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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification
Company Type Stock Corporation

Document Information

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COVER SHEET

AS093-008809

SEC Registration Number

**PACIFIC ONLINE SYSTEMS
CORPORATION AND SUBSIDIARIES**

(Company's Full Name)

**28th Floor, East Tower, Philippine
Stock Exchange Centre, Exchange
Road, Ortigas Center, Pasig City**

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

Mr. Rhederick B. Inciong

(Contact Person)

636-5281

(Company Telephone Number)

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Amended Articles Number/Section

50

Total No. of Stockholders

₱123.5 million

Domestic

Foreign

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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, 2015**
2. SEC Identification Number: **AS093-008809** 3. BIR Tax Identification No. **003-866-392-000**
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, PSE Centre, Exchange Road, Ortigas Center, Pasig City** **1605**
Address of principal office Postal Code
8. **632/636-5281**
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 and Amount of Debt Outstanding |
|--------------------------------------|--|
| Common Stock, ₱1.00 par value | 298,443,650 |
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 financial statements are submitted as part of this report:

- a.) Unaudited Consolidated Statements of Income for the nine months ended September 30, 2015 and September 30, 2014;
- b.) Unaudited Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2015 and September 30, 2014;
- c.) Unaudited Consolidated Statements of Financial Position as of September 30, 2015 and Audited Statements of Financial Position as of December 31, 2014;
- d.) Unaudited Consolidated Statements of Changes in Equity for the nine months ended September 30, 2015 and September 30, 2014; and
- e.) Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and September 30, 2014.

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

Comparable Discussion on Material Changes in Results of Operations for the Nine Months' Period Ended September 30, 2015 vs. September 30, 2014

Revenues

Pacific Online Systems Corporation (the "Company") generated total revenues from operating sources of about ₱1.27 billion for the nine months ended September 30, 2015, an increase of ₱15.2 million (1%) over total revenues of ₱1.26 billion during the same period in 2014. The increase was mainly due to higher Keno sales.

Expenses

The Company's total operating expenses, including depreciation and amortization, for the nine months ended September 30, 2015 decreased by ₱7.2 million (1%) to ₱911.8 million, from ₱919.0 million for the same period in 2014. The decrease is attributed to the following: (1) Consultancy and software license fees decreased by ₱27.7 million (15%) due to lower consultancy fees paid; (2) Depreciation and amortization charges decreased by ₱22.6 million (21%) due to lower depreciation expense as a result of the extended useful life of the online lottery equipment until July 31, 2018, to align with the extended term of the Equipment Lease Agreement with PCSO; (3) Management fees decreased by ₱3.5 million (8%) due to decrease in earnings before tax; and (4) Advertising and promotion decreased by ₱26.5 million (69%) due to lower marketing and promotional campaigns. The decreases accounted for in the foregoing expense accounts were offset by the combined increases of the following expense accounts: (1) Personnel cost increased by ₱18.2 million (14%) due to increase in number of personnel and increase in compensation due to salary review which was made effective on the third quarter of 2014; (2) Repairs and maintenance increased by ₱22.6 million (33%) due to utilization of spare parts and central system maintenance; (3) Communication costs increased by ₱4.5 million (6%) due to additional communication links for both Lotto and Keno;

(4) Travel and accommodation increased by ₱4.2 million (8%) due to higher business activities; (5) Taxes and licenses increased by ₱9.5 million (65%) due to higher business and other taxes paid; (6) Professional fees increased by ₱2.2 million (17%) due to additional fees paid and accrued for the period; (7) Entertainment, amusement and recreation expense increased by ₱1.8 million (14%) due to higher other marketing expenses; (8) Other expenses increased by ₱4.0 million (35%) mainly due to higher incidental business expenses; and (9) Impairment losses on receivables increased by ₱1.3 million (34%) due to additional provision for some past-due accounts.

Other Income (Charges)

Other income (net of other charges) decreased due to net charges of ₱35.4 million in the current period from net other income of ₱224.7 million in the same period in 2014, mainly due to realized loss on AFS financial assets amounted to ₱46.2 million in 2015.

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

As a result of the above developments, the Company realized an operating income of ₱359.0 million for the nine months ended September 30, 2015, an increase of ₱22.4 million (7%) from operating income of ₱336.6 million during the same period last year. However, the Company posted a net income of ₱209.0 million for the nine-month period ended September 30, 2015, a decrease of ₱232.6 million (53%) from net income of ₱441.6 million during the same period in 2014. This decrease in other income was mainly due to a non-recurring gain on sale of AFS financial assets amounting to ₱50.9 million in the first quarter of 2014 accompanied by a mark-to-market gain of ₱87.9 million. This resulted in a total net comprehensive unrealized loss of ₱45.1 million for the period ending September 30, 2015 as compared to the ₱441.6 million total comprehensive income for the same period in 2014.

Comparable Discussion on Material Changes in Financial Condition - September 30, 2015 vs. December 31, 2014

Total assets of the Company decreased by ₱113.8 million (5%) to ₱2.2 billion as of September 30, 2015, from ₱2.4 billion as of December 31, 2014. Decreases in assets are attributable to the following: (1) Cash and cash equivalents decreased by ₱222.8 million due to additional investment in marketable securities and AFS financial assets; (2) Marketable securities decreased by ₱504.1 million due to mark-to-market loss of marketable securities amounting to ₱39.4 million and reclassification of marketable securities to AFS financial assets amounting to ₱483.8 million; and (3) Other current assets decreased by ₱5.6 million due to inventory sales. These decreases were offset by the following increases: (1) Trade and other receivables increased by ₱82.7 million mainly due to receivable from the sale of 11,771,840 treasury shares amounting to ₱102.2 million; (2) Available for sale financial assets increased by ₱480.0 million due to additional investment and reclassification from marketable securities; (3) Deferred tax assets increased by ₱9.6 million due to additional deferred taxes for the period; and (4) Other non-current assets increased by ₱4.8 million due to posting of additional cash bond.

Total liabilities of the Company decreased by ₱77.7 million (14%) to ₱475.2 million as of September 30, 2015, from ₱552.9 million as of December 31, 2014. Decreases in liabilities are attributable to the following: (1) Trade and other current liabilities decreased by ₱92.4 million (24%) due to payment of maturing payables; (2) Withholding taxes payable decreased

by ₱4.4 million due to lower withholding taxes due; (3) Income tax payable decreased by ₱10.1 million (20%) due to payment of income taxes; and (4) Installment payable decreased by ₱0.9 million (80%) due to loan amortization for the period. These decreases were offset by the increase of the Obligation under finance lease by ₱30.4 million (33%) due to additions of lottery equipment under capital lease.

Total equity as of September 30, 2015 of ₱1.76 billion was lower by ₱36.0 million compared to the year-end 2014 level of ₱1.80 billion, mainly due to the reported total net comprehensive loss for the nine months ended September 30, 2015 of ₱45.1 million and the declaration of cash dividends of ₱175.5 million. The Company's retained earnings balance increased from ₱1.4 billion to ₱1.5 billion.

Comparable Discussion on Material Changes in Cash Flows for the Nine Months Ended September 30, 2015 vs. September 30, 2014

The Company's cash and cash equivalents as of September 30, 2015 of ₱240.5 million was lower by ₱229.1 million, compared to ₱469.6 million as of September 30, 2014, mainly due to additional investment in AFS financial assets amounting to ₱316.2 million.

Discussion and Analysis of Material Events and Uncertainties Known to Management

As of September 30, 2015, except for what has been noted in the preceding part, 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 Company;
2. Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company'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 Company's continuing operations;
5. Seasonal aspects that had a material impact on the Company's results of operations;
6. Material changes in the financial statements of the Company for the periods ended December 31, 2014 to September 30, 2015, except those mentioned above;
7. Any events that will trigger direct or contingent financial obligation that is material to the Company, 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 Company monitors its performance and benchmarks itself to prior year's results in terms of the following indicators:

	As of	
	Sept. 30, 2015	Dec. 31, 2014
Current Ratio	3.13 : 1.00	3.86 : 1.00
Debt-to-Equity Ratio	0.27 : 1.00	0.31 : 1.00
Asset-to-equity Ratio	1.27 : 1.00	1.31 : 1.00

	For the six months ended	
	Sept. 30, 2015	Sept. 30, 2014
Return on Equity	11.86%	24.55%
Return on Assets	9.34%	18.78%
Interest Coverage Ratio	123.98 : 1.00	113.31 : 1.00
Solvency Ratio	0.62 : 1.00	0.99 : 1.00

The above performance indicators are calculated as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
Return on Stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$
Solvency ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$

PART II - OTHER INFORMATION

Other Required Disclosures

1. The attached interim financial reports were prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include statements named PFRS and Philippine Accounting Standards (PASs) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Interpretations (FRSC).

The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2014.

Adoption of Amendments to Standard

The FRSC approved the adoption of a number of amendments to standard as part of PFRS.

A number of new and revised standards, amendments to standards and interpretations applicable to the Company are effective for annual periods beginning after January 1, 2013 and none of these had a significant effect on the interim financial reports.

- PAS 27, *Separate Financial Statements (2011)*, supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.
- Amendments to PFRS 7, *Disclosures: Offsetting Financial Assets and Financial Liabilities*. These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the statement of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.
- PFRS 10, *Consolidated Financial Statements*. PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008) Consolidated and Separate Financial Statements and Philippine Interpretation SIC-12 Consolidation - Special Purpose Entities.

- **PFRS 12, *Disclosure of Interests in Other Entities*.** PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.
- **PFRS 13, *Fair Value Measurement*.** PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

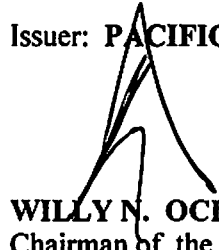
The Company is currently evaluating the impact of this amendment based on audited figures as of December 31, 2015.

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. There were no material events that occurred subsequent to September 30, 2015 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 Company during the interim period 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 December 31, 2014.
8. 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: November 4, 2015



RHEDERICK B. INCIONG
Chief Financial Officer and
Senior Vice President-Finance

Date: November 4, 2015

*Mr. Inciong also serves as the Principal Accounting Officer of the Company

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
For the Nine Months Ended September 30, 2015 and 2014

	Year to Date		This Quarter	
	2015	2014	2015	2014
REVENUE				
Equipment rentals	1,076,186,584	1,013,614,267	372,060,938	355,999,439
Commission and distribution income	194,586,767	241,978,959	41,758,870	88,517,585
	<u>1,270,773,351</u>	<u>1,255,593,226</u>	<u>413,819,809</u>	<u>444,517,024</u>
COSTS AND EXPENSES				
Consultancy and software license fees	159,993,382	187,696,827	51,173,429	64,304,815
Personnel costs	151,246,787	133,063,185	59,498,031	46,395,878
Depreciation and amortization	85,753,040	108,322,712	28,644,757	39,032,796
Operating supplies	108,278,409	105,717,857	36,583,870	36,009,118
Repairs and maintenance	91,155,696	68,522,039	31,546,225	25,007,643
Communication costs	82,147,146	77,655,853	28,584,234	27,386,219
Travel and accommodation	53,683,464	49,443,000	17,172,070	15,785,776
Rent and utilities	50,981,913	48,781,582	17,537,312	16,421,554
Management fees	41,985,651	45,470,693	16,918,327	16,459,521
Advertising and promotion	11,704,619	38,248,349	2,530,975	12,913,334
Taxes and licenses	24,089,381	14,631,011	10,174,364	1,632,624
Professional fees	15,413,805	13,213,581	4,494,464	5,778,366
Entertainment, amusement and recreation	14,752,963	12,928,472	5,394,902	5,054,760
Others	15,650,013	11,598,936	8,539,141	3,993,975
Impairment losses on receivables	4,940,087	3,687,528	1,759,709	2,787,528
	<u>911,776,356</u>	<u>918,981,625</u>	<u>320,551,811</u>	<u>318,963,907</u>
OPERATING INCOME	<u>358,996,994</u>	<u>336,611,600</u>	<u>93,267,997</u>	<u>125,553,117</u>
OTHER INCOME (CHARGES)				
Fair value gain (loss) on marketable securities	(39,443,080)	87,852,121	(32,399,727)	16,547,291
Gain (loss) on sale of marketable securities	2,878,016	30,885,683	(317,544)	25,833,090
Gain on sale of AFS financial assets	-	50,908,800	-	-
Realized gain (loss) on AFS financial assets	(46,234,428)	-	-	-
Gain (loss) on sale of property and equipment	69,996	39,997	29,999	-
Interest income	885,370	786,639	336,005	165,697
Foreign exchange gain (loss)	(504,310)	(467,806)	(367,160)	727,000
Finance charges	(2,631,131)	(4,998,402)	(725,482)	(489,669)
Others	49,565,973	59,742,761	33,630,053	38,183,008
	<u>(35,413,594)</u>	<u>224,749,794</u>	<u>186,143</u>	<u>80,966,415</u>
INCOME BEFORE INCOME TAX	<u>323,583,400</u>	<u>561,361,394</u>	<u>93,454,140</u>	<u>206,519,532</u>
INCOME TAX EXPENSE (BENEFIT)				
Current	125,967,535	129,051,702	42,718,590	52,306,290
Deferred	(11,400,261)	(9,298,508)	(8,151,649)	(2,063,742)
	<u>114,567,273</u>	<u>119,753,194</u>	<u>34,566,941</u>	<u>50,242,548</u>
NET INCOME	<u>209,016,127</u>	<u>441,608,200</u>	<u>58,887,199</u>	<u>156,276,985</u>
Attributable to:				
Owners of the Parent Company	207,690,527	440,417,848	58,455,185	155,810,563
Non-controlling interests	1,325,600	1,190,352	432,014	466,422
	<u>209,016,127</u>	<u>441,608,200</u>	<u>58,887,199</u>	<u>156,276,985</u>
Basic/Diluted Earnings Per Share Attributable to				
Owners of the Parent Company	0.7285	1.5484	0.2052	0.5480

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
For the Nine Months Ended September 30, 2015 and 2014

	Year to Date		This Quarter	
	2015	2014	2015	2014
NET INCOME	209,016,127	441,608,200	191,732,535	218,714,524
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Remeasurements of retirement plan - net of tax	-	-	-	-
Items that will be reclassified to profit or loss				
Change in the fair value of available-for-sale financial assets	(254,126,376)	-	(68,567,671)	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(45,110,249)	441,608,200	123,164,864	218,714,524
Attributable to:				
Owners of the Parent Company	(46,435,849)	440,417,848	(63,268,272)	217,916,272
Non-controlling interests	1,325,600	1,190,352	874,430	798,252
	(45,110,249)	441,608,200	(62,393,841)	218,714,524

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Sep 30/15	Dec 31/14
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	240,463,467	463,318,322
Marketable securities	242,507,361	746,616,837
Trade and other receivables (Schedule 1)	522,238,135	439,544,681
Other current assets	116,128,353	121,688,738
Total Current Assets	1,121,337,317	1,771,168,577
Noncurrent Assets		
Available-for-sale financial assets	499,697,140	-
Property and equipment - net	391,544,146	369,658,543
Goodwill	124,297,480	124,297,480
Deferred tax assets	50,830,741	41,173,966
Other noncurrent assets	50,031,658	45,202,192
Total Noncurrent Assets	1,116,401,165	580,332,181
	2,237,738,481	2,351,500,759
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	286,525,634	378,930,170
Current portion of obligation under capital lease	24,117,290	16,356,085
Current portion of installment payable	229,512	928,282
Withholding taxes payable	6,142,980	10,552,939
Income tax payable	41,580,362	51,734,141
Total Current Liabilities	358,595,779	458,501,617
Noncurrent Liabilities		
Obligation under capital lease - net of current portion	99,161,533	76,493,952
Installment payable - net of current portion	-	198,425
Defined benefit liability	17,457,517	17,738,567
Total Noncurrent Liabilities	116,619,050	94,430,944
Total Liabilities	475,214,828	552,932,561
Equity Attributable to Owners of the Parent Company		
Capital stock	298,443,650	298,443,650
Additional paid-in capital	257,250,677	238,339,307
Treasury shares	-	(165,688,973)
Fair value reserve	(254,126,376)	-
Reserve for retirement plan	(17,633,413)	(17,633,413)
Retained earnings	1,476,211,297	1,444,055,408
	1,760,145,834	1,797,515,980
Non-controlling Interests	2,377,819	1,052,218
Total Equity	1,762,523,653	1,798,568,198
	2,237,738,481	2,351,500,759

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity Attributable to Equity Holders of the Parent Company						Total	Non-Controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Fair Value Reserve	Reserve for Retirement Plan	Retained Earnings			
January 1, 2014, As previously reported	298,443,650	275,652,351	(343,174,075)	(4,500,000)	(6,139,831)	1,245,783,727	1,466,065,822	(19,859,873)	1,446,205,949
Prior period adjustments						(21,315,349)	(21,315,349)	21,315,349	-
January 1, 2014, As restated	298,443,650	275,652,351	(343,174,075)	(4,500,000)	(6,139,831)	1,224,468,378	1,444,750,473	1,455,476	1,446,205,949
Change in the fair value of available-for-sale financial assets				4,500,000			4,500,000		4,500,000
Remeasurement of retirement plan - net of tax							-		-
Other comprehensive income (loss)	-	-	-	4,500,000	-	-	4,500,000	-	4,500,000
Net Income (loss) during the period						440,417,848	440,417,848	1,190,352	441,608,200
Total comprehensive income (loss)	-	-	-	4,500,000		440,417,848	444,917,848	1,190,352	446,108,200
Cash dividends						(147,346,310)	(147,346,310)		(147,346,310)
Treasury shares acquired			(12,870,497)				(12,870,497)		(12,870,497)
Treasury shares sold		(37,313,043)	291,973,547				254,660,504		254,660,504
September 30, 2014	298,443,650	238,339,308	(64,071,026)	-	(6,139,831)	1,517,539,916	1,984,112,017	2,645,828	1,986,757,846
December 31, 2014	298,443,650	238,339,307	(165,688,973)	-	(17,633,413)	1,444,055,408	1,797,515,980	1,052,218	1,798,568,198
Change in the fair value of available-for-sale financial assets				(254,126,376)			(254,126,376)		(254,126,376)
Remeasurement of retirement plan - net of tax							-		-
Other comprehensive income (loss)	-	-	-	(254,126,376)	-	-	(254,126,376)	-	(254,126,376)
Net Income (loss) during the period						207,690,527	207,690,527	1,325,600	209,016,127
Total comprehensive income (loss)	-	-	-	(254,126,376)		207,690,527	(46,435,849)	1,325,600	(45,110,249)
Cash dividends						(175,534,638)	(175,534,638)		(175,534,638)
Available-for-sale financial assets sold							-		-
Treasury shares acquired			(26,616,980)				(26,616,980)		(26,616,980)
Treasury shares sold		18,911,370	192,305,953				211,217,322		211,217,322
September 30, 2015	298,443,650	257,250,677	-	(254,126,376)	(17,633,413)	1,476,211,297	1,760,145,834	2,377,819	1,762,523,653

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Nine Months Ended September 30

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	323,583,400	561,361,394
Adjustments for:		
Depreciation and amortization	85,753,040	109,399,161
Fair value loss (gain) on marketable securities	39,443,080	(87,852,121)
Realized gain (loss) on AFS financial assets	46,234,428	-
Finance charges	2,631,131	4,998,402
Retirement cost	12,718,950	5,939,055
Impairment losses on trade and other receivables	4,940,087	3,687,528
Loss (gain) on sale of marketable securities	(2,878,016)	(30,885,683)
Loss (gain) on sale of AFS financial assets	-	(50,908,800)
Loss (gain) on sale of property and equipment	(69,996)	(39,997)
Interest income	(885,370)	(786,639)
Unrealized foreign exchange losses (gain)	504,310	467,806
Dividend income	(30,333,167)	(1,316,233)
Operating income before working capital changes	481,641,877	514,063,873
Decrease (increase) in:		
Trade and other receivables	(87,633,540.63)	(107,656,667.28)
Other current assets	5,560,384.44	(9,301,287.09)
Increase (decrease) in:		
Trade and other payables	(92,908,846.00)	(95,838,787.77)
Withholding taxes payable	(4,409,958.67)	(3,585,999.94)
Income tax paid	(134,377,826.37)	(110,777,092.97)
Interest received	885,370.25	786,638.77
Retirement contributions paid	(13,000,000)	(8,000,000)
Net cash provided by operating activities	155,757,460	179,690,677
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Marketable securities	(49,397,813)	(241,313,535)
Property and equipment	(107,598,647)	(96,420,689)
Available-for-sale financial assets	(316,256,491)	-
Deposit for an equity investment	-	(347,000,000)
Increase in other noncurrent assets	(4,829,466)	(1,434,412)
Dividend received	30,333,167	1,316,233
Proceeds from sale of:		
Marketable securities	33,140,771	192,430,747
Available-for-sale financial assets	-	238,408,800
Property and equipment	30,000	20,000
Net cash used in investing activities	(414,578,478)	(253,992,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in:		
Obligations under finance lease	30,428,785	10,576,619
Installment payable	(897,195)	(55,757)
Cash dividends	(175,534,638)	(147,346,310)
Acquisitions of treasury shares	(26,616,980)	(12,870,497)
Interest paid	(2,631,131)	(4,998,402)
Cash proceeds from:		
Sale of treasury stock	211,217,322	254,660,504
Net cash used in financing activities	35,966,163	99,966,157
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(222,854,855)	25,663,978
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	463,318,322	443,936,556
CASH AND CASH EQUIVALENTS AT END OF PERIOD	240,463,467	469,600,534

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Schedule 1 - Receivables
as of September 30, 2015

1.) Aging of Accounts Receivables

Type of Accounts Receivable	Neither Past Due nor Impaired	Past Due but not Impaired			Total
		91-120 Days	Over 180 Days	Subtotal	
a.) Trade Receivables					
1.) PCSO-Equipment Rentals	137,819,554				137,819,554
2.) Trade receivables - others	150,194,401				150,194,401
	<u>288,013,955</u>	-	-	-	<u>288,013,955</u>
b.) Non-Trade Receivables					
1.) Advances to customers	86,883,610				86,883,610
2.) Advances to officers & employees	9,465,806				9,465,806
3.) Contractors and suppliers	132,711,278				132,711,278
4.) Other receivables	5,163,487				5,163,487
	<u>234,224,180</u>	-	-	-	<u>234,224,180</u>
TOTAL	P 522,238,135	-	-	-	P 522,238,135

2.) Accounts Receivable Description

<i>Types of Receivable</i>	<i>Nature and Description</i>	<i>Collection / Liquidation Period</i>
1.) Advances to customers	advances to customers of subsidiaries	within one (1) year
2.) Advances to officers & employees	company loan and other advances granted to officers & employees	within one (1) year
3.) Contractors and suppliers	receivables fr /advances to contractors and suppliers	within one (1) year
4.) Other receivables	other advances	within one (1) year

3.) Normal Operating Cycle: 365

PACIFIC ONLINE SYSTEMS CORPORATION**Segment Information**

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 businesses of leasing gaming equipment to PCSO (leasing activity) and sale of lottery, sweepstake and instant scratch tickets (distribution and retail activities), among others.

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

	September 30, 2015			
	Leasing Activity	Distribution and Retail Activities	Eliminations	Consolidated
Revenue				
Equipment rentals	1,076,186,584.20			1,076,186,584.20
Commission and distribution income		194,586,766.65		194,586,766.65
Total Revenue	1,076,186,584.20	194,586,766.65	-	1,270,773,350.85
Segment Results:				
Income before income tax	281,535,742.80	42,047,657.56		323,583,400.36
Provision for income tax	102,245,337.35	12,321,935.80		114,567,273.15
Net Income	179,290,405.46	29,725,721.76	-	209,016,127.21
Segment assets				
Segment assets	2,073,832,484.97	639,796,720.39	(475,890,724.01)	2,237,738,481.35
Deferred tax	26,217,904.32	24,612,836.27		50,830,740.59
Segment assets (excluding deferred tax)	2,047,614,580.65	615,183,884.12	(475,890,724.01)	2,186,907,740.76
Segment liabilities				
Segment liabilities	508,472,478.55	144,020,821.39	(177,278,471.56)	475,214,828.38
Other Information				
Capital expenditures	106,013,702.56	1,584,944.09	-	107,598,646.65
Depreciation expense	69,955,673.09	15,797,366.70		85,753,039.79

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

FINANCIAL INSTRUMENTS RECOGNITION, MEASUREMENTS AND DISCLOSURES

Reclassifications

As of the date of this interim report, the issuer does not intend to reclassify any of its financial assets and therefore, there is nothing that needs disclosure.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents and obligations under finance lease. The main purpose of these financial instruments is to raise financing for the Group's capital expenditures and operations. The Group has various other financial assets and liabilities such as marketable securities, trade and other receivables, 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. 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 trade receivable arises from equipment lease agreement with PCSO, the Group's sole customer. Since the Group has significant concentration of credit risk on its receivable with PCSO, it is the Group policy that all terms specified in the ELA with PCSO are complied with and ensure payment terms are met. With respect to other receivables, the Group manages credit risk by transacting only with recognized, credit worthy third parties and selected PCSO provincial district offices on their sale of instant scratch tickets. It is the Group's policy that the BOD approves on 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 cash equivalents, other receivables, marketable securities, AFS financial assets, 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 of September 30, 2015 and December 31, 2014, without taking account any collateral and other credit enhancements:

	Sep 30/15	Dec 31/14
Cash and cash equivalents *	P 240,463,467	P 456,095,740
Trade and other receivables - net**	522,238,135	427,810,333
Marketable securities	242,507,361	746,616,837
Deposits	8,449,734	8,164,826
AFS financial assets	499,697,140	-
Guarantee bonds ***	45,000,000	40,000,000
Total credit risk exposure	P 1,559,355,838	P 1,678,687,736

* excluding Cash on hand

** excluding Advances to Contractors and suppliers

*** included as part of "Other noncurrent assets" in the consolidated statements of financial position

The table below shows aging analysis of receivables as of September 30, 2015 and December 31, 2014:

	September 30, 2015		
	Neither Past Due nor Impaired	Impaired	Total
Trade receivables	P 288,013,955		P 288,013,955
Advances to:			
Customers	P 86,883,610		86,883,610
Officers and employees	9,465,806		9,465,806
Contractors and suppliers	132,711,278		132,711,278
Other receivables	5,163,487		5,163,487
Deposits	8,449,734		8,449,734
Guarantee bonds	45,000,000		45,000,000
	P 575,687,870	-	P 575,687,870

	December 31, 2014		
	Neither Past Due nor Impaired	Impaired	Total
Trade receivables	P 321,454,617	P 6,242,657	P 327,697,274
Advances to:			
Customers	96,727,933	5,691,325	102,419,258
Officers and employees	6,964,582	1,220,311	8,184,893
Contractors and suppliers	11,734,348		11,734,348
Other receivables	2,663,201		2,663,201
Deposits	8,164,826		8,164,826
Guarantee bonds	40,000,000		40,000,000
	P 487,709,507	P 13,154,293	P 500,863,800

The Group has no past due but not impaired receivables as of September 30, 2015 and December 31, 2014.

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

	September 30, 2015			Total
	Grade A	Grade B	Grade C	
Cash and cash equivalents	P 240,463,467	P -	P -	P 240,463,467
Trade and other receivables	522,238,135			522,238,135
Marketable securities	242,507,361			242,507,361
Deposits		8,449,734		8,449,734
AFS financial assets	499,697,140			499,697,140
Guarantee bonds	45,000,000			45,000,000
	P 1,549,906,103	P 8,449,734	-	P 1,558,355,838

	December 31, 2014			Total
	Grade A	Grade B	Grade C	
Cash and cash equivalents	P 456,095,740	P -	P -	P 456,095,740
Trade and other receivables*	321,454,617	103,692,515	2,663,201	427,810,333
Marketable securities	746,616,837	-	-	746,616,837
Deposits		8,164,826		8,164,826
Guarantee bonds	40,000,000			40,000,000
	P 1,564,167,194	P 111,857,341	P 2,663,201	P 1,678,687,736

* excluding Advances to contractors and suppliers

Grade A financial assets pertain to those cash and cash equivalents and guarantee bonds that are deposited in a 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. Group 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 quoted marketable securities decreases as the result of changes in the value of individual stock. The Group's exposure to equity price risk relates primarily to the Group's quoted marketable securities. The Group monitors the equity investment based on market expectations. Material 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. There is no other impact on the Group's equity other than those already affecting the consolidated statement comprehensive of income.

Financial Assets as at FVPL

September 30, 2015	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 12,117,393
(5 %)	(12,117,393)

December 31, 2014

Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 37,322,867
(5 %)	(37,322,867)

AFS Financial Assets

September 30, 2015

Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 24,984,857
(5 %)	(24,984,857)

December 31, 2014

Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P -
(5 %)	-

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. To limit this risk, the Company 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. These placements 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, 2015				Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	
Trade and other current liabilities*	P 286,525,634	P -	P -	P -	P 286,525,634
Installment payable**	229,512	-	-	-	229,512
Obligations under finance lease	6,029,323	6,029,323	12,058,645	99,161,533	123,278,823
	292,784,469	6,029,323	12,058,645	99,161,533	410,033,969

*Excluding other current liabilities representing statutory liabilities to the government.

**Inclusive of current portion

December 31, 2014

	December 31, 2014				Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	
Trade and other current liabilities*	P 328,027,019	P -	P -	P 49,142,546	P 377,169,565
Installment payable**	791,539	49,967	95,169	266,555	1,203,230
Obligations under finance lease	4,089,022	4,089,021	16,724,418	94,938,573	119,841,034
	P332,907,580	P4,138,988	P16,819,587	P144,347,674	P498,213,829

*Excluding other current liabilities representing statutory liabilities to the government.

**Inclusive of current portion

Foreign Currency Risk

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

As of September 30, 2015 and December 31, 2014, assets and liabilities denominated in US\$ include cash and cash equivalents amounting to P 22.1 million (\$472,559) and P 5.5 million (\$123,323), respectively; and consultancy software and license fees payable amounting to P33.5 million (\$775,108) and P 45.9 million (\$1,034,580), respectively.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rate used were P46.83 and P44.74 to US\$1, the Philippine peso to U.S. dollar exchange rates as of September 30, 2015 and December 31, 2014, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso (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 Company's equity other than those already affecting profit or loss.

Increase/Decrease in U.S. dollar Exchange Rate		Effect on Income Before Income Tax	Effect on Equity
September 30, 2015			
	5%	(P 700,713)	(P 490,499)
	(5%)	700,713	490,499
December 31, 2014			
	5%	(P2,038,482)	(P 1,426,937)
	(5%)	2,038,482	1,426,937

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

Fair Value of Financial Instruments

Set out below is a comparison by category of carrying values and fair values of all the Group's financial instruments as of September 30, 2015 and December 31, 2014.

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 240,463,467	P 240,463,467	P 463,318,322	P 463,318,322
Trade and other receivables	522,238,135	P 522,238,135	439,544,681	439,544,681
Deposits	8,449,734	P 8,449,734	8,164,826	8,164,826
Guarantee bonds	45,000,000	P 45,000,000	40,000,000	40,000,000
Marketable securities	242,507,361	P 242,507,361	746,616,837	746,616,837
AFS financial assets	499,697,140	P 499,697,140	-	-
	P 1,558,355,838	P 1,558,355,838	P 1,697,644,666	P 1,697,644,666

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Trade and other current liabilities *	P 286,525,634	P 286,525,634	P 377,169,565	P 377,169,565
Installment payable (inclusive of current portion)	229,512	229,512	1,126,707	1,126,707
Obligations under finance lease (inclusive of current portion)	123,278,823	123,278,823	92,850,038	92,850,038
	P 410,033,969	P 410,033,969	P 471,146,310	P 471,146,310

* Excluding other current liabilities representing statutory payables and other liabilities to the government.

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other current liabilities approximate their fair values due to the short-term nature of the transactions.

The carrying value of interest-bearing advances to related parties approximates fair value due to recent and regular repricing (i.e., monthly) based on market conditions. The fair value of marketable securities and AFS financial assets are based on quoted prices.

The fair value of installment payable and obligations under finance lease with fixed interest rate is based on the discounted net present value of cash flows using the prevailing MART 1 rates ranging from .78% to 4.14% in 2015 and 2014.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Marketable securities				
September 30, 2015	P242,507,361	P -	P -	P242,507,361
December 31, 2014	746,616,837	P -	P -	746,616,837
AFS financial assets				
September 30, 2015	P499,697,140	P -	P -	499,697,140
December 31, 2014	P -	P -	P -	P -

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.