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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	AS93008809
Company Name	PACIFIC ONLINE SYSTEMS CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

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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	636-5281
(Contact Person)	(Company Telephone Number)

12	31	17-Q		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 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	**298,443,650**

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

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 Nine Months' Period Ended September 30, 2013 vs. September 30, 2012</u>

<u>Revenues</u>

Pacific Online Systems Corporation (the "Company") generated total revenues from operating sources of about ₱1.25 billion for the nine months ended September 30, 2013, an increase of ₱64.0 million (5%) over total revenues of ₱1.19 billion during the same period in 2012. This increase was mainly due to increases in terminals deployed for both Lotto and Keno.

<u>Expenses</u>

The Company's total operating expenses, including depreciation and amortization, for the nine months ended September 30, 2013 increased by ₱155.6 million (20%) to ₱933.0 million from ₱777.5 million for the same period in 2012. The increase is attributed to the following: (1) Consultancy and software license fees increased by ₱47.1 million (32%) due to fee arrangements based on sales; (2) Communication costs increased by ₱16.8 million (33%) due to additional communication links; (3) Repairs, maintenance and lottery expenses increased by ₱147.3 million (331%) mainly due to spare parts of terminals and lottery paper supplies; (4) Professional fees by ₱1.4 million (14%) due to higher legal fees paid and accrued; and (5) Operating supplies by ₱0.9 million (16%) 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 ₱15.3 million (13%) due to full depreciation of most of the lottery terminals; (2) Rent and utilities decreased by P11.0 million (15%) mainly due to reduced number of outlets being rented by subsidiary; (3) Travel and accommodation decreased by ₱6.8 million (8%) due to lesser business activities across the country; (4) Management fees decreased by ₱14.8 million (29%) due to decrease in earnings before tax; (5) Advertising and promotion decreased by ₱7.2 million (22%) mainly due to lower marketing service fees paid to sub-distributors; (6) Taxes and licenses by ₱2.2 million (13%) due to lower tax assessments paid ; and (7) Impairment losses on receivables decreased by ₱3.7 million (58%) due lower provision for uncollectible accounts.

Other Income (Charges)

Other income (net of other charges) increased to ₱37.5 million in the current period from net other income of ₱2.6 million in the same period in 2012, mainly due to gain on sale of marketable securities amounted to ₱16.9 million in 2013; increase in interest income from bank deposits of ₱2.7 million; and increase in other income accounts of ₱11.6 million principally due to VAT transactional adjustments.

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

As a result of the above developments, the Company realized operating income of ₱321.4 million for the nine months ended September 30, 2013, a decrease of ₱91.6 million from operating income of ₱413.0 million during the same period last year. The Company posted a net income of ₱255.8 million for the nine-month period ended September 30, 2013, a decrease of ₱22.2 million (8%) from net income of ₱278.0 million during the same period in 2012, principally due to the lowered lease rate of the Corporation's online lottery equipment used by the Philippine Charity Sweepstakes Office (PCSO) for its lotto operations. Other comprehensive income principally constitutes change in the fair value of available-for-sale financial assets, particularly the Company's 30 million common shares of Leisure & Resorts World Corporation (LRWC), with a decline in fair value of ₱25.1 million for the nine-month period ending September 30, 2013. Thus, total comprehensive income for the period ending September 30, 2013 and 2012 amounted to ₱230.7 million and ₱253.3 million, respectively, or ₱22.5 million (9%) decrease due to lower net income.

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

Total assets of the Company increased by ₱84.1 million (4%) to ₱2.4 billion as of September 30, 2013, from ₱2.3 billion as of December 31, 2012. Decreases in assets are attributable to the following: (1) Cash and cash equivalents decreased by ₱77.5 million mainly due to lower operating income; (2) Marketable securities decreased by ₱14.6 million principally due to sale of other marketable securities; (3) Trade and other receivables decreased by ₱111.0 million due to improved collection of receivables from distribution of instant scratch tickets; (4) Available- for- sale financial assets decreased by ₱25.1 million due to decline in market price of quoted securities, more particularly the 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. On August 12, 2013, Leisure & Resorts World Corporation (LRWC) declared a 20% stock dividend to shareholders of record as of August 28, 2013, payable on September 20, 2013.

As a result of this stock dividend declaration, Pacific Online Systems Corporation (POSC) now owns 30 million common shares as of September 30, 2013.; and (5) Intangible assets decreased by ₱3.2 million due to amortization expense for the period. These decreases were offset by the following increases: (1) Other current assets increased by ₱182.4 million mainly due to a release of funds in the form of short-term deposit to Powerball Gaming & Entertainment Corporation for a new online lottery system; (2) Property and equipment by ₱130.3 million due to acquisitions of fixed assets for the period; and (3) Deferred tax assets increased by ₱2.3 million due to additional deferred taxes.

Total liabilities of the Company decreased by ₱85.7 million (12%) to ₱643.5 million as of September 30, 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 ₱68.6 million (12%) due to payment of various maturing obligations; (2) Obligation under finance lease by ₱2.0 million (3%) due to periodic payments; (3) Installment payable decreased by ₱3.5 million (51%) due to periodic payments; and (4) Income tax payable decreased by ₱15.4 million (27%) due to payment of income taxes and lower net income for the period. The decreases were offset by the following increases: (1) Withholding taxes payable increased by ₱2.8 million due to fee arrangement based on sales; and (2) Defined benefit liability by ₱1.0 million (18%) due to additional accrual of retirement expense, net of payments made.

The stockholders' equity as of September 30, 2013 of ₱1.7 billion was higher by ₱169.8 million compared to the year-end 2012 level of ₱1.6 billion, due mainly to the reported net income for the nine months ended September 30, 2013 of ₱255.8 million. Consequently, the Company's retained earnings balance increased from ₱1.1 billion to ₱1.4 billion.

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

The Company's cash and cash equivalents as of September 30, 2013 of ₱606.3 million was lower by ₱1.3 million, compared to ₱607.6 million as of September 30, 2012 principally due lower operating income for the period.

Discussion and Analysis of Material Events and Uncertainties Known to Management

As of September 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 September 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	
	Sept. 30, 2013	Dec. 31, 2012
Current Ratio	2.97 : 1.00	2.51 : 1.00
Debt-to-Equity Ratio	0.37 : 1.00	0.46 : 1.00
Asset-to-equity Ratio	1.37 : 1.00	1.46 : 1.00

	For the nine months ended	
	Sept. 30, 2013	Sept. 30, 2012
Return on Equity	14.65%	17.64%
Return on Assets	10.71%	12.06%
Interest Coverage Ratio	67.47 : 1.00	37.31 : 1.00
Solvency Ratio	0.56 : 1.00	0.54 : 1.00

The above performance indicators are calculated as follows:

Current Ratio $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

Debt to Equity Ratio $\dfrac{\text{Total Liabilities}}{\text{Total Equity}}$

Asset-to-equity Ratio $\dfrac{\text{Total Assets}}{\text{Total Equity}}$

Return on Stockholders' Equity $\dfrac{\text{Net Income}}{\text{Total Equity}}$

Return on Assets $\dfrac{\text{Net Income}}{\text{Total Assets}}$

Interest Coverage Ratio $\dfrac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$

Solvency ratio $\dfrac{\text{Net Income + Depreciation}}{\text{Total Liabilities}}$

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.

   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 September 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	**RHEDERICK B. INCIONG**
Chairman of the Board and President	Chief Financial Officer and Senior Vice President-Finance
Date: November 4, 2013	Date: November 4, 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 Nine Months Ended September 30, 2013 and 2012

	Year to Date		This Period	
	2013	2012	2013	2012
REVENUE				
Equipment rentals	967,693,565	865,962,490	315,127,292	329,209,108
Commission income	123,708,675	143,303,665	39,220,877	46,097,149
Instant scratch tickets - net	159,819,502	174,871,789	65,526,218	75,073,232
Maintenance and repair fees	3,231,411	6,303,787	-	392,767
	1,254,453,153	1,190,441,731	419,874,388	450,772,256
COSTS AND EXPENSES				
Depreciation and amortization	105,418,851	120,716,239	40,012,519	42,201,832
Personnel costs	110,845,471	107,939,088	38,015,316	37,856,957
Consultancy and software license fees	194,654,555	147,592,289	70,668,479	57,768,294
Rent and utilities	63,159,809	74,180,484	20,935,296	23,789,717
Travel and accommodation	77,089,514	83,915,681	30,859,453	35,753,578
Communication costs	67,673,178	50,850,467	27,835,607	18,437,334
Management fees	35,401,851	50,194,325	8,567,237	18,989,210
Repairs, maintenance and lottery expenses	191,816,817	44,491,839	89,147,243	15,027,677
Advertising and promotion	25,830,649	33,031,742	9,080,314	10,185,072
Taxes and licenses	14,895,488	17,076,886	2,810,513	9,334,369
Professional fees	10,949,243	9,563,660	2,383,436	4,226,361
Entertainment, amusement and recreation	11,222,820	11,234,973	772,064	5,776,084
Operating supplies	6,818,914	5,903,671	1,986,975	1,622,632
Impairment losses on receivables	2,700,000	6,399,159	900,000	3,399,159
Others	14,548,374	14,368,604	5,807,963	3,660,227
	933,025,535	777,459,106	349,782,417	288,028,502
OPERATING INCOME	321,427,618	412,982,625	70,091,971	162,743,754
OTHER INCOME (CHARGES)				
Mark-to-market gain (loss) on marketable securities	(11,957,493)	(13,092,738)	(9,677,063)	(20,211,668)
Gain (loss) on sale of marketable securities	16,867,538	925,186	-	-
Gain (loss) on sale of property and equipment	16,800	(185,973)	-	170,570
Interest income	7,374,200	4,643,593	2,029,625	2,285,570
Foreign exchange gain (loss)	(602,897)	2,198,953	(677,444)	(84,902)
Finance charges	(5,399,269)	(11,446,496)	(1,198,188)	(3,751,255)
Others	31,189,442	19,573,977	13,739,399	5,737,769
	37,488,321	2,616,502	4,216,328	(15,853,914)
INCOME BEFORE INCOME TAX	358,915,939	415,599,127	74,308,299	146,889,840
INCOME TAX EXPENSE (BENEFIT)				
Current	105,416,743	135,717,862	25,511,072	58,116,620
Deferred	(2,344,206)	1,849,822	(1,149,138)	1,957,279
	103,072,537	137,567,685	24,361,934	60,073,899
NET INCOME	255,843,401	278,031,442	49,946,365	86,815,941
Attributable to:				
Owners of the Parent Company	248,150,217	279,308,373	46,326,336	88,721,097
Non-controlling interests	7,693,185	(1,276,931)	3,620,029	(1,905,155)
	255,843,401	278,031,442	49,946,365	86,815,941
Basic/Diluted Earnings Per Share Attributable to Owners of the Parent Company	0.88	1.41	0.17	0.44

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the Nine Months Ended September 30, 2013 and 2012

	Year to Date		This Period	
	2013	2012	2013	2012
NET INCOME	255,843,401	278,031,442	49,946,365	86,815,941
OTHER COMPREHENSIVE INCOME				
Gain (Loss) on Available-for-sale Financial Assets	(25,100,000)	(24,750,000)	(25,100,000)	4,750,000
TOTAL COMPREHENSIVE INCOME	230,743,401	253,281,442	24,846,365	91,565,941
Attributable to:				
Owners of the Parent Company	223,050,217	254,558,373	21,226,336	93,471,097
Non-controlling interests	7,693,185	(1,276,931)	3,620,029	(1,905,155)
	230,743,401	253,281,442	24,846,365	91,565,941

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Sep 30/13	Dec 31/12
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	606,332,909	683,836,101
Marketable securities	526,899,930	541,480,024
Trade and other receivables (Schedule 1)	274,107,462	385,117,530
Other current assets	269,220,559	86,822,220
Total Current Assets	1,676,560,860	1,697,255,876
Noncurrent Assets		
Available-for-sale financial assets	182,400,000	207,500,000
Property and equipment - net	456,880,569	326,612,558
Intangible assets - net	15,516,383	18,745,730
Deferred tax assets	14,299,934	11,955,729
Other noncurrent assets	43,955,970	43,445,014
Total Noncurrent Assets	713,052,856	608,259,031
	2,389,613,716	**2,305,514,907**
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities	504,131,392	572,728,919
Current portion of obligation under capital lease	3,643,455	30,433,906
Current portion of installment payable	3,349,775	6,775,016
Withholding taxes payable	12,415,865	9,614,225
Income tax payable	41,495,949	56,881,357
Total Current Liabilities	565,036,435	676,433,422
Noncurrent Liabilities		
Obligation under capital lease - net of current portion	71,937,629	47,188,746
Installment payable - net of current portion	-	36,806
Defined benefit liability	6,542,135	5,542,135
Total Noncurrent Liabilities	78,479,763	52,767,687
Total Liabilities	643,516,198	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	(175,729,497)	(114,769,815)
Fair value reserve	(5,100,000)	20,000,000
Retained earnings	1,365,294,920	1,117,144,704
	1,758,561,424	1,596,470,890
Non-controlling Interests	(12,463,907)	(20,157,092)
Total Equity	1,746,097,517	1,576,313,798
	2,389,613,716	**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				(24,750,000)		(24,750,000)		(24,750,000)
Other comprehensive income (loss)	-	-	-	(24,750,000)	-	(24,750,000)		(24,750,000)
Net Income (loss) during the period					279,308,373	279,308,373	(1,276,931)	278,031,442
Total comprehensive income (loss)	-	-	-	(24,750,000)	279,308,373	254,558,373	(1,276,931)	253,281,442
Additional subscription	35,000					35,000		35,000
Stock dividends	97,510,650				(97,510,650)	-		-
Treasury shares acquired			(75,525,345)			(75,525,345)		(75,525,345)
Treasury shares sold		44,831	258,352			303,183		303,183
Balance at September 30, 2012	**298,443,650**	**275,652,351**	**(114,728,237)**	**15,000,000**	**979,563,363**	**1,453,931,127**	**(22,678,253)**	**1,431,252,874**
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				(25,100,000)		(25,100,000)		(25,100,000)
Other comprehensive income (loss)	-	-	-	(25,100,000)	-	(25,100,000)	-	(25,100,000)
Net Income (loss) during the period					248,150,217	248,150,217	7,693,185	255,843,401
Total comprehensive income (loss)	-	-	-	(25,100,000)	248,150,217	223,050,217	7,693,185	230,743,401
Additional subscription						-		-
Stock dividends					-	-		-
Treasury shares acquired			(60,959,682)			(60,959,682)		(60,959,682)
Treasury shares sold						-		-
Balance at September 30, 2013	**298,443,650**	**275,652,351**	**(175,729,497)**	**(5,100,000)**	**1,365,294,920**	**1,758,561,424**	**(12,463,907)**	**1,746,097,517**

PACIFIC ONLINE SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	358,915,939	415,599,127
Adjustments for:		
Depreciation and amortization	105,418,851	120,716,239
Finance charges	5,399,269	11,446,496
Impairment loss on receivables	2,700,000	6,399,159
Unrealized mark-to-market loss (gain) on marketable securities	11,957,493	13,092,738
Loss (gain) on sale of marketable securities	(16,867,538)	(925,186)
Loss (gain) on sale of property and equipment	(16,800)	185,973
Interest income	(7,374,200)	(4,643,593)
Unrealized foreign exchange losses (gain)	602,897	(2,198,953)
Dividend income	(2,717,334)	(1,127,000)
Operating income before working capital changes	458,018,577	558,545,000
Decrease (increase) in:		
Trade and other receivables	108,310,067	(65,761,161)
Other current assets	(182,398,338)	(6,684,328)
Increase (decrease) in:		
Trade and other payables	(69,200,424)	206,102,405
Withholding taxes payable	2,801,640	7,200,436
Defined benefit liability	1,000,000	4,200,000
Income tax paid	(120,802,151)	(108,888,862)
Interest received	7,374,200	4,643,593
Net cash provided by operating activities	205,103,572	599,357,083
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Marketable securities	(146,325,453)	(34,510,072)
Property and equipment	(232,775,406)	(114,716,507)
Increase in other noncurrent assets	(510,956)	1,327,204
Dividend received	2,717,334	1,127,000
Proceeds from sale of:		-
Marketable securities	165,815,593	(17,648,208)
Property and equipment	16,800	427,410
Net cash used in investing activities	(211,062,089)	(163,993,173)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Obligations under finance lease	(2,041,568)	(7,911,242)
Installment payable	(3,144,155)	(4,319,334)
Cash dividends	-	(97,510,650)
Acquisitions of treasury shares	(60,959,682)	(75,525,345)
Interest paid	(5,399,269)	(11,446,496)
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	(71,544,675)	(98,864,235)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(77,503,192)	336,499,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	683,836,101	271,125,764
CASH AND CASH EQUIVALENTS AT END OF PERIOD	606,332,909	607,625,439

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

1.) Aging of Accounts Receivables

	Neither Past Due nor Impaired	Past Due but not Impaired					
		91-120 Days	121-150 Days	151-180 Days	Over 180 Days	Subtotal	Total
Type of Accounts Receivable							
a.) Trade Receivables							
1.) PCSO-Equipment Rentals /						-	-
Maintenance & Repair Fees	109,950,825	-	-	-	-	-	109,950,825
2.) Trade receivables - others	140,652,515	-	-	-	-	-	140,652,515
	250,603,340	-	-	-	-	-	250,603,340
						-	-
b.) Non-Trade Receivables						-	-
1.) Advances to officers & employees	9,548,408	-	-	-	-	-	9,548,408
2.) Contractors and suppliers	6,005,016	-	-				6,005,016
3.) Other receivables	7,950,699	-	-	-	-	-	7,950,699
	23,504,123	-	-	-	-	-	23,504,123
TOTAL	**P 274,107,462**	-	-	-	-	-	**P 274,107,462**

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:

	September 30, 2013			
	Leasing Activity	Distribution and Retail Activities	Eliminations	Consolidated
Revenue				
Equipment rentals	967,693,565			967,693,565
Commission income		123,708,675		123,708,675
Instant scratch tickets - net		159,819,502		159,819,502
Maintenance and repair fees	3,231,411			3,231,411
Total Revenue	970,924,976	283,528,177	-	1,254,453,153
Segment Results:				
Income before income tax	293,163,887	65,752,052		358,915,939
Provision for income tax	86,239,905	16,832,633		103,072,537
Net Income	206,923,982	48,919,419	-	255,843,401
Segment assets	2,057,072,045	837,826,430	(505,284,760)	2,389,613,716
Deferred tax	8,768,809	5,531,126		14,299,934
Segment assets (excluding deferred tax)	2,048,303,237	832,295,305	(505,284,760)	2,375,313,782
Segment liabilities	444,334,866	440,718,231	(241,536,899)	643,516,198
Other Information				
Capital expenditures	136,092,697	69,343,751		205,436,449
Capitalized assets	27,004,265			27,004,265
Depreciation and amortization	86,117,688	19,301,164		105,418,851

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 September 30, 2013 and December 31, 2012, without taking account any collateral and other credit enhancements:

	Sep 30/13	Dec 31/12
Cash and cash equivalents	P 606,332,909	P 676,034,642
Trade and other receivables	274,107,462	385,117,530
Marketable securities	526,899,930	541,480,024
Deposits	159,816,166	11,966,152
AFS financial assets	182,400,000	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 1,789,556,467	P 1,862,098,348

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

	September 30, 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 239,812,593	-	P -	P -	P -	-	P 10,790,746	P 250,603,340
Advances to:								
Officers and employees	6,819,372						2,729,036	9,548,408
Contractors and suppliers	6,005,016	-	-	-	-	-		6,005,016
Other receivables	7,950,699	-	-	-	-	-		7,950,699
Deposits	159,816,166					-		159,816,166
Guarantee bond (included as part of						-		-
part of "Other Noncurrent Assets")	40,000,000	-	-	-	-	-		40,000,000
	P 460,403,846	-	-	-	-	-	P 13,519,782	P 473,923,628

	December 31, 2012							
	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 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:

	September 30, 2013			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	P 606,332,909	P -	P -	P 606,332,909
Trade and other receivables				
Trade	239,812,593	-	-	239,812,593
Advances to contractors and suppliers		6,819,372		6,819,372
Advances to officers and employees	-	6,005,016	-	6,005,016
Others	-	-	7,950,699	7,950,699
Marketable securities	526,899,930			526,899,930
Deposits		159,816,166		159,816,166
AFS financial assets	182,400,000			182,400,000
Guarantee bond (included as of part				-
of "Other noncurrent assets" account)	40,000,000			40,000,000
	P 1,595,445,432	P 172,640,553	P 7,950,699	P 1,776,036,685

	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

September 30, 2013	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 106,565,715
(5 %)	(106,565,715)

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

September 30, 2013	
Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
5 %	P 9,120,000
(5 %)	(9,120,000)

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:

	September 30, 2013				
	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than 12 Months	Total
Trade and other current liabilities*	P 489,453,635	P 12,624,734	-	P 2,053,022	P 504,131,392
Installment payable**	1,339,722	905,459	1,104,594	-	3,349,775
Obligations under finance lease	2,707,349	2,707,349	5,414,698	64,751,688	75,581,084
	P493,500,706	P16,237,543	P6,519,292	P66,804,710	P583,062,250

*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 September 30, 2013 and December 31, 2012, assets and liabilities denominated in US$ include cash and cash equivalents amounting to P 13.8 million ($315,345) and P28.4 million ($691,839), respectively; and consultancy software and license fees payable amounting to P 69.0 million ($1,689,557) and P30.9 million ($752,515), respectively.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rate used were P43.64 and P41.05 to US$1, the Philippine peso to U.S. dollar exchange rates as of September 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 that those already affecting profit or loss.

Increase/Decrease in U.S. dollar Exchange Rate		Effect on Income Before Income Tax	Effect on Equity
September 30, 2013			
	5%	(P2,998,532)	(P 2,098,973)
	(5%)	2,998,532	2,098,973
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 September 30, 2013 and December 31, 2012.

	September 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 606,332,909	P 606,332,909	P 683,836,101	P 683,836,101
Trade and other receivables	526,899,930	P 526,899,930	385,117,530	385,117,530
Deposits	159,816,166	P 159,816,166	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	526,899,930	P 526,899,930	541,480,024	541,480,024
AFS financial assets	182,400,000	P 182,400,000	207,500,000	207,500,000
	P 2,042,348,934	P 2,042,348,934	P 1,869,899,807	P 1,869,899,807

	September 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Trade and other current liabilities	P 504,131,392	P 504,131,392	P 571,636,747	P 571,636,747
Installment payable (inclusive of current portion)	3,349,775	3,349,775	6,811,822	6,811,822
Obligations under finance lease				
(inclusive of current portion)	75,581,084	75,581,084	77,622,652	77,622,652
	P 583,062,250	P 583,062,250	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				
September 30, 2013	P526,899,930	P -	P -	P526,899,930
December 31, 2012	456,168,573	P -	P -	456,168,573
AFS financial assets				
September 30, 2013	P182,400,000	P -	P -	182,400,000
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.