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)

12 31

Month Day

(Fiscal Year)

17-Q

(Form Type)

Month Day

(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

52

Total No. of Stockholders

₱104.1 million

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2015**

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, 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	**286,928,110**

11. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes [x] 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 [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [x] 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 three months ended March 31, 2015 and March 31, 2014;
b.) Unaudited Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and March 31, 2014;;
c.) Unaudited Consolidated Statements of Financial Position as of March 31, 2015 and Audited Statements of Financial Position as of December 31, 2014;
d.) Unaudited Consolidated Statements of Changes in Equity for the three months ended March 31, 2015 and March 31, 2014; and
e.) Unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and March 31, 2014.

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

<u>Comparable Discussion on Material Changes in Results of Operations for the Three Months' Period Ended March 31, 2015 vs. March 31, 2014</u>

<u>Revenues</u>

Pacific Online Systems Corporation (the "Company") generated total revenues from operating sources of about ₱471.9 million for the three months ended March 31, 2015, an increase of ₱36.3 million (8%) over total revenues of ₱435.6 million during the same period in 2014. The increase was mainly due to higher Keno sales.

<u>Expenses</u>

The Company's total operating expenses, including depreciation and amortization, for the three months ended March 31, 2015 increased by ₱31.0 million (10%) to ₱336.0 million, from ₱304.9 million for the same period in 2014. The increase is attributed to the following: (1) Personnel cost increased by ₱4.7 million (11%) due to increase in number of personnel and increase in compensation due to salary review which was made effective last third quarter of 2014; (2) Depreciation and amortization charges increased by ₱10.0 million (29%) due to the increased number of terminals deployed and depreciation of additional fixed assets; (3) Operating supplies increased by ₱4.0 million (11%) due to increase in lottery consumables; (4) Repairs and maintenance increased by ₱8.5 million (37%) due to utilization of spare parts; (5) Communication costs increased by ₱6.1 million (31%) due to additional communication links for both Lotto and Keno; (6) Taxes and licenses increased by ₱1.3 million (23%) due to higher business taxes paid; (7) Professional fees increased by ₱2.0 million (47%) due to additional fees paid and accrued for the period; and (8) Impairment losses on receivables increased by ₱1.0 million (241%) due to additional provision for some past-due accounts.

The increases accounted for in the foregoing expense accounts were offset mainly by the combined decreases of the following expense accounts: (1) Rent and utilities decreased by ₱3.3 million (16%) mainly due to reduced number of outlets being rented by subsidiary; (2) Entertainment, amusement and recreation expense by ₱0.6 million (9%) due to lower other marketing expenses; and (3) Other expenses decreased by ₱2.1 million (42%) mainly due to lower incidental business expenses.

Other Income (Charges)

Other income (net of other charges) decreased due to net charges of ₱75.9 million in the current period from net other income of ₱133.7 million in the same period in 2014, mainly due to unrealized mark-to-market loss or fair value loss on marketable securities amounted to ₱95.4 million in 2015 for the period.

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

As a result of the above developments, the Company realized operating income of ₱135.9 million for the three months ended March 31, 2015, an increase of ₱5.3 million (4%) from operating income of ₱130.7 million during the same period last year. However, the Company posted a net income of ₱17.3 million for the three-month period ended March 31, 2015, a decrease of ₱205.6 million (92%) from net income of ₱222.9 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 ₱81.4 million. On the other hand, there was a mark-to-market loss of ₱95.4 million in 2015.

Total comprehensive income for the period ending March 31, 2015 and 2014 amounted to ₱17.3 million and ₱222.9 million, respectively.

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

Total assets of the Company decreased by ₱63.6 million (3%) to ₱2.3 billion as of March 31, 2015, from ₱2.4 billion as of December 31, 2014. Decreases in assets are attributable to the following: (1) Marketable securities decreased by ₱26.4 million due to fair value loss of marketable securities; (2) Trade and other receivables decreased by ₱56.6 million due to cash sales scheme for instant scratch tickets; and (3) Other current assets decreased by ₱13.1 million due to consumption of inventories. These decreases were offset by the following increases: (1) Property and equipment increased by ₱18.1 million due to additional lottery equipment and other fixed assets; and (2) Deferred tax assets increased by ₱10.4 million due to additional deferred taxes for the period.

Total liabilities of the Company decreased by ₱58.9 million (11%) to ₱494.0 million as of March 31, 2015, from ₱552.9 million as of December 31, 2014. The increases in liabilities are mainly due to: (1) Obligation under finance lease by ₱11.0 million (12%) due to additions of lottery equipment under capital lease; (2) Withholding taxes payable increased by ₱10.1 million due to higher withholding taxes due; and (3) Income tax payable increased by ₱43.9 million (85%) due to additional provision for income tax. The increases were offset by the following decreases: 1) Trade and other current liabilities decreased by ₱123.5 million (33%) due to payment of maturing payables; and (2) Installment payable decreased by ₱0.8 million (72%) due to loan amortization for the period.

The stockholders' equity as of March 31, 2015 of ₱1.79 billion was lower by ₱4.7 million compared to the year-end 2014 level of ₱1.80 billion, due mainly to the reported net income for the three months ended March 31, 2015 of ₱17.3 million. Consequently, 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 Three Months Ended March 31, 2015 vs. March 31, 2014

The Company's cash and cash equivalents as of March 31, 2015 of ₱467.3 million was higher by ₱206.6 million, compared to ₱260.7 million as of March 31, 2014 due to higher net cash provided by operating activities, specifically as a consequence of increased collection of trade and other receivables.

Discussion and Analysis of Material Events and Uncertainties Known to Management

As of March 31, 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 March 31, 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	
	Mar. 31, 2015	**Dec. 31, 2014**
Current Ratio	4.29 : 1.00	3.86 : 1.00
Debt-to-Equity Ratio	0.28 : 1.00	0.31 : 1.00
Asset-to-equity Ratio	1.28 : 1.00	1.31 : 1.00

	For the three months ended	
	Mar. 31, 2015	**Mar. 31, 2014**
Return on Equity	0.96%	12.39%
Return on Assets	0.76%	9.48%
Interest Coverage Ratio	313.71 : 1.00	978.85 : 1.00
Solvency Ratio	0.12 : 1.00	0.46 : 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	$\frac{\text{Net Income + Depreciation}}{\text{Total Liabilities}}$

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 March 31, 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	**RHEDERICK B. INCIONG**
Chairman of the Board	Chief Financial Officer and
and President	Senior Vice President-Finance
Date: April 20, 2015	Date: April 20, 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 Three Months Ended March 31, 2015 and 2014

	Year to Date		This Quarter	
	2015	2014	2015	2014
REVENUE				
Equipment rentals	354,799,548	336,914,469	354,799,548	336,914,469
Instant scratch tickets	74,970,376	60,453,825	74,970,376	60,453,825
Commission income	42,134,809	38,222,845	42,134,809	38,222,845
	471,904,733	435,591,139	471,904,733	435,591,139
COSTS AND EXPENSES				
Consultancy and software license fees	60,183,258	59,762,565	60,183,258	59,762,565
Personnel costs	47,882,644	43,152,743	47,882,644	43,152,743
Depreciation and amortization	43,851,150	33,889,423	43,851,150	33,889,423
Operating supplies	39,015,202	35,125,005	39,015,202	35,125,005
Repairs and maintenance	31,280,410	22,787,377	31,280,410	22,787,377
Communication costs	26,066,246	19,923,320	26,066,246	19,923,320
Travel and accommodation	16,551,379	16,619,855	16,551,379	16,619,855
Rent and utilities	17,553,705	20,850,103	17,553,705	20,850,103
Management fees	14,851,027	15,509,442	14,851,027	15,509,442
Advertising and promotion	14,377,613	14,638,656	14,377,613	14,638,656
Taxes and licenses	7,212,086	5,880,532	7,212,086	5,880,532
Professional fees	6,303,686	4,292,431	6,303,686	4,292,431
Entertainment, amusement and recreation	6,377,890	6,988,624	6,377,890	6,988,624
Others	2,930,728	5,064,039	2,930,728	5,064,039
Impairment losses on receivables	1,535,259	450,000	1,535,259	450,000
	335,972,284	304,934,116	335,972,284	304,934,116
OPERATING INCOME	135,932,450	130,657,024	135,932,450	130,657,024
OTHER INCOME (CHARGES)				
Fair value gain (loss) on marketable securities	(95,424,111)	81,444,165	(95,424,111)	81,444,165
Gain (loss) on sale of marketable securities	-	47,188	-	47,188
Gain on sale of AFS financial assets	-	50,908,800	-	50,908,800
Gain (loss) on sale of property and equipment	29,999	19,999	29,999	19,999
Interest income	274,504	364,304	274,504	364,304
Foreign exchange gain (loss)	46,709	(1,294,283)	46,709	(1,294,283)
Finance charges	(192,111)	(270,360)	(192,111)	(270,360)
Others	19,406,676	2,493,975	19,406,676	2,493,975
	(75,858,333)	133,713,789	(75,858,333)	133,713,789
INCOME BEFORE INCOME TAX	60,074,116	264,370,813	60,074,116	264,370,813
INCOME TAX EXPENSE (BENEFIT)				
Current	47,954,060	42,096,318	47,954,060	42,096,318
Deferred	(5,163,536)	(619,181)	(5,163,536)	(619,181)
	42,790,524	41,477,137	42,790,524	41,477,137
NET INCOME	17,283,592	222,893,677	17,283,592	222,893,677
Attributable to:				
Owners of the Parent Company	16,832,422	222,501,576	16,832,422	222,501,576
Non-controlling interests	451,170	392,100	451,170	392,100
	17,283,592	222,893,677	17,283,592	222,893,677
Basic/Diluted Earnings Per Share Attributable to Owners of the Parent Company	0.0602	0.8029	0.0602	0.8029

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
For the Three Months Ended March 31, 2015 and 2014

	Year to Date		This Quarter	
	2015	**2014**	**2015**	**2014**
NET INCOME	17,283,592	222,893,677	17,283,592	222,893,677
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				
Gain on available for sale financial assets - net of tax	-	-	-	-
TOTAL COMPREHENSIVE INCOME	17,283,592	222,893,677	17,283,592	222,893,677
Attributable to:				
Owners of the Parent Company	16,832,422	222,501,576	16,832,422	222,501,576
Non-controlling interests	451,170	392,100	451,170	392,100
	17,283,592	222,893,677	17,283,592	222,893,677

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Mar 31/15 Unaudited	Dec 31/14 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	467,276,348	463,318,322
Marketable securities	720,252,319	746,616,837
Trade and other receivables (Schedule 1)	382,968,638	439,544,681
Other current assets	108,595,466	121,688,738
Total Current Assets	1,679,092,770	1,771,168,577
Noncurrent Assets		
Available-for-sale financial assets	-	-
Deposit for an equity investment		
Property and equipment - net	387,729,216	369,658,543
Goodwill	124,297,480	124,297,480
Deferred tax assets	51,612,883	41,173,966
Other noncurrent assets	45,170,968	45,202,192
Total Noncurrent Assets	608,810,546	580,332,181
	2,287,903,316	**2,351,500,759**
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	255,424,912	378,930,170
Current portion of obligation under capital lease	19,527,564	16,356,085
Current portion of installment payable	314,406	928,282
Withholding taxes payable	20,670,848	10,552,939
Income tax payable	95,614,700	51,734,141
Total Current Liabilities	391,552,431	458,501,617
Noncurrent Liabilities		
Obligation under capital lease - net of current portion	84,298,343	76,493,952
Installment payable - net of current portion	-	198,425
Defined benefit liability	18,138,567	17,738,567
Total Noncurrent Liabilities	102,436,910	94,430,944
Total Liabilities	493,989,340	552,932,561
Equity Attributable to Owners of the Parent Company		
Capital stock	298,443,650	298,443,650
Additional paid-in capital	238,339,307	238,339,307
Treasury shares	(187,626,787)	(165,688,973)
Fair value reserve	-	-
Reserve for retirement plan	(17,633,413)	(17,633,413)
Retained earnings	1,460,887,830	1,444,055,408
	1,792,410,588	1,797,515,980
Non-controlling Interests	1,503,388	1,052,218
Total Equity	1,793,913,976	1,798,568,198
	2,287,903,316	**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								
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Fair Value Reserve	Reserve for Retirement Plan	Retained Earnings	Total	Non-Controlling Interests	Total Equity
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						222,501,576	222,501,576	392,100	222,893,677
Total comprehensive income (loss)	-	-	-	4,500,000		222,501,576	227,001,576	392,100	227,393,677
Cash dividends							-		-
Treasury shares acquired			(12,870,497)				(12,870,497)		(12,870,497)
Treasury shares sold							-		-
March 31, 2014	298,443,650	275,652,351	(356,044,573)	-	(6,139,831)	1,446,969,954	1,658,881,552	1,847,576	1,660,729,128
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							-		-
Remeasurement of retirement plan - net of tax							-		-
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-
Net Income (loss) during the period						16,832,422	16,832,422	451,170	17,283,592
Total comprehensive income (loss)	-	-	-	-		16,832,422	16,832,422	451,170	17,283,592
Cash dividends							-		-
Available-for-sale financial assets sold							-		-
Treasury shares acquired			(21,937,814)				(21,937,814)		(21,937,814)
Treasury shares sold							-		-
March 31, 2015	298,443,650	238,339,307	(187,626,787)	-	(17,633,413)	1,460,887,830	1,792,410,588	1,503,388	1,793,913,976

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

	For the Three Months Ended Mar 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	60,074,116	264,370,813
Adjustments for:		
Depreciation and amortization	43,851,150	34,965,872
Fair value loss (gain) on marketable securities	95,424,111	(81,444,165)
Finance charges	192,111	270,360
Retirement cost	2,400,000	2,757,336
Impairment losses on trade and other receivables	1,535,259	450,000
Loss (gain) on sale of marketable securities	-	(47,188)
Loss (gain) on sale of AFS financial assets	-	(50,908,800)
Loss (gain) on sale of property and equipment	(29,999)	(19,999)
Interest income	(274,504)	(364,304)
Unrealized foreign exchange losses (gain)	(46,709)	1,294,283
Dividend income	(13,997,861)	-
Operating income before working capital changes	189,127,674	171,324,207
Decrease (increase) in:		
Trade and other receivables	55,040,784.11	(238,917,802.92)
Other current assets	13,093,272	1,825,608
Increase (decrease) in:		
Trade and other payables	(123,458,548)	(57,015,177)
Withholding taxes payable	10,117,909	(4,603,505)
Income tax paid	(9,348,882)	(2,192,128)
Interest received	274,504	364,304
Retirement contributions paid	(2,000,000)	(3,000,000)
Net cash provided by operating activities	132,846,713	(132,214,494)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of :		
Marketable securities	(69,059,593)	(90,798,088)
Property and equipment	(61,921,823)	(255,846)
Deposit for an equity investment		(185,000,000)
Increase in other noncurrent assets	31,225	(7,519,357)
Dividend received	13,997,861	-
Proceeds from sale of:		
Marketable securities	-	2,141,820
Available-for-sale financial assets	-	238,408,800
Property and equipment	30,000	20,000
Net cash used in investing activities	(116,922,331)	(43,002,671)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in:		
Obligations under finance lease	10,975,869	4,919,392
Installment payable	(812,300)	180,219
Acquisitions of treasury shares	(21,937,814)	(12,870,497)
Interest paid	(192,111)	(270,360)
Net cash used in financing activities	(11,966,356)	(8,041,246)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,958,026	(183,258,411)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	463,318,322	443,936,556
CASH AND CASH EQUIVALENTS AT END OF PERIOD	467,276,348	260,678,145

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Schedule 1 - Receivables
as of March 31, 2015

1.) Aging of Accounts Receivables

	Neither Past Due nor Impaired	Past Due but not Impaired			
		91-120 Days	Over 180 Days	Subtotal	Total
Type of Accounts Receivable					
a.) Trade Receivables					
1.) PCSO-Equipment Rentals	72,685,580				72,685,580
2.) Trade receivables - others	174,227,360				174,227,360
	246,912,940	-	-	-	246,912,940
b.) Non-Trade Receivables					
1.) Advances to customers	100,511,525				100,511,525
2.) Advances to officers & employees	7,736,221				7,736,221
3.) Contractors and suppliers	22,664,821				22,664,821
4.) Other receivables	5,143,132				5,143,132
	136,055,698	-	-	-	136,055,698
TOTAL	**P 382,968,638**	-	-	-	**P 382,968,638**

2.) Accounts Receivable Description

Types of Receivable	*Nature and Description*	*Collection / Liquidation Period*
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:

	March 31, 2015			
	Leasing Activity	Distribution and Retail Activities	Eliminations	Consolidated
Revenue				
Equipment rentals	354,799,547.96			354,799,547.96
Instant scratch tickets		74,970,376.49		74,970,376.49
Commission income		42,134,808.67		42,134,808.67
Total Revenue	354,799,547.96	117,105,185.16	-	471,904,733.12
Segment Results:				
Income before income tax	22,633,400.87	37,440,715.61		60,074,116.48
Provision for income tax	36,675,257.74	11,278,802.67		47,954,060.41
Net Income	(14,041,856.87)	26,161,912.94	-	12,120,056.07
Segment assets	2,122,215,364.50	713,902,330.87	(548,214,379.22)	2,287,903,316.15
Deferred tax	28,205,277.30	23,407,605.71		51,612,883.01
Segment assets (excluding deferred tax)	2,094,010,087.20	690,494,725.16	(548,214,379.22)	2,236,290,433.14
Segment liabilities	522,045,262.60	221,546,204.40	(249,602,126.77)	493,989,340.23
Other Information				
Capital expenditures	60,336,879.28	1,584,944.09	-	61,921,823.37
Depreciation expense	34,690,537.46	9,160,612.31		43,851,149.77

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 March 31, 2015 and December 31, 2014, without taking account any collateral and other credit enhancements:

	Mar 31/15	Dec 31/14
Cash and cash equivalents *	P 467,276,348	P 456,095,740
Trade and other receivables - net**	382,968,638	427,810,333
Marketable securities	720,252,319	746,616,837
Deposits	8,253,892	8,164,826
Guarantee bonds ***	40,000,000	40,000,000
Total credit risk exposure	**P 1,618,751,197**	**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 March 31, 2015 and December 31, 2014:

	March 31, 2015		
	Neither Past Due nor Impaired	Impaired	Total
Trade receivables	P 246,912,940		P 246,912,940
Advances to:			
Customers	P 100,511,525		100,511,525
Officers and employees	7,736,221		7,736,221
Contractors and suppliers	22,664,821		22,664,821
Other receivables	5,143,132		5,143,132
Deposits	8,253,892		8,253,892
Guarantee bonds	40,000,000		40,000,000
	P 431,222,530	-	P 431,222,530

	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 March 31, 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:

	March 31, 2015			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	P 467,276,348	P -	P -	P 467,276,348
Trade and other receivables	382,968,638			382,968,638
Marketable securities	720,252,319			720,252,319
Deposits		8,253,892		8,253,892
Guarantee bonds	40,000,000			40,000,000
	P 1,610,497,304	P 8,253,892	-	P 1,618,751,197

	December 31, 2014			
	Grade A	Grade B	Grade C	Total
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

March 31, 2015	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 36,004,641
(5 %)	(36,004,641)

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

March 31, 2015	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P -
(5 %)	-

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:

	March 31, 2015				
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	Total
Trade and other current liabilities*	P 255,424,912	P -	P -	P -	P 255,424,912
Installment payable**	314,406	-	-	-	314,406
Obligations under finance lease	4,881,891	4,881,891	9,763,782	84,298,343	103,825,907
	260,621,210	4,881,891	9,763,782	84,298,343	359,565,225

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

***Inclusive of current portion*

	December 31, 2014				
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	Total
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 March 31, 2015 and December 31, 2014, assets and liabilities denominated in US$ include cash and cash equivalents amounting to P 19.2 million ($429,405) and P 5.5 million ($123,323), respectively; and consultancy software and license fees payable amounting to P 23.9 million ($539,382) 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 P44.73 and P44.74 to US$1, the Philippine peso to U.S. dollar exchange rates as of March 31, 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 that those already affecting profit or loss.

Increase/Decrease in U.S. dollar Exchange Rate		Effect on Income Before Income Tax	Effect on Equity
March 31, 2015			
	5%	(P245,963)	(P 172,174)
	(5%)	245,963	172,174
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 March 31, 2015 and December 31, 2014.

	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 467,276,348	P 467,276,348	P 463,318,322	P 463,318,322
Trade and other receivables	382,968,638	P 382,968,638	439,544,681	439,544,681
Deposits	8,253,892	P 8,253,892	8,164,826	8,164,826
Guarantee bonds	40,000,000	P 40,000,000	40,000,000	40,000,000
Marketable securities	720,252,319	P 720,252,319	746,616,837	746,616,837
	P 1,618,751,197	P 1,618,751,197	P 1,697,644,666	P 1,697,644,666

	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Trade and other current liabilities *	P 255,424,912	P 255,424,912	P 377,169,565	P 377,169,565
Installment payable (inclusive of current portion)	314,406	314,406	1,126,707	1,126,707
Obligations under finance lease (inclusive of current portion)	103,825,907	103,825,907	92,850,038	92,850,038
	P 359,565,225	P 359,565,225	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 that 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				
March 31, 2015	P720,252,319	P -	P -	P720,252,319
December 31, 2014	746,616,837	P -	P -	746,616,837
AFS financial assets				
March 31, 2015	P -	P -	P -	P -
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.