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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

(Company's Full Name)

19^t h F l o o r , W e 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)

Mr. Rhederick B. Inciong

(Contact Person)

636-5281

(Company Telephone Number)

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Month Day
(Fiscal Year)

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Total Amount of Borrowings

Domestic

Foreign

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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 six months ended June 30, 2013 and June 30, 2012;
- b.) Unaudited Consolidated Statements of Comprehensive Income for the six months ended June 30, 2013 and June 30, 2012;
- c.) Unaudited Consolidated Statements of Financial Position as of June 30, 2013 and Audited Statements of Financial Position as of December 31, 2012;
- d.) Unaudited Consolidated Statements of Changes in Equity for the six months ended June 30, 2013 and June 30, 2012; and
- e.) Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and June 30, 2012.

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 Six Months' Period Ended June 30, 2013 vs. June 30, 2012

Revenues

Pacific Online Systems Corporation (the "Company") generated total revenues from operating sources of about ₱834.6 million for the six months ended June 30, 2013, an increase of ₱94.9 million (13%) over total revenues of ₱739.7 million during the same period in 2012. This increase was mainly due to increases in terminals deployed for both Lotto and Keno.

Expenses

The Company's total operating expenses, including depreciation and amortization, for the six months ended June 30, 2013 increased by ₱93.8 million (19%) to ₱583.2 million, from ₱489.4 million for the same period in 2012. The increase is attributed to the following: (1) Consultancy and software license fees increased by ₱34.2 million (38%) due to fee arrangements based on sales; (2) Communication costs increased by ₱7.4 million (23%) due to additional communication links; (3) Repairs, maintenance and lottery expenses increased by ₱73.2 million (248%) mainly due to spare parts of terminals and lottery consumables; (4) Taxes and licenses by ₱4.3 million (56%) due to higher business and other taxes paid; (5) Professional fees by ₱3.2 million (60%) due to higher legal fees paid and accrued; (6) Entertainment, amusement and recreation expense by ₱5.0 million (91%) due to other marketing expenses; and (9) Operating supplies by ₱0.6 million (13%) due to usage of various supplies.

The increases accounted for in the foregoing expense accounts were offset mainly by the combined decreases of the following expense accounts: (1) Depreciation and amortization by ₱13.1 million (17%) due to full depreciation of most of the lottery terminals; (2) Rent and utilities decreased by ₱8.2 million (16%) mainly due to reduced number of outlets being rented by subsidiary; (3) Management fees decreased by ₱4.4 million (14%) due to decrease in earnings before tax; (4) Advertising and promotion decreased by ₱6.1 million (27%) mainly due to lower marketing service fees paid to sub-distributors; (5) Impairment losses on receivables decreased by ₱1.2 million (40%) due lower provision for doubtful accounts; and (6) Other expenses decreased by ₱2.0 million (18%) mainly due to lower incidental business expenses.

Other Income (Charges)

Other income (net of other charges) increased to ₱33.3 million in the current period from net charges of ₱18.5 million in the same period in 2012, mainly due to gain on sale of marketable securities amounted to ₱16.9 million in 2013.

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

As a result of the above developments, the Company realized operating income of ₱251.3 million for the six months ended June 30, 2013, an increase of ₱1.1 million from operating income of ₱250.2 million during the same period last year. The Company posted a net income of ₱205.9 million for the six-month period ended June 30, 2013, an increase of ₱19.4 million (8%) from net income of ₱191.2 million during the same period in 2012, mainly due to increase in other income when compared to 2012. Other comprehensive income principally constitutes change in the fair value of available-for-sale financial assets, particularly the Company's subscription for 25 million new common shares of Leisure & Resorts World Corporation (LRWC), with a decline in fair value of ₱19.7 million for the six-month period ending June 30, 2013. Thus, total comprehensive income for the period ending June 30, 2013 and 2012 amounted to ₱186.1 million and ₱170.5 million, respectively, an increase of ₱15.7 million (9%) as of the same period in 2012, due to higher net income.

Comparable Discussion on Material Changes in Financial Condition - June 30, 2013 vs. December 31, 2012

Total assets of the Company decreased by ₱32.5 million (1%) to ₱ 2.3 billion as of June 30, 2013, from ₱2.3 billion as of December 31, 2012. Decreases in assets are attributable to the following: (1) Marketable securities decreased by ₱71.3 million principally due to sale of other marketable securities; (2) Trade and other receivables decreased by ₱48.8 million due to implementation of cash sales scheme for instant scratch tickets; (3) Available- for- sale financial assets decreased by ₱19.7 million due to decline in market price of quoted securities, more particularly new common shares of Leisure & Resorts World Corporation (LRWC) as part of a private placement offering made by the latter. The Company subscribed to 25 million shares at the agreed subscription price of ₱7.50 per share. On March 22, 2011, the Company paid 25 percent of the subscription in the amount of ₱ 46.9 million. The subscription balance of ₱ 140.6 million was paid in full on May 15, 2011; and (4) Intangible assets decreased by ₱2.1 million due to amortization expense for the period. These decreases were offset by the following increases: (1) Cash and cash equivalents increased by ₱31.2 million mainly due to higher income which in turn resulted in higher operating liquidity; (3) Other current assets increased by ₱14.4 million due to purchase of lotto consumables; (4) Property and equipment by ₱61.9 million due to acquisitions of fixed assets for the period; and (5) Deferred tax assets increased by ₱1.4 million due to additional deferred taxes.

Total liabilities of the Company decreased by ₱185.3 million (25%) to ₱543.9 million as of June 30, 2013, from ₱729.2 million as of December 31, 2012. The decreases in liabilities are mainly due to: (1) Trade and other payables decreased by ₱164.5 million (28%) due to payment of various maturing obligations; (2) Obligation under finance lease by ₱9.8 million (13%) due to periodic payments; (3) Installment payable decreased by ₱4.2 million (61%); and (4) Income tax payable decreased by ₱10.9 million (19%) due to payment of income taxes. The decreases were offset by the increase in defined benefit liability by ₱3.6 million (65%) due to additional accrual of retirement expense.

The stockholders' equity as of June 30, 2013 of ₱1.7 billion was higher by ₱152.8 million compared to the year-end 2012 level of ₱1.6 billion, due mainly to the reported net income for the six months ended June 30, 2013 of ₱205.9 million. Consequently, the Company's retained earnings balance increased from ₱1.1 billion to ₱1.3 billion.

Comparable Discussion on Material Changes in Cash Flows for the Six Months Ended June 30, 2013 vs. June 30, 2012

The Company's cash and cash equivalents as of June 30, 2013 of ₱715.0 million was higher by ₱288.7 million, compared to ₱426.3 million as of June 30, 2012 principally due to the strong cash position carried over from prior year and the sustained healthy level of net change in cash and cash equivalents for the current period.

Discussion and Analysis of Material Events and Uncertainties Known to Management

As of June 30, 2013, 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, 2012 to June 30, 2013, 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	
	Jun. 30, 2013	Dec. 31, 2012
Current Ratio	3.44 : 1.00	2.51 : 1.00
Debt-to-Equity Ratio	0.31 : 1.00	0.46 : 1.00
Asset-to-equity Ratio	1.31 : 1.00	1.46 : 1.00

	For the six months ended	
	Jun. 30, 2013	Jun. 30, 2012
Return on Equity	11.91%	12.13%
Return on Assets	9.06%	8.29%
Interest Coverage Ratio	68.75 : 1.00	35.22 : 1.00
Solvency Ratio	0.49 : 1.00	0.37 : 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, 2012.

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, 2012.

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 June 30, 2013 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, 2012.
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: August 2, 2013



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

Date: August 2, 2013

*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 Six Months Ended June 30, 2013 and 2012

	Year to Date		This Period	
	2013	2012	2013	2012
REVENUE				
Equipment rentals	652,566,273	536,753,382	311,375,908	259,951,131
Commission income	84,487,798	97,206,516	47,097,900	49,999,833
Instant scratch tickets - net	94,293,284	99,798,557	45,504,902	40,769,653
Maintenance and repair fees	3,231,411	5,911,020	(0)	2,211,215
	<u>834,578,765</u>	<u>739,669,475</u>	<u>403,978,710</u>	<u>352,931,832</u>
COSTS AND EXPENSES				
Depreciation and amortization	65,406,332	78,514,407	22,489,151	39,587,696
Personnel costs	72,830,154	70,082,131	36,898,015	34,827,264
Consultancy and software license fees	123,986,076	89,823,995	63,743,782	46,331,884
Rent and utilities	42,224,513	50,390,767	21,765,192	22,920,570
Travel and accommodation	46,230,061	48,162,103	24,692,606	26,864,343
Communication costs	39,837,571	32,413,132	17,551,231	15,409,211
Management fees	26,834,614	31,205,115	10,880,844	13,833,965
Repairs, maintenance and lottery expenses	102,669,574	29,464,163	71,385,173	16,212,041
Advertising and promotion	16,750,335	22,846,669	9,318,988	10,196,274
Taxes and licenses	12,084,975	7,742,516	7,480,159	3,385,608
Professional fees	8,565,807	5,337,299	5,237,424	2,195,242
Entertainment, amusement and recreation	10,450,756	5,458,889	5,799,388	1,585,941
Operating supplies	4,831,939	4,281,039	2,956,798	2,187,408
Impairment losses on receivables	1,800,000	3,000,000	882,350	907,851
Others	8,740,411	10,708,377	3,462,574	5,729,285
	<u>583,243,118</u>	<u>489,430,604</u>	<u>304,543,674</u>	<u>242,174,583</u>
OPERATING INCOME	<u>251,335,647</u>	<u>250,238,871</u>	<u>99,435,036</u>	<u>110,757,249</u>
OTHER INCOME (CHARGES)				
Mark-to-market gain (loss) on marketable securities	(2,280,429)	7,118,929	(48,583,583)	9,400,840
Gain (loss) on sale of marketable securities	16,867,538	925,186	12,631,201	-
Gain (loss) on sale of property and equipment	16,800	(356,543)	-	(328,784)
Interest income	5,344,575	2,358,023	2,022,346	1,313,208
Foreign exchange gain (loss)	74,547	2,283,855	178,825	2,608,439
Finance charges	(4,201,081)	(7,695,242)	(2,113,234)	(3,729,473)
Others	17,450,043	13,836,207	10,830,901	10,992,522
	<u>33,271,992</u>	<u>18,470,416</u>	<u>(25,033,543)</u>	<u>20,256,752</u>
INCOME BEFORE INCOME TAX	<u>284,607,640</u>	<u>268,709,287</u>	<u>74,401,493</u>	<u>131,014,001</u>
INCOME TAX EXPENSE (BENEFIT)				
Current	79,905,671	77,601,242	32,138,369	35,018,428
Deferred	(1,195,067)	(107,456)	(434,768)	355,984
	<u>78,710,604</u>	<u>77,493,786</u>	<u>31,703,601</u>	<u>35,374,413</u>
NET INCOME	<u>205,897,036</u>	<u>191,215,501</u>	<u>42,697,892</u>	<u>95,639,588</u>
Attributable to:				
Owners of the Parent Company	201,823,881	190,587,277	39,011,981	95,646,614
Non-controlling interests	4,073,156	628,224	3,685,910	(7,026)
	<u>205,897,036</u>	<u>191,215,501</u>	<u>42,697,892</u>	<u>95,639,588</u>
Basic/Diluted Earnings Per Share Attributable to				
Owners of the Parent Company	0.71	0.97	0.15	0.48

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
For the Six Months Ended June 30, 2013 and 2012

	Year to Date		This Period	
	2013	2012	2013	2012
NET INCOME	205,897,036	191,215,501	42,697,892	95,639,588
OTHER COMPREHENSIVE INCOME				
Gain (Loss) on Available-for-sale Financial Assets	(19,750,000)	(20,750,000)	(19,750,000)	8,750,000
TOTAL COMPREHENSIVE INCOME	186,147,036	170,465,501	22,947,892	104,389,588
Attributable to:				
Owners of the Parent Company	182,073,881	169,837,277	19,261,981	104,396,614
Non-controlling interests	4,073,156	628,224	3,685,910	(7,026)
	186,147,036	170,465,501	22,947,892	104,389,588

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Jun 30/13	Dec 31/12
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	715,028,948	683,836,101
Marketable securities	470,137,002	541,480,024
Trade and other receivables (Schedule I)	336,334,345	385,117,530
Other current assets	101,243,250	86,822,220
Total Current Assets	1,622,743,545	1,697,255,876
Noncurrent Assets		
Available-for-sale financial assets	187,750,000	207,500,000
Property and equipment - net	388,543,625	326,612,558
Intangible assets - net	16,592,832	18,745,730
Deferred tax assets	13,373,365	11,955,729
Other noncurrent assets	43,959,670	43,445,014
Total Noncurrent Assets	650,219,492	608,259,031
	2,272,963,038	2,305,514,907
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	408,245,278	572,728,919
Current portion of obligation under capital lease	5,321,445	30,433,906
Current portion of installment payable	2,624,105	6,775,016
Withholding taxes payable	10,100,496	9,614,225
Income tax payable	45,932,314	56,881,357
Total Current Liabilities	472,223,637	676,433,422
Noncurrent Liabilities		
Obligation under capital lease - net of current portion	62,520,895	47,188,746
Installment payable - net of current portion	-	36,806
Defined benefit liability	9,142,135	5,542,135
Total Noncurrent Liabilities	71,663,030	52,767,687
Total Liabilities	543,886,667	729,201,109
Equity Attributable to Owners of the Parent Company		
Capital stock	298,443,650	298,443,650
Additional paid-in capital	275,652,351	275,652,351
Treasury shares	(148,154,278)	(114,769,815)
Fair value reserve	250,000	20,000,000
Retained earnings	1,318,968,584	1,117,144,704
	1,745,160,307	1,596,470,890
Non-controlling Interests	(16,083,936)	(20,157,092)
Total Equity	1,729,076,371	1,576,313,798
	2,272,963,038	2,305,514,907

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

	Equity Attributable to Equity Holders of the Parent Company							Non-Controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Fair Value Reserve	Retained Earnings	Total			
Balance at December 31, 2011	200,898,000	275,607,520	(39,461,243)	39,750,000	797,765,640	1,274,559,916	(21,401,322)	1,253,158,594	
Change in the fair value of available-for-sale financial assets	-	-	-	(20,750,000)	-	(20,750,000)	-	(20,750,000)	
Other comprehensive income (loss)	-	-	-	(20,750,000)	-	(20,750,000)	-	(20,750,000)	
Net Income (loss) during the period	-	-	-	-	190,587,277	190,587,277	628,224	191,215,501	
Total comprehensive income (loss)	-	-	-	(20,750,000)	190,587,277	169,837,277	628,224	170,465,501	
Additional subscription	35,000	-	-	-	(97,510,650)	35,000	-	35,000	
Stock dividends	97,510,650	-	-	-	-	-	-	-	
Treasury shares acquired	-	-	(74,780,286)	-	-	(74,780,286)	-	(74,780,286)	
Treasury shares sold	-	44,831	258,352	-	-	303,183	-	303,183	
Balance at June 30, 2012	298,443,650	275,652,351	(113,983,177)	19,000,000	890,842,267	1,369,955,090	(20,773,098)	1,349,181,992	
Balance at December 31, 2012	298,443,650	275,652,351	(114,769,815)	20,000,000	1,117,144,704	1,596,470,890	(20,157,092)	1,576,313,798	
Change in the fair value of available-for-sale financial assets	-	-	-	(19,750,000)	-	(19,750,000)	-	(19,750,000)	
Other comprehensive income (loss)	-	-	-	(19,750,000)	-	(19,750,000)	-	(19,750,000)	
Net Income (loss) during the period	-	-	-	-	201,823,881	201,823,881	4,073,156	205,897,036	
Total comprehensive income (loss)	-	-	-	(19,750,000)	201,823,881	182,073,881	4,073,156	186,147,036	
Additional subscription	-	-	-	-	-	-	-	-	
Stock dividends	-	-	-	-	-	-	-	-	
Treasury shares acquired	-	-	(33,384,463)	-	-	(33,384,463)	-	(33,384,463)	
Treasury shares sold	-	-	-	-	-	-	-	-	
Balance at June 30, 2013	298,443,650	275,652,351	(148,154,278)	250,000	1,318,968,584	1,745,160,307	(16,083,936)	1,729,076,371	

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

For the Six Months Ended June 30

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	284,607,640	268,709,287
Adjustments for:		
Depreciation and amortization	65,406,332	78,514,407
Finance charges	4,201,081	7,695,242
Impairment loss on receivables	1,800,000	3,000,000
Unrealized mark-to-market loss (gain) on marketable securities	2,280,429	(7,118,929)
Loss (gain) on sale of marketable securities	(16,867,538)	(925,186)
Loss (gain) on sale of property and equipment	(16,800)	356,543
Interest income	(5,344,575)	(2,358,023)
Unrealized foreign exchange losses (gain)	(74,547)	(2,283,855)
Dividend income	(1,875,000)	(1,127,000)
Operating income before working capital changes	334,117,022	344,462,486
Decrease (increase) in:		
Trade and other receivables	46,983,184	(9,572,912)
Other current assets	(14,421,030)	6,089,241
Increase (decrease) in:		
Trade and other payables	(164,409,094)	56,133,069
Withholding taxes payable	486,271	1,461,401
Defined benefit liability	3,600,000	2,278,717
Income tax paid	(91,077,282)	(69,725,332)
Interest received	5,344,575	2,358,023
Net cash provided by operating activities	120,623,647	333,484,692
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Marketable securities	(79,885,462)	(34,510,072)
Property and equipment	(126,228,063)	(42,388,902)
Increase in other noncurrent assets	(514,656)	1,515,646
Dividend received	1,875,000	1,127,000
Proceeds from sale of:		
Marketable securities	165,815,593	8,189,186
Property and equipment	16,800	256,839
Net cash used in investing activities	(38,920,789)	(65,810,304)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Obligations under finance lease	(9,780,313)	(26,034,742)
Installment payable	(3,144,155)	(4,319,334)
Cash dividends	-	(97,510,650)
Acquisitions of treasury shares	(33,384,463)	(74,780,286)
Interest paid	(4,201,081)	(7,695,242)
Cash proceeds from:		
Sale of treasury stock	-	303,183
Issuance of capital stock (net of issuance costs)	-	97,545,650
Net cash used in financing activities	(50,510,012)	(112,491,420)
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,192,847	155,182,968
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	683,836,101	271,125,764
CASH AND CASH EQUIVALENTS AT END OF PERIOD	715,028,948	426,308,732

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Schedule 1 - Receivables
as of June 30, 2013

1.) Aging of Accounts Receivables

Type of Accounts Receivable	Neither Past Due nor Impaired	Past Due but not Impaired				Subtotal	Total
		91-120 Days	121-150 Days	151-180 Days	Over 180 Days		
a.) Trade Receivables							
1.) PCSO-Equipment Rentals / Maintenance & Repair Fees	109,701,096	-	-	-	-	-	109,701,096
2.) Trade receivables - others	200,880,872	-	-	-	-	-	200,880,872
	<u>310,581,968</u>	-	-	-	-	-	<u>310,581,968</u>
b.) Non-Trade Receivables							
1.) Advances to officers & employees	8,481,907	-	-	-	-	-	8,481,907
2.) Contractors and suppliers	14,086,619	-	-	-	-	-	14,086,619
3.) Other receivables	3,183,852	-	-	-	-	-	3,183,852
	<u>25,752,377</u>	-	-	-	-	-	<u>25,752,377</u>
TOTAL	P 336,334,345	-	-	-	-	-	P 336,334,345

2.) Accounts Receivable Description

<i>Types of Receivable</i>	<i>Nature and Description</i>	<i>Collection / Liquidation Period</i>
1.) Advances to Officers & employees	company loan and other advances granted to officers & employees	within one (1) year
2.) Contractors and suppliers	downpayments to suppliers	within one (1) year
3.) 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:

	June 30, 2013			
	Leasing Activity	Distribution and Retail Activities	Eliminations	Consolidated
Revenue				
Equipment rentals	652,566,273			652,566,273
Commission income		84,487,798		84,487,798
Instant scratch tickets - net		94,293,284		94,293,284
Maintenance and repair fees	3,231,411			3,231,411
Total Revenue	655,797,684	178,781,081	-	834,578,765
Segment Results:				
Income before income tax	249,177,868	35,429,772		284,607,640
Provision for income tax	69,356,917	9,353,687		78,710,604
Net Income	179,820,951	26,076,085	-	205,897,036
Segment assets	2,002,216,822	777,384,838	(506,638,623)	2,272,963,038
Deferred tax	8,215,045	5,158,319		13,373,365
Segment assets (excluding deferred tax)	1,994,001,776	772,226,519	(506,638,623)	2,259,589,673
Segment liabilities	384,733,905	403,119,973	(243,967,211)	543,886,667
Other Information				
Capital expenditures	104,908,481	4,397,104		109,305,585
Capitalized assets	16,922,478			16,922,478
Depreciation and amortization	52,205,293	13,201,039		65,406,332

PACIFIC ONLINE SYSTEMS CORPORATION

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 Company'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 as agreed. With respect to other receivables, the Company 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 Company'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 and investments held for trading, 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 June 30, 2013 and December 31, 2012, without taking account any collateral and other credit enhancements:

	Jun 30/13	Dec 31/12
Cash and cash equivalents	P 715,028,948	P 676,034,642
Trade and other receivables	336,334,345	385,117,530
Marketable securities	470,137,002	541,480,024
Deposits	12,146,152	11,966,152
AFS financial assets	187,750,000	207,500,000
Guarantee bond (included as of part of "Other noncurrent assets" account	40,000,000	40,000,000
Total credit risk exposure	P 1,761,396,447	P 1,862,098,348

The table below shows aging analysis of receivables as of June 30, 2013 and December 31, 2012:

	June 30, 2013					Subtotal	Impaired	Total
	Neither Past Due nor Impaired	Past Due but not Impaired						
		91-120 Days	121-150 Days	151-180 Days	Over 180 Days			
Trade receivables	P 299,488,131	-	P -	P -	P -	-	P 11,093,836	P 310,581,968
Advances to:								
Officers and employees	5,752,871						2,729,036	8,481,907
Contractors and suppliers	14,086,619	-	-	-	-	-	-	14,086,619
Other receivables	3,183,852	-	-	-	-	-	-	3,183,852
Deposits	12,146,152							12,146,152
Guarantee bond (included as part of part of "Other Noncurrent Assets")	40,000,000	-	-	-	-	-	-	40,000,000
	P 374,657,625	-	-	-	-	-	P 13,822,872	P 388,480,497

	December 31, 2012							
	Neither Past Due nor Impaired	Past Due but not Impaired				Subtotal	Impaired	Total
		91-120 Days	121-150 Days	151-180 Days	Over 180 Days			
Trade receivables	P 356,217,969	P 7,207,907	P -	P -	P -	P 7,207,907	P 12,812,592	P 376,238,468
Advances to:								
Officers and employees	4,940,009	-	-	-	-	-	2,729,036	7,669,045
Contractors and suppliers	16,125,863	-	-	-	-	-	-	16,125,863
Other receivables	625,782	-	-	-	-	-	-	625,782
Deposits	11,966,152	-	-	-	-	-	-	11,966,152
Guarantee bond (included as part of part of "Other Noncurrent Assets")	40,000,000	-	-	-	-	-	-	40,000,000
	P 429,875,775	P 7,207,907	-	-	-	P 7,207,907	P 15,541,628	P 452,625,310

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:

	June 30, 2013			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	P 715,028,948	P -	P -	P 715,028,948
Trade and other receivables				
Trade	299,488,131	-	-	299,488,131
Advances to contractors and suppliers	-	5,752,871	-	5,752,871
Advances to officers and employees	-	14,086,619	-	14,086,619
Others	-	-	3,183,852	3,183,852
Marketable securities	470,137,002	-	-	470,137,002
Deposits	-	12,146,152	-	12,146,152
AFS financial assets	187,750,000	-	-	187,750,000
Guarantee bond (included as of part of "Other noncurrent assets" account)	40,000,000	-	-	40,000,000
	P 1,712,404,081	P 31,985,642	P 3,183,852	P 1,747,573,575

	December 31, 2012			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	P 676,034,642	P -	P -	P 676,034,642
Trade and other receivables				
Trade	356,217,969	-	-	356,217,969
Advances to contractors and suppliers	-	16,125,863	-	16,125,863
Advances to officers and employees	-	4,940,009	-	4,940,009
Others	-	-	625,782	625,782
Marketable securities	541,480,024	-	-	541,480,024
Deposits	-	11,966,152	-	11,966,152
AFS financial assets	207,500,000	-	-	207,500,000
Guarantee bond (included as of part of "Other noncurrent assets" account)	40,000,000	-	-	40,000,000
	P 1,821,232,635	P 33,032,024	P 625,782	P 1,854,890,441

Grade A financial assets pertain to those cash and cash equivalents that are deposited in a reputable bank, investments with reputable publicly listed companies and receivables from PCSO which are consistently collected before the maturity date. Grade B includes receivables that are collected on their due dates even without an effort from the Group to follow them up, while receivables which are collected on their due dates provided that the Group made a persistent effort to collect them are include under Grade C receivables.

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

June 30, 2013	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 99,774,069
(5 %)	(99,774,069)

December 31, 2012	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 126,767,440
(5 %)	(126,767,440)

AFS Financial Assets

June 30, 2013	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 11,265,000
(5 %)	(11,265,000)

December 31, 2012	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 10,375,000
(5 %)	(10,375,000)

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:

	June 30, 2013				
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	Total
Trade and other current liabilities*	P 402,637,615	P 3,554,640	-	P 2,053,022	P 408,245,278
Installment payable**	1,481,442	670,396	472,267	-	2,624,105
Obligations under finance lease	1,330,361	1,330,361	2,660,722	62,520,895	67,842,339
	P405,449,418	P5,555,397	P3,132,990	P64,573,917	P478,711,722

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

**Inclusive of current portion

	December 31, 2012				
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	Total
Trade and other current liabilities*	P 474,332,377	P 31,950,300	P 34,907,787	P 30,446,283	P 571,636,747
Installment payable**	2,687,975	2,166,993	1,920,048	36,806	6,811,822
Obligations under finance lease	10,059,523	10,059,523	15,901,308	41,602,298	77,622,652
	P487,079,875	P44,176,816	P52,729,143	P72,085,387	P656,071,221

*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 June 30, 2013 and December 31, 2012, assets and liabilities denominated in US\$ include cash and cash equivalents amounting to P 5.9 million (\$135,501) and P28.4 million (\$691,839), respectively; and consultancy software and license fees payable amounting to P 31.0 million (\$758,733) and P30.9 million (\$752,515), respectively.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rate used were P43.50 and P41.05 to US\$1, the Philippine peso to U.S. dollar exchange rates as of June 30, 2013 and December 31, 2012, 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
June 30, 2013			
5%		(P1,355,528)	(P 948,870)
(5%)		1,355,528	948,870
December 31, 2012			
5%		(P124,537)	(P 87,093)
(5%)		124,537	87,093

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 June 30, 2013 and December 31, 2012.

	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 715,028,948	P 715,028,948	P 683,836,101	P 683,836,101
Trade and other receivables	470,137,002	P 470,137,002	385,117,530	385,117,530
Deposits	12,146,152	P 12,146,152	11,966,152	11,966,152
Guarantee bond (included as of part of "Other noncurrent assets" account)	40,000,000	P 40,000,000	40,000,000	40,000,000
Marketable securities	470,137,002	P 470,137,002	541,480,024	541,480,024
AFS financial assets	187,750,000	P 187,750,000	207,500,000	207,500,000
	P 1,895,199,104	P 1,895,199,104	P 1,869,899,807	P 1,869,899,807

	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Trade and other current liabilities	P 408,245,278	P 408,245,278	P 571,636,747	P 571,636,747
Installment payable (inclusive of current portion)	2,624,105	2,624,105	6,811,822	6,811,822
Obligations under finance lease (inclusive of current portion)	67,842,340	67,842,340	77,622,652	77,622,652
	P 478,711,722	P 478,711,722	P 656,071,221	P 656,071,221

* Excluding other current liabilities representing statutory 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 2013 and 2012.

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				
June 30, 2013	P470,137,002	P -	P -	P470,137,002
December 31, 2012	456,168,573	P -	P -	456,168,573
AFS financial assets				
June 30, 2013	P187,750,000	P -	P -	187,750,000
December 31, 2012	207,500,000	P -	P -	207,500,000

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.