COVER SHEET

AS093-008809

SEC Registration Number

PACIFIC ONLINE SYSTEMS CORPORATION

(Company's Full Name)

19th Floor, West 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

Total No. of Stockholders

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, 2013**

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. **19/F, West 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	**291,084,250**

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, 2013 and March 31, 2012;
b.) Unaudited Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and March 31, 2012;
c.) Unaudited Consolidated Statements of Financial Position as of March 31, 2013 and Audited Statements of Financial Position as of December 31, 2012;
d.) Unaudited Consolidated Statements of Changes in Equity for the three months ended March 31, 2013 and March 31, 2012; and
e.) Unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and March 31, 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 Three Months' Period Ended March 31, 2013 vs. March 31, 2012

Revenues

Pacific Online Systems Corporation (the "Company") generated total revenues from operating sources of about ₱430.6 million for the three months ended March 31, 2013, an increase of ₱43.9 million (11%) over total revenues of ₱386.7 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 three months ended March 31, 2013 increased by ₱31.4 million (13%) to ₱278.7 million, from ₱247.3 million for the same period in 2012. The increase is attributed to the following: (1) Depreciation and amortization charges increased by ₱4.0 million (10%) mainly due to the increased number of terminals deployed; (2) Consultancy and software license fees increased by ₱16.8 million (39%) due to fee arrangements based on sales; (3) Communication costs increased by P5.3 million (31%) due to additional communication links; (4) Repairs and maintenance account by ₱ 18.0 million (136%) mainly due to utilization of spare parts after the lapse of warranty on some terminals and lottery consumables; (5) Taxes and licenses by ₱ 0.3 million (6%) due to higher business taxes paid ; (6) Professional fees by ₱ 0.2 million (6%) due to higher legal fees paid; (8) Entertainment, amusement and recreation expense by ₱0.8 million (6%) due to other marketing expenses; and (8) Other expenses increased by ₱ 0.3 million (6%) mainly due to higher incidental business expenses.

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 by ₱7.0 million (26%) mainly due to reduced number of retail outlets being leased by the Company's subsidiary; (2) Management fees decreased by ₱1.4 million (8%) due to decrease in earnings before tax; (3) Advertising and promotion decreased by ₱5.2 million (41%) mainly due to lower marketing service fees paid to sub-distributors; (4) Operating supplies by ₱0.2 million (10%) due to lower consumption of office supplies; and (6) Impairment losses on receivables decreased by ₱1.2 million (56%) due lower provision for doubtful accounts;

<u>Other Income (Charges)</u>

Other income (net of other charges) increased to ₱58.3 million in the current period from net charges of ₱1.8 million in the same period in 2012, mainly due to mark-to-market gain on marketable securities amounted to ₱46.3 million in 2013.

<u>Operating Income, Net Income, Other Comprehensive Income and Total Comprehensive Income</u>

As a result of the above developments, the Company realized operating income of ₱151.9 million for the three months ended March 31, 2013, an increase of ₱12.4 million (9%) from operating income of ₱139.5 million during the same period last year. The Company posted a net income of ₱163.2 million for the three-month period ended March 31, 2013, an increase of ₱67.6 million (71%) from net income of ₱95.6 million during the same period in 2012, mainly due to higher operating income as cited in the foregoing and accompanied by an 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 no change in fair value for the three-month period ending March 31, 2013. Thus, total comprehensive income for the period ending March 31, 2013 and 2012 amounted to ₱163.2 million and P66.1 million, respectively, an increase of P97.1 million (147.0%) as of the same period in 2012, due to higher net income.

<u>Comparable Discussion on Material Changes in Financial Condition - March 31, 2013 vs. December 31, 2012</u>

Total assets of the Company increased by ₱83.0 million (3.6%) to ₱ 2.4 billion as of March 31, 2013, from ₱2.3 billion as of December 31, 2012. Increases in assets are attributable to the following: (1) Cash and cash equivalents increased by ₱82.2 million mainly due to higher operating income which in turn resulted in higher operating liquidity; (2) Marketable securities increased by ₱27.5 million principally due to additional purchases of marketable securities; (3) Other current assets increased by ₱21.2 million due to purchase of lotto consumables; (4) Deferred tax assets increased by ₱0.6 million due to additional deferred taxes; and (5) Other noncurrent assets increased by ₱3.6 million due additional rental deposits. These increases were offset by the following decreases: (1) Trade and other receivables decreased by ₱46.2 million due to implementation of cash sales scheme for instant scratch tickets; and (2) Intangible assets decreased by ₱1.1 million due to amortization expense for the period.

Total liabilities of the Company decreased by ₱59.5 million (8.2%) to ₱669.5 million as of March 31, 2013, from P729.2 million as of December 31, 2012. The decreases in liabilities are mainly due to: (1) Trade and other payables decreased by ₱90.2 million (15.7%) due to payment of various maturing obligations; (2) Obligation under finance lease by P19.2 million (68.9%) due to payment amortization; and (3) Installment payable by P3.2 million (47%) due to loan amortization. The decreases were offset by the following increases: (1) Income tax payable increased by P51.0 million (89.7%) due to accumulation of taxes payable not yet due; and (2) Defined benefit liability increase by P1.5 million (27.1%) due to additional accrual of retirement expense.

The stockholders' equity as of March 31, 2013 of ₱1.72 billion was higher by ₱142.7 million compared to the year-end 2012 level of ₱1.58 billion, due mainly to the reported net income for the three months ended March 31, 2013 of ₱163.1 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 Three Months Ended March 31, 2013 vs. March 31, 2012

The Company's cash and cash equivalents as of March 31, 2013 of ₱766.0 million was higher by ₱416.6 million, compared to ₱349.4 million as of March 31, 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 March 31, 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 March 31, 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	
	Mar. 31, 2013	**Dec. 31, 2012**
Current Ratio	2.92 : 1.00	2.51 : 1.00
Debt-to-Equity Ratio	0.39 : 1.00	0.46 : 1.00
Asset-to-equity Ratio	1.39 : 1.00	1.46 : 1.00

	For the three months ended	
	Mar. 31, 2013	**Mar. 31, 2012**
Return on Equity	9.49%	6.06%
Return on Assets	6.83%	4.15%
Interest Coverage Ratio	101.61 : 1.00	35.72 : 1.00
Solvency Ratio	0.31 : 1.00	0.18 : 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, 2012.

   A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning January 1, 2012 and none of these had a significant effect on the interim financial reports.

   PFRS 9, Financial Instruments. PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation – IFRIC 9, Reassessment of Embedded Derivatives. The adoption of the amendment is required for annual periods beginning on or after January 1, 2015.

   After consideration of the result of its impact evaluation, the Company has decided not to early adopt PFRS 9 (2009) or PFRS (2010) for its 2013 annual financial reporting. The Company shall conduct in early 2014 another impact evaluation using the outstanding balances of financial statements as of December 31, 2013.

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, 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: April 24, 2013

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

Date: April 24, 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 Three Months Ended March 31, 2013 and 2012

	Year to Date		This Period	
	2013	2012	2013	2012
REVENUE				
Equipment rentals	341,190,365	276,802,251	341,190,365	276,802,251
Commission income	37,389,898	47,206,683	37,389,898	47,206,683
Instant scratch tickets - net	48,788,382	59,028,904	48,788,382	59,028,904
Maintenance and repair fees	3,231,411	3,699,805	3,231,411	3,699,805
	430,600,055	386,737,643	430,600,055	386,737,643
COSTS AND EXPENSES				
Depreciation and amortization	42,917,181	38,926,711	42,917,181	38,926,711
Personnel costs	35,932,139	35,254,867	35,932,139	35,254,867
Consultancy and software license fees	60,242,294	43,492,110	60,242,294	43,492,110
Rent and utilities	20,459,321	27,470,197	20,459,321	27,470,197
Travel and accommodation	21,537,455	21,297,761	21,537,455	21,297,761
Communication costs	22,286,340	17,003,922	22,286,340	17,003,922
Management fees	15,953,771	17,371,150	15,953,771	17,371,150
Repairs and maintenance	31,284,401	13,252,122	31,284,401	13,252,122
Advertising and promotion	7,431,347	12,650,395	7,431,347	12,650,395
Taxes and licenses	4,604,816	4,356,908	4,604,816	4,356,908
Professional fees	3,328,383	3,142,057	3,328,383	3,142,057
Entertainment, amusement and recreation	4,651,368	3,872,948	4,651,368	3,872,948
Operating supplies	1,875,141	2,093,631	1,875,141	2,093,631
Impairment losses on receivables	917,650	2,092,149	917,650	2,092,149
Others	5,277,837	4,979,092	5,277,837	4,979,092
	278,699,443	247,256,021	278,699,443	247,256,021
OPERATING INCOME	151,900,611	139,481,622	151,900,611	139,481,622
OTHER INCOME (CHARGES)				
Mark-to-market gain (loss) on marketable securities	46,303,154	(2,281,911)	46,303,154	(2,281,911)
Gain (loss) on sale of marketable securities	4,236,336	925,186	4,236,336	925,186
Gain (loss) on sale of property and equipment	16,800	(27,759)	16,800	(27,759)
Interest income	3,322,229	1,044,815	3,322,229	1,044,815
Foreign exchange gain (loss)	(104,278)	(324,584)	(104,278)	(324,584)
Finance charges	(2,087,848)	(3,965,768)	(2,087,848)	(3,965,768)
Others	6,619,142	2,843,685	6,619,142	2,843,685
	58,305,536	(1,786,336)	58,305,536	(1,786,336)
INCOME BEFORE INCOME TAX	210,206,147	137,695,286	210,206,147	137,695,286
INCOME TAX EXPENSE (BENEFIT)				
Current	47,767,302	42,582,814	47,767,302	42,582,814
Deferred	(760,299)	(463,441)	(760,299)	(463,441)
	47,007,003	42,119,373	47,007,003	42,119,373
NET INCOME	163,199,144	95,575,913	163,199,144	95,575,913
Attributable to:				
Owners of the Parent Company	162,811,899	94,940,663	162,811,899	94,940,663
Non-controlling interests	387,245	635,250	387,245	635,250
	163,199,144	95,575,913	163,199,144	95,575,913
Basic/Diluted Earnings Per Share Attributable to Owners of the Parent Company	0.56	0.48	0.56	0.48

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the Three Months Ended March 31, 2013 and 2012

	Year to Date		This Period	
	2013	**2012**	**2013**	**2012**
NET INCOME	163,199,144	95,575,913	163,199,144	95,575,913
OTHER COMPREHENSIVE INCOME				
Loss on Available-for-sale Financial Assets	-	29,500,000	-	29,500,000
TOTAL COMPREHENSIVE INCOME	163,199,144	66,075,913	163,199,144	66,075,913
Attributable to:				
Owners of the Parent Company	162,811,899	65,440,663	162,811,899	65,440,663
Non-controlling interests	387,245	635,250	387,245	635,250
	163,199,144	66,075,913	163,199,144	66,075,913

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Mar 31/13	Dec 31/12
	Unaudited	**Audited**
ASSETS		
Current Assets		
Cash and cash equivalents	766,039,771	683,836,101
Marketable securities	568,939,728	541,480,024
Trade and other receivables (Schedule 1)	338,895,196	385,117,530
Other current assets	108,381,309	86,822,220
Total Current Assets	1,782,256,004	1,697,255,876
Noncurrent Assets		
Available-for-sale financial assets	207,500,000	207,500,000
Property and equipment - net	321,410,273	326,612,558
Intangible assets - net	17,669,281	18,745,730
Deferred tax assets	12,716,028	11,955,729
Other noncurrent assets	47,012,005	43,445,014
Total Noncurrent Assets	606,307,587	608,259,031
	2,388,563,591	**2,305,514,907**
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	482,487,605	572,728,919
Current portion of obligation under capital lease	6,075,597	30,433,906
Current portion of installment payable	3,630,861	6,775,016
Withholding taxes payable	9,930,464	9,614,225
Income tax payable	107,885,621	56,881,357
Total Current Liabilities	610,010,148	676,433,422
Noncurrent Liabilities		
Obligation under capital lease - net of current portion	52,423,263	47,188,746
Installment payable - net of current portion	-	36,806
Defined benefit liability	7,042,135	5,542,135
Total Noncurrent Liabilities	59,465,398	52,767,687
Total Liabilities	669,475,546	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	(135,194,712)	(114,769,815)
Fair value reserve	20,000,000	20,000,000
Retained earnings	1,279,956,603	1,117,144,704
	1,738,857,892	1,596,470,890
Non-controlling Interests	(19,769,846)	(20,157,092)
Total Equity	1,719,088,045	1,576,313,798
	2,388,563,591	**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							
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Fair Value Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
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				(29,500,000)		- (29,500,000)		- (29,500,000)
Other comprehensive income (loss)	-	-	-	(29,500,000)	-	(29,500,000)		(29,500,000)
Net Income (loss) during the period					94,940,663	94,940,663	635,250	95,575,913
Total comprehensive income (loss)	-	-	-	(29,500,000)	94,940,663	65,440,663	635,250	66,075,913
Additional subscription	35,000					35,000		35,000
Cash dividends					(12,750)	(12,750)		(12,750)
Treasury shares acquired			(50,026,864)			(50,026,864)		(50,026,864)
Treasury shares sold						-		-
Balance at March 31, 2012	**200,933,000**	**275,607,520**	**(89,488,108)**	**10,250,000**	**892,693,553**	**1,289,995,965**	**(20,766,072)**	**1,269,229,892**
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				-		-		-
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Net Income (loss) during the period					162,811,899	162,811,899	387,245	163,199,144
Total comprehensive income (loss)	-	-	-	-	162,811,899	162,811,899	387,245	163,199,144
Additional subscription						-		-
Stock dividends					-	-		-
Treasury shares acquired			(20,424,897)			(20,424,897)		(20,424,897)
Treasury shares sold						-		-
Balance at March 31, 2013	298,443,650	275,652,351	(135,194,712)	20,000,000	1,279,956,603	1,738,857,892	(19,769,846)	1,719,088,045

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

	For the Three Months Ended Mar 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	210,206,147	137,695,286
Adjustments for:		
Depreciation and amortization	42,917,181	38,926,711
Finance charges	2,087,848	3,965,768
Impairment loss on receivables	917,650	2,092,149
Unrealized mark-to-market loss (gain) on marketable securities	(46,303,154)	2,281,911
Loss (gain) on sale of marketable securities	(4,236,336)	(925,186)
Loss (gain) on sale of property and equipment	(16,800)	27,759
Interest income	(3,322,229)	(1,044,815)
Unrealized foreign exchange losses (gain)	104,278	324,584
Dividend income	(1,875,000)	(1,127,000)
Operating income before working capital changes	200,479,584	182,217,168
Decrease (increase) in:		
Trade and other receivables	45,304,684	(49,862,082)
Other current assets	(21,559,088)	(3,784,932)
Increase (decrease) in:		
Trade and other payables	(90,345,592)	46,523,737
Withholding taxes payable	316,239	7,555,660
Defined benefit liability	1,500,000	1,400,000
Income tax paid	3,236,963	-
Interest received	3,322,229	1,044,815
Net cash provided by operating activities	142,255,018	185,094,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of :		
Marketable securities	(45,007,405)	(24,078,483)
Property and equipment	(36,675,252)	(17,465,724)
Increase in other noncurrent assets	(3,566,991)	(28,000)
Dividend received	1,875,000	1,127,000
Proceeds from sale of:		-
Marketable securities	68,087,191	8,189,186
Property and equipment	16,800	2,212,124
Net cash used in investing activities	(15,270,658)	(30,043,897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Obligations under finance lease	(19,123,791)	(17,829,595)
Installment payable	(3,144,155)	(4,941,920)
Cash dividends	-	(12,750)
Acquisitions of treasury shares	(20,424,897)	(50,026,864)
Interest paid	(2,087,848)	(3,965,768)
Cash proceeds from:		
Issuance of capital stock (net of issuance costs)	-	35,000
Net cash used in financing activities	(44,780,691)	(76,741,898)
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,203,670	78,308,571
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	683,836,101	271,125,764
CASH AND CASH EQUIVALENTS AT END OF PERIOD	766,039,771	349,434,334

PACIFIC ONLINE SYSTEMS CORPORATION
Attachments to Unaudited Financial Statements
Schedule 1 - Receivables
as of March 31, 2013

1.) Aging of Accounts Receivables

	Neither Past Due nor Impaired	Past Due but not Impaired					Total
		91-120 Days	121-150 Days	151-180 Days	Over 180 Days	Subtotal	
Type of Accounts Receivable							
a.) Trade Receivables							
1.) PCSO-Equipment Rentals /						-	-
Maintenance & Repair Fees	129,056,660	-	-	-	-	-	129,056,660
2.) Trade receivables - others	192,197,451	-	-	-	-	-	192,197,451
	321,254,111	-	-	-	-	-	321,254,111
						-	-
b.) Non-Trade Receivables						-	-
1.) Advances to officers & employees	8,798,411	-	-	-	-	-	8,798,411
2.) Contractors and suppliers	1,745,804	-	-	-	-	-	1,745,804
3.) Other receivables	7,096,870	-	-	-	-	-	7,096,870
	17,641,085	-	-	-	-	-	17,641,085
TOTAL	**P 338,895,196**	-	-	-	-	-	**P 338,895,196**

2.) Accounts Receivable Description

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

	March 31, 2013			
	Leasing Activity	Distribution and Retail Activities	Eliminations	Consolidated
Revenue				
Equipment rentals	341,190,365			341,190,365
Commission income		37,389,898		37,389,898
Instant scratch tickets - net		48,788,382		48,788,382
Maintenance and repair fees	3,231,411			3,231,411
Total Revenue	344,421,775	86,178,279	-	430,600,055
Segment Results:				
Income before income tax	194,213,151	15,992,997		210,206,147
Provision for income tax	43,093,031	3,913,971		47,007,003
Net Income	151,120,119	12,079,025	-	163,199,144
Segment assets	1,979,041,066	793,197,007	(383,674,482)	2,388,563,591
Deferred tax	7,991,131	4,724,897		12,716,028
Segment assets (excluding deferred tax)	1,971,049,936	788,472,110	(383,674,482)	2,375,847,564
Segment liabilities	521,125,864	432,929,201	(284,579,519)	669,475,546
Other Information				
Capital expenditures	34,968,882	1,706,370		36,675,252
Capitalized assets				-
Depreciation and amortization	36,250,739	6,666,442		42,917,181

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 March 31, 2013 and December 31, 2012, without taking account any collateral and other credit enhancements:

	Mar 31/13	Dec 31/12
Cash and cash equivalents	P 766,039,771	P 676,034,642
Trade and other receivables	338,895,196	385,117,530
Marketable securities	568,939,728	541,480,024
Deposits	12,056,152	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
Total credit risk exposure	**P 1,933,430,847**	**P 1,862,098,348**

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

	March 31, 2013							
	Neither Past Due nor Impaired	Past Due but not Impaired						
		91-120 Days	121-150 Days	151-180 Days	Over 180 Days	Subtotal	Impaired	Total
Trade receivables	P 306,835,920	-	P -	P -	P -	-	P 14,418,191	P 321,254,111
Advances to:								
Officers and employees	6,069,375						2,729,036	8,798,411
Contractors and suppliers	1,745,804	-	-	-	-	-		1,745,804
Other receivables	7,096,870	-	-	-	-	-		7,096,870
Deposits	12,056,152					-		12,056,152
Guarantee bond (included as part of						-		-
part of "Other Noncurrent Assets")	40,000,000	-	-	-	-	-		40,000,000
	P 373,804,121	-	-	-	-	-	P 17,147,227	P 390,951,348

	December 31, 2012							
	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired	Total
		91-120 Days	121-150 Days	151-180 Days	Over 180 Days	Subtotal		
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:

	March 31, 2013			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	P 766,039,771	P -	P -	P 766,039,771
Trade and other receivables				
Trade	306,835,920	-	-	306,835,920
Advances to contractors and suppliers		6,069,375		6,069,375
Advances to officers and employees	-	1,745,804	-	1,745,804
Others	-	-	7,096,870	7,096,870
Marketable securities	568,939,728			568,939,728
Deposits		12,056,152		12,056,152
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 1,889,315,419	P 19,871,331	P 7,096,870	P 1,916,283,620

	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.

<u>Equity Price Risk</u>

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, 2013	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 147,669,195
(5 %)	(147,669,195)

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

March 31, 2013	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 10,375,000
(5 %)	(10,375,000)

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:

	March 31, 2013				
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	Total
Trade and other current liabilities*	P 363,524,299	P 19,322,672	-	P 99,640,634	P 482,487,605
Installment payable**	1,942,352	1,216,902	471,607	-	3,630,861
Obligations under finance lease	3,390,957	3,390,957	3,390,957	48,325,990	58,498,861
	P368,857,608	P23,930,530	P3,862,564	P147,966,625	P544,617,326

**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 March 31, 2013 and December 31, 2012, assets and liabilities denominated in US$ include cash and cash equivalents amounting to P 30.4 million ($743,187) and P28.4 million ($691,839), respectively; and consultancy software and license fees payable amounting to P 37.6 million ($920,624) and P30.9 million ($752,515), respectively.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rate used were P40.87 and P41.05 to US$1, the Philippine peso to U.S. dollar exchange rates as of March 31, 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 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, 2013			
	5%	(P362,592)	(P 253,815)
	(5%)	362,592	253,815
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 March 31, 2013 and December 31, 2012.

	March 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 766,039,771	P 766,039,771	P 683,836,101	P 683,836,101
Trade and other receivables	568,939,728	P 568,939,728	385,117,530	385,117,530
Deposits	12,056,152	P 12,056,152	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	568,939,728	P 568,939,728	541,480,024	541,480,024
AFS financial assets	207,500,000	P 207,500,000	207,500,000	207,500,000
	P 2,163,475,379	P 2,163,475,379	P 1,869,899,807	P 1,869,899,807

	March 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Trade and other current liabilities	P 482,487,605	P 482,487,605	P 571,636,747	P 571,636,747
Installment payable (inclusive of current portion)	3,630,861	3,630,861	6,811,822	6,811,822
Obligations under finance lease				
(inclusive of current portion)	58,498,861	58,498,861	77,622,652	77,622,652
	P 544,617,327	P 544,617,327	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 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, 2013	P568,939,728	P -	P -	P568,939,728
December 31, 2012	456,168,573	P -	P -	456,168,573
AFS financial assets				
March 31, 2013	P207,500,000	P -	P -	207,500,000
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.