)	(P254,083,088)	(P116,892,697)	(P179,078,971)
Attributable to:				
Owners of the Parent Company	(414,640,744)	(252,977,550)	(116,666,251)	(178,817,795)
Non-controlling interests	(1,023,523)	(1,105,538)	(226,446)	(261,176)
	(P415,664,267)	(P254,083,088)	(P116,892,697)	(P179,078,971)

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended September 30, 2020 and 2019

	For the nine months ended Sep. 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(P276,942,657)	(P196,884,388)
Adjustments for:		
Depreciation and amortization	197,571,165	149,491,691
Dividend income	(29,302,224)	(31,657,224)
Retirement cost	5,200,000	2,385,530
Finance charges	5,400,082	3,653,320
Unrealized foreign exchange loss (gain)	771,578	429,354
Interest income	(355,401)	(1,360,063)
Fair value gain on marketable securities	18,981,976	(1,766,409)
Gain on sale of:		
Subsidiary	(9,547,745)	-
Property and equipment	(850)	(49,998)
Operating income before working capital changes	(88,224,076)	(75,758,189)
Decrease (increase) in:		
Trade and other receivables	(47,985,232)	(1,466,871)
Other current assets	(43,041,783)	(38,848,619)
Right of use assets	(14,788,800)	(13,241,434)
Other noncurrent assets	15,246,199	53,736,894
Increase (decrease) in:		
Trade and other payables	93,697,495	60,726,564
Withholding taxes payable	(550,165)	(447,693)
Lease liabilities	14,773,277	-
Interest received	355,401	1,360,063
Income tax paid	(1,294,285)	(18,218,847)
Retirement contributions paid	-	(1,160,000)
Net cash flows provided by operating activities	(71,811,969)	(33,318,131)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of		
Property and equipment	(57,273,209)	(189,869,673)
Proceeds from sale of:		
Subsidiary	137,413,892	-
Marketable securities	50,000,000	-
Property and equipment	850	49,998
Dividends received	29,302,224	31,657,224
Net cash flows provided by investing activities	159,443,757	(158,162,451)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Loan payable	(112,500,000)	-
Lease liabilities	(18,305,871)	(7,910,516)
Increase (decrease) in		
Obligation under capital lease	-	1,273,808
Installment payable	-	131,415
Finance charges paid	(5,400,082)	(3,653,320)
Net cash flows used in financing activities	(136,205,952)	(10,158,613)
NET INCREASE (DECREASE) IN CASH	(48,574,164)	(201,639,195)
CASH AT BEGINNING OF YEAR	209,937,094	571,260,258
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(771,578)	(429,354)
CASH AT END OF PERIOD	P160,591,351	P369,191,709

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

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Stock Dividend Payable	Fair Value Reserve	Reserve for Retirement Benefits	Retained Earnings	Total	Non-Controlling Interest	Total Equity
January 1, 2019	P447,665,473	P257,250,677	(P285,267,558)	P422,431,981	(P288,726,921)	P538,390	P1,199,822,935	P1,753,714,977	P6,904,799	P1,760,619,776
Change in fair value of investments in stocks	-	-	-	-	(52,380,160)	-	-	(52,380,160)	-	(52,380,160)
Remeasurements of retirement benefits, net of tax	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(52,380,160)	-	-	(52,380,160)	-	(52,380,160)
Net income (loss) for the year	-	-	-	-	-	-	(200,597,390)	(200,597,390)	(1,105,538)	(52,380,160)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	(200,597,390)	(200,597,390)	(1,105,538)	(201,702,928)
Stock dividends	447,665,473	-	-	(422,431,981)	(52,380,160)	-	(200,597,390)	(252,977,550)	(1,105,538)	(254,083,088)
Total transactions with owners in their capacity as owners	447,665,473	-	-	(422,431,981)	(52,380,160)	-	(225,830,882)	(252,977,550)	(1,105,538)	(254,083,088)
September 30, 2019	P895,330,946	P257,250,677	(P285,267,558)	P -	(P341,107,081)	P538,390	P973,992,053	P1,500,737,427	P5,799,261	P1,506,536,688
January 1, 2020	P895,330,946	P257,250,677	(P285,267,558)	P -	(P396,801,971)	(P17,614,609)	P855,178,424	P1,308,075,910	P5,343,443	P1,313,419,353
Change in fair value of investments in stocks	-	-	-	-	(138,721,610)	-	-	(138,721,610)	-	(138,721,610)
Remeasurements of retirement benefits, net of tax	-	-	-	-	-	-	(275,919,134)	(275,919,134)	(1,023,523)	(276,942,657)
Other comprehensive income (loss)	-	-	-	-	(138,721,610)	-	-	(138,721,610)	-	(138,721,610)
Net income (loss) for the year	-	-	-	-	(138,721,610)	-	(275,919,134)	(138,721,610)	-	(138,721,610)
Total comprehensive income (loss) for the year	-	-	-	-	(138,721,610)	-	(275,919,134)	(138,721,610)	(1,023,523)	(415,664,267)
Sale of subsidiary	-	-	-	-	-	6,682,576	23,603,846	30,286,421	-	30,286,421
Total transactions with owners in their capacity as owners	-	-	-	-	-	6,682,576	23,603,846	30,286,421	-	30,286,421
September 30, 2020	P895,330,946	P257,250,677	(P285,267,558)	P -	(P535,523,581)	(P10,932,033)	P602,863,136	P923,721,587	P4,319,920	P928,041,507

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Trade and Other Receivables
As of September 30, 2020

1.) Aging of Trade and Other Receivables

	Neither Past Due nor Impaired	Impaired	Total
a.) Trade Receivables			
1.) PCSO – Equipment rentals	P36,071,828	P -	P36,071,828
2.) Note receivable	68,400,000	-	68,400,000
3.) Accounts receivable	65,783,395	-	65,783,395
4.) Accrued license fee income-current	41,053,374	-	41,053,374
	211,308,597	-	211,308,597
b.) Non-Trade Receivables			
1.) Advances to officers and employees	1,416,902	-	1,416,902
2.) Contractors and suppliers	878,462	-	878,462
3.) Other receivables	2,998,641	-	2,998,641
	5,294,005	-	5,294,005
Total	P216,602,602	P -	P216,602,602

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, 2020

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, 2020			
	Equipment Leasing Activities	Distribution and Retail Activities	Eliminations	Consolidated
Revenue				
Equipment rental	P175,256,046	P -	P -	P175,256,046
Commission and distribution income	-	46,120,634	-	46,120,634
Total revenue	P175,256,046	46,120,634	P -	P221,376,680
Segments Results				
Income (loss) before income tax	(276,405,946)	(30,816,901)	30,280,190	(276,942,657)
Income tax expense (benefit)	-	-	-	-
Net income (loss)	(276,405,946)	(30,816,901)	30,280,190	(276,942,657)
Segment assets	P1,406,147,428	P93,180,703	(P377,473,959)	P1,121,854,172
Deferred tax assets – net	27,277,145	542,893	676,408	28,496,446
Segments assets (excluding deferred tax assets - net)	1,378,870,283	92,637,810	(378,150,368)	1,093,357,726
Segment liabilities	191,678,654	35,762,678	(33,628,667)	193,812,665
Other Information				
Capital expenditures	57,273,209	-	-	57,273,209
Depreciation and amortization	193,927,066	3,644,099	-	197,571,165
Finance charges	(5,400,082)	-	-	(5,400,082)
Interest income	269,051	86,350	-	355,401

End of Report