



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Stockholders:

Please be advised that the annual meeting of the stockholders of PhilWeb Corporation will be held on Thursday, 28 August 2014 at 2:00 p.m. at The City Club at Alphaland Makati Place, Ayala Avenue, Makati City.

The following is the agenda of the meeting:

1. Call to order
2. Certification of Notice and Quorum
3. Review and Approval of the Minutes of the Previous Meeting held on 2 April 2013
4. Annual Report of Management and Approval of the 2013 Audited Financial Statements
5. Ratification of Acts of the Board of Directors and Management Since the Last Annual Stockholders' Meeting
6. Election of Directors
7. Amendment of the Third Article of the Articles of Incorporation to reflect the complete address of the Principal Office of the Corporation
8. Amendment of Section Eight, Article III of the By-laws of the Corporation to allow participation of directors in board meetings by conference call or similar means
9. Amendment of Section 5.1 of the Corporation's Stock Option Plan
10. Appointment of External Auditor
11. Other Matters
12. Adjournment

For purposes of the meeting, only stockholders of record as of 31 July 2014 are entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

Copies of the minutes of the Annual Stockholders' Meeting held on 2 April 2013 will be available upon request.

Registration starts at 1 p.m. For your convenience in registering your attendance, please have available some form of identification, such as your driver's license or passport. For representatives of corporate stockholders, kindly bring a copy of the Board Resolution authorizing you to vote the shares of the company you represent.



Should you be unable to attend the meeting in person, you may want to execute a proxy in favor of a representative. The giving of such proxy will not affect your right to vote in person, should you decide to attend the Annual Meeting.

Proxies must be filed with and received by the Office of the Corporate Secretary at The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City not later than 18 August 2014 at 5:00 p.m. Validation of proxies shall be made on 22 August 2014 at 2:00 p.m. at The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City.

If no direction is made, the proxy will be voted "FOR" the election of the nominees, "FOR" the ratification of the board appointment of the independent auditor, and such other matters as may properly come before the meeting in the manner described therein as recommended by Management.

Copies of the following documents will be available upon request: (i) Minutes of the Annual Stockholders' Meeting held on 2 April 2013; (ii) Information Statement; (iii) Management Report; (iv) Consolidated Audited Financial Statements for the year 2013.

11 July 2014

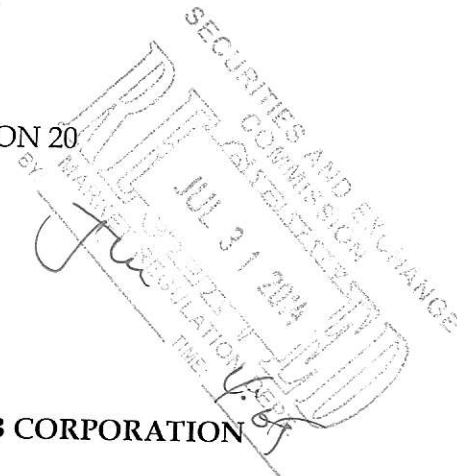
A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

RODOLFO MA. A. PONFERRADA
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

- Preliminary Information Statement
- Definitive Information Statement

2. Exact name of the Registrant as specified in its charter: **PHILWEB CORPORATION**

Province, Country or other jurisdiction of Industry Classification Code Incorporation or Organization: **Philippines**

- 4. SEC Identification Number : **39121**
- 5. BIR Tax Identification Number : **321-000-141-527-000**
- 6. Address of principal office : **The Penthouse, Alphaland Southgate Tower
2258 Chino Roces corner EDSA, Makati City**
- 7. Registrant's Telephone No. : **(632) 338-5599**
- 8. Date, time and place of the meeting of security holders: **August 28, 2014 at 2:00 p.m. at
The City Club at Alphaland Makati Place, Ayala Avenue, Makati City**
- 9. Approximate date on which the Information Statement is first to be sent or given to security holders: **August 4, 2014**

10. Securities registered pursuant to Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock P1.00 par value	1,432,616,314 common shares (net of treasury shares of 81,380,938)

11. Are any or all these securities listed on the Philippine Stock Exchange:

- Yes
- No

**WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

The annual stockholders' meeting will be held on August 28, 2014 at 2:00 pm at The City Club at Alphaland Makati Place, Ayala Avenue, Makati City.

The complete mailing address of the principal office of the Registrant is The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces corner EDSA, Makati City 1232, Metro Manila.

The approximate date when the information statement will be first sent to security holders will be on August 4, 2014.

Dissenters' Right of Appraisal

There are no matters to be taken up during the annual stockholders' meeting with respect to which the law allows the exercise of appraisal right by any dissenting stockholder. The Corporation Code limits the exercise of the appraisal right to the following instances:

- a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of share, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);
- b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);
- c. In case of merger or consolidation (Section 81);
- d. In case of investments in another corporation, business or purpose (Section 42).

Since the matters to be taken up do not include any of the foregoing, the appraisal right will not be available.

However, if at any time after this Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the meeting, any stockholder who voted against the proposed action and who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his

certificates of stock. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

The directors, officers, nominees for directors and their associates do not have a substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon, other than election to office.

No person has informed the registrant in writing that he intends to oppose any action to be taken by the Registrant at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

There are **1,432,616,314** outstanding common shares (net of treasury shares of 81,380,938) as of June 30, 2014 entitled to notice and to vote during the meeting. Each common share is entitled to one vote, except with respect to the election of directors where the stockholders are entitled to cumulative voting. There is no classification of voting securities.

The record date to determine the stockholders entitled to notice and to vote at the meeting is on **July 31, 2014**.

The election of the members of the board of directors for the current fiscal year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 24 of the Corporation Code. Section 24 provides that a stockholder, may vote such number of shares registered in his name as of the record date for as many person as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholders should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

No person has informed the registrant in writing that he intends to oppose any action to be taken by the registrant at the meeting.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of **June 30, 2014**, PhilWeb Corporation knows of no one who beneficially owns more than 5% of its common stock except as set forth in the table below:

<i>Title of Class</i>	<i>Name and Address of Record Owner and Relationship with Issuer</i>	<i>Name of Beneficial Owner and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Amount and Nature of Record / Beneficial Ownership (indicate "r" or "b")</i>	<i>Percent Held</i>
Common	PhilWeb Casino Corporation The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City Stockholder	Dennis O. Valdes Proxy/Representative	Filipino	260,392,307 (r&b - direct)	18.18%
Common	Azurestar Corporation The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City Stockholder	Roberto V. Ongpin Proxy/Representative	Filipino	86,217,048 (r&b - indirect)	6.02%
Common	Dominion Equities, Inc. The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City Stockholder	Roberto V. Ongpin Proxy/Representative	Filipino	90,842,400 (r&b - direct)	6.34%
Common	Compact Holdings, Inc. The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA,	Roberto V. Ongpin Proxy/Representative	Filipino	95,574,500 (r&b - indirect)	6.67%

PhilWeb Corporation SEC Form 20-IS
Definitive Information Statement

<i>Title of Class</i>	<i>Name and Address of Record Owner and Relationship with Issuer</i>	<i>Name of Beneficial Owner and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Amount and Nature of Record / Beneficial Ownership (indicate "r" or "b")</i>	<i>Percent Held</i>
Common	Makati City Stockholder Deltaventure Resources, Inc. The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City Stockholder	Roberto V. Ongpin Proxy/Representative	Filipino	90,001,797 (r&b - indirect)	6.28%

(2) Security Ownership of Management

As of **June 30, 2014**, the following are the details of the security ownership of Management based on total outstanding shares of 1,432,616,314:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Number of Shares and Nature of Beneficial Ownership</i>	<i>Percentage of Ownership</i>
Common	Roberto V. Ongpin Chairman	Filipino	21,840,000 (direct) 736,339,396 (indirect)	1.52% 51.26%
Common	Eric O. Recto Vice Chairman	Filipino	11,400,000 (direct)	0.77%
Common	Dennis O. Valdes President	Filipino	2,443,200 (direct)	0.17%
Common	Anna Bettina Ongpin Director	Filipino	100 (direct)	0.00%
Common	Tomas I. Alcantara Independent Director	Filipino	372,000 (direct)	0.03%

PhilWeb Corporation SEC Form 20-IS
Definitive Information Statement

Common	Edgardo J. Angara Director	Filipino	100 (direct)	0.00%
Common	Benito R. Araneta Independent Director	Filipino	240,000 (direct)	0.02%
Common	Gregorio Ma. Araneta III Director	Filipino	100 (direct)	0.00%
Common	Victor C. Macalincag Director	Filipino	10,000 (direct)	0.00%
Common	Edgar Brian K. Ng Director	Filipino	1,500 (direct)	0.00%
Common	Mario A. Oreta Independent Director	Filipino	600,000 (direct)	0.04%
Common	Rafael B. Ortigas Director	Filipino	1,200 (direct)	0.00%
Common	Cliburn Anthony A. Orbe Director	Filipino	202,800 (direct)	0.01%
Common	Prieto, Zaldy M. Director	Filipino	100 (direct)	0.00%
Common	Rodolfo Ma. A. Ponferrada Director/Corporate Secretary	Filipino	36,000 (direct)	0.00%
Common	Raymund S. Aquino Asst. Corp Secretary	Filipino	6,000(direct)	0.00%
Common	Rafael G. Ongpin Senior Vice President	Filipino	507,600 (direct)	0.03%
Common	Antonio K. Garcia Senior Vice President	Filipino	0	0.00%
Aggregate Ownership of Directors and Officers as a Group			774,000,096	54.02%

There are no voting trust agreements or any other similar agreement that may result in a change in control of the Company of which the Company has any knowledge. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Directors and Executive Officers

PhilWeb's Board of Directors is composed of 15 members elected by and from among the Company's stockholders. The Board is responsible for providing overall management and direction to the Company.

The present directors and executive officers of the Company and a brief description of their business experience for the past five years are discussed below:

Name	Age	Position/Citizenship/Period Served/Term of Office
Roberto V. Ongpin	77	Director & Chairman/Filipino/14 yrs./1 yr.
Eric O. Recto	50	Director & Vice Chairman/Filipino/9 yrs./1yr.
Dennis O. Valdes	52	Director & President/Filipino/8 yrs./1yr.
Tomas I. Alcantara	67	Director/Filipino/12 yrs./1 yr.
Edgardo J. Angara	79	Director /Filipino/1 month/1 yr.
Gregorio Ma. Araneta III	66	Director/Filipino/1 month/1yr.
Benito R. Araneta	70	Director/Filipino/11 yrs./1 yr.
Victor C. Macalincag	78	Director/Filipino/1 month/1 yr.
Edgar Brian K. Ng	44	Director/Filipino/1 month/1 yr.
Mario A. Oreta	68	Director/ Filipino/9 yrs./1yr.
Rafael B. Ortigas	42	Director/Filipino/12 yrs./1 yr.
Anna Bettina Ongpin	50	Director/American/10 months/1 yr.
Cliburn Anthony A. Orbe	40	Director/Filipino/1 month/1 yr.
Zaldy M. Prieto	39	Director & CFO/Filipino/1 month/1 yr.
Rodolfo Ma. A. Ponferrada	37	Director & Corporate Secretary/Filipino/1 yr./1 yr.
Raymund S. Aquino	45	Assistant Corporate Secretary/Filipino/2 yrs./1 yr.

Roberto V. Ongpin was elected Chairman of the Company in January 2000, the year he founded the Company. He is also the Chairman of Alphaland Corporation and Atok-Big Wedge Co., Inc. in Hong Kong, he is the Deputy Chairman of the South China Morning Post, listed in the Hong Kong Stock Exchange. He is a Non-Executive Director of Forum Energy PLC (London). Mr. Ongpin joined SGV & Co. in 1964 and was Chairman and Managing Partner of the firm from 1970 to 1979. He served as the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a Certified Public Accountant and has an MBA from the Harvard Business School.

Eric O. Recto was elected Vice Chairman on July 28, 2006 after having been President and Director of the Company since March 2005. He is also the Chairman of the Philippine Bank of Communications, ISM Communications Corporation and Acentic GmbH, the Vice Chairman of Atok-Big Wedge Co., Inc., and Petron Corporation, and a Director of the Manila Electric Company. Prior to joining the Company, Mr. Recto served for three years as an Undersecretary of the Department of Finance of the Philippine Government in charge of handling both the International Finance Group and the Privatization Office. Before his work with the government, he was the CFO of Alaska Milk Corporation and prior to that, Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

Dennis O. Valdes was elected Director of the Company in July 2006. He is the President of the Company and serves as Director and Treasurer of Alphaland Corporation and Atok-Big Wedge Co., Inc. His previous work experience includes ten years with the Inquirer Group of Companies, as a Director of the newspaper, and also expanding their internet, printing and ink-making operations. Prior to that, he spent six years with The NutraSweet Company developing their business in Asia. He is a Certified Public Accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines, and has an MBA from the Kellogg School of Management, Northwestern University.

Tomas I. Alcantara was elected Independent Director of the Company in May 2002. He is the Chairman and President of Alsons Consolidated Resources, Inc., Alto Power Management Corp., Alsons Development and Investment Corporation, Lima Land, Inc., and Sarangani Agricultural Co., Inc., among others. He is a Director of Holcim Philippines and DBP-Daiwa Securities Corp. He studied at the Ateneo de Manila University, the Columbia University Graduate School of Business, and the Harvard Business School. He was formerly the Chairman of the Manila Economic and Cultural Office (MECO) and served the Philippine government in various capacities as Undersecretary for Industry and Investments, Department of Trade and Industry, Vice Chairman and Managing Head of the Board of Investments, and Special Envoy of the President of the Philippines to APEC.

Edgardo J. Angara was elected Independent Director of the Company in May 2014. A former Senator of the Republic of the Philippines, Mr. Angara holds the distinction of being the longest serving senator in the post-EDSA Senate. Except for a mandatory term break, he has been elected to four consecutive terms of six years each (1987-1998; 2001-2013). While in Senate, Mr. Angara authored or sponsored many laws including the Free High School Education Act, the Generics Act, the law which created Philhealth, the original Senior Citizens Act, the Renewable Energy Act, among several others. Mr. Angara graduated from the University of the Philippines in 1958 where he finished at the top of his law class. He passed the bar a year later and afterwards joined the law firm of Ponce-Enrile Siguion-Reyna Montecillo & Belo Law Offices. He then pursued further studies in law, having been granted a Columbia Law School scholarship but ultimately accepting the DeWitt Fellowship at the University of Michigan, where he obtained his Master of Laws degree majoring in labor and corporate laws. Mr. Angara is a founding member of the ACCRA Law Offices, one of the Philippines' top law firms. He also served as president of the Philippine Bar Association in 1975 and president of the Integrated Bar of the Philippines in 1979. While in

corporate practice, Mr. Angara has served on the boards of many leading companies, including San Miguel, RCBC, Insular Life and IBM.

Gregorio Ma. Araneta III was elected Independent Director of the Company in May 2014. He is the Chairman and Chief Executive Officer of Araneta Properties, Inc. since 2010. He is President and Chairman of ARAZA Resources Corporation and Carmel Development Corporation, Chairman of Gregorio Araneta Inc., Gregorio Araneta Management Corporation, and Gamma Properties, Inc. Mr. Araneta studied at the University of San Francisco and Ateneo de Manila University where he earned his Bachelor of Arts Degree in Economics.

Benito R. Araneta was elected Independent Director of the Company in March 2003. He is the Director of the Araneta Properties, Inc., Southeast Asia Cement Corp., and Honda Philippines, Inc. Mr. Araneta studied at the University of Portland where he earned his Bachelor of Science Degree in Business Administration.

Victor C. Macalincag was elected Independent Director of the Company in May 2014. He is also an Independent Director of Crown Equities, Inc., Semirara Mining Corporation, Republic Glass Holdings Corp., and SEM-Calaca Power Corporation. He was elected Board Chairman of One Wealthy Nation (OWN) Fund, a balanced fund. In the latter part of 2013, he was elected Board Director of Asian Alliance Investment Corporation. He was the President of Trade & Investment Development Corporation of the Philippines which is presently known as PHILEXIM (formerly PhilGuarantee) from 1991 until his resignation in 2001. He was the Deputy Minister of Finance from 1981 to 1986 and Undersecretary of Finance from 1986 to 1991. He also held in a concurrent capacity, the position of National Treasurer from 1981 to 1988. He was also the Chairman of Pilipinas Bank from 1984 to 1988 and the Executive Vice President of the Land Bank of the Philippines from 1980 to 1981. He was also a Board Director of PLDT from 1988 to 1995 and the National Power Corporation (NAPOCOR) from 1978 to 1986. He also served as member of the Advisory Board of First Metro Investment Corporation from 2004 to 2009. Mr. Macalincag is a Certified Public Accountant. He has a Bachelor of Arts in Business Administration from the University of the East. He completed the academic requirements for a Masteral Degree in Economics from the same university. He finished a fellowship program conducted by the Economic Development Institute of the World Bank, Washington D.C. U.S.A. in 1971.

Edgar Brian K. Ng was elected Director of the Company in May 2014. He is currently the Senior Vice-President for Gaming of the Company. In the past, he served as Managing Director/Country Manager of Affinity Express Philippines, Inc., Vice President & Country Manager of RR Donnelley Global Outsourcing, Director for Operations of OfficeTiger Philippines Corporation, and Director of Special Projects (Global Operations Support) for SPI. He also spent six years with The Print Town Group, starting as a Prepress Manager for FEP Printing Corp and ending as Senior Vice President of LexMedia Digital. Aside from the corporate world, Mr. Ng has been heavily involved in the academe, as an instructor at both the undergraduate and graduate levels of Ateneo Universities. He has a Bachelor of Arts

degree from the Ateneo de Manila University and an MBA from the Ateneo Graduate School of Business.

Anna Bettina Ongpin was elected Director of the Company in August 2013. She has more than 20 years of communications, marketing, project management, and operations experience in the management consulting and media fields. She has a bachelor's degree in Political Science from Wellesley College.

Cliburn Anthony A. Orbe was elected Director of the Company in May 2014. He also serves as the Company's Assistant Corporate Secretary and Corporate Information Officer. He has a Bachelor of Laws degree from Mindanao State University where he graduated cum laude and class valedictorian. He was formerly an associate of the Rodrigo Berenguer Guno law firm. He is a member of the Integrated Bar of the Philippines.

Mario A. Oreta was elected Director of the Company in March 2005. He is also currently the President of Alphaland Corporation, Alphaland Development, Inc., Alphaland Balesin Island Resort Corporation, Alphaland Makati Place, Inc., Alphaland Makati Tower, Inc., The City Club at Alphaland Makati Place, Inc., Alphaland Balesin Island Club, Inc., Alphaland Marina Corporation, Alphaland Marina Club, Inc., Aklan Boracay Properties, Inc., and Alphaland Property Management Corporation, the Vice Chairman of Alphaland Heavy Equipment Corporation and Alphaland Reclamation Corporation, and Chief Operating Officer of Jet Eagle International Limited, Inc. He is the Chairman of Major Holdings, Inc., Major Properties, Inc., and Major Homes, Inc. He is also a Director of Atok-Big Wedge Co., Inc. He was the Founder and Managing Partner of Tanjuatco Oreta and Factoran Law Offices. He obtained his law degree from the Ateneo de Manila University.

Rafael B. Ortigas was elected Director of the Company in April 2002. He is the Chairman and President of Leafar Commercial Corporation, a Director of Sagitro, Inc., Itogon-Suyoc Resources, Inc., and ISM Communications Corporation. He was a Director of OCLP Holdings, Inc. and former General Partner of Ortigas and Company Ltd. Partnership. He is also a Trustee and President of Leafar Foundation, Inc. and a Trustee of the Ortigas Foundation, Inc. He has a Bachelor of Science degree in Computer Science from De La Salle University and an MBA from Ateneo de Manila Graduate School of Business.

Rodolfo Ma. A. Ponferrada was elected Director of the Company in April 2013 and Corporate Secretary of the Company in July 2012. He is the Corporate Secretary of Alphaland Corporation and Atok-Big Wedge Co., Inc., and a member (representing the private sector) of the Board of Directors of the Social Housing Finance Corporation. He is a member of the Integrated Bar of the Philippines.

Zaldy M. Prieto was elected Director of the Company in May 2014 and CFO and Treasurer of the Company in November 2008. He is also the CFO of ISM Communications Corporation. Mr. Prieto is a certified public accountant and certified financial consultant. He has been practicing as a finance professional since 1995. His previous work experiences include being a

senior tax consultant of SGV & Co., assistant vice president for finance in Ford Motor Company and plant controller and assistant finance director of James Hardie Philippines. He has also served as a director of Primus Finance and Leasing Co., and Ford Philippines Component Manufacturing Company. He is a member of the Philippine Institute of Certified Public Accountants and Institute of Financial Consultants.

Raymund Nonato S. Aquino was elected Assistant Corporate Secretary of the Company in May 2011. He was a director of SGV & Co. He has a Juris Doctor Degree from the Ateneo de Manila University College of Law and a Bachelor of Arts degree major in Legal Management from the Ateneo de Manila University. He is a member of the Integrated Bar of the Philippines.

Mr. Eric O. Recto has resigned as director and Vice Chairman on July 21, 2014. Thus, except for Mr. Recto, the foregoing will be nominated for re-election to the Board of Directors at the meeting. None of the above mentioned directors have declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

New Nominee for Director:

Michael Angelo Patrick M. Asperin is a Director and EVP for Operations of Alphaland Corporation. He handles various matters for the Alphaland Group including the development of the Balesin Island Club project as well as the operations of its aviation and security divisions. He was the SVP for Security for the Company from 2009 to 2012 and was the Enterprise Risk and Security Management Officer of Petron Corporation from 2007 to 2009. He graduated from the Philippine Military Academy in 1981.

Independent Directors / Nomination Committee

Under its Manual on Corporate Governance submitted with the Securities and Exchange Commission (SEC) on August 29, 2002, the Board of Directors may create a Nomination Committee, which may have at least three voting members. It shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors including the Independent Directors in accordance with the guidelines provided in the Manual on Corporate Governance and conformably with SRC Rule 38.

The following are the Company's incumbent Independent Directors:

1. Tomas I. Alcantara
2. Edgardo J. Angara
3. Benito R. Araneta
4. Gregorio Ma. Araneta III

5. Victor C. Macalincag

In compliance with SRC Rule 38 and the Company's Manual on Corporate Governance, the following are the incumbent members of the Nomination Committee:

1. Mario A. Oreta - Director / Chairman
2. Tomas I. Alcantara - Independent Director / Member
3. Anna Bettina Ongpin - Director / Member

Procedures for the Nomination of the Independent Directors

The Nomination Committee prior to a stockholders' meeting shall conduct the nomination of independent directors. The nominating stockholders together with the acceptance and conformity by the would-be nominees shall sign all the recommendations. The Nomination Committee shall pre-screen the qualification and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors. After the nomination, the Nomination Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the SEC. The name of the independent director shall be identified in such report including any relationship with the nominee.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

The SEC approved the amendment of the Company's By-Laws, which include among others, the procedure for the nomination and election of independent directors on November 10, 2005.

As of the date of this Information Statement, the Nomination Committee has received and approved the following nominations for independent director:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relation of (a) and (b)
Tomas I. Alcantara	Rafael B. Ortigas	None
Benito R. Araneta	Rafael B. Ortigas	None
Edgardo J. Angara	Rafael B. Ortigas	None
Gregorio Ma. Araneta III	Rafael B. Ortigas	None
Victor C. Macalincag	Rafael B. Ortigas	None

Family Relationship of Directors and Officers

Messrs. Eric O. Recto, Dennis O. Valdes and Rafael G. Ongpin are nephews of Mr. Roberto V. Ongpin. Ms. Anna Bettina Ongpin is the daughter of Mr. Roberto V. Ongpin.

The Company does not know any other family relationship of directors and officers other than the ones provided.

Certain Relationships and Related Transactions

The Company's legal counsel is the law firm of Ponferrada Orbe & Altubar Law Offices where Atty. Rodolfo Ma. A. Ponferrada is a senior partner. Please also refer to Note Number 15 on Related Party Transactions of the enclosed Consolidated Financial Statements for the year 2013.

Other than the foregoing, there has been no transaction outside of the ordinary course of business during the last two years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any Director or Executive Officer of the Company, or owner of more than 10% of the Company's voting securities or any member of the immediate family of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have had transactions with other companies in which some of the foregoing persons may have an interest.

The Chairman, Mr. Roberto V. Ongpin directly and indirectly owns at least 52.78% of the Company's voting securities. No person, natural or juridical, owns more than 50% of the Company's voting securities.

Significant Employees

There are no persons other than the executive officers that are expected by the Company to make a significant contribution to the business.

Involvement of Directors and Officers in Certain Legal Proceedings

1. Atty. Zenaida Ongkiko-Acorda, as attorney in fact of Atty. Mario E. Ongkiko and in behalf of Philex Mining Corporation vs. Roberto V. Ongpin, et al., SEC Case No. 11-166, pending before the Regional Trial Court of Pasig City, Branch 159, which involves a purported derivative suit filed on behalf of Philex Mining Corporation (Philex) in order to recover the "short-swing profits" which were allegedly realized from supposed transactions involving Philex shares. This case is in the discovery stage. A related Petition for Review on Certiorari is

also pending before the Supreme Court in G.R. No. 204166, entitled Roberto V. Ongpin, et al. vs. Acorda, et al.;

2. Development Bank of the Philippines vs. Reynaldo G. David, et al., OMB Case No. C-C-11-0492-H, which is a criminal complaint for violations of R.A. No. 3019, and banking laws, rules and regulations, pending with the Office of the Ombudsman, in connection with transactions with the Development Bank of the Philippines also involving Philex shares. In an Order dated 26 November 2012 and approved on 8 January 2013, the Office of the Ombudsman denied all motions for reconsideration of its 24 September 2012 Review Resolution;

3. People vs. Reynaldo G. David, et al., S.B.-13-CRM-0105 and S.B.-13-CRIM-0106, pending before the Third Division of the Sandiganbayan in connection with two loans obtained by Deltaventure Resources, Inc. from the Development Bank of the Philippines. The Informations in both cases, respectively, for violations of Section 3 (e) of R.A. No. 3019 were filed on 10 January 2013. The Motion to Quash the Informations was granted by the Third Division of the Sandiganbayan; and

4. Alphaland Holdings (Singapore) Pte. Ltd. vs. Masrickstar Corporation, et. al. (Civil Case No. M-7565, Makati City RTC Branch 66) is a complaint for Interim Measure of Protection in Aid of Arbitration. The petitioner's application for a temporary restraining order or a temporary order of protection was denied for lack of merit by the RTC in an Order dated 22 January 2014. On 14 February 2014, the RTC issued an Order denying the petitioner's Motion for the issuance of an Order Enforcing Award No. 19 issued by the Emergency Arbitrator. On 19 February 2014, the RTC likewise issued an Order declaring Petitioner's Motion to Refer to Arbitration to have been rendered moot. The petitioner brought the case to the Court of Appeals on Certiorari where it is presently pending resolution.

5. Philippine Deposit Insurance Corporation vs. Benito Ramon V. Araneta, et al., NPS Docket No. X5I-INV-12-D-00159, is a criminal complaint for estafa involving alleged borrowings of P230 million with non-existent collateral from LBC Development Bank. The Department of Justice has recently approved the filing of the charges against respondents.

6. NBI-Technical Intelligence Division, Intelligence Service, and Eduveges O. Batalan vs. Roberto V. Ongpin, Cliburn Anthony A. Orbe, Michael Angelo Patrick M. Asperin, et al. NPS Docket No. XVI-INV-14E-00168, is a complaint for Serious Illegal Detention, Grave Coercion and Robbery filed by former employee, Eduveges O. Batalan, currently undergoing Preliminary Investigation with the Department of Justice.

Other than the foregoing, the Company is not aware that any of its directors and officers is involved during the past five years and up to the date of the filing of this report in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree by a court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor

found in action by any court or administrative body to have violated a securities or commodities law.

Legal Proceedings

1. Rodrigo R. Gadionco, Jr. vs. PhilWeb (CA G.R. CV-No. 01519) – Rescission of Lease Purchase Agreement.

The parties entered into a Lease Agreement with Option to Purchase on 22 November 2000. For alleged non-fulfillment of its obligation, Gandionco filed a case in the RTC to rescind the contract. PhilWeb stated that it never entered into such agreement for it was not signed by any of PhilWeb's authorized representatives. The Court Ruled in favor of Gandionco and declared the agreement between the parties as rescinded and ordered PhilWeb to pay Gadionco P 20,533.00 in litigation expenses, P20,000 in moral damages, P20,000 in exemplary damages and P50,000 in attorney's fees, in the total amount of P110,533.00. Gadionco was likewise ordered by the court to return to PhilWeb 10 IBM Computers, amounting to approximately P200,000.00 and 5000 pieces of ZOOM cards. PhilWeb appealed the case to the Court of Appeals. The appeal is submitted for decision by the Court of Appeals.

2. PhilWeb vs Sonia K. Pamatmat
I.S. No. 07-J-8470
Qualified Theft

The respondent is a former employee of PhilWeb. During her tenure as a former employee of PhilWeb, she took a company vehicle and did not return the same upon termination of her employment. PhilWeb demanded the return of its vehicle. Despite said demand, she failed to return the said property. PhilWeb then filed a complaint charging the respondent of Qualified Theft.

PhilWeb filed a Petition for Certiorari to annul the Resolution of the Department of Justice dismissing the criminal case against Sonia K. Pamatmat. The case is pending resolution by the Court of Appeals.

3. PhilWeb Corporation vs. BOS (Antigua) Ltd.
Civil Case No. 06 – 712
For Damages with Attachment
Makati RTC Branch 139

The parties entered into a Memorandum of Agreement on November 20, 2005 for the operation of sports betting facility. BOS allegedly violated provisions in the MOA prompting PhilWeb to file a case against BOS.

The case will be litigated upon service of summons to BOS.

4. Arvin Arcales vs. PhilWeb Corporation, et al.,
NLRC RAB-VII-Case No. 09-1476-11
For Separation Pay, Backwages and damages

Arvin Arcales filed an illegal dismissal case with a claim for separation pay, backwages and damages. The National Labor Relations Commission (NLRC) decided on September 24, 2012 that Arcales was validly terminated from employment and that he is not entitled to the award of separation pay, backwages, moral and exemplary damages and attorney's fees. Arcales filed a Petition for Certiorari with the Court of Appeals to contest the NLRC Resolution upholding the validity of his termination from employment. The parties have filed their respective Memoranda.

PhilWeb is currently awaiting an order from the Court of Appeals on whether the case is now submitted for resolution.

5. PhilWeb vs. Eduveges O. Batalan
NPS No. XV-05-INV-14B-0359
Qualified Theft

PhilWeb discovered that Eduveges O. Batalan, whose employment has been terminated for cause, stole money from the company amounting to Php534,273.00 through unliquidated cash advances and allowances. Accordingly, PhilWeb filed a case for qualified theft against Batalan and is currently undergoing preliminary investigation before the Office of the City Prosecutor of Makati City.

6. Brinia A. Flojemon vs. PhilWeb, et al.
SEAD - NLRC NCR Case No. 2013-12-0175B

Brinia A. Flojemon filed an illegal dismissal case with the National Labor Relations Commission. The case is currently undergoing mandatory conference before the labor arbiter.

7. PhilWeb vs. Brinia A. Flojemon
NPS No. XV-05-INV-14B-0360
Qualified Theft

PhilWeb discovered that Brinia A. Flojemon, whose employment has been terminated for cause, stole money from the company amounting to Php1,829,000.00 through unliquidated cash advances and allowances. Accordingly, PhilWeb filed a case for qualified theft against Flojemon and is currently undergoing preliminary investigation before the Office of the City Prosecutor of Makati City.

8. PhilWeb Corporation vs. Playtech Software Limited
 Civil Case No. 14-116
 Makati RTC Branch 142

The parties entered into a Software License Agreement (SLA) on 30 October 2012. After the lapse of fourteen (14) months from the execution of the SLA, Playtech had yet to comply with its contracted obligations. Thus, on 12 December 2013, PhilWeb decided to terminate the SLA with immediate effect.

PhilWeb filed a case against Playtech with the Regional Trial Court of Makati on 30 January 2014 for damages and loss of revenue it caused by violating the provisions of the SLA.

9. Eduveges O. Batalan vs. PhilWeb Corporation, et al.
 SEAD-NLRC-NCR-2014-05-06785

Eduveges O. Batalan filed an illegal dismissal case with the National Labor Relations Commission. The case is currently undergoing mandatory conference before the labor arbiter.

Compensation of Directors and Executive Officers

The aggregate amount of compensation paid by the Company to all of its directors and management as a group for fiscal years 2012 and 2013 were P49,177,050.00 and P55,845,158.00, respectively. The estimated aggregate compensation for 2014 is P49,675,621.00.

Annual Compensation of Five Most Highly-Paid Executives including the CEO

<u>(a)</u> Name and Principal Position	<u>(b)</u> Year	<u>(c)</u> Salary	<u>(d)</u> Bonus	<u>(e)</u> Other Annual Comp.
1. Roberto V. Ongpin Chairman (elected January 18, 2000)				
2. Dennis O. Valdes President (elected in July 2006)				
3. Brian K Ng Senior Vice President (effective January 2011)				

PhilWeb Corporation SEC Form 20-IS
Definitive Information Statement

4. Rodolfo Ma. A. Ponferrada
Senior Vice President
(effective July 2012)
5. Zaldy M. Prieto
Senior Vice President & CFO
(effective November 2008)

Aggregate Compensation of the CEO
& Five Most Highly-Paid Executives

2012	20,621,204	1,706,000	695,100
2013	20,832,065	1,356,824	529,412
2014 ¹	21,665,348	1,411,097	550,588

All Officers and Directors as a Group
Unnamed

2012	43,785,000	3,648,750	1,236,900
2013	55,845,158	5,036,767	823,529
2014 ²	49,675,621	4,868,209	647,059

There are no standard arrangements with regard to election, bonus, profit sharing, pension/retirement plan granting or extension of any option, warrant or right to purchase any securities. The Company has a stock option plan which is administered by a stock options committee.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

Except for the Chairman, the rest of the above-mentioned executive officers have employment contracts with the Company.

There has been no change in control arrangements with the present management.

¹ Estimated figures

² Estimated figures

Warrants and Options Outstanding

On February 16, 2001, the SEC approved the exemption of 4,447,134,695 common shares (equivalent to 44,471,347 shares based on the new par value, effective September 14, 2009) under the Company's Stock Option Plan from the registration requirements under the Securities Regulation Code (SEC Resolution No. 005, Series of 2001).

On November 18, 2003, The Stock Option Committee approved the awarding to selected individuals who have helped develop the business of the Company over the past two years options to subscribe to a total of One Billion Three Hundred Million (1,300,000,000) common shares at a price of P0.01 per share (the then prevailing market price was P0.012 per share).

On October 14, 2004, the Stock Option Committee of the Company approved the awarding to selected individuals who have helped develop the business of the Company over the past two years options to subscribe to 500,000,000 common share, at a price of P0.01 per share (the then prevailing market price was P0.012 per share).

On March 2, 2005 the Board of Directors of PhilWeb Corporation approved the recommendation of the Stock Option Committee for additional option grants totaling 1,391,000,000 shares to its officers and employees at a price equivalent to a twenty percent (20%) discount over the average closing price of the Company during the past 30 trading days.

On January 20, 2006, the Stock Option Committee of the Company approved the award to selected officers and employees options to subscribe to total of 1,786,500,000 common shares, at a price of P0.013 per share (the then prevailing market price was P0.016 per share).

On November 29, 2006, the Stock Option Committee of the Company approved the award to selected officers options to subscribe to total of 1,156,000,000 common shares, at a price of P0.0248 (the then prevailing market price was P0.031 per share).

On April 9, 2008, the PSE approved the Company's application for the listing of additional 1,982,399,858 common shares with a par value of P0.01 per share, to cover the Stock Option Plan of PhilWeb Corporation.

On April 19, 2012, the Stock Option Committee of the Company approved the award to selected officers and employees of options to subscribe to a total of 8,900,000 common shares, at a price of P14.00 per share.

On 29 May 2014, the Stock Option Committee of the Company approved the award to selected officers and employees of options to subscribe to a total of 1,500,000 common shares, at a price of P4.15 per share.

Independent Public Accountants

The independent public accountant recommended for re-election for the current year is Manabat Sanagustin & Co. ("KPMG").

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period.

Representatives of KPMG shall be present at the meeting. They will have the opportunity to make a statement if they choose to do so, and will be available to respond to appropriate questions.

The 2013 audit of the Company by KPMG is in compliance with Securities Regulation Code Rule 68, paragraph 3(b)(iv) and SEC Memorandum Circular No. 8, Series of 2003 that provides that the external auditor should be rotated every five (5) years or earlier or the handling partner shall be changed.

The following are the members of the Audit Committee of the Company:

Victor C. Macalincag	-	Independent Director/Chairman
Tomas I. Alcantara	-	Independent Director/Member
Benito R. Araneta	-	Independent Director/Member

OTHER MATTERS

Action with Respect to Reports

The Management Report and 2013 Audited Financial Statements, as set forth in the accompanying Annual Report, will be submitted for stockholders' ratification.

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous fiscal year.

Approval of the Minutes of the Stockholders' Meeting held on April 2, 2013 constitutes a ratification of the accuracy and faithfulness of the Minutes to the events, which transpired during the meeting.

During the said meeting, the following significant matters were approved: (i) minutes of the annual stockholder's meeting held on April 19, 2012; (ii) Management Report and Audited Financial Statements for the Year Ended December 31, 2012; (iii) ratification and approval of corporate acts; (iv) election of directors; and (v) appointment of external auditors.

PhilWeb Corporation SEC Form 20-IS
Definitive Information Statement

During the Organizational Meeting of the Board of Directors held on April 2, 2013, the following matters were discussed/approved: (i) minutes of the board meeting held on February 19, 2013; (ii) election of officers; (iii) election of members of the Executive Committee; and (iv) election of members to the Audit, Nomination, and Compensation committees.

During the Regular Meeting of the Board of Directors held on October 1, 2013, the following matters were discussed/approved: (i) minutes of the board meeting held on April 2, 2013; (ii) minutes of the Executive Committee meeting held on June 19, 2013 and August 16, 2013; (iii) the Second Quarter Management Report presented by the President was noted. In the said meeting, the President presented the unaudited financial statements of the Company for the period ended June 30, 2013 and reported that revenues grew by 8% and that the Company had sufficient cash flow to support a cash dividend declaration. The Board of Directors approved Management's recommendation to declare a cash dividend of Php 0.10 per share with a record date of October 15, 2013, and payment date of October 25, 2013. The Board of Directors also confirmed the election of Ms. Anna Bettina Ongpin as a director of the Company.

During the Special Meeting of the Board of Directors held on 4 March 2014, the following matters were discussed/approved: (i) minutes of the board meeting held on October 1, 2013; (ii) minutes of the Executive Committee meeting held on October 8, 2013, November 19, 2013, January 8, 2014, January 28, 2014, February 10, 2014 and February 11, 2014; (iii) approved Management's recommendation to declare a cash dividend of Php 0.10 per share with a record date of March 18, 2014, and payment date of March 28, 2014.

During the Regular Meeting of the Board of Directors held on 26 May 2014, the following matters were discussed/approved: (i) minutes of the board meeting held on March 4, 2013; (ii) minutes of the Executive Committee meeting held on March 11, 2014, March 18, 2014, April 3, 2014 and May 21, 2014; (iii) approved Management's recommendation to declare a cash dividend of Php 0.10 per share with a record date of June 9, 2014, and payment date of June 23, 2014; (iv) set the Annual Stockholders' Meeting of the Corporation on August 28, 2014 (Thursday) at 2 p.m. at The City Club, Alphaland Makati Place, 7232 Ayala Avenue, Makati City, Philippines. The Board of Directors accepted the resignation of Mr. Mario J. Locsin as a director of the Company and also ratified and confirmed the earlier decision of its Executive Committee to accept the resignation of the following directors: Mr. Ramon S. Ang, Mr. Ray C. Espinosa, Mr. Napoleon L. Nazareno, Mr. Michael T. Grandinetti and Ms. Marriana H. Yulo. Thereafter, the Board of Directors elected the following as directors of the Company: Messrs. Edgardo J. Angara, Gregorio Ma. Araneta III, Victor C. Macalincag, Edgar Brian K. Ng, Cliburn Anthony A. Orbe and Zaldy M. Prieto.

Copies of the minutes will be made available for review by the stockholders present in the annual meeting.

The affirmative vote of a majority of the votes cast on this matter is necessary for approval of the minutes.

Other Proposed Actions

The acts of Management from the last annual stockholders' meeting to the present will be presented for stockholders' ratification at the meeting.

During the Regular Meeting of the Board of Directors held on 26 May 2014, the following matters were approved: (i) approved the amendment of the Third Article of the Articles of Incorporation to reflect the complete address of the Principal Office of the Corporation as follows: "THIRD: That the place where the principal office of the corporation is to be established or located is The Penthouse Alphaland Southgate Tower 2258 Roces Avenue corner EDSA Makati City Philippines."; (ii) approved the amendment of Section Eight, Article III of the By-laws of the Corporation to allow participation of directors in board meetings by conference call as follows: "Section 8. Quorum - A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all members of the Board. Directors may participate in board meetings by conference call."; (iii) approved the amendment to the Company's Stock Option Plan, particularly Section 5.1, by replacing "outstanding" with "authorized" so that said section shall now read as follows: "5.1 Object of the Plan - Subject to Article 5.2, shares from the Company's unissued authorized common stock up to five percent (5%) of the authorized common stock inclusive of shares to be issued under the Plan, are the object of the privileges accorded to the Participants under the Plan." These amendments will be presented for stockholders' approval at the meeting. The amendment of the Third Article of the Articles of Incorporation to reflect the complete address of the Principal Office of the Corporation is in compliance with the SEC Memorandum Circular No. 6 Series of 2014.

Voting Procedures

For the election of directors, the fifteen (15) nominees receiving the most number of votes will be elected to the Board of Directors. Cumulative voting will apply.

For the approval of the amendment to the Articles of Incorporation, By-laws and Stock Option Plan, the favorable vote by stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock is necessary.

For all other matters to be taken up, majority vote of the outstanding capital stock present and represented at the meeting where a quorum exists shall be sufficient.

Voting shall be done *viva voce* or by raising of hands and the votes for or against the matter submitted shall be tallied by the Corporate Secretary in case of a division of the house.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A (ANNUAL REPORT) DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

PhilWeb Corporation
The Penthouse Alphaland Southgate Tower
2258 Chino Roces corner EDSA Makati City 1232
Attention: Mr. Zaldy M. Prieto
SVP/Chief Finance Officer

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on July 23, 2014.

Issuer: **PHILWEB CORPORATION**

Date: July 23, 2014

Signature and Title:



Dennis O. Valdes
President

PHILWEB CORPORATION

MANAGEMENT REPORT

for the
 2014 Annual Meeting of Stockholders
 Pursuant to SRC Rule 20 (4) (A)

A. *Audited Financial Statements for Fiscal Year Ended December 31, 2013*

Please see attached audited consolidated financial statements as of December 31, 2013.

B. *There were no disagreements with the accountants*

C. *Management's Discussion and Analysis or Plan of Operations*

Plan of Operations

The current capitalization of the Company, and expected future revenues from its various Internet gaming activities are projected to sufficiently meet the Company's operating cash requirements. Acquisition of computers and other equipment, which are not expected to be of material amount, shall be funded from internally generated funds.

No extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Company's operations. All purchases will be financed through internally generated funds and existing capitalization.

Hiring of employees will continue in the regular course of business.

Results of Operation

	For the Period Ended June 30 2014	For the Year Ended December 31 2013	For the Year Ended December 31 2012	For the Year Ended December 31 2011
Income Statement				
Revenues	804,930,324	1,493,699,764	1,483,589,923	1,165,067,713
Costs and Expenses	306,447,433	838,984,041	632,331,262	467,838,931
Other Income (Loss) - Net	(17,965,288)	(464,734,911)	257,918,465	224,915,963
Net Income	431,501,524	202,894,555	1,096,287,578	914,074,670
Retained Earnings at Beginning of Period	2,085,982,906	2,073,440,678	1,509,777,252	846,393,432
Retained Earnings at End of Period	2,282,880,732	2,085,982,906	2,073,440,678	1,509,777,252

Balance Sheet				
Current Assets	1,178,790,814	1,063,149,112	1,930,202,913	1,469,499,810
Total Assets	2,162,443,082	2,042,159,181	3,817,197,716	3,391,004,571
Total Liabilities	1,411,983,630	1,491,016,332	328,597,004	230,410,015
Total Equity	750,459,452	551,142,849	3,488,600,712	3,160,594,556

Performance for the Period Ended June 30, 2014

Cash and Cash Equivalents

The cash and cash equivalents increased by P11.0 million or 3.2% versus last year. The Company operations generated cash amounting to P562.9 million before working capital changes. The cash was mainly used to pay short term bank loans, invest on expansions and pay off dividends.

Receivables

The receivables increased by P33.8 million or 13.3% versus last year mainly due to additional loans to PeGS operators to assist them in improving and expanding their operations, and advances to suppliers and affiliates.

Inventories

The increase in inventories amounting to P56.2 million or 100.4% mainly pertains to the increase of inventory of raw materials for the production of gaming terminal of e-Magine Gaming Corporation.

Notes Receivable

The decrease in notes receivable of P4.2 million or 1.3% versus last year, was mainly due to the collection of interest earned from related notes receivable.

Prepayments and Other Current Assets

Prepayments and other current assets increased by P18.7 million or 19.1% versus last year mainly due to input VAT claimed on purchases and prepaid rent.

Investment in Associates

Investment in associates of P14.8 million pertains to investment in Alphaforce Security Agency, Inc. of P8.4 million and Choice Insurance Brokerage, Inc. of P6.4 million.

Noncurrent Receivable

Noncurrent receivable of P656.1 million represents the noncurrent portion of the receivables arising from the sale of investment in Acentic.

Property and Equipment

The increase in property and equipment of 12.0 million or 4.9% represents total acquisitions, net of depreciation.

As of second quarter 2014, total CAPEX for servers and for the new business location (located at One San Miguel Ave., Cor. Shaw Blvd Ortigas Center, Brgy. San Antonio, Pasig City) amounted to P53.6 million.

Deferred Tax Assets

Deferred tax assets recognized amounting to P8.4 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

Other Noncurrent Assets

Other noncurrent assets increased by P1.8 million or 4.2% mainly due to the increase in rental deposits as a result of business expansions.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses increased by P114.1 million or 53.7% due to accrued dividend, purchases and obligations with suppliers.

Notes payable

Notes payable pertains to outstanding bank loans amounting to P1,000.0 million. P200.0 million was paid during the period.

Retirement Benefits Liability

The increase in retirement benefits liability of P4.8 million or 17.2% represents additional provision for employees' retirement benefits.

Operators' deposit

The increase of operators' deposit of P2.1 million or 4.1% represents the cash received from operators that serves as a bond/security in case the operators defaults from payments. This deposit is to be returned to the operators after termination of the contract.

Retained earnings

The increase in retained earnings of P196.9 million or 9.4% was attributable to the net income during the period of P431.3 million, net of cash dividends of P234.4 million.

Cumulative translation adjustment

The cumulative translation adjustment represents the foreign currency differences that are recognized in other comprehensive income.

Revenue

Total revenues increased by P59.7 million, or 8%, to P804.9 million as of the second quarter of 2014 from P745.2 million registered in the same period last year. The increase was contributed by the PeGS and BGI businesses.

Cost and Expenses

Cost and expenses decreased by P13.5 million, or 4.2%, to P306.4 million for the six months ended June 30, 2014 from P319.9 million posted in the same period last year. This was mainly due to decreased in headcount and operating cost in Asia-Pacific businesses.

Other Income (loss)

Other Income (loss) - Net decreased by P123.4 million, or 117%, to (P18.0 million) as of the second quarter of 2014 from P105.4 million recorded in the same period last year. This was mainly due to equity in net earnings from an associate of P78.1 million in 2013 and interest expense of P28.3 million incurred in 2014.

Performance for the Year Ended December 31, 2013

Cash and Cash Equivalents

The Company ended the year with P342 million cash and cash equivalents. The Company's operations generated cash amounting to P801.6 million. It received P558.3 million proceeds from the sale of investment in ISM. Also, the Company availed loans of P1,200.0 million from local banks. The Company used its cash for CAPEX P98.7 million, dividends P267.7 million and payment for the acquisition of its own shares P2,881.3 million.

Receivables (net)

The receivables decreased by P13.0 million or 5% versus last year, mainly due to allowance provided for trade receivables of Asia-Pacific and other non-affiliated companies. It is partially offset of the increase in receivables from non-affiliates (Alphaland and Monfortino) and advances to suppliers of e-Magine.

Inventories

The increase in inventories amounting to P46.1 million or 463% mainly due to the gaming terminal cost of e-Magine Gaming Corporation.

Notes Receivable

The decrease in notes receivable of P184.3 million or 37% versus last year, was mainly due to amendment of payment terms of receivables that arose from the sale of investment in Acentic.

Prepayments and Other Current Assets

Prepayments and other current assets decreased by P5.7 million or 5% versus last year mainly due to the decrease/usage of various prepayments.

Investment in Associates

The decrease in investment in associates of P1,058.3 million or 99%, was due to the sale of investment in ISM.

Noncurrent Receivables

Noncurrent receivables increased by P170.1 million or 35% versus last year, due to reclassification of current receivables in accordance with the amendment of payment terms of receivables that arose from the sale of investment in Acentic.

Property and Equipment

The decrease in property and equipment of P34.2 million or 12% represents the total acquisitions of P97.7 million less depreciation amounting to P131.7 million.

The acquisitions mainly pertain to the expansions in Asia-Pacific (Timor e-Games) and BGI operations.

Deferred Tax Assets

Deferred tax assets recognized amounting to P17.6 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

Other Noncurrent Assets

Other noncurrent assets increased by P1.7 million or 4% mainly due to the increase in rental deposits as a result of business expansions.

Accounts Payable and Accrued Expenses

The decrease in accounts payable and accrued expenses by P42.3 million or 17% was mainly due to payment of unpaid acquisition of treasury shares pursuant to buyback program as approved by BOD last year.

Notes Payable

Notes payable amounts to P1,200.0 million pertains to the availment of loans during the year.

Retirement Benefits Liability

The increase in retirement benefits liability of P2.2 million or 9% represents additional provision for employees' retirement benefits.

Operators' deposit

The increase of operators' deposit of P2.5 million or 5% represents the cash received from operators upon opening of PeGS that serves as a bond/security in case the operators defaults from payments. This deposit is to be returned to the operators upon termination of their operation.

Capital stock

No movement for capital stock in 2013.

Additional paid in capital

No movement for additional paid in capital in 2013.

Retained earnings

The increase in retained earnings of P12.5 million or 1% was attributable to the net income during the period, net of cash dividends.

Treasury stock

The increase in treasury shares of P2,881.3 million or 272% was due to the redemptions of e-PLDT held shares and shares bought from the market pursuant to the buyback program as approved by BOD.

Income and Expenses

For the year ended December 31, 2013, the Company posted net income of P202.9 million. Revenues increased by 1%. Overall, the Company decreased its net income by 82% versus last year. Note however that EBITDA still increased by 2% as the

net income includes one-time losses from the sale of investment in ISM amounting to P552.0 million and provision for impairment losses of P198.5 million.

Revenues

Total revenues increased by P10.1 million or 1%, to P1,493.7 million for year ended December 31, 2013 from P1,483.6 million registered last year. The increased was contributed by the PeGS business; however, it is mitigated by the decreased in revenue from PhilWeb Asia-Pacific operation. PeGS improvement was contributed by the increase in number of sites, stations and higher amount of customer's deposits.

Salaries and Benefits

The decrease of P23.1 million or 15% was mainly due to the revision of personnel cost sharing agreement within affiliated companies.

Depreciation and Amortization

The increase of P35.0 million, or 36% in depreciation and amortization was due to increase in acquisition of additional servers, computer equipment and leasehold improvements related to Timor e-Games and BGI operations.

Outsourced Services

The increase in outsourced services of P8.9 million or 10% was primarily due to an increase in number of contracted employees and security personnel due to expansions of Asia-Pacific and BGI operations.

Rental

The increase of P10.7 million or 18% in rent was due to expansion of Asia-Pacific and BGI operations.

Utilities and Communications

The increase in utilities and communications of P12.6 million or 22% was due to additional power and utility requirements of expanded business operations.

Representation and Entertainment

Representation and entertainment increased by P6.9 million or 14% as a result of the expansion of BGI operations.

Supplies

Supplies slightly decreased by P2.3 million or 8%.

Operator Incentives and Commissions

The decrease of P14.7 million was mainly due to lower commissions provided to the distributors of scratch cards in the Asia-Pacific business operation.

Impairment Losses

The provision for impairment losses pertains to expired portion of excess input VAT and long outstanding receivables.

Professional Fees

Professional fee decreased by P4.6 million or 28% mainly due reduction of technical consultant.

Advertising and Promotion

Advertising and promotion slightly decreased by P0.1 million or 1%.

Taxes and Licenses

Taxes and licenses slightly decreased by P0.8 million or 5%.

Miscellaneous

The decrease of P1.0 million or 10% was mainly due to decrease in other expenses of gaming operations.

Loss on Sale of Equity Investment

The loss on sale of equity investment of P552.0 million pertains to the disposal of investment in ISM. While the sale resulted to a paper loss, based on acquisition cost the Company made a cash gain of P60.4 million.

Equity in Net Earnings of Associates

Equity in net earnings of associates of P86.1 million mainly pertains to share in net income of investment in ISM before the sale of the said investment.

Interest Income

The decrease of P14.1 million or 39% was mainly due to decreased in average cash deposits and short-term placements during the year.

Interest Expense

Interest expense of P22.1 million was due to availment of loans.

Performance for the Year Ended December 31, 2012

Cash and Cash Equivalents

The cash and cash equivalents increased by P151.5 million or 17% versus last year. The Company operations generated cash amounting to P982.5 million. P160 million was used in capital expenditures for expansion projects, partially offset by P81.0 million proceeds from the sale of investment. P759.7 million was used to pay cash dividends and fund the acquisition of Company's own share pursuant to the buyback program as approved by the BOD.

Receivables

The receivables increased by P38.1 million or 17% versus last year as a result of growing operations in Asia-Pacific.

Inventories

The increase in inventories amounting to P6.6 million or 197% pertains to the cost of scratch cards of Asia-Pacific operations and gaming terminal cost of e-Magine Gaming Corporation.

Notes Receivable

The increase in notes receivable of P227.9 million or 85% versus last year, was mainly due to the current portion of receivables arising from the sale of investment in Acentic.

Prepayments and Other Current Assets

Prepayments and other current assets increased by P36.7 million or 54% versus last year mainly due to the increase in prepaid rent, prepaid licenses and excess input VAT.

Investment in Associates

The decrease in investment in associates of P591.7 million or 36%, was mainly due to the sale of investment in Acentic.

Noncurrent Receivables

Noncurrent receivables of P486.0 million represents the noncurrent portion of the receivables from sale of investment in Acentic.

Property and Equipment

The increase in property and equipment of P63.6 million or 29% represents the total acquisitions of P160.3 million less depreciation amounting to P96.7 million.

The acquisitions mainly pertain to the expansions in Asia-Pacific and BGI operations.

Deferred Tax Assets

Deferred tax assets recognized amounting to P4.9 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

Other Noncurrent Assets

Other noncurrent assets increased by P6.9 million or 19% mainly due to the increase in rental deposits as a result of business expansions.

Accounts Payable and Accrued Expenses

The increase in accounts payable and accrued expenses by P81.3 million or 47% was mainly due to the increase in trade payables and accruals as a result of expansions in the Asia-Pacific region and unpaid acquisition of treasury shares pursuant to buyback program as approved by BOD.

Retirement Benefits Liability

The increase in retirement benefits liability of P10.9 million or 73% represents additional provision for employees' retirement benefits.

Operators' deposit

The increase of operators' deposit of P6.0 million or 14% represents the cash received from operators upon opening of PeGS that serves as a bond/security in case the operators defaults from payments. This deposit is to be returned to the operators after termination of the contract.

Capital stock

The increase in capital stock of P277.4 million or 25% was mainly attributable to the 20% stock dividends declared and issued in May 2012.

Additional paid in capital

The increase in additional paid in capital of P545.3 million or 102% was mainly due to the excess over acquisition cost of the re-issuance of shares that was bought back from e-PLDT.

Retained earnings

The increase in retained earnings of P563.7 million or 37% was attributable to the net income during the period, net of cash and stock dividends.

Treasury shares

The increase in treasury shares of P1,060.3 million was due to the redemptions of e-PLDT held shares (net of dispositions) and shares bought from the market pursuant to the buyback program.

Income and Expenses

For the year ended December 31, 2012, the Company posted net income of P1,096.3 million. Revenues increased by 27%, while operating expenses increased by 35% compared to previous year's balance. Overall, the Company increased its net income by 20% versus last year.

Revenues

Total revenues increased by P318.5 million or 27%, to P1,483.6 million for year ended December 31, 2012 from P1,165.1 million registered last year. The increase was contributed by the PeGS business and the new revenue source from PhilWeb Asia-Pacific operation. PeGS improvement was contributed by the increase in number of sites, stations and higher amount of customer's deposits.

Salaries and Benefits

The increase of P32.2 million or 27% was mainly due to the increase in number of employees which was required for the expansion of the Company's operations and development of new gaming projects.

Depreciation and Amortization

The increase of P17.5 million, or 22% in depreciation and amortization was due to increase in acquisition of additional servers, computer equipment and leasehold improvements related to the expansions in Asia-Pacific and BGI operations.

Outsourced Services

The increase in outsourced services of P20.2 million or 31% was primarily due to an increase in number of contracted employees and security personnel due to expansions of Asia-Pacific and BGI operations.

Rental

The increase of P19.6 million or 48% in rent was due to expansion of Asia-Pacific and BGI operations.

Utilities and Communications

The increase in utilities and communications of P14.1 million or 32% was due to additional power and utility requirements of expanded business operations.

Representation and Entertainment

Representation and entertainment slightly decreased by P3.0 million or 6%.

Supplies

The increase of P20.1 million was mainly due to business expansions in Asia-Pacific region.

Operator Incentives and Commissions

The increase of P20.0 million was mainly due to the commissions provided to the distributors of scratch cards in the Asia-Pacific business operation.

Impairment Losses

The provision for impairment losses pertains to expired portion of excess input VAT.

Professional Fees

Professional fee slightly decreased by P1.4 million or 8%.

Advertising and Promotion

The increase of P11.7 million in advertising and promotion was mainly due to marketing programs for the Asia-Pacific expansions.

Taxes and Licenses

The increase in taxes and licenses of P3.4 million or 29% was mainly due to additional taxes and licenses paid as a result of business expansions.

Donation & Sponsorship

Donation and sponsorship slightly decrease by P0.7 million or 7%.

Miscellaneous

The decrease of P4.0 million or 95% was mainly due to decrease in other expenses of gaming operations.

Gain on Sale of Equity Investment

The gain on sale of equity investment of P181.2 million pertains to the disposal of investment of PCIL in Host Union.

Equity in Net Earnings of Associates

The decrease of P142.3 million or 78% was due to the decrease in net income reported by the associates.

Interest Income

The decrease of P7.5 million or 17% was mainly due to decreased in average cash deposits and short-term placements during the year.

Performance for the Year Ended December 31, 2011

Cash and Cash Equivalents

The increase in cash and cash equivalents of about P544.8 million or 153% was mainly due to the cash generated from operations.

Receivables

The increase in receivables of P75.8 million or 50% was mainly due to advances for projects and various advances given to an associate.

Notes receivable

The decrease in notes receivable of P266.9 million represents collection of principal plus interest of a loan extended to non-affiliated company.

Investment held for sale

The decrease in investment held for sale of P594.0 million represents shares of Acentic GmbH thru Host Union International Ltd reclassified to investments in associates.

Prepayments and Other Current Assets

The increase in prepayments and other current assets of P25.7 million or 57% was mainly due to VAT input.

Investment in Associates

The increase in investment in an associate about P783.2 million or 89% represents acquisition of Investment to Acentic GmbH from held for sale to long term investments amounting to P658 million and equity share in net income from associates, ISM Communications Corporation and Acentic GmbH thru Host Union International Ltd.

Property and Equipment

The increase in property and equipment of P20.2 million or 10% represents acquisition less depreciation of assets.

Deferred Tax Assets

Deferred tax assets recognized amounting to P4.1 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

Other Noncurrent Assets

Other noncurrent assets increased by about P7.5 million or 27% represents deposits on office rentals.

Accounts Payable and Accrued Expenses

The increase in accounts payable and accrued expenses of about P62.5 million or 56% was due to increasing volume mainly of transactions on credit terms.

Notes Payable

The decrease in notes payable of P138.8 million represents full payment of short-term bank loans which was borrowed in 2010.

Retirement Benefits Liability

The increase in retirement benefits liability of P4.9 million or 55% represents accrual of retirement benefits for employees based on existing laws.

Operators' deposit

The increase of operators' deposit of P6.0 million or 17% represents cash received from operators upon opening of PeGS Station that serves as a bond/security in case the operators defaults from payments. This deposit is to be returned to the operators after termination of the contract.

Equity

The increase in total equity of P665.9 million or 27% was mainly due to net income after tax for the year of P914.1 million, net of cash dividends paid of (P252.3) million.

Income and Expenses

For the year ended December 31, 2011, the Company made a net income of P914.1 million. Net service revenues and operating expenses for the year increased by 12% and 7%, respectively, compared to previous year's balance. Overall, the company increased its net income by 45% this year.

Revenues

The increase of P125.2 million or 12% in total revenues were mainly contributed by internet casino business as a result of increase in PeGS Cafès, higher bet volume and higher average winning percentage. The increased was also attributable to sales of scratch cards in Timor and launch of Sweepcenter in Guam.

Salaries and Benefits

The increase of P27.3 million or 30% was mainly due an increase in number of employees which was required for the expansion of the Company's operations and development of new gaming projects.

Depreciation and Amortization

The decrease of P1.0 million or 34% in depreciation and amortization was due to increase in disposal and fully depreciated equipment in 2011; although it is mitigated by the acquisition of additional servers and computer equipment and leasehold improvements related to the expansion of PeGS and an increase in number of cafès.

Outsourced Services

The increase in outsourced services of P11.7 million or 22% was primarily due to an increase in number of contracted employees at PeGS Cafès.

Representation and Entertainment

The increase in representation and entertainment of P2.0 million or 4% was mainly business representation related to the launch of new gaming projects.

Rent

The decrease of P5.1 million, or 11% in rent was mainly due to increase in share of rent charged to its related parties.

Utilities and communications

The increase in utilities and communications of P3.8 million or 9% was due to additional power requirements from increased business operations.

Impairment Losses

The decrease in provision for impairment losses of P14.0 million or 76% was due to lower write-off of value added tax input.

Professional Fees

The decrease of P1.7 million or 8% was mainly due to lower professional fees incurred in its international operations; although, this is mitigated by the additional technical consultancy services availed by the Company for software development associated with growth in the Company's local operations.

Taxes and Licenses

The increase in taxes and licenses of P1.1 million or 11% was mainly due increased business operations and the expansion in the number of PeGS Cafès operated by the wholly owned subsidiary.

Advertising and Promotion

The decrease of P6.7 million, or 61%, in advertising and promotion was mainly due to limited advertising and promotional programs.

Supplies

The increase of P1.0 million or 13% was mainly due to increase in business operations.

Operator Incentives

The increase of P1.1 million or 31% was mainly due to additional incentive provided to the supervisors and cashier of wholly-owned PeGS Cafès whenever they hit certain target.

Donation & Sponsorship

Relative to the increase in the Company's profit is the increase of donation and sponsorship of P6.9 million or 204%.

Miscellaneous

The increase of P3.4 million was largely due to increase in various expenses to gaming operations.

Equity in Net Earnings of Associates

The increase of P178.1 million was due to the higher net income reported by the associates.

Interest Income

The increase of P9.1 million or 26% was mainly due to increase in cash deposits and investments in short-term placements during the year.

Interest Expense

Interest expense was decreased by P13.0 million or 93% due to fully payment of bank loans.

Miscellaneous - net

The decrease of P2.4 million or 120% was primarily because of recognized foreign currency exchange gain in 2010. In 2011, the Company had an unrealized foreign currency exchange loss of P0.5 million.

The Company's Key Performance Indicators

For the period ended June 30, 2014, the Company's key performance indicators are the following:

- 1.) The Company's Net Income margin for the aforementioned period was at 53.6%. This was computed as Net Income of ₱431,501,524 divided by Net Revenues of P804,930,324.
- 2.) The Company's Earnings Before Interest, Taxes, and Depreciation and Amortization (EBITDA) was P559,117,701 or 15.3% higher than the same period last year .
- 3.) The increase in revenues in June 2014 was 8.0%. It was computed by dividing the difference between six months period ended June 2014 and 2013 Revenue by six months period ended June 2013 Revenue.
- 4.) Operating Income margin was 61.9%, which was computed as Operating Income of ₱498,482,891 divided by Net Revenues of ₱804,930,324.
- 5.) Current ratio was at 0.89:1.00 computed as Current Assets of ₱1,178,790,814 divided by Current Liabilities of ₱1,326,341,344.
- 6.) Asset to equity ratio was at 2.88:1.00 computed as Total Assets of P2,162,443,082 divided by Total Equity of P750,459,452.

- 7.) Debt to equity ratio was at 1.88:1.00, computed as Total Liabilities of ₱1,411,983,630 divided by Total Equity of ₱750,459,452.
- 8.) The Return on Total Assets was 19.95% computed as Net Income of P431,501,524 divided by the Total Assets of P2,162,443,082.
- 9.) The Return on Equity was 57.5% computed as Net Income of P431,501,524 divided by the Total Equity of P750,459,452.

For the year 2013, the Company's key performance indicators are the following:

- 1.) The Company's Net Income margin for the aforementioned period was at 14%. This was computed as Net Income of ₱202,894,555 divided by Net Revenues of P1,493,699,764.
- 2.) The Company's Earnings Before Interest, Taxes, and Depreciation and Amortization (EBITDA) was P985,634,920 or 2% higher compared last year.
- 3.) The increase in revenues in 2013 was 1%. It was computed by dividing the difference between 2013 and 2012 Revenue by 2012 Revenue.
- 4.) Operating Income margin was 44%, which was computed as Operating Income of ₱654,715,723 divided by Net Revenues of ₱1,493,699,764.
- 5.) Current ratio was at 0.75:1.00 computed as Current Assets of ₱1,063,149,112 divided by Current Liabilities of ₱1,412,294,548.
- 6.) Asset to equity ratio was at 3.71:1.00 computed as Total Assets of P2,042,159,181 divided by Total Equity of P551,142,849.
- 7.) Debt to equity ratio was at 2.71:1.00, computed as Total Liabilities of ₱1,491,016,332 divided by Total Equity of ₱ 551,142,849.
- 8.) The Return on Total Assets was 10% computed as Net Income of P202,894,555 divided by the Total Assets of P2,042,159,181.
- 9.) The Return on Equity was 37% computed as Net Income of P202,894,555 divided by the Total Equity of P551,142,849.

For the year 2012, the Company's key performance indicators are the following:

- 1.) The Company's Net Income margin for the aforementioned period was at 74%. This was computed as Net Income of ₱1,096,287,578 divided by Net Revenues of P1,483,589,923.
- 2.) The increase in revenues in 2012 was 27%. It was computed by dividing the difference between 2012 and 2011 Revenue by 2011 Revenue.

- 3.) Operating Income margin was 57%, which was computed as Operating Income of ₱851,258,661 divided by Net Revenues of ₱1,483,589,923.
- 4.) Current ratio was at 7.58:1.00 computed as Current Assets of ₱1,930,202,913 divided by Current Liabilities of ₱254,565,832.
- 5.) Asset to equity ratio was at 1.09:1.00 computed as Total Assets of P3,817,197,716 divided by Total Equity of P3,488,600,712.
- 6.) Debt to equity ratio was at 0.09:1.00, computed as Total Liabilities of ₱328,597,004 divided by Total Equity of ₱3,488,600,712.
- 7.) The Return on Total Assets was 29% computed as Net Income of P1,096,287,578 divided by the Total Assets of P3,817,197,716.
- 8.) The Return on Equity was 31% computed as Net Income of P1,096,287,578 divided by the Total Equity of P3,488,600,712.

For the year 2011, the Company's key performance indicators are the following:

1. The Company's Net Income margin for the aforementioned period was at 78%. This was computed as Net Income of ₱914,074,670 divided by Net Revenues of ₱1,165,067,713.
2. The increase in revenues in 2011 was 12%. It was computed by dividing the difference between 2011 and 2010 Revenue by 2010 Revenue.
3. Operating Income margin was 60%, which was computed as Operating Income of ₱697,228,782 divided by Net Revenues of ₱1,165,067,713.
4. Current ratio was at 8:1.00 computed as Current Assets of ₱1,469,499,810 divided by Current Liabilities of ₱173,266,792.
5. Asset to equity ratio was at 1.07:1.00 computed as Total Assets of P3,391,004,571 divided by Total Equity of P3,161,678,421.
6. Debt to equity ratio was at 0.07:1.00, computed as Total Liabilities of ₱229,326,150 divided by Total Stockholders' Equity of ₱3,161,378,421.
7. The Return on Total Assets was 27% computed as Net Income of P914,074,670 divided by the Total Assets of P3,391,004,571.
8. The Return on Equity was 29% computed as Net Income of P914,074,670 divided by the Total Equity of P3,161,678,421.

Key Variable and Other Qualitative and Quantitative Factors

There were no known trends, events or uncertainties that will have material impact on the Company's liquidity.

There were no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The current capitalization of the Company, and expected future revenues from its various activities are projected to sufficiently meet the Company's operating cash requirements.

No extraordinary purchase of plant and equipment are expected beyond those in the regular course of the Company's operations.

There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the Company's revenues or continuing operations.

There are no significant elements of income that did not arise from the Company's continuing operations.

There were no known causes for any material changes from period to period of financial statements, which shall include vertical and horizontal analyses of any material item.

There are no seasonal aspects that have material effect on the Company's financial condition or results of operation.

Audit and Audit Related Fees

Audit fees in relation with the services rendered for the examination and preparation of the Company's financial statements. The following table sets out the aggregate fees billed for each of the last three years for professional services rendered by the independent public accountant.

	2013	2012	2011
Audit and Audit-Related Fees	P1,161,045	P980,834	P869,300
Tax Fees	none	none	none
Other Fees	87,136	none	none
Total	P1,248,181	P980,834	P869,300

The auditor of the Company conducted its audit in accordance with the auditing standards generally accepted in the Philippines with the objective of expressing an opinion as to whether the presentation of the financial statements, taken as a whole conforms with the accounting

principles generally accepted in the Philippines. They performed tests of the accounting records and such other procedures, as they considered necessary in the circumstances to provide a reasonable basis for an opinion on the financial statements. They also assessed the accounting principles used and significant estimates made by the management and evaluated overall financial statements presentation.

The auditor also considered the Company's internal control in order to determine the nature, timing and extent of the audit procedures for the purpose of expressing an opinion on the financial statements. There were no additional fees related to this.

There were no products and services provided by the external auditor other than the services reported under the above items.

The Audit Committee approved the policies and procedures in relation to the services of the external auditor.

D. General Nature and Scope of Business

PhilWeb Corporation, the Company, was originally a mining and exploration company incorporated in August 20, 1969 under the name "South Seas Oil and Mineral Exploration Co. Inc." with an authorized capital stock of P50 million divided into five billion shares with a par value of P0.01 per share. On March 29, 1984, the stockholders authorized the change in the Company's name to "South Seas Natural Resources, Inc." which was approved by the SEC. The stockholders subsequently authorized on September 22, 1987 an increase in the Company's authorized capital stock to P200 million divided into 20 billion shares with a par value of P0.01 each share, 60% of which were classified as Class "A" shares which may be held only by Filipino citizens, and 40% of which were classified as Class "B" shares which may be held by non-Filipinos. The SEC approved the increase in capital and classification of shares of stock.

PhilWeb became an Internet company in January 18, 2000 upon the stockholders' approval of a restructuring plan which involved changes in the Company's name, primary purpose, increase in capital stock, declassification of shares, increase in the number of directors, and adoption of new by-laws, among other matters. At the same meeting, the stockholders likewise authorized the Board of Directors to sell all or substantially all of the assets of the Company, and approved the sale of the mining properties and tangible mining assets. on the same date, the Parent Company entered into a Deed of Assignment with All-Acacia Resources, Inc. whereby the Parent Company transferred all its rights over its mining claims located in the Provinces of Samar and Surigao and all of its mining assets, both tangible and intangible, used in the Parent Company's mining operations. In consideration therefore, All-Acacia agreed to assume all liabilities and obligations of the Parent Company, including those relating to the assignment of advances from stockholders and/or deposits on subscriptions in excess of P18 million which had been agreed to be converted to equity of the Parent Company, and arrange for the resignation, retirement or termination of all the Parent Company's personnel relating to the mining business and pay their corresponding separation or retirement pay, as well as hold the Parent Company free and harmless from any expense, liability or obligation arising from the operation of the Parent Company as of the date of the Agreement.

The change in the Company's corporate name to "PhilWeb.Com, Inc.", its primary purpose from a mining and oil exploration company to that of an Internet company, increase in the number of directors to 15, and adoption of new By-laws became effective upon their approval by the SEC on February 8, 2000. The SEC subsequently approved the increase in the Company's authorized capital stock to P2.6 Billion and the declassification of its common shares to one class on March 6, 2000.

At the annual stockholders' meeting on May 31, 2002, the stockholders approved the change in corporate name from "PhilWeb.com, Inc." to "PhilWeb Corporation". The stockholders also approved the inclusion of the gaming business as an additional secondary purpose of the Company. The SEC approved these changes on November 5, 2002.

On November 28, 2002, the Company signed a Memorandum of Agreement with Philippine Amusement and Gaming Corporation (PAGCOR) for the Company to provide PAGCOR with technical consultancy and marketing services related to Internet Sports Betting. PAGCOR has launched its Internet Sports Betting website called BasketballJackpot.Net, with the objective of getting a slice of the US\$10 billion worldwide Sports Betting market. In April 2004, the Company launched its Internet casino business (ecasinofilipino.com).

PAGCOR e-Games cafés

In 2003, we received a license from the Philippine Amusement and Gaming Corporation (PAGCOR) to launch e-Games stations, which are Internet cafés exclusively dedicated to casino games. With technology provided by PhilWeb, patrons can choose from close to three hundred casino games, including baccarat, blackjack, various slot machine games, video poker and others. Most e-Games cafés operate on a 24/7 basis.

There are now 299 e-Games cafés all over the country, with the majority owned and independent operators. These e-Games Operators handle day-to-day operations and get a commission based on the casino winnings of the café.

In 2013, e-Games had another milestone year. From 277 e-Games cafés, the Company was able to add 22 more sites to its network, bringing up the nationwide count to 299. This increase brought up Terminal Count to 7,638, a 13% increase from last year's figures. Total Casino Win reached P5 billion. PAGCOR Remittances exceeded last year's record total by 7.3%. e-Games remains a valued contributor to PAGCOR's income, remitting a record total of P2.1 billion in 2013. These figures prove that despite the entry of new players such as Solaire, Resorts World Manila and the forthcoming City of Dreams Manila, e-Games' growth and operations have not been affected.

Another major highlight for e-Games was the roll-out of a new version of their, back-end software provider, Realtime Gaming (RTG) and the installation of a new server. This enabled e-Games to accommodate more players and paved the way for account-based play. e-Games also achieved the highest winnings in one day of P19 million. Apart from RTG, Microgaming continues to provide its suite of casino games into various cafés.

In accordance with PAGCOR regulations, all sites began renovation in 2013. Renovating the sites brought about an enhanced player experience, with newly- installed bars, lounges and crap tables. These site renovations will continue through 2014.

Finally, e-Games operators are moving away from the entrepreneurial model with sites consolidating operations under larger corporations. This approach will lead to a more professional, improved, and uniform operations.

The game distribution for the past year is split into four major categories: slots games, baccarat games, video poker games and others. Slots made up more than half of PhilWeb's game distribution with a 56% market share in 2013, which shows that slots are the preferred choice for majority of e-Games customers. Meanwhile, Baccarat was the second highest at 24%. Video poker encompassed 11% of the total game distribution, while other games took up the remaining 9%.

Marketing Highlights

e-Games launched a new Membership and Rewards Program which has more than fifty thousand active accounts to date. Here, players have access to a web-based interface that allows them to manage their accounts, participate in quarterly promotions, and redeem exclusive reward items. Three nationwide raffle draws were held, with more than P50 million in prizes given away. To ease the logistics of a raffle of this scale, an Electronic Raffle Draw system was used. Aside from winning through raffle coupons, members can now redeem premium items and avail of exclusive perks from partner brands and establishments. These include lifestyle, travel and dining rewards.

e-Games also held events and product activations, which focused more on geographic segments. e-Games brand ambassadors would conduct product demonstrations and host events in high-traffic establishments near each e-Games venue. Participants who joined were given merchandise and free credits which could be claimed upon registration at featured e-Games outlets. The combined efforts of events, mobile and social media campaigns have brought in several hundred new e-Games players.

e-Games also tapped different marketing channels. One channel utilized was an SMS campaign to augment player acquisition by capturing participants' contact information and measuring player conversion at the same time. Social media campaigns were also used wherein promotions required fans to register online and activate their membership onsite.

The e-Games website was also revamped, with a newly-integrated Online Registration Module and a partnership with Double Down, a free play app that links to Social Networking sites.

e-Games turned to print media with its advertisements featured in magazines such as FHM, Cosmopolitan, Rogue, and Forbes Asia. A reader response mechanism was included in the advertising material.

Plans for 2014

In 2014, e-Games has two key goals in mind. The first is to focus on direct-to-player marketing through the membership and rewards program. This will be achieved by conducting nationwide and site-level draws every quarter, identifying and securing partnership deals with upscale brands and establishments, and launching the SVIP Rewards Program which will offer exclusive treats and a dedicated concierge for established high rollers.

The second goal is twofold. e-Games intends to expand its VIP base through strategic events activations and amplify the brand reach through various channels. To do this, e-Games will conduct a series of on-ground activations and participate in events with wide brand mileage; continue utilizing SMS, Digital Marketing, and Direct Mail to promote brand awareness and reach new customers; and place advertisements in magazines, newspapers, and adult establishments.

BigGame, Inc.

BigGame, Inc. (BGI) is a wholly-owned subsidiary of PhilWeb Corporation. It owns and operates 16 e-Games cafés, making it one of the largest operators in the business.

BGI's network of cafés functions as the Company's "R&D laboratory", where new games, strategies and other innovative ideas are first tested. Results, whether positive or negative, are reported to e-Games operators during the quarterly General Assemblies. If a new game or idea delivers positive results and is approved unanimously by the operators, the BGI café in question becomes the standard by which all other BGI and e-Games cafés will follow. Because of this rigorous process, BGI continues to bring in improved gaming configurations and upgrades for the Company's various services and amenities.

2013 was a challenging yet productive year for BigGame. BigGame delivered top-line revenue of P211 million in 2013, 15% more than in 2012. BGI was able to acquire its Imus, Cavite site, thus keeping its total site count steady at 16. Total gaming terminals is up by 24%, from 858 terminals in 2012 to 1063 terminals in 2013.

Some of the innovative ideas which were tested in BGI sites are the following:

- VIP Couple Seats, which were tested in the Morato and Blue Wave branches. This new feature allows couples to play alongside each other. This produced high daily terminal wins.
- VIP Pods in Morato. These pods were patterned after the "business class" concept as seen in the airline industry, where everything is within easy reach. Additional pods will be rolled out in the JAKA branch in 2014.
- For a different look, curved terminals were introduced. This type of terminal produced twice daily terminal wins than regular terminals.
- First introduced in 2012, lounge chairs with dedicated tables continued to receive

positive feedback from players. With more accurate data tracking, the Daily Terminal Win from the lounge chair set-up was well over 50% more than the Daily Terminal Win of a standard cubicle.

- The VIP booth was further enhanced with the addition of plush recliner chairs. This comfy recliner allows players to relax while playing their favorite casino games.

BGI Marketing

In 2013, BGI's marketing efforts were focused on player retention and taking care of its VIP clients. Player retention was handled by way of the "I Won BIG" raffle, a mid-year raffle activity that garnered around 50,000 to 60,000 entries. P5,000 bet vouchers were given as prizes for this event. Another was the Scratch, Match & Drop Christmas raffle, where players stood the chance of winning instant prizes like P5,000 load. For its VIP clients, BGI gave free trips to Balesin Island Club to top patrons.

BGI Marketing also focused on site-specific strategies. These activities were based on player demographics. Some of the activities that BGI joined in 2013 include the "Soul Surf" and "Panagbenga" festival for its La Union branch players, "Sinulog" festival for its Cebu branch players, and the "Grand Wine Event", of which BGI was one of the major sponsors. BGI also sponsored events at nearby cockfighting arenas to introduce patrons to the BGI gaming experience.

BGI Marketing also had an increased presence in Social Media in 2013. Twitter and Facebook are two of the heavily used Social Media apps where BGI made its presence felt. Players were also informed of various BGI promotions via SMS. The referral program, that began in 2012, was continued.

BGI in 2014

In 2014, BGI will carry on with its site expansions and renovations to existing cafes. One site to watch out for is the Bauang, La Union branch which will have 40 terminals from an existing count of 28 terminals in 2013. The group also hit several important milestones, namely the launching of the JAKA site in November and the launch of the VIP Pods in Morato. Growth, not only in terms of the number of terminals but also manpower, marketing efforts, reach and operations, was achieved in 2013.

The group will also look out for innovative ways to keep the player experience fresh and stay up-to-date with the current trends in the gaming industry. The group will adapt to these new trends to ensure continuous improvements are being carried out at its sites.

The BGI premiere lounge, which is being planned as a high roller/VIP exclusive room will be similar to junket rooms that are common in large casinos relying on a special VIP service.

BGI's marketing group will continue to expand and carry on with activities focused on player acquisition and on-ground activations. It aims to grow the player base and keep players

engaged in BGI promotions and events. Future BGI raffle promotions will be based more on player deposits.

e-Magine Gaming Corporation

e-Magine Gaming Corporation is a key subsidiary of PhilWeb Corporation. The Company's primary purpose is to develop and manufacture gaming terminals with integrated software and hardware. Launched in 2012, e-Magine's goal is to strengthen PhilWeb's international revenues and support its local and Asia Pacific businesses.

2013 was a milestone year for e-Magine gaming. This was the year the company became fully-operational, with the introduction of its Genesis console to the Global market. To move e-Magine into the international gaming arena, selected members of the e-Magine team were sent to major trade shows in Macau (May) and Las Vegas (December) where they put the machine through its paces in front of a discerning gaming clientele. The positive feedback to these roadshow events was overwhelming. Majority of the positive inquiries generated came from distributors interested in harnessing the machine's capabilities, as well as prospective partners willing to integrate their software with e-Magine's hardware.

e-Magine's Genesis console represents a bold leap forward for the gaming arena, both locally and internationally. There has never been anything quite like it; a machine which utilizes a Windows-based operating platform to handle a multitude of unique and varied gaming applications. Unlike traditional slot machines which are one-dimensional in nature, the e-Magine Genesis console offers all that and more. An idea whose time has come, e-Magine's Genesis has given the gaming market a product that is wholly different.

The Company further cemented its status with the formal opening of its new production plant in Binan, Laguna in November 2013. When operating at full production capacity, the plant can produce 30,000 units a year.

The Genesis Console

The Genesis, with its touch-screen console, distinctive red and black piping, and futuristic LED lights, was given a few significant upgrades to enhance its already powerful capabilities. The first improvement was made on its touch screen. Initial touch screens were seen as being less responsive and e-Magine's R&D team immediately responded to the challenge with a new screen that performs at a rate on par with most of today's current crop of smart phone and tablet devices. The second improvement was made to its CPU. Early units were bulky and prone to overheating. The latest Genesis CPU has been reduced in size and generates less heat, making it more efficient for long-term use. A third improvement was made to its internal machinery. With better and cleaner wiring, maintenance of the console will be less of a hassle. Finally, a new compact and lightweight design to its exterior shell casing will allow for easier transportability.

In addition to these, the colors of the Genesis console can be customized. Customers can choose their own colorways for their specific units, adding a touch of individuality to the machine.

Likewise, the unit's LED lights can also be modified to match the overall look of the external shell casing.

Goals for 2014

The future is indeed bright for e-Magine Gaming. The Company realized an unfulfilled market need for a console that integrated hardware and software into one device. The Genesis is a firm realization of that need.

Moving forward in 2014, the Company will adhere to the same winning game plan as last year. That is, to attend more trade shows and put up more exhibits capitalizing on the Genesis' unique capabilities. Hand in hand with that is the opportunity to forge new partnerships and tap into unexplored areas, specifically the European market.

On the horizon is the possibility of manufacturing a Bingo machine. This would add another dimension to e-Magine's gaming platform capabilities. As of this report, it is already in the Research and Development phase.

As far as the Genesis is concerned, there will be no let up on its improvements. Tests will continuously be done to ensure it performs to the highest standards possible. Additional cabinet designs will also be explored, such as a stand-alone kiosk as one potential variant.

Finally, a gaming table is also in the early R&D stages. Such table would allow players to have the convenience of playing their favorite games on a table-top setting.

Premyo Sa Resibo, Inc.

Premyo sa Resibo, Inc. (PSR) is the longest-running, SMS-based raffle program in the Philippines. Launched in 2006, in partnership with the Bureau of Internal Revenue (BIR), the program encourages proper tax declaration from local establishments and professionals.

This year, PSR focused on online and on-ground activities to create awareness for, and recognition of the program to various demographics. Online presence via twitter and facebook as well as on-ground increased participation in the program to over 1.5 million users who have tried the service at least once in 2013.

To join, consumers text in their Official Receipt details (TIN#, OR# and OR amount) to PhilWeb's special access numbers. Each valid transaction serves as a raffle entry to the PSR draws, in which the texter can win prizes up to a million pesos. PhilWeb submits all the information gathered to the BIR for validation and cross-referencing with their list of registered establishments. This aids the BIR in determining the legitimacy of receipts being issued to consumers nationwide. In 2013, PSR received over 9 million SMS entries, from over 1.7 million official receipts representing over 250,000 establishments. Since its inception, the program has received close to 200 million SMS entries and has awarded close to P200 million in prizes.

In 2014, Premyo sa Resibo will continue to build and establish program association that is synonymous with the best prizes, the hippest gadgets, and the coolest events.

PhilWeb Asia Pacific

PhilWeb Asia Pacific (PWAP) was incorporated in 2010 with the mandate to take the existing profitable business of PhilWeb Corporation and replicate these across the Asia Pacific region.

In 2011 PWAP opened its Sweeps Center in Guam and Scratch Card distribution in Timor. PWAP also took the opportunity to launch a Scratch Card product in Cambodia in 2012. These businesses provided the company a foothold in various markets. There was further expansion in 2013 with the second Sweeps Center opening in Guam, while a combination "sports trading and lottery card" branded Kartu Bintang was launched in Indonesia in partnership with top Indonesian soccer team Persib from Bandung.

PWAP's scratch card business suffered a slowdown in 2013 due to conditions outside of management control. The Cambodia business was affected when the economy ground to a halt due to protest actions following general elections, despite the launch of a popular \$0.25 equivalent scratch card. In Timor-Leste, the withdrawal of the United Nations peacekeeping forces in late 2012 and early 2013 limited employment opportunities and lowered income levels for the general population. This led to a slowdown in Scratch Card sales. The Guam Sweeps Centers continue to operate profitably as of year-end.

Despite the setbacks in 2013, PWAP continues with its aim to establish and expand its presence in Asia-Pacific and beyond. The management is evaluating the Company's approach to the various opportunities in regulated markets and looks forward to a stronger product offering, particularly in partnership with e-Magine Gaming.

Corporate Services

Finance

The Finance Department's main objective is to develop and implement financial systems and internal control policies which would help the Company keep track of critical financial reports coming in from the Company's various revenue groups. With regard to e-Games, the department is responsible for ensuring that all receivables from e-Games cafés are collected and all receipts are recorded in a timely and accurate manner. e-Games operators are reminded to deposit their gross hold (GH) to a PhilWeb-nominated bank account or have their GH picked up by authorized riders.

Finance thru its Top-up Division uses a company-proprietary POS system. This enables the Company to monitor and manage on a 24/7 and real time basis the cash balances of all e-Games across the country, thereby minimizing the cash risk of each and every sites.

In 2013, thru a partnership with financial institution, the Company is now able to replenish the cash requirements of all sites, wherever, whenever.

Customer Services

In 2013, the Customer Services Department with its two (2) working groups - Contact Center and Field Support - continued to render 24/7 support to the technical requirements and daily operational issues of e-Games, Premyo sa Resibo and International Business.

The department's Contact Center which serves as the heart of all customer transactions, embarked on process improvements to simplify handling of inquiries and requests. Soft skills were reinforced through weekly calibrations, mentoring, and coaching. To gauge the impact of this endeavour to the outlets, a satisfaction survey was conducted during the first quarter of 2013. The results were encouraging after these yielded an overall rating of 97%.

Furthermore, the Field Support Group successfully carried out several major projects for e-Games' gaming terminals. These projects included: transitioning from terminal-based game play to account-based play; RTG version 12 Costello installation; switching to the new cashiering system using Launchpad-Spyder Client; deployment of the Teamviewer Corporate Account Centralization and preventive maintenance works. The team was also material in the nationwide expansion of the number of game terminals. To enhance their technical skills, the group had the opportunity to attend external trainings on Comprehensive Computer Hardware Troubleshooting and CCNA CISCO networking. Support processes and SLAs were also established.

For 2014, the Customer Services Group will continue to strive for improvement and consistent service across all channels. New processes and support systems will be made available to both local and international products. A customer satisfaction survey is planned to extend up to the services of other teams like Field Support and Liaison Officers. Field Support will also explore new systems and processes to reduce dispatch works and eventually shorten turnaround time of technical isolation, restoration and system deployment. This move will pave the way for more staff productivity.

The Contact Center, will carry on with their trainings programs to align skills and demeanor of its frontliners.

Information Technology

PhilWeb's Information Technology group is composed of four functional departments. These departments were put in place to support PhilWeb's 24/7 operations. The IT division consists of the following: Software Development, Infrastructure, Security and Service Delivery. Each department's functions are aligned with PhilWeb's operational requirements as well as its corporate needs.

The IT Software Development Department contributes to the software design and customization of homegrown software to ensure the achievement of the company's goal in managing its day-to-day business operations and reporting. Always forward thinking, the department focuses on research and development that will help PhilWeb improve on its services.

The Infrastructure Department's primary function is to ensure that PhilWeb's core services are working at the optimum level in order to provide seamless service 24/7. PhilWeb's network and servers are the lifeline of the business. Services rely on this network to function smoothly and without interruption. The Infrastructure Department is there to make sure nothing goes wrong by performing day-to-day support and maintenance. PhilWeb's internal corporate clients are the main recipients of this service, however this expert support service is also extended to e-Games operators.

The Security team ensures that PhilWeb's daily operations are kept free from malicious activities, attacks, and unauthorized access from both the internet and within the network. The department manages the implementation of the hardware and software components, including its policies, to ensure a safe and secure environment for PhilWeb's business and its operators.

The Service Delivery Department focuses on the implementation and management of quality IT services. The department ensures quality in the delivery of the services by providing 24/7 monitoring and level one support for IT-related issues, managing projects from requirements gathering to deployment, managing changes in the production environment and doing quality assurance on customizations done on homegrown software.

Highlights in 2013

In 2013, the IT division strengthened security within the critical e-Games network by taking full control of its network. This was achieved by creating a private network through a leased line. With this installation, the response time to casino operations lessened and security risks were minimized.

Key e-Games franchise holders also availed of the private network lines thus getting the same benefit experienced by BGI-owned sites.

2014 Goals

Moving forward, the IT Division's transformational goal is to become a true service-oriented department propelled by continuous improvement. As IT impacts through all departments, it seeks to be both responsive and proactive in anticipating the needs of users. It also aims to document and regularly engineer processes for simplification and better efficiency while enabling the entire organization to effectively reach their growth targets.

IT aims to improve the skill sets of its team by introducing new technology and sending a team representative for a skill upgrade training - be it technical or soft skill development. This way, new IT leaders are trained and honed with the right skills to carry on the Company's set goals and objectives.

Human Resources and Administration

2013 marked another strong year for the Company's Human Resources and Administration Department whose directives are (1) to ensure that employees receive timely compensation and benefits services and offer greater opportunities for growth, and (2) to provide efficient

company-wide purchasing and logistics services.

The employee health benefit package was significantly upgraded with Management directing an increase to the maximum health benefits limits of employees and their dependents. The move allowed employees greater flexibility in meeting the health care needs of their immediate family members.

More opportunities were given to employees for outside training and development, mostly in the areas of IT development and marketing. Selected supervisors attended a four day Essentials of Supervision program customized for PhilWeb Corporation by the Ateneo Center for Continuing Education - graduates were able to implement what they learned once they returned to work with positive results.

Already on its 6th year, PhilWeb's Management Trainee Program continues to develop young talent into exceptional business leaders. The program lasts for one calendar year, with Management Trainees on rotational assignments in different departments of the Company. During the program, Management Trainees are exposed to the various types of operations, management viewpoints, and company practices and policies that affect each phase of the business. In 2013, the Company's Asia-Pacific division expansion opened a window of opportunity for three Management Trainees to work abroad.

Keeping employees actively engaged through wellness programs, regular general assemblies and other means of communication is another aspect of the Human Resources and Administration Department. From October until the end of the year, the Department hosted free Yoga and Zumba classes as a way for employees to keep fit and stay in shape. Fifty employees participated in the First Eco-Awareness Program which was held at La Mesa Nature Reserve - they transplanted seedlings of indigenous trees, learned about vermicomposting and its benefits, walked six kilometers around the reserve, and learned some handy forest survival tips.

In order to effectively provide better benefits services to employees, develop and nurture new talent, and keep employees engaged, the HR team moved into a Business Partner Model where several HR personnel were assigned as point persons for each business unit. This provided more focus in quickly addressing each department's needs and customizing solutions for them. The Administration team also grew and reorganized to address the Company's growing purchasing needs, to oversee site renovations, and to provide fixed asset management.

Corporate Social Responsibility

The Company recognizes that its primary responsibility is to its stakeholders. This responsibility extends beyond financial results, and includes its social responsibility to the community.

As PhilWeb grows and delivers profit to its stakeholders, it also amasses resources that can make a positive difference in the lives of the less privileged. In 2013, the Company continued to be of service to its direct constituents and the country at large. By being responsible corporate citizens, Management is confident that PhilWeb can be a positive force in transforming society.

Typhoon Yolanda Relief Efforts

The month of November was a difficult time for the Philippines. Super typhoon "Yolanda" (international code name: "Haiyan"), with maximum gale force winds and strong torrential rains, devastated an already ravaged Visayas region that was recovering from a 7.2 magnitude earthquake that occurred a month before. Tacloban was the area that sustained the most damage from what pundits have called "the strongest storm on record". PhilWeb, along with many other Philippine companies, actively participated in relief efforts, beginning with using its budget for the traditional year-end Christmas party to purchase much needed medicine and medical equipment and donating these to survivors in Central Visayas through Operation Blessing.

Donations, in cash or kind (mostly food, drinking water, clothes and toiletries), were given freely. Employees raised money to purchase more medicine that was donated to survivors. Personal time was also set aside by employees to help sort, repack and move relief goods at the Alphaland-Balesin Island Club Hangar. The response was a success as everyone in PhilWeb did their own small part in helping bring about a smooth and quick distribution of goods in hard to reach areas in Aklan, Capiz, Cebu, Leyte, Palawan and Samar. Together with the Alphaland Relief Operations Team, the PhilWeb Foundation was able to disburse 62 tons of relief goods to over 15,000 people affected by the typhoon.

Christmas Outreach Program

Another event PhilWeb participated in was the Christmas Outreach Program in Balesin Island. Last December, employees of the Company, representing different departments, joined forces with Alphaland Corporation personnel in packing Christmas ham and fruit baskets that was given away to residents of the local Balesin island community. The event began with a mass followed by a magic show and parlor games for the children in attendance. The children received an extra special treat in the form of loot bags, 300 of which were given away. PhilWeb employees interacted with the community by sharing a simple but delicious meal together and playing games with the children.

PhilWeb Foundation

PhilWeb Foundation recognizes that education can change lives, and thus is dedicated to its educational scholarship programs.

The Foundation awarded deserving students with scholarships to the University of the Philippines. These scholars have been provided their full tuition and living allowance. The scholarship is offered to deserving and qualified students who will take up IT-related courses such as BS Computer Science or BS Computer Engineering.

Computer Donations

The Company recognizes the important of IT in the development of our country and that to be able to raise experts in this field, the next generation workforce have to be exposed as early as

possible. As such, the Company donated hundreds of computers mostly to public schools to be used particularly to train students in IT related subjects. To name a few recipients:

- a) Jose P. Laurel Sr. High School, Quezon City
- b) Manggahan Pasig Elementary School
- c) Santolan Pasig Elementary School
- d) Dela Paz Pasig Elementary School
- e) Baccuit La Union Elementary and National High School

Aside from schools, the Company also donated twenty (20) personal computers to the Makati City Jail (MCJ). This is to help the MCJ equip its inmates with relevant skills to ease their transition back to society and find jobs at the end of their prison terms. The MCJ has already set up livelihood programs such as jewelry-making and cooking classes, and the addition of computer classes gives the inmates a chance to fill the high demand for computer-literacy in the workforce.

Subsidiaries

The following are the subsidiaries of the Company:

<u>Subsidiaries</u>	<u>Line of Business</u>
1. BigGame, Inc. ("BGI")	Operates internet casino station operations.
2. Premyo sa Resibo, Inc. ("PSR")	Develops and markets computer systems, applications, programs and operate gaming platforms in relation to Premyo Sa Resibo program of the BIR and Philippine Amusement and Gaming Corporation (PAGCOR).
3. PhilWeb Casino Corporation ("PCC") (a)	Develops, engages and maintains gaming systems and applications for all types of casino operations whether land-based, internet-based or virtual.
4. e-Magine Gaming Corporation (b)	Develops technology for the gaming industry.
5. PhilWeb Leisure & Tourism Corporation ("PLTC") (a)	Establishes, operates, and maintains leisure and tourism-oriented activities.
6. PhilWeb Tourism and Entertainment Corporation ("PTEC") (a)	Establishes, operates and maintains leisure-oriented activities, except in the travel agency business, and facilities such as but not limited to hotels, courts, stadiums and other facilities for the conduct of any and all kinds of sports and games.
7. PhilWeb International Gaming	Engages in international gaming ventures

Corporation ("PIGC") (c)	including all forms of gaming which are legal in the countries in which it will operate.
8. Easy e-Bingo, Inc. (e)	Engage in the business of setting up internet bingo stations and its operations.
9. PhilWeb Mobile Lottery Corp. ("PMLC") (a)	Operate, as may be permitted by law, either alone or in partnership with others, mobile-based lottery games and other related mobile game offerings.
10. PhilWeb Asia-Pacific Corporation	Engage in international gaming ventures including all forms of gaming which are legal in the countries in which it will operate.
11. PhilWeb (Cambodia) Ltd.	Incorporated under the laws of Kingdom of Cambodia, and shall engage in the business of operating internet-based and mobile-based games of chance including but not limited to lottery, internet casino café and other games of chance as they become legally available in the Kingdom of Cambodia.
12. PhilWeb Lorosae, Lda.	The Company was incorporated under the laws of Timor Leste and is engaged in the business of operating instant Scratch n' Win.
13. Guam Sweepstakes Corp.	Incorporated in the Territory of Guam and entered into a Memorandum of Agreement with a prominent local family.
14. Gold Scratch and Win Co., Ltd.	Incorporated under the laws of the Kingdom of Cambodia and engaged in the business of operating instant Scratch n' Win.
15. Best Choice Holdings, Inc.	Engages to purchase, own, and hold stocks of other corporations and to do every act and thing covered generally by the denomination "holding corporation".
30% owned with control:	
16. Major Games and Amusement Corporation (d)	Establishes, operates and provides consultancy services with regards to amusement, recreational, gaming and gaming equipment facilities and enterprises of every kind and nature.

(a) Not in commercial operations as at December 31, 2013.

(b) Formerly PhilWeb Gaming Solutions Corporation (PGSC), change in registered business activity and name were approved by the SEC on July 17, 2012 and December 17, 2012, respectively.

(c) Currently the parent company of PhilWeb Asia Pacific Corporation.

(d) Became a subsidiary effective January 1, 2012 .

(e) Formerly PhilWeb Homeplay Inc, change in name was approved by the SEC on April 7, 2014.

Directors and Executive Officers

PhilWeb's present Board of Directors is composed of 15 members elected by and from among the Company's stockholders. The Board is responsible for providing overall management and direction to the Company.

The directors and executive officers of the Company and a brief description of their business experience for the past five years are discussed below:

Name	Age	Position/Citizenship/Period Served/Term of Office
Roberto V. Ongpin	77	Director & Chairman/Filipino/14 yrs./1 yr.
Eric O. Recto	50	Director & Vice Chairman/Filipino/9 yrs./1yr.
Dennis O. Valdes	52	Director & President/Filipino/8 yrs./1yr.
Tomas I. Alcantara	67	Director/Filipino/12 yrs./1 yr.
Edgardo J. Angara	79	Director /Filipino/1 month/1 yr.
Gregorio Ma. Araneta III	66	Director/Filipino/1 month/1yr.
Benito R. Araneta	70	Director/Filipino/11 yrs./1 yr.
Victor C. Macalincag	78	Director/Filipino/1 month/1 yr.
Edgar Brian K. Ng	44	Director/Filipino/1 month/1 yr.
Mario A. Oreta	68	Director/ Filipino/9 yrs./1yr.
Rafael B. Ortigas	42	Director/Filipino/12 yrs./1 yr.
Anna Bettina Ongpin	50	Director/American/10 months/1 yr.
Cliburn Anthony A. Orbe	40	Director/Filipino/1 month/1 yr.
Zaldy M. Prieto	39	Director & CFO/Filipino/1 month/1 yr.
Rodolfo Ma. A. Ponferrada	37	Director & Corporate Secretary/Filipino/1 yr./1 yr.
Raymund S. Aquino	45	Assistant Corporate Secretary/Filipino/2 yrs./1 yr.

Roberto V. Ongpin was elected Chairman of the Company in January 2000, the year he founded the Company. He is also the Chairman of Alphaland Corporation and Atok-Big Wedge Co., Inc. in Hong Kong, he is the Deputy Chairman of the South China Morning Post, listed in the Hong Kong Stock Exchange. He is a Non-Executive Director of Forum Energy PLC (London). Mr. Ongpin joined SGV & Co. in 1964 and was Chairman and Managing Partner of the firm from 1970 to 1979. He served as the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a Certified Public Accountant and has an MBA from the Harvard Business School.

Eric O. Recto was elected Vice Chairman on July 28, 2006 after having been President and Director of the Company since March 2005. He is also the Chairman of the Philippine Bank of Communications, ISM Communications Corporation and Acentic GmbH, the Vice Chairman of Atok-Big Wedge Co., Inc., and Petron Corporation, and a Director of the Manila Electric Company. Prior to joining the Company, Mr. Recto served for three years as an Undersecretary of the Department of Finance of the Philippine Government in charge of handling both the International Finance Group and the Privatization Office. Before his work with the government, he was the CFO of Alaska Milk Corporation and prior to that, Belle Corporation. Mr. Recto has

a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

Dennis O. Valdes was elected Director of the Company in July 2006. He is the President of the Company, and serves as Director and Treasurer of Alphaland Corporation and Atok-Big Wedge Co., Inc. His previous work experience includes ten years with the Inquirer Group of Companies, as a Director of the newspaper, and also expanding their internet, printing and ink-making operations. Prior to that, he spent six years with The NutraSweet Company developing their business in Asia. He is a Certified Public Accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines, and has an MBA from the Kellogg School of Management, Northwestern University.

Tomas I. Alcantara was elected Independent Director of the Company in May 2002. He is the Chairman and President of Alsons Consolidated Resources, Inc., Alto Power Management Corp., Alsons Development and Investment Corporation, Lima Land, Inc., and Sarangani Agricultural Co., Inc., among others. He is a Director of Holcim Philippines and DBP-Daiwa Securities Corp. He studied at the Ateneo de Manila University, the Columbia University Graduate School of Business, and the Harvard Business School. He was formerly the Chairman of the Manila Economic and Cultural Office (MECO) and served the Philippine government in various capacities as Undersecretary for Industry and Investments, Department of Trade and Industry, Vice Chairman and Managing Head of the Board of Investments, and Special Envoy of the President of the Philippines to APEC.

Edgardo J. Angara was elected Independent Director of the Company in May 2014. A former Senator of the Republic of the Philippines, Mr. Angara holds the distinction of being the longest serving senator in the post-EDSA Senate. Except for a mandatory term break, he has been elected to four consecutive terms of six years each (1987-1998; 2001-2013). While in Senate, Mr. Angara authored or sponsored many laws including the Free High School Education Act, the Generics Act, the law which created Philhealth, the original Senior Citizens Act, the Renewable Energy Act, among several others. Mr. Angara graduated from the University of the Philippines in 1958 where he finished at the top of his law class. He passed the bar a year later and afterwards joined the law firm of Ponce-Enrile Siguion-Reyna Montecillo & Belo Law Offices. He then pursued further studies in law, having been granted a Columbia Law School scholarship but ultimately accepting the DeWitt Fellowship at the University of Michigan, where he obtained his Master of Laws degree majoring in labor and corporate laws. Mr. Angara is a founding member of the ACCRA Law Offices, one of the Philippines' top law firms. He also served as president of the Philippine Bar Association in 1975 and president of the Integrated Bar of the Philippines in 1979. While in corporate practice, Mr. Angara has served on the boards of many leading companies, including San Miguel, RCBC, Insular Life and IBM.

Gregorio Ma. Araneta III was elected Independent Director of the Company in May 2014. He is the Chairman and Chief Executive Officer of Araneta Properties, Inc. since 2010. He is President and Chairman of ARAZA Resources Corporation and Carmel Development Corporation, Chairman of Gregorio Araneta Inc., Gregorio Araneta Management Corporation, and Gamma Properties, Inc. Mr. Araneta studied at the University of San Francisco and Ateneo de Manila University where he earned his Bachelor of Arts Degree in Economics.

Benito R. Araneta was elected Independent Director of the Company in March 2003. He is the Director of the Araneta Properties, Inc., Southeast Asia Cement Corp., and Honda Philippines, Inc. Mr. Araneta studied at the University of Portland where he earned his Bachelor of Science Degree in Business Administration.

Victor C. Macalincag was elected Independent Director of the Company in May 2014. He is also an Independent Director of Crown Equities, Inc., Semirara Mining Corporation, Republic Glass Holdings Corp., and SEM-Calaca Power Corporation. He was elected Board Chairman of One Wealthy Nation (OWN) Fund, a balanced fund. In the latter part of 2013, he was elected Board Director of Asian Alliance Investment Corporation. He was the President of Trade & Investment Development Corporation of the Philippines which is presently known as PHILEXIM (formerly PhilGuarantee) from 1991 until his resignation in 2001. He was the Deputy Minister of Finance from 1981 to 1986 and Undersecretary of Finance from 1986 to 1991. He also held in a concurrent capacity, the position of National Treasurer from 1981 to 1988. He was also the Chairman of Pilipinas Bank from 1984 to 1988 and the Executive Vice President of the Land Bank of the Philippines from 1980 to 1981. He was also a Board Director of PLDT from 1988 to 1995 and the National Power Corporation (NAPOCOR) from 1978 to 1986. He also served as member of the Advisory Board of First Metro Investment Corporation from 2004 to 2009. Mr. Macalincag is a Certified Public Accountant. He has a Bachelor of Arts in Business Administration from the University of the East. He completed the academic requirements for a Masteral Degree in Economics from the same university. He finished a fellowship program conducted by the Economic Development Institute of the World Bank, Washington D.C. U.S.A. in 1971.

Edgar Brian K. Ng was elected Director of the Company in May 2014. He is currently the Senior Vice-President for Gaming of the Company. In the past, he served as Managing Director/Country Manager of Affinity Express Philippines, Inc., Vice President & Country Manager of RR Donnelley Global Outsourcing, Director for Operations of Office Tiger Philippines Corporation, and Director of Special Projects (Global Operations Support) for SPi. He also spent six years with The Print Town Group, starting as a Prepress Manager for FEP Printing Corp and ending as Senior Vice President of LexMedia Digital. Aside from the corporate world, Mr. Ng has been heavily involved in the academe, as an instructor at both the undergraduate and graduate levels of Ateneo Universities. He has a Bachelor of Arts degree from the Ateneo de Manila University and an MBA from the Ateneo Graduate School of Business.

Anna Bettina Ongpin was elected Director of the Company in August 2013. She has more than 20 years of communications, marketing, project management, and operations experience in the management consulting and media fields. She has a bachelor's degree in Political Science from Wellesley College.

Cliburn Anthony A. Orbe was elected Director of the Company in May 2014. He also serves as the Company's Assistant Corporate Secretary and Corporate Information Officer. He has a Bachelor of Laws degree from Mindanao State University where he graduated cum laude and class valedictorian. He was formerly an associate of the Rodrigo Berenguer Guno law firm. He is a member of the Integrated Bar of the Philippines.

Mario A. Oreta was elected Independent Director of the Company in March 2005. He is also the President and Director of Alphaland Development, Inc., Alphaland Balesin Island Resort Corporation, Alphaland Makati Place, Inc., Alphaland Makati Tower, Inc., The City Club at Alphaland Makati Place, Inc., Alphaland Balesin Island Club, Inc., Alphaland Marina Corporation, Alphaland Marina Club, Inc., Aklan Boracay Properties, Inc., Alphaland Heavy Equipment Corporation, and Alphaland Property Management Corporation, the Vice Chairman of Alphaland Reclamation Corporation; and Chief Operating Officer of Jet Eagle International Limited, Inc. He is the Chairman of Major Holdings, Inc., Major Properties, Inc., and Major Homes, Inc. He is also a Director of ISM Communications Corporation, and Atok-Big Wedge Co., Inc., Toyota Pasong Tamo, Inc. and Toyota Global City. Mr. Oreta graduated with honors from the Ateneo de Manila University with a degree in Bachelor of Laws and immediately joined the law firm of Siguion Reyna, Montecillo and Ongsiako. He was also the Founder and Managing Partner of Tanjuatco Oreta and Factoran Law Offices.

Rafael B. Ortigas was elected Director of the Company in April 2002. He is the Chairman and President of Leafar Commercial Corporation, a Director of Sagitro, Inc., and Itogon-Suyoc Resources, Inc., and Vice President and Director of ISM Communications Corporation. He was a Director of OCLP Holdings, Inc. and former General Partner of Ortigas and Company Ltd. Partnership. He is also a Trustee and President of Leafar Foundation, Inc. and a Trustee of the Ortigas Foundation, Inc. He has a Bachelor of Science degree in Computer Science from De La Salle University and an MBA from Ateneo de Manila Graduate School of Business.

Rodolfo Ma. A. Ponferrada was elected Corporate Secretary of the Company in July 2012. He is the Corporate Secretary of Alphaland Corporation, ISM Communications Corporation, Atok-Big Wedge Co., Inc. and the Philippine Bank of Communications, and a member (representing the private sector) of the Board of Directors of the Social Housing Finance Corporation. He is a member of the Integrated Bar of the Philippines.

Zaldy M. Prieto was elected Director of the Company in May 2014 and CFO and Treasurer of the Company in November 2008. He is also the CFO of ISM Communications Corporation. Mr. Prieto is a certified public accountant and certified financial consultant. He has been practicing as a finance professional since 1995. His previous work experiences include being a senior tax consultant of SGV & Co., assistant vice president for finance in Ford Motor Company and plant controller and assistant finance director of James Hardie Philippines. He has also served as a director of Primus Finance and Leasing Co., and Ford Philippines Component Manufacturing Company. He is a member of the Philippine Institute of Certified Public Accountants and Institute of Financial Consultants

Raymund Nonato S. Aquino was elected Assistant Corporate Secretary of the Company in May 2011. He was a director of SGV & Co. He has a Juris Doctor Degree from the Ateneo de Manila University College of Law. He is a member of the Integrated Bar of the Philippines.

Mr. Eric O. Recto has resigned as director and Vice Chairman on July 21, 2014. Thus, except for Mr. Recto, the foregoing will be nominated for re-election to the Board of Directors at the meeting. None of the above mentioned directors have declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a

disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

New Nominee for Director:

Michael Angelo Patrick M. Asperin is a Director and EVP for Operations of Alphaland Corporation. He handles various matters for the Alphaland Group including the development of the Balesin Island Club project as well as the operations of its aviation and security divisions. He was the SVP for Security for the Company from 2009 to 2012 and was the Enterprise Risk and Security Management Officer of Petron Corporation from 2007 to 2009. He graduated from the Philippine Military Academy in 1981.

F. Market Price, Dividends and Related Stockholder Matters

Market Information

PhilWeb Corporation's stocks are listed with the Philippine Stock Exchange.

The following table sets forth the high and low closing sales prices of the Common Shares listed on the PSE during the respective periods indicated according to published financial sources.

	Price per Share	
	High	Low
2011		
First Quarter (ending March 2011)	16.78	15.70
Second Quarter (ending June 2011)	16.70	16.50
Third Quarter (ending September 2011)	16.60	15.12
Fourth Quarter (ending December 2011)	15.36	14.80
2012		
First Quarter (ending March 2012)	13.90	12.70
Second Quarter (ending June 2012)	17.62	12.70
Third Quarter (ending September 2012)	17.00	12.24
Fourth Quarter (ending December 2012)	17.04	12.26
2013		
First Quarter (ending March 2013)	14.68	12.70
Second Quarter (ending June 2013)	15.80	14.00
Third Quarter (ending September 2013)	15.10	10.84
Fourth Quarter (ending December 2013)	11.24	8.40
2014		
First Quarter (ending March 2014)	8.96	5.02
Second Quarter (ending June 2014)	5.61	4.89

July 30, 2014	4.52	4.46
---------------	------	------

Dividends

The company declared and paid the following cash dividends:

Date Approved	Per Share	Stockholders of Record Date	Date Paid
August 19, 2010	P0.10	September 3, 2010	September 20, 2010
April 13, 2011	0.10	April 28, 2011	May 13, 2011
September 7, 2011	0.10	September 21, 2011	October 04, 2011
February 15, 2012	0.10	March 1, 2012	March 16, 2012
September 24, 2012	0.10	October 8, 2012	October 15, 2012
February 28, 2013	0.10	March 5, 2013	March 15, 2013
October 10, 2013	0.10	October 15, 2013	October 25, 2013
March 13, 2014	0.10	March 18, 2014	March 28, 2014
May 26, 2014	0.10	June 9, 2014	June 23, 2014

In addition, on April 19, 2012, the Company's Board of Directors approved the declaration of twenty percent (20%) stock dividends payable on May 30, 2012 to shareholders of record as of May 4, 2012.

The Company's future retained earnings corresponding to undistributed equity in net earnings are not available for dividend distribution until declared by the affiliates. There is no restriction that limits the payment of dividend on common shares.

Holders

There were 1,503 shareholders of record holding the Company's outstanding capital stock of 1,432,616,314 common shares as of June 30, 2014 net of treasury shares of 81,380,938. There is only one class of common shares.

Top 20 Stockholders

The top 20 stockholders of record of common shares as of June 30, 2014 (based on total outstanding capital stock of 1,432,616,314 common shares, net of treasury shares of 81,380,938) were:

Name of Stockholder	No. of Subscribed Common Shares	% to Total Outstanding
1. PCD Nominee Corporation Filipino -252,905,005	360,529,176	25.17

Non-Filipino - 107,624,171		
2. PhilWeb Casino Corporation	260,392,307	18.18
3. Compact Holdings, Inc.	95,574,500	6.67
4. Dominion Equities, Inc.	90,842,400	6.34
5. Deltaventure Resources, Inc.	90,001,797	6.28
6. Azurestar Corporation	86,217,048	6.02
7. Elkhound Resources, Inc.	59,401,200	4.15
8. Ramon S. Ang	53,854,536	3.76
9. Tocmo Realty Corporation	36,001,200	2.51
10. Evermore Trading Limited (Foreign BVI)	24,558,303	1.71
11. Sunrise Sunset Island Corporation	24,001,200	1.68
12. Bluesirius Holdings, Inc.	24,000,000	1.68
13. Roberto V. Ongpin	21,840,000	1.52
14. Stargate Securities Holdings, Inc.	19,916,834	1.39
15. Labilab Corporation	19,200,600	1.34
16. Armada Resources & Development Corporation	18,000,000	1.26
17. Giantnova Holdings Inc.	16,577,776	1.16
18. Aquadisk Corporation	14,369,508	1.00
19. Bacong Highland Realty, Inc.	13,200,600	0.92
20. Itogon Realty Corporation	13,200,600	0.92

Recent Sales of Unregistered/Exempt Securities

There has been no sale in the past three years of any unregistered securities of the Company.

G. Compliance with Corporate Governance Practices

The Company through its previous Compliance Officer, Atty. Rodolfo Ma. A. Ponferrada, has monitored the Company's compliance with SEC Memorandum Circular No. 2 dated April 15, 2002 and the relevant SEC Circulars on Corporate Governance and noted that no substantive or major deviations occurred. The Company's directors and officers have complied with the practice and policies contained in the Company's Manual on Corporate Governance. The Company has submitted its self-rating performance assessment sheet in compliance with SEC requirements. All of the Company's directors and officers attended a seminar on corporate governance. The Company's new directors will be encouraged to attend seminars as well.

The Company's Board of Directors and officers have been properly briefed on their specific responsibilities as embodied on the Manual on Corporate Governance. The compliance officer monitors the Company's compliance with the provisions and requirements of the manual and determines violations if any.

There were no deviations made from the adopted Manual on Corporate Governance.

The Company's management considers its Manual on Corporate Governance sufficient and believes that there is no need to amend it. It ensures that the provisions of the manual are properly implemented.

- H. UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A (ANNUAL REPORT) DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.**

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

PhilWeb Corporation
The Penthouse Alphaland Southgate Tower
2258 Chino Roces corner EDSA
Makati City 1232

Attention: Mr. Zaldy M. Prieto
SVP/Chief Finance Officer

CERTIFICATION OF INDEPENDENT DIRECTOR

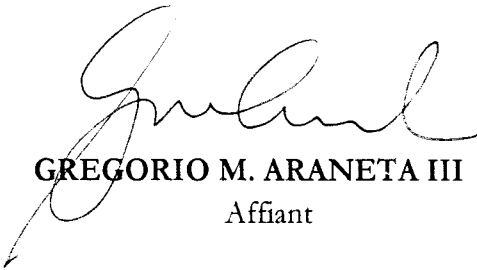
I, **GREGORIO M. ARANETA III**, Filipino, of legal age, with address at 21/F Citibank Tower, Paseo de Roxas, Makati City, after having sworn to in accordance with law, hereby depose and state that:

1. I am an Independent Director of PhilWeb Corporation (the "Corporation");
2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
1. Araneta Properties, Inc.	Chairman/Chief Executive Officer	2010 to present
2. ARAZA Resources Corporation	President/ Chairman	2006 to present
3. Carmel Development, Inc.	President/ Chairman	2007 to present
4. Gregorio Araneta Inc.	Chairman	2000 to present
5. Gregorio Araneta Management Corporation	Chairman	2013 to present
6. Gamma Properties, Inc.	Chairman	2000 to present

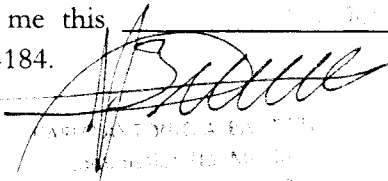
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulations Code ("SRC") and its implementing Rules and Regulations;
4. I shall faithfully and diligently comply with my duties and responsibilities as the Independent Director under the SRC.
5. I shall inform the Corporate Secretary/Assistant Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 11th day of July 2014, Makati City.


GREGORIO M. ARANETA III
 Affiant

SUBSCRIBED AND SWORN TO before me this _____ at Makati City, affiant exhibiting to me his TIN 136-998-184.

Doc. No. 142
 Page No. 30
 Book No. IV
 Series of 2014.


 Notary Public
 Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

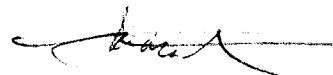
I, **VICTOR C. MACALINCAG**, Filipino, of legal age, and a resident of 31 Don Vicente Rufino Avenue, Corinthian Gardens, Quezon City, after having been sworn to in accordance with law, hereby depose and state that:

1. I am an independent director of PhilWeb Corporation (the "Corporation");
2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
Crown Equities, Inc.	Independent Director	Since 2003
Semirara Mining Corporation	Independent Director	Since 2002
Republic Glass Holdings, Corp.	Independent Director	Since 2007
SEM Calaca Power Corporation	Independent Director	Since 2011
Ceres Property Venture, Inc.	Independent Director	Since 2011
Management Assoc. of the Phil.	Member	Since 2002
One Wealthy Nation (OWN) Balanced Fund	Director	Since 2012
Asian Alliance Investment Corp.	Independent Director	Since 2013
Atok-Big Wedge Co., Inc.	Independent Director	Since 2012
ISM Communications Corporation	Independent Director	Since 2011

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulations Code ("SRC") and its implementing Rules and Regulations;
4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC.
5. I shall inform the Corporate Secretary /Assistant Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

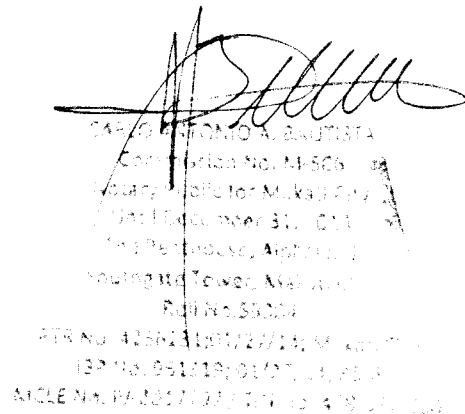
Done this 11th day of July 2014 at Makati City .



VICTOR C. MACALINCAG
Affiant

SUBSCRIBED AND SWORN to before me this 11 July 2014 at Makati City, affiant exhibiting to me his TIN 107-018-314.

Doc No. 141 ;
Page No. 30 ;
Book No. IV ;
Series of 2014.



CARLOS ANTONIO A. AGUIRRE
 Notary Public for Makati City
 Office: 31 Don Vicente Rufino Avenue,
 Corinthian Gardens, Quezon City
 Tel: 862-1111
 Fax: 862-1111
 Email: carlos@carlosaguirre.com.ph
 RPT No. 58004
 PTR No. 4156231001/2/13, Makati City
 IBP No. 051819/01/07, Makati City
 ACLE No. PA-001/07/07, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BENITO R. ARANETA**, Filipino, of legal age, and a resident of 1284 Gladiola Street, Dasmariñas Village, Makati City, after having sworn to in accordance with law, hereby depose and state that:

1. I am an Independent Director of PhilWeb Corporation (the “Corporation”);
2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
1. Honda Philippines, Inc.	Director	1983 to present
2. The Country Club, Inc.	President and Director	1997 present
3. County Club Development Corporation	President and Director	1997 to present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulations Code (“SRC”) and its implementing Rules and Regulations;
4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC;
5. I shall inform the Corporate Secretary/Assistant Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 11th day of July 2014, Makati City.


BENITO R. ARANETA
 Affiant

SUBSCRIBED AND SWORN TO before me this JUL 11 2014 at Makati City, affiant exhibiting to me his TIN No. 105-335-193.

Doc. No. 140
 Page No. 29
 Book No. IV
 Series of 2014.


 Notary Public for Makati City,
 Commission No. M-5
 Commission Expires December 31, 2015
 The Tenthouse, Alabang, Muntinlupa City
 Telephone No. 875-1111
 Roll No. 53301
 My Commission No. 01/27-135-2014
 SP No. 941113; C/O. J. J. J. J.
 APPLICABLE: 01/27/2014-11/30/2015

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **TOMAS I. ALCANTARA**, Filipino, of legal age, with address at 6757 Aiala Avenue, Makati City, after having sworn to in accordance with law, hereby depose and state that:

1. I am an Independent Director of PhilWeb Corporation (the "Corporation");
2. I am affiliated with the following companies or organizations:

	Company	Position/Relationship	Period of Service
1.	Alsons Consolidated Resources, Inc.	Chairman/President	Aug 2001 to present
2.	Alsons Development & Investment Corp.	Chairman	1996 to present
3.	Sarangani Agricultural Co., Inc.	Chairman	1996 to present
4.	Eagle Ridge Golf & Country Club, Inc.	Chairman	Jul 2000 to present
5.	Conal Holdings Corporation	Chairman	Aug 2001 to present
6.	Holein Philippines, Inc.	Director	July 2003 to present
7.	European IT Service Center Foundation	Trustee	Aug 2002 to present
8.	Foundation for Revenue Enhancement	Trustee	Aug 2001 to present
9.	Alto Power Management Corp.	Chairman and President	Aug 2001 to present
10.	Southern Philippines Power Corp.	Chairman and President	Oct 2001 to present
11.	Western Mindanao Power Corp.	Chairman and President	Oct 2001 to present
12.	Sarangani Energy Corp.	Chairman and President	Aug 2011 to present
13.	Mapalad Power Corp.	Chairman	May 2014 to present
14.	Alsing Power Holdings, Inc.	Chairman and President	Oct 2001 to present
15.	San Ramon Power, Inc.	Chairman and President	Aug 2011 to present
16.	Philippine Bank of Communications	Independent Director	Mar 2012 to present

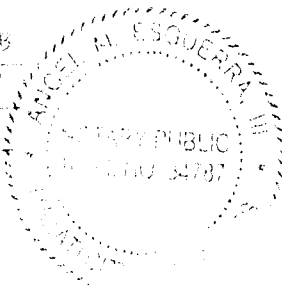
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulations Code ("SRC") and its implementing Rules and Regulations;
4. I shall faithfully and diligently comply with my duties and responsibilities as the Independent Director under the SRC.
5. I shall inform the Corporate Secretary/Assistant Corporate Secretary of the Corporation of any changes in the above mentioned information within five (5) days from its occurrence.

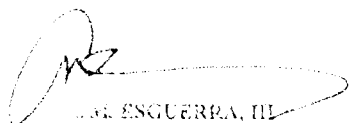
Done this 8th day of July 2014, Makati City.


TOMAS I. ALCANTARA
 Affiant

SUBSCRIBED AND SWORN TO before me this 08 07 2014 at Makati City, affiant exhibiting to me his TIN No. 105 252 550.

Doc. No. 23
 Page No. 47
 Book No. I
 Series of 2014.




ANGEL M. ESGUERRA, III
 Commission No. M-201
 Notary Public for Makati City
 Until December 31, 2016
 Home Bldg., 2236 Chino Roces Ave., Makati City
 Mail No. 1105

COVER SHEET

3 9 1 2 1

S.E.C. Registration Number

PHILWEB CORPORATION AND
 SUBSIDIARIES

(Company's Full Name)

The Penthouse, Alphaland
 Southgate Tower
 2258 Chinoy Rocces Avenue corner
 EDSA, Makati City

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

Zaldy M. Prieto

Contact Person

338 - 5599

Company Telephone Number

1 2

Month

3 1

Day

A A C F S

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

**PHILWEB CORPORATION
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011**



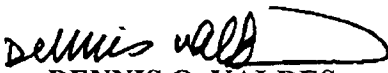
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **Philweb Corporation (the "Company")**, is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

KPMG - R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


ROBERT WONGPIN
Chairman


DENNIS O. VALDES
President


ZALDY M. PRIETO
SVP & Chief Financial Officer

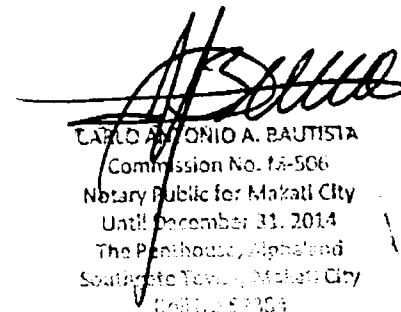
Signed this 18th day of March 2014

SUBSCRIBED AND SWORN to before me this ____ day of APR 10, 2014, in Makati City, affiant exhibited to me the following TIN/SSS No.

Roberto V. Ongpin
Dennis O. Valdes
Zaldy M. Prieto

TIN No. 130725714
SSS No. 03-79794979
SSS No. 33-28701787

Doc. No. 200 ;
Page No. 41 ;
Book No. 10 ;
Series of 2014.



CARLO ANTONIO A. BAUTISTA
Commission No. 1A-506
Notary Public for Makati City
Until December 31, 2014
The Penthouse, Alphaland
Southgate Tower, Makati City
1001 551904

PTR No. 00551-00107 / 0004 Makati City
ISP No. 001119 / 01/27/14, RSM
MCLE No. IV-0017797 / TIN No. 406-371-800



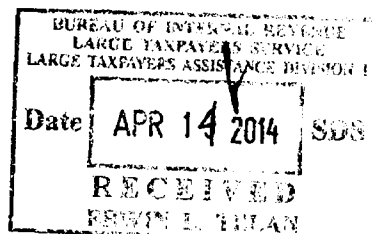
R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Subic - Cebu - Bacolod - Iloilo

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
PhilWeb Corporation
The Penthouse, Alphaland Southgate Tower
2258 Chino Roces Avenue corner EDSA
Makati City



We have audited the accompanying consolidated financial statements of PhilWeb Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PhilWeb Corporation and Subsidiaries as at December 31, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

ADOR C. MEJIA

Partner

CFA License No: 0029620

SEC Accreditation No. 0464-AR-2, Group A, valid until March 24, 2016

Tax Identification No: 12-071-634

BIR Accreditation No: 68-001987-10-2013

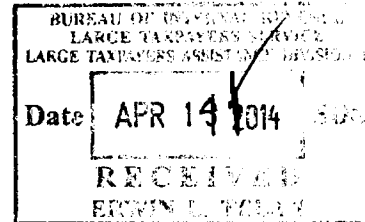
Issued May 9, 2013; valid until May 8, 2016

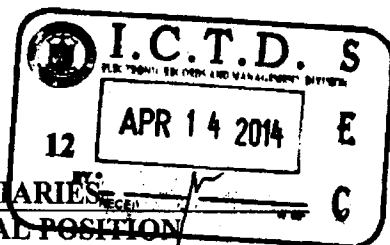
PTR No. 4275135MC

Issued January 2, 2014 at Makati City

March 18, 2014

Makati City, Metro Manila





PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31

	<i>Note</i>	2013	2012
ASSETS			
Current Assets			
Cash and cash equivalents	4, 22	P341,990,428	P1,052,170,913
Accounts receivable - net	5, 7, 9, 15, 22	253,868,791	266,820,041
Inventories	6	56,010,531	9,948,126
Notes receivable - net	7, 9, 22	312,910,738	497,215,526
Prepaid expenses and other current assets - net	8	98,368,624	104,048,307
Total Current Assets		1,063,149,112	1,930,202,913
Noncurrent Assets			
Investments in associates	9	14,764,861	1,073,067,311
Noncurrent notes receivable	9, 22	656,100,000	486,000,000
Property and equipment - net	10	246,408,600	280,576,031
Deferred tax assets - net	14	17,565,805	4,892,468
Other noncurrent assets - net	11, 22	44,170,803	42,458,993
Total Noncurrent Assets		979,010,069	1,886,994,803
		P2,042,159,181	P3,817,197,716
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	15, 22	P212,294,548	P254,565,832
Notes payable	13, 22	1,200,000,000	-
Total Current Liabilities		1,412,294,548	254,565,832
Noncurrent Liabilities			
Retirement benefits liability	20, 25	27,966,784	25,731,172
Operators' deposits	21, 22	50,755,000	48,300,000
Total Noncurrent Liabilities		78,721,784	74,031,172
Total Liabilities		1,491,016,332	328,597,004
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	16	1,388,913,231	1,388,913,231
Additional paid-in capital	16	1,081,837,366	1,081,837,366
Stock options reserve		4,042,818	4,422,064
Retained earnings		2,085,982,906	2,073,440,678
Cumulative translation adjustment		2,332,768	(3,168,962)
Remeasurement losses on defined benefit liability	20, 25	(1,385,865)	(4,887,575)
Treasury stock	16	(3,941,779,041)	(1,060,476,020)
		619,944,183	3,480,080,782
Non-controlling interest		(68,801,334)	8,519,930
Total Equity		551,142,849	3,488,600,712
		P2,042,159,181	P3,817,197,716

See Notes to the Consolidated Financial Statements.

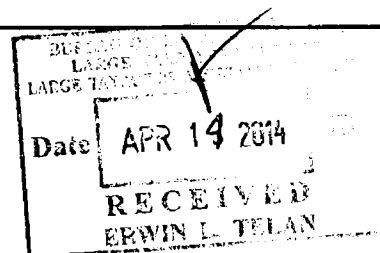
PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	<i>Note</i>	2013	2012	2011
REVENUES				
Internet application services		P1,247,766,350	P1,161,787,503	P993,400,836
Commission		210,866,438	183,311,753	142,183,577
Scratch cards		35,066,976	138,490,667	29,483,300
		1,493,699,764	1,483,589,923	1,165,067,713
OPERATING EXPENSES				
Salaries and benefits		128,755,412	151,845,477	119,649,548
Depreciation and amortization		131,724,161	96,727,428	79,227,049
Outsourced services		94,198,851	85,321,188	65,106,440
Rental		70,858,880	60,201,799	40,575,558
Utilities and communications		70,739,545	58,186,003	44,061,893
Representation and entertainment		56,977,076	50,124,463	53,137,694
Supplies		26,386,566	28,719,474	8,572,286
Impairment losses		198,472,147	19,145,556	4,455,336
Advertising and promotion		15,777,742	15,893,244	4,207,256
Taxes and licenses		14,251,192	15,025,769	11,606,034
Professional fees		12,136,793	16,744,483	18,144,594
Operator incentives and commissions		9,917,553	24,647,224	4,615,783
Miscellaneous		8,788,123	9,749,154	14,479,460
		838,984,041	632,331,262	467,838,931
OPERATING INCOME		654,715,723	851,258,661	697,228,782
OTHER INCOME (CHARGES)				
Equity in net earnings of associates	9	86,072,773	39,906,058	182,222,663
Interest income	4, 7	22,500,401	36,644,180	44,130,837
Interest expense	13	(22,072,431)	-	(1,026,432)
Gain (loss) on sale of equity investment	9	(551,958,543)	181,242,227	-
Miscellaneous - net		722,889	126,000	(411,105)
		(464,734,911)	257,918,465	224,915,963
INCOME BEFORE INCOME TAX		189,980,812	1,109,177,126	922,144,745
INCOME TAX EXPENSE				
(BENEFITS) - Net	14	(12,913,743)	12,889,548	8,070,075
NET INCOME		P202,894,555	P1,096,287,578	P914,074,670
Net Income (Loss) Attributable to Equity holders of the Parent				
Company		P280,215,819	P1,092,992,616	P915,695,014
Non-controlling interest		(77,321,264)	3,294,962	(1,620,344)
		P202,894,555	P1,096,287,578	P914,074,670
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Basic and diluted	18	0.2106	0.7411	0.6049
EBITDA	26	P985,634,920	P967,257,645	P780,500,062

Forward

		Years Ended December 31		
	<i>Note</i>	2013	2012	2011
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified to profit or loss				
Remeasurement gains (losses) on defined benefit liability	20	P5,002,443	(P5,433,871)	(P1,548,378)
Deferred tax effect on remeasurement gains (losses) on defined benefit liability		(1,500,733)	1,630,161	464,513
		3,501,710	(3,803,710)	(1,083,865)
Item that can be reclassified to profit or loss				
Foreign exchange translation adjustment		5,501,730	(3,168,962)	-
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		9,003,440	(6,972,672)	(1,083,865)
TOTAL COMPREHENSIVE INCOME - Net of tax		P211,897,995	P1,089,314,906	P912,990,805
Total Comprehensive Income (Loss) Attributable to Equity holders of the Parent				
Company		P288,008,878	P1,086,717,116	P914,611,149
Non-controlling interest		(76,110,883)	2,597,790	(1,620,344)
		P211,897,995	P1,089,314,906	P912,990,805

See Notes to the Consolidated Financial Statements.



PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 LARGE TAXPAYERS ASSISTANCE DIVISION I

Date **APR 14 2014** SDS

Years Ended December 31

Attributable to Equity Holders of the Parent Company

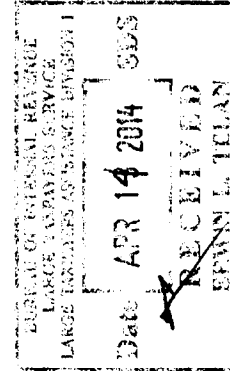
	Capital Stock (Note 1 and 16)	Additional Paid-in Capital (Note 16)	Stock Options Reserve (Note 16)	Retained Earnings (Note 16)	Cumulative Transition Adjustment	Defined Benefit Liability - Net of Tax (Note 20)	Treasury Stock (Note 16)	Non-controlling Interest	Total Equity
As at January 1, 2011	P1,111,355,369	P536,002,322	P -	P846,393,432	P -	P -	(P126,492)	P2,200,000	P2,495,824,631
Stock subscription	126,668	493,334	-	-	-	-	-	3,470,312	620,002
Increase in non-controlling interest	-	-	-	(252,311,194)	-	-	-	-	3,470,312
Cash dividends	-	-	-	(252,311,194)	-	-	-	-	(252,311,194)
	126,668	493,334	-	(252,311,194)	-	-	-	3,470,312	(248,220,880)
Total comprehensive income (loss)	-	-	-	915,695,014	-	-	-	(1,620,344)	914,074,670
Net income (loss) for the year	-	-	-	915,695,014	-	-	-	(1,620,344)	912,990,805
Other comprehensive loss for the year	-	-	-	-	-	(1,083,865)	-	-	(1,083,865)
Remeasurement losses on defined benefit liability - net of tax	-	-	-	-	-	(1,083,865)	-	-	(1,083,865)
Total comprehensive income (loss)	-	-	-	915,695,014	-	(1,083,865)	-	-	912,990,805
As at December 31, 2011	1,111,482,037	536,495,656	-	1,509,777,252	-	(1,083,865)	(126,492)	4,049,968	3,160,594,556
Stock subscription	25,120,000	545,341,710	-	-	-	-	-	-	570,461,710
Stock dividends	252,311,194	-	-	(252,311,194)	-	-	-	-	-
Acquisition of treasury stock	-	-	-	-	-	-	(2,540,791,229)	-	(2,540,791,229)
Reissuance of treasury stock	-	-	-	-	-	-	1,480,441,701	-	1,480,441,701
Increase in non-controlling interest	-	-	-	-	-	-	-	1,175,000	1,175,000
Cash dividends	-	-	-	(277,017,996)	-	-	-	-	(277,017,996)
Cost of stock option	-	-	4,422,064	-	-	-	-	-	4,422,064
	277,431,194	545,341,710	4,422,064	(529,329,190)	-	-	(1,060,349,528)	1,175,000	(761,308,750)
Total comprehensive income (loss)	-	-	-	1,092,992,616	-	-	-	3,294,962	1,096,287,578
Net income for the year	-	-	-	1,092,992,616	-	-	-	3,294,962	1,096,287,578
Other comprehensive loss for the year:	-	-	-	-	(3,168,962)	-	-	-	(3,168,962)
Foreign exchange translation adjustment	-	-	-	-	(3,168,962)	-	-	-	(3,168,962)
Remeasurement losses on defined benefit liability - net of tax	-	-	-	-	-	(3,803,710)	-	-	(3,803,710)
Total comprehensive income (loss)	-	-	-	1,092,992,616	(3,168,962)	(3,803,710)	-	3,294,962	1,089,314,906
As at December 31, 2012	P1,388,913,231	P1,081,837,366	P4,422,064	P2,073,440,678	(P3,168,962)	(P4,887,575)	(P1,060,476,020)	P8,519,930	P3,488,600,712

Forward

Years Ended December 31

	Attributable to Equity Holders of the Parent Company					Remeasurement Gains (Losses) on Defined Benefit Liability - Net of Tax (Note 20)		Treasury Stock (Note 16)	Non-controlling Interest	Total Equity
	Capital Stock (Note 1 and 16)	Additional Paid-in Capital (Note 16)	Stock Options Reserve (Note 16)	Retained Earnings (Note 16)	Cumulative Translation Adjustment	Net of Tax (Note 20)	Net of Tax (Note 20)			
As at December 31, 2012	P1,388,913,231	P1,081,837,366	P4,422,064	P2,073,440,049	(P3,168,962)	(P4,887,575)	(P1,060,476,020)	P8,519,930	P3,488,600,083	
Restatement	-	-	-	629	-	-	-	-	-	
As at December 31, 2012 (As restated)	1,388,913,231	1,081,837,366	4,422,064	2,073,440,678	(3,168,962)	(4,887,575)	(1,060,476,020)	8,519,930	3,488,600,712	
Acquisition of treasury stock	-	-	-	-	-	-	(2,881,303,021)	-	(2,881,303,021)	
Cash dividends	-	-	-	(267,673,591)	-	-	-	-	(267,673,591)	
Reversal of stock option	-	-	(379,246)	-	-	-	-	-	(379,246)	
	-	-	(379,246)	(267,673,591)	-	-	(2,888,130,302)	-	(3,149,355,858)	
Total comprehensive income (loss)	-	-	-	280,215,819	-	-	-	(77,321,264)	202,894,555	
Net income (loss) for the year	-	-	-	-	-	-	-	-	-	
Other comprehensive income (loss) for the year:	-	-	-	-	5,501,730	-	-	-	5,501,730	
Foreign exchange translation adjustment	-	-	-	-	-	-	-	-	-	
Remeasurement gains on defined benefit liability - net of tax	-	-	-	-	-	3,501,710	-	-	3,501,710	
Total comprehensive income (loss)	-	-	-	280,215,819	5,501,730	3,501,710	-	(77,321,264)	211,897,995	
As at December 31, 2013	P1,388,913,231	P1,081,837,366	P4,042,818	P2,085,982,906	P2,332,768	(P1,385,865)	(P3,941,779,041)	(P68,801,334)	P551,142,849	

See Notes to the Consolidated Financial Statements



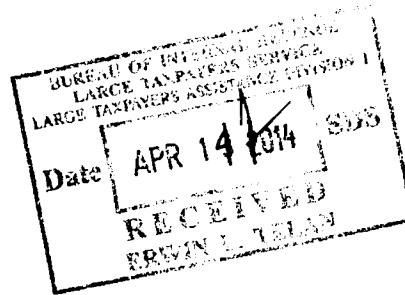
PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	<i>Note</i>	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P189,980,812	P1,109,177,126	P922,144,745
Adjustments for:				
Depreciation and amortization	10	131,724,161	96,727,428	79,227,049
Impairment losses	5, 7, 8	198,472,147	19,145,556	4,455,336
Retirement benefits cost	17, 20	7,238,055	4,989,565	4,909,761
Gain on disposals of property and equipment		(126,020)	(126,000)	(352,817)
Loss (gain) on sale of equity investment	9	551,958,543	(181,242,227)	-
Equity in net earnings of associates	9	(86,072,773)	(39,906,058)	(182,222,663)
Interest income	4, 7	(22,500,401)	(36,644,180)	(44,130,837)
Interest expense	13	22,072,431	-	1,026,432
Unrealized foreign exchange loss (gain)		(876,877)	467,689	-
Cost (reversal) of stock option	16, 17	(379,246)	4,422,064	-
Operating income before working capital changes		991,490,832	977,010,963	785,057,006
Increase in:				
Accounts receivable		(55,653,602)	(44,092,214)	(75,779,305)
Inventories		(45,062,405)	(6,604,204)	(3,343,922)
Prepaid expenses and other current assets		(44,926,549)	(55,803,989)	(26,794,174)
Increase (decrease) in:				
Accounts payable and accrued expenses		(40,152,885)	80,189,712	50,276,981
Cash generated from operations		804,695,391	950,700,268	729,416,586
Interest received		22,352,561	42,202,204	44,130,837
Interest paid		(17,745,000)	-	(1,026,432)
Income tax paid		(7,706,157)	(10,429,805)	-
Net cash provided by operating activities		801,596,795	982,472,667	772,520,991
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	10	(97,687,810)	(160,322,260)	(104,745,052)
Proceeds from disposal of:				

RECEIVED
 APR 14 2014
 LARGE EMPLOYERS SERVICE
 LARGE EMPLOYERS ASSISTANCE DIVISION 1

		Years Ended December 31		
	Note	2013	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in notes payable	13	P1,200,000,000	P -	(P138,856,600)
Proceeds from subscriptions to and issuances of common stock		-	570,461,710	620,004
Increase in operators' deposits		2,455,000	6,000,000	6,000,000
Increase in non-controlling interest		-	1,175,000	3,470,312
Acquisition of treasury shares, net of reissuance	16	(2,881,303,021)	(1,060,349,528)	-
Cash dividends paid	16	(267,673,591)	(277,017,996)	(252,311,194)
Net cash used in financing activities		(1,946,521,612)	(759,730,814)	(381,077,478)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(710,180,485)	151,501,430	544,838,706
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	1,052,170,913	900,669,483	355,830,777
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P341,990,428	P1,052,170,913	P900,669,483

See Notes to the Consolidated Financial Statements.



PHILWEB CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

PhilWeb Corporation ("Parent Company") was originally a mining and exploration company and registered with the Philippine Securities and Exchange Commission (SEC) on August 20, 1969 under the name South Seas Oil and Mineral Exploration Co. Inc.

In 2000, upon the approval by the stockholders and effectivity of the Restructuring Plan, which includes, among others, the change in the primary purpose from a mining and oil exploration company to that of an internet company and change in corporate name to "PhilWeb.Com., Inc.," the Parent Company focused its activities on building its internet-based products and services. The internet business of the Parent Company started commercial operations on January 1, 2001.

On November 5, 2002, the SEC approved the change in corporate name of the Parent Company from "PhilWeb.Com, Inc." to "PhilWeb Corporation." This change in corporate name is in line with emphasis and focus of the Parent Company on the internet gaming industry.

On May 29, 2003, the stockholders approved a resolution to amend the primary purpose of the Parent Company to gaming, and to include the current internet business activities as an additional secondary purpose of the Parent Company, thereby amending the Second Article of its Articles of Incorporation. Under the same resolution, the Board of Directors (BOD) was also granted the authority to determine the text of the gaming purpose clause in the amended Articles of Incorporation. The change in the primary and secondary purpose completed the Parent Company's transformation into a gaming and internet company.

The Parent Company's shares are listed at the Philippine Stock Exchange (PSE) under the stock symbol "WEB."

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the "Group"):

Subsidiaries	Line of Business	Date and Place of Incorporation	Percentage of Ownership	
			Direct	Indirect
PhilWeb Convergence Corporation ^(a)	Internet access provider	September 6, 2000, PH	100	-
PhilWeb Cyberworld Corporation ^(a)	Operates internet cafes and kiosks	July 6, 2000, PH	100	-
PhilWeb Software Corporation ^(a)	Computer software programming and development services	April 3, 2000, PH	100	-
BigGame, Inc.	Operates internet casino station operations	February 11, 2005, PH	100	-

Subsidiaries	Line of Business	Date and Place of Incorporation	Percentage of Ownership	
			Direct	Indirect
Premyo sa Resibo, Inc.	Develops and markets computer systems, applications, programs and operate gaming platforms in relation to Premyo sa Resibo program of the BIR and Philippine Amusement and Gaming Corporation (PAGCOR)	December 8, 2006, PH	100	-
PhilWeb Casino Corporation ^(a)	Develops, engages and maintains gaming systems and applications for all types of casino operations whether land-based, internet-based or virtual	December 22, 2006, PH	100	-
e-Magine Gaming Corporation ^(b)	Develops technology for the gaming industry	May 8, 2007, PH	90	-
PhilWeb Leisure & Tourism Corporation ^(a)	Establishes, operates, and maintains leisure and tourism-oriented activities	June 6, 2007, PH	100	-
PhilWeb Tourism and Entertainment Corporation ^(a)	Establishes, operates and maintains leisure-oriented activities, except in the travel agency business, and facilities such as but not limited to hotels, courts, stadiums and other facilities for the conduct of any and all kinds of sports and games	July 26, 2007, PH	100	-
PhilWeb International Gaming Corporation ^(c)	Engages in international gaming ventures including all forms of gaming which are legal in the countries in which it operates	November 18, 2009, PH	100	-
PhilWeb Homeplay, Inc. ^(a)	Operate, as may be permitted by law, on-line websites and internet casinos	October 23, 2009, PH	100	-
PhilWeb Mobile Lottery Corp. ^(a)	Operate, as may be permitted by law, either alone or in partnership with others, mobile-based lottery games and other related mobile games offerings	February 3, 2010, PH	100	-
PhilWeb Asia-Pacific Corp. (PAPC)	Engage in international gaming ventures including all forms of gaming which are legal in countries in which it will operate	July 13, 2010, PH	-	99

Subsidiaries	Line of Business	Date and Place of Incorporation	Percentage of Ownership	
			Direct	Indirect
PhilWeb (Cambodia) Ltd. (PCL)	Incorporated under the laws of The Kingdom of Cambodia, and shall engage in the business of operating internet-based and mobile-based games of chance including but not limited to lottery, internet casino café and other games of chance as they become legally available in the kingdom of Cambodia	June 2, 2010, Cambodia	-	100
PhilWeb Lorosae, Lda	The Company was incorporated under the laws of Timor Leste and is engaged in the business of operating instant Scratch n' Win. It commenced operations in November 2011	February 16, 2011, Timor-Leste	-	70
Guam Sweepstakes Corp.	Incorporated in the Territory of Guam and entered into a Memorandum of Agreement with a prominent local family and launched its first sweepstakes cafés in October 2011	May 20, 2011, Guam	-	51
Gold Scratch and Win Co., Ltd.	Incorporated under the laws of The Kingdom of Cambodia and engaged in the business of operating instant Scratch n' Win. It commenced operations in March 2012	November 18, 2011, Cambodia	-	65
Best Choice Holdings, Inc.	Engages to purchase, own, and hold stock of other corporations and to do every act and thing covered generally by the denomination "holding corporation"	September 11 2012, PH	100	-
Major Games and Amusement Corporation ^(d)	Establishes, operates and provides consultancy services with regards to amusement, recreational, gaming and gaming equipment facilities and enterprises of every kind and nature	July 29, 2008, PH	30	-

Special Purpose Entities	Purpose	Percentage of Ownership	
		Direct	Indirect
Pure Corporate Investments Ltd. ^(e)	Holds 50% ownership in Host Union	100	-
Immediate Focus Investments Limited ^(f)	Holds 2.285 billion shares of ISM Communications Corporation (ISM) which represents 1.19% ownership interest in ISM	-	-
Leadwood Investments Limited ^(f)		-	-
Now Gain Investments Limited ^(f)		-	-
Nottendale Investments Limited ^(f)		-	-
Uscon Limited ^(g)	Holds 5.429 billion shares of ISM which represents 2.83% ownership interest in ISM	-	-

(a) Not in commercial operations as at December 31, 2013.

(b) Formerly PhilWeb Gaming Solutions Corporation (PGSC), change in registered business activity and business name were approved by the SEC on July 17, 2012 and December 17, 2012, respectively.

(c) Currently the parent company of PhilWeb Asia Pacific Corporation.

(d) Became a subsidiary effective January 1, 2012 (see Note 9).

(e) Acquired in 2012, 100% owned in 2012 (see Note 9).

(f) Acquired in 2007, 100% owned in 2012 and 2011 (see Note 9).

(g) Acquired in 2009, 100% owned in 2012 and 2011 (see Note 9).

The Parent Company's percentages of ownership for the above subsidiaries are the same for 2013, 2012 and 2011, except when indicated.

The Parent Company's registered office address is at The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations, issued by the Financial Reporting Standards Council.

The consolidated financial statements were approved and authorized for issuance by the Chairman, President and Chief Financial Officer on March 18, 2014, respectively, as authorized by the BOD of the Parent Company. This is presented and also approved by the Parent Company's Audit Committee on February 20, 2014.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10 *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Special Purpose Entities (SPEs)

The Group has a number of SPEs for investment purposes. An SPE is consolidated when the substance of its relationship with the Group indicates that the SPE is controlled by the Group.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company. Losses applicable to the non-controlling interests in a subsidiary (including components of other comprehensive income) are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of Control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions Eliminated on Consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in preparing the consolidated financial statements, in accordance with the accounting policy on consolidation. Unrealized losses are eliminated unless costs cannot be recovered.

The financial statements of the subsidiaries and an SPE are prepared for the same reporting period as the Parent Company, using consistent accounting policies for like transactions and other events in similar circumstances.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis of accounting except for share-based payments which are measured at fair value.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the functional currency of the Parent Company. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise indicated. The functional currency of PhilWeb (Cambodia) Ltd. (PCL), PhilWeb Lorosae Lda. (PLL), Guam Sweepstakes Corp. (GSC) and Gold Scratch and Win Co., Ltd. (GSW) is United States (US) dollar (USD).

Use of Judgments and Estimates

The preparation of consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Group's consolidated financial statements is included in the following discussion:

Judgments

Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. It is the currency that mainly influences the sales price of services and scratch card products and the cost of providing these products and services of the Parent Company.

PCL, PLL, GSC, and GSW's functional currency has been determined to be the USD. As at the reporting date, the assets and liabilities of PCL, PLL, GSC, and GSW, with functional currency other than the functional currency of the Parent Company, are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of reporting period and their respective profit or loss is translated at the monthly weighted average exchange rates during the year. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of PCL, PLL, GSC, and GSW the related cumulative translation adjustments shall be recognized in profit or loss.

Classifying Financial Instruments

The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

Determining whether an Arrangement Contains a Lease

The Group uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership of the Group.

Operating Leases

The Group has entered into various lease arrangements as a lessee. In determining whether all significant risks and rewards of ownership remain with the lessor or transferred to the lessee, the following factors are considered:

- a. the ownership of the asset does not transfer at the end of the lease term;
- b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;
- d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset; or
- e. the leased assets are not of such a specialized nature that only the lessee can use them without major modifications.

The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

Rent expense recognized in profit or loss amounted to P70.9 million, P60.2 million, and P40.6 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 19).

Determination of Control and Significant Influence

An entity controls an investee when: (a) it has power over the investee, (b) it is exposed or has rights to variable returns from its involvement with that investee, and (c) it has the ability to affect those returns through its power over the investee. The Parent Company has 30% ownership interests in Major Games and Amusement Corporation (MAGCOR) which is accounted for as an investment in subsidiary. The Parent Company determines that it has control due to its power to govern the financial and operating policies of MAGCOR.

Estimates

Estimating Allowance for Impairment Losses on Receivables

The Group maintains an allowance for impairment losses at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The review is accomplished using a combination of specific and collective assessment. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

As at December 31, 2013 and 2012, allowance for impairment losses on accounts receivables amounted to P114.5 million and P0.7 million, respectively (see Note 5).

Estimating Net Realizable Value (NRV) of Inventories

The Group provides an allowance for inventories whenever the estimated net realizable value (NRV) of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pre-termination of contracts). The estimated net realizable value is reviewed regularly.

No write-down of inventories to NRV was recognized in profit or loss in 2013 and 2012, (see Note 6).

Estimating Allowance for Impairment Losses on Input Value Added Tax

The Group provides for an allowance for impairment losses on input value-added tax (VAT) at a level considered adequate to provide for potential loss where the Group cannot utilize the benefits therefrom. The level of this allowance is evaluated by management on the basis of factors that affect the profitability of the Group.

As at December 31, 2013 and 2012, allowance for impairment losses on input VAT amounted to P127.5 million and P76.9 million, respectively (see Note 8).

Estimating Allowance for Impairment Losses on Nonfinancial Assets

The Group assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Allowance for impairment losses on other noncurrent assets amounted to P67.0 million, while no impairment losses were recognized on its property and equipment and investments in associate as at December 31, 2013 and 2012 (see Note 11).

Estimating Useful Lives of Property and Equipment

The Group reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

The net book value of the Group's property and equipment as at December 31, 2013 and 2012 amounted to P246.4 million and P280.6 million, respectively (see Note 10).

Estimating Realizability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group reviews its projected performance in assessing the sufficiency of future taxable income.

The Group's deferred tax assets amounted to P17.6 million and P4.9 million as at December 31, 2013 and 2012, respectively. On the other hand, the Group has temporary differences aggregating to P129.9 million and P157.0 million, as at December 31, 2013 and 2012, respectively for which no deferred tax assets have been recognized (see Note 14).

Estimating Retirement Benefits Obligation

The determination of the Parent Company's retirement benefits liability and cost is dependent on selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 20 and include, among others, discount rates and future salary increases. Actual results may differ following a difference from the assumptions used and may affect the recognized expense and recorded obligation in future periods.

As at December 31, 2013 and 2012, retirement benefits liability amounted to P28.0 million and P25.7 million, respectively. Retirement benefits cost for the years ended December 31, 2013, 2012 and 2011 amounted to P7.2 million, P5.0 million, and P4.9 million, respectively (see Note 20).

Share-based Payments

The Parent Company grants share-based payments to all employees, officers and directors of the Group as well as such other qualified persons determined as eligible by the BOD. These transactions are accounted for as equity-settled share-based payments. PFRS 2 has been applied to all equity-settled grants.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is recognized in profit or loss over the vesting period, based on the Parent Company's estimate of awards that will eventually vest. Equity-settled grants are not remeasured for subsequent changes in the value of the equity instruments.

Fair value for stock options is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Cost (reversal) of stock options recognized in the consolidated statements of comprehensive income amounted to (P0.4 million), P4.4 million and nil for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 16).

Provisions and Contingencies

Provisions

A provision is a liability of uncertain timing or amount. It is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The amount recognized for the reimbursement shall not exceed the amount of provision.

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with its the Group's legal counsel and is based upon an analysis of potential results. The Group does not believe that these proceedings will have a material effect on its financial position. It is possible, however, that the future consolidated financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 24).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2013 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Presentation of Items of Other Comprehensive Income* (Amendments to PAS 1). The amendments:
 - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
 - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
 - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items of other comprehensive income in the consolidated statements of comprehensive income. Items that will be reclassified to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. Comparative information has been re-presented accordingly.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities* (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:
 - offset in the statement of financial position; or
 - 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:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is re-assessed 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*.

The adoption of PFRS 10 did not change the Group's recognition of its interest in the subsidiaries (see Note 1) which have been consolidated in prior years.

- *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.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*

The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

- *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.

- *PAS 19 Employee Benefits (Amended 2011)*

The amended PAS 19 includes the following requirements:

- actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and
- interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

The impact of the adoption of these amendments is presented in Note 25, while the new disclosures required by the amendments are presented as part of Note 20.

- *PAS 27 Separate Financial Statements (2011)*

PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- *PAS 28 Investments in Associates and Joint Ventures (2011)*

PAS 28 (2011) supersedes PAS 28 (2008) *Investments in Associates*. PAS 28 (2011) makes the following amendments:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and

- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

Annual Improvements to PFRSs 2009 - 2011 Cycle - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Group:

- PAS 1, *Presentation of Financial Statements - Comparative Information* beyond Minimum Requirements. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs.

For example, if an entity elects to present a third statement of comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRSs. However, the entity need not present:

- other primary statements for that additional comparative period, such as a third statement of cash flows; or
 - the notes related to these other primary statements.
- PAS 1, *Presentation of the Opening Statement of Financial Position and Related Notes*. This is amended to clarify that:
 - the opening statement of financial position is required only if:
 - a change in accounting policy;
 - a retrospective restatement; or
 - a reclassification
 has a material effect upon the information in that statement of financial position;
 - except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and
 - the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial position are different, because the underlying objectives are different.

Consequential amendments have been made to PFRS 1 and PAS 34, *Interim Financial Reporting*.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements of the Group. Those which may be relevant to the Group are set out below.

The Group will adopt the following new and revised standards and amendments to standards in the respective effective dates:

To be Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities* (Amendments to PAS 32). These amendments clarify that:
 - An entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
 - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.

To be Adopted (No definite date - Originally January 1, 2015)

- PFRS 9, *Financial Instruments* (2009), PFRS 9, *Financial Instruments* (2010) and PFRS 9, *Financial Instruments* (2013)

PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities.

PFRS 9 (2013) introduces the following amendments:

- A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
- Changes to address the so-called 'own credit' issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
- Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

Financial Instruments

Non-derivative Financial Instruments

Non-derivative financial instruments comprise of cash and cash equivalents, accounts receivable, notes receivable, other noncurrent assets, accounts payable and accrued expenses, notes payable, and operators' deposits.

Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

Subsequent to initial recognition, financial assets are classified by the Group as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, or available-for-sale (AFS) financial assets, as appropriate. The Group classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities. The management determines the classification of the Group's financial assets and financial liabilities upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date. The Group has no HTM investments, AFS financial assets and financial assets and liabilities at FVPL as at December 31, 2013 and 2012.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are recognized in profit or loss. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or FVPL financial asset. Such amounts are recognized initially at fair value.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in profit or loss on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks and is stated at its face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

The Group's cash and cash equivalents, accounts receivable, notes receivable and rental and other deposits are included under this category.

Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading or not designated at FVPL at the inception of the liability. This includes liabilities arising from operations or borrowings. These are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Classified under this category are the Group's accounts payable and accrued expenses, notes payable, and operators' deposits.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
(a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Determination of Fair Value

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include the discounted cash flows approach, price comparison to similar instruments for which market observable prices exist and other valuation models.

Inventories

Scratch cards of PhilWeb Lorosae, Lda. and Gold Scratch and Win Co., Ltd., and gaming terminals of e-Magine Gaming Corporation are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the current replacement cost.

Other Current Assets

Input Value-added tax (VAT) represents VAT imposed on the Group by its suppliers and contractors for the acquisition of the goods and services under Philippine taxation laws and regulations. The portion of excess input VAT that will be used to offset the Group's output VAT is recognized under the "Prepaid expenses and other current assets" in the consolidated statements of financial position.

Input VAT is stated at its estimated NRV.

Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than twelve (12) months or within the normal operating cycle.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits, associated with the asset will flow to the Group. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment. The costs of day-to-day servicing of an asset are recognized in profit or loss in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Computer software	5 - 10
Computer equipment	3 - 5
Leasehold and site improvements	5
Network and data communication equipment	5
Furniture and fixtures	3 - 5
Office equipment	3 - 5
Transportation equipment	3

The useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost or revalued amount and any related accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Impairment of Assets

Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in profit or loss. Interest income continues to be recognized based on the effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. If a future write-off is later recovered, any amounts formerly charged are recognized in profit or loss.

Nonfinancial Assets

Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recognized in profit or loss. However, the increase in the carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Investments in Associates

Investments in associates are accounted for under the equity method. An associate is an entity over which the Group has significant influence and is neither a subsidiary nor an interest in joint venture. Significant interest is presumed to exist when the Group holds between twenty (20) and fifty (50) percent of the voting power of another entity.

Under the equity method, investment in an associate is carried in the consolidated statements of financial position at cost plus post-acquisition changes in the net assets of the investee, less any impairment in value. The Group's share in the investee's post acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in the investee's equity reserves, if any, is recognized directly in equity. The share in the profit or loss of associates is shown as equity in net earnings of associates on the face of the consolidated statements of comprehensive income. Unrealized gains arising from intercompany transactions are eliminated to the extent of the Group's interests thereon. Unrealized losses are eliminated similarly but only to the extent that there is evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investments.

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. An investor controls an investee when: (1) it is exposed or has rights to variable returns from its involvement with that investee; (2) it has the ability to affect those returns through its power over that investee; and (3) there is a link between power and returns.

Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the comparative consolidated statements of comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative period and show the results of discontinued operation separate from the results of continuing operation.

Capital Stock and Additional Paid-in Capital

The Group has issued capital stock composed of common stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction from equity, net of any tax effects, from proceeds. Additional paid-in capital represents the excess of the investor's total contribution over the stated par value of shares.

Retained Earnings

The amount included in retained earnings includes profit attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as liability and deducted from retained earnings when they are declared. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date. Retained earnings may also include effects of changes in accounting policy as may be required by the standard's traditional provisions.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and are deducted from equity. Treasury shares also include shares of the Parent Company held by a subsidiary. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Non-controlling Interest

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on proportionate amount of the net assets of the subsidiary. Information on the interest that non-controlling interests have in the Group's activities and cash flows were not disclosed as these NCI are not material to the Group.

Segment Reporting

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

The Group determines and presents operating segments based on the information that internally is provided to the President, who is the Group's chief operating decision maker.

Share-based Transactions

The Parent Company has a stock option plan covering employees, officers and directors, whereby employees render service for shares or rights over shares ("equity-settled transaction"). The rights granted under the plan are not assignable and non-transferable. The cost of the equity-settled transaction is measured by reference to the fair value of the stock option at the date when they are granted. Fair value is determined using an option-pricing model as discussed in Note 16 to the consolidated financial statements.

The cost of share-based payment transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employees become fully entitled to the award (the "vesting date"). No expense is recognized for grants that do not ultimately vest. The cumulative expenses recognized for share-based payment transactions, at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Revenue and Expense Recognition

Revenue is recognized upon performance of the related service, when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of the revenue can be measured reliably and is measured at fair value of the consideration received or receivable. Description of the Group's revenues are as follows:

Internet Application Service

Internet application service income refers to revenues earned from providing technical, marketing and cash management services for internet gaming operations of PAGCOR, particularly for sports betting and internet casino operations. Revenue is based on agreed percentages of net winnings from the sports betting and internet casino operations. For sports betting, net winnings is derived after deducting from gross bets the payout to winners, commissions to gaming operators, franchise taxes and software licensing fees. For internet casino, net winnings is derived after deducting from casino winnings the commissions to gaming operators, franchise taxes and software licensing fees. Also included in revenues are the software licensing fees the Parent Company receives from sports betting.

Internet application service income also includes the Group's share in the income of Premyo sa Resibo Program (PSR Program) which is recognized as a percentage of net revenue of PSR. Where the PSR Program incurs a net loss, such loss is immediately recognized in the Group's consolidated statements of comprehensive income.

Scratch Cards

Revenue from scratch cards and gaming terminals are recognized when sold.

Commission

Commission income from the operation of PAGCOR eGames stations (PeGS) is computed based on agreed percentage of gross winnings from PeGS' operations.

Interest

Interest income from bank deposits and short-term investments, net of final tax, is recognized on a time proportion basis that reflects the effective yield on the assets. Other income is recognized when earned.

Expenses are recognized when incurred.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the Group's benefit.

Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

Foreign Currency Transactions

Foreign Currency Translations

Transactions in foreign currencies are translated to Philippine peso at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are restated to the Philippine peso at the exchange rate at that date.

Foreign Operations

The assets and liabilities of foreign operations are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income, and presented in the "cumulative translation adjustment" in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the "cumulative translation adjustment" in the consolidated statements of changes in equity.

Income Taxes

Income tax in profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or other comprehensive income.

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the current tax are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Retirement Benefits

The Group accrues retirement benefits cost based on the provisions of Republic Act (R.A.) 7641. The Parent Company's net obligation in respect of its retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, using the projected unit credit method performed by a qualified actuary. The discount rate is the yield at the reporting date of long-term government bonds that have maturity dates approximating the terms of the Group's plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding own shares held in treasury, and with retroactive adjustment for any stock dividends declared. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible notes and share options granted to employees.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Provisions and Contingencies

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Cash and Cash Equivalents

This account at December 31 consists of:

	<i>Note</i>	2013	2012
Cash on hand		P11,210,018	P12,778,106
Cash in banks	22	176,737,797	784,965,371
Short-term investments	22	154,042,613	254,427,436
		P341,990,428	P1,052,170,913

Cash in banks earns annual interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at the prevailing short-term investment rate.

Interest income derived from cash in banks and short-term investments amounted to P6.2 million P17.3 million and P9.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

5. Accounts Receivable

This account at December 31 consists of:

	<i>Note</i>	2013	2012
Trade receivables		P81,855,035	P87,394,464
Advances to customers/suppliers		109,418,951	69,045,453
Advances to related parties	9, 15	93,414,865	32,677,608
Receivable from PAGCOR		33,478,483	43,393,406
Receivables from PeGS operations		27,867,772	22,076,407
Claims from telecommunication companies		12,066,824	4,144,606
Interest receivable	7	6,406,339	6,258,499
Advances to officers and employees		3,886,046	2,502,088
		368,394,315	267,492,531
Allowance for impairment losses on trade receivables and advances to customers/suppliers		(114,525,524)	(672,490)
	22	P253,868,791	P266,820,041

The movements in the allowance for impairment losses are shown below:

	2013	2012
Balance at beginning of year	P672,490	P672,490
Impairment losses during the year	114,525,524	-
Reversal during the year	(672,490)	-
Balance at end of year	P114,525,524	P672,490

Trade receivables are generally on a 30-day credit term.

Advances to customers/suppliers pertain to advance payments on services/goods to be incurred/delivered in connection with the Group's operations which can be refunded under the terms of agreement.

Claims from telecommunication companies represent the amounts collectible for the Premyo sa Resibo's share in the value of the text entries of customers. These are short-term in nature and are recognized at fair value which approximates their amortized costs.

Receivable from PAGCOR represents the aforesaid government agency's unpaid share in marketing expenses incurred for the PeGS operation advanced by the Parent Company. These marketing expenses are pre-approved and shall be reimbursed by PAGCOR upon completion of its review of all the documentations required. In 2013, the Company collected P9.9 million.

Receivables from PeGS operations pertain to uncollected grosshold (cash) from PeGS operators. These are collected and deposited in the Parent Company's bank account on the banking day following the reporting date.

6. Inventories

This account at December 31 consists of:

	2013	2012
At cost:		
Scratch cards	P6,214,376	P8,251,317
Gaming terminals	49,796,155	1,696,809
	P56,010,531	P9,948,126

Scratch cards inventory includes purchase price and direct costs of scratch and win cards.

Gaming terminals pertain to the cost of direct materials of gaming terminals such as computer box, monitors, bill validators and other computer parts.

Management assessed that no write-down of inventories to NRV was necessary for the years ended December 31, 2013, 2012 and 2011.

7. Notes Receivable

This account at December 31, 2013 consists of notes receivable from third parties amounting to Euro 3.9 million and US\$0.8 million or equivalent to P240.0 million, and P34.0 million, respectively, and P72.9 million pertaining to the current portion of the receivables arising from sale of investment in Acentic as at December 31, 2013 (see Note 9). As at December 31, 2013, allowance for impairment of notes receivable amounts to P34.0 million. As at December 31, 2012, the balance consists of Euro 3.9 million and US\$0.9 million or equivalent to P215.2 million, and P39.0 million, respectively, and P243 million pertaining to the current portion of the receivables arising from sale of investment in Acentic.

- The Euro loan bears an annual interest of 90-day Euro LIBOR plus 550 basis points (bps). The balance will mature on December 29, 2014.
- The dollar loan represents various drawdowns from the US\$1.5 million credit line extended by the Parent Company to a third party which bears interest at 7% per annum, payable in one year from drawdown date, inclusive of a one year grace period on the principal. Each drawdown is evidenced by a secured promissory note executed by the borrower in favor of the Parent Company.

The Company collected P5.0 million, which is equivalent to US\$112.6 thousand, and P6.0 million, which is equivalent to US\$145.7 thousand, in 2013 and 2012, respectively.

The interest income earned on the notes receivable amounted to P16.3 million, P19.3 million, and P34.5 million for the years ended December 31, 2013, 2012 and 2011, respectively, and is shown as part of "interest income" in the consolidated statements of comprehensive income.

8. Prepaid Expenses and Other Current Assets

This account at December 31 consists of:

	2013	2012
Input value-added tax (VAT) - net of allowance for impairment losses	P68,228,409	P64,897,788
Prepaid rent	12,942,014	12,622,080
Prepaid license	4,975,277	10,817,960
Prepaid insurance	6,871,063	4,882,912
Other prepaid expenses	4,608,002	10,707,969
Other current assets	743,859	119,598
	P98,368,624	P104,048,307

The movements of the allowance for impairment losses on input VAT for the years ended December 31 are as follows:

	2013	2012
Balance at beginning of year	P76,896,398	P57,750,842
Impairment losses during the year	50,606,232	19,145,556
Balance at end of year	P127,502,630	P76,896,398

9. Investments in Associates

This account at December 31 consists of:

	2013			Total
	ISM	Choice Insurance	Alphaforce	
Percentage Ownership	-	30%	40%	
Cost of Investment				
Balance at beginning of year	P542,952,113	P -	P3,999,900	P546,952,013
Investments	95,028,058	6,951,510	4,000,000	105,979,568
Disposal/transfer	(637,980,171)	-	-	(637,980,171)
Balance at end of year	-	6,951,510	7,999,900	14,951,410
Accumulated Equity in Net Earnings (Losses)				
Balance at beginning of year	526,390,423	-	(275,125)	526,115,298
Equity in net earnings (losses) for the year	85,984,197	(503,365)	591,941	86,072,773
Disposal/transfer	(612,374,620)	-	-	(612,374,620)
Balance at end of year	-	(503,365)	316,816	(186,549)
	P -	P6,448,145	P8,316,716	P14,764,861

	2012				Total
	ISM	Acentic	Alphaforce	Magcor	
Percentage Ownership	24.3%	-	40.0%	-	
Cost of Investment					
Balance at beginning of year	P542,952,113	P658,432,096	P3,999,900	P3,000,000	P1,208,384,109
Investments	-	-	-	-	-
Disposal/transfer	-	(658,432,096)	-	(3,000,000)	(661,432,096)
Balance at end of year	542,952,113	-	3,999,900	-	546,952,013
Accumulated Equity in Net Earnings (Losses):					
Balance at beginning of year	463,358,491	(6,614,103)	(209,471)	(124,018)	456,410,899
Equity in net earnings (losses) for the year	63,031,932	(23,060,220)	(65,654)	-	39,906,058
Disposal/transfer	-	29,674,323	-	124,018	29,798,341
Balance at end of year	526,390,423	-	(275,125)	-	526,115,298
	P1,069,342,536	P -	P3,724,775	P -	P1,073,067,311

Investment in ISM

On July 2, 2001, the Parent Company entered into a Memorandum of Agreement (MOA) with ISM, wherein ISM appointed the Parent Company to manage the transformation of ISM from a mining company to a company engaged in information technology, multimedia, telecommunications, and other similar industries, including the identification and negotiation with potential investors who will infuse the necessary capital or assets for projects in such industries. In order to generate investor confidence in the new corporate direction of ISM, the Parent Company subscribed to 12,000,068,290 unissued shares of ISM at its par value of P0.01 per share, for which the Parent Company made a partial payment of twenty five percent (25%) on such subscription.

On February 16, 2009, the Parent Company exercised its right to subscribe to 1 share for every 1.92 common shares of ISM held. The subscription payment amounted to P166,225,645 which covers 16,622,564,499 shares of ISM. This subscription increased the Parent Company's holdings in ISM from 24.5 billion shares or 19.41% in 2008 to 41.1 billion shares or 21.47% in February 2009.

On June 1, 2009, the Parent Company purchased 5,428,740,000 common shares of ISM through Uscon Limited, a Hong Kong-based company. The total additional investment amounted to P172,250,000 which was also paid in the same month. This brought the holdings of the Parent Company to ISM from 41.1 billion shares or 21.47% to 46.6 billion shares or 24.30%.

On May 27, 2010 ISM, with the approval of the SEC changed the par value of its stock from P0.01 to P1.00 per share. Consequently the total number of shares held by the Parent Company was reduced to 466 million shares which still represent 24.30% of ISM outstanding shares.

On November 19, 2013, the BOD approved the disposal of investment in ISM. On November 19, 2013, the Parent Company executed a Stock Purchase Agreement with Monfortino Holdings, Inc. (MHI) and agreed to sell its 466 million shares or 24.30% interest on ISM for a price of P1.50 per share. The loss on disposal of the investment amounting to P552.0 million is recognized as "other charges" in the consolidated statements of comprehensive income. Based on acquisition cost, the Parent Company made a cash gain of P60.4 million from this transaction.

Investment in Acentic

On December 22, 2009, the Parent Company entered into an Agreement relating to the sale and purchase in January 2010 of certain shares of Acentic GmbH with LBC Capital Sarl (LBC Capital), Host Union International Limited and ISM.

On January 11, 2010, the Parent Company completed the acquisition on 32.50% of Acentic GmbH, a Germany based company engaged in hotels and other multi-dwelling establishment through Host Union International Limited in the amount equivalent to P658.0 million. The transaction was funded on the same date.

The above investment was presented as held for sale in 2010 following the commitment of the Group's management on June 16, 2010, to sell the assets. Efforts to sell the investment have commenced, and a sale was expected by 2011. Nevertheless, on November 14, 2011, the BOD approved to keep the above investment and withdrew the previous authorization to sell due to economic slowdown in Europe. As a result, the investment ceased to be classified as held for sale and its carrying amount was remeasured using the equity method of accounting. The difference between the remeasured equity amount and the carrying amount of the investment amounted to P80.1 million and is included as reduction in equity in net earnings of associates in the consolidated statements of comprehensive income.

On November 15, 2012, the Parent Company executed an investment agreement with Pure Corporate Investments Ltd. (PCIL), a company organized and existing under the laws of the British Virgin Islands, whereby the Parent Company, in consideration for 100% ownership in PCIL, exchanged its 50% ownership in Host Union.

On December 14, 2012, the BOD approved the disposal of investment of PCIL in Host Union for a total consideration of P810.0 million. The Group received 10% of the consideration upon signing of agreement while the remaining balance will be received on equal installments over 3 years starting from December 27, 2013. The current and noncurrent portion of the said receivables amounting to P243.0 million and P486.0 million, respectively, is included in "Notes receivable" and "Noncurrent receivable," respectively, in the consolidated statements of financial position. The gain on disposal of the said investment amounting to P181.2 million is recognized as income in the statement of comprehensive income of PCIL and is reflected as "other income" in the consolidated statements of comprehensive income.

On October 23, 2013, as requested to PCIL, the Parent Company agreed to amend the payment term of the remaining P729.0 million to ten equal annual installments but with interest at the rate of 5.5% per annum. The annual installments are payable on December 31, 2014 to 2023.

Details of the notes receivable from PCIL are as follows:

	<i>Note</i>	2013	2012
Due within one year		P72,900,000	P243,000,000
Due between one and five years		656,100,000	486,000,000
	22	P729,000,000	P729,000,000

Investment in Major Games Amusement Corporation (MAGCOR)

On January 1, 2012, PhilWeb Corporation and MAGCOR, a 30% associate of the Parent Company, entered into an agreement where the former will manage and render oversight services to the operations of the latter. The agreement is effective for a term of one (1) year beginning on January 1, 2012 and shall continue until December 31, 2012, unless sooner terminated by written consent of the parties. In the absence of termination by written consent, the agreement shall be renewed automatically for a period of one year.

Under the provisions of the agreement, the Parent Company has power to govern the financial and operating policies of MAGCOR, even though the former owns only 30% of the latter. As a result, MAGCOR became a subsidiary of the Parent Company effective January 1, 2012 and is included in the consolidated financial statements as at December 31, 2013 and 2012.

Investment in Choice Insurance Brokerage Inc. (Choice Insurance)

On July 3, 2012, Best Choice Holdings, Inc., a wholly-owned subsidiary of the Parent Company purchased 6,000,000 shares of Choice Insurance at P1 par value, which represent 30% share of Choice Insurance's outstanding shares.

Investment in Alphaforce Corporation

In October 2011, the Parent Company subscribed to 79,999 shares of Alphaforce at P100 par value per share, which represent 40% interest on Alphaforce's outstanding shares. On the same date, the Parent Company paid P4.0 million. In July 2013, the Parent Company paid another P4.0 million as full payment of the subscribed shares.

The summarized financial information of investments in associates as at and for the years ended December 31 follows:

	2013	
	Choice Insurance	Alphaforce
Total assets	P23,302,085	P34,946,421
Total liabilities	3,063,226	13,954,316
Total revenue	177,309	119,167,189
Net income (loss) attributable to equity holders	(1,677,882)	1,479,853

	2012	
	ISM	Alphaforce
Total assets	P4,954,265,868	P22,443,138
Total liabilities	465,977,494	12,984,789
Total revenue	-	68,035,874
Net income (loss) attributable to equity holders	259,390,665	(164,135)

10. Property and Equipment

The movements and balances of this account (in thousands) as at and for the years ended December 31 are as follows:

	Computer Equipment and Software	Leasehold and Site Improvements	Network and Data Communication Equipment	Furniture and Fixtures	Office Equipment	Transportation Equipment	Total
Gross Carrying Value							
January 1, 2012	P308,207	P107,281	P112,328	P50,624	P14,255	P30,680	P623,375
Additions	39,183	62,809	26,860	26,637	673	4,160	160,322
Disposals	-	-	-	-	-	(4,472)	(4,472)
December 31, 2012	347,390	170,090	139,188	77,261	14,928	30,368	779,225
Additions	26,923	46,575	9,183	10,407	2,608	1,992	97,688
Disposals	(451)	-	-	(158)	-	-	(609)
December 31, 2013	373,862	216,665	148,371	87,510	17,536	32,360	876,304
Accumulated Depreciation and Amortization							
January 1, 2012	195,006	61,465	83,733	33,786	10,376	22,028	406,394
Depreciation and amortization for the year	38,426	29,136	17,034	8,221	2,797	1,113	96,727
Disposals	-	-	-	-	-	(4,472)	(4,472)
December 31, 2012	233,432	90,601	100,767	42,007	13,173	18,669	498,649
Depreciation and amortization for the year	43,963	47,182	18,491	13,260	3,429	5,399	131,724
Disposals	(354)	-	-	(124)	-	-	(478)
December 31, 2013	277,041	137,783	119,258	55,143	16,602	24,068	629,895
Carrying Amount							
December 31, 2012	P113,958	P79,489	P38,421	P35,254	P1,755	P11,699	P280,576
December 31, 2013	P96,821	P78,882	P29,113	P32,367	P934	P8,292	P246,409

11. Other Noncurrent Assets

This account at December 31 consists of:

	<i>Note</i>	2013	2012
Rental and other deposits	22	P44,233,030	P42,521,220
Advances for projects		5,315,972	5,315,972
		49,549,002	47,837,192
Less allowance for impairment losses		(5,378,199)	(5,378,199)
		44,170,803	42,458,993
Other assets from discontinued operations		61,590,318	61,590,318
Less allowance for impairment losses		(61,590,318)	(61,590,318)
		-	-
		P44,170,803	P42,458,993

Rental and other deposits include advance payment of rent and security deposits equivalent to two to four months rental. The carrying amount of rental and other deposits approximates their amortized cost as the impact of discounting is not material.

Other assets from discontinued operations represent receivables and related assets from the Group's Internet Service Provider business which was discontinued when the Group focused operations on the internet gaming business. The Group has provided full allowance for impairment losses on these assets.

12. Accounts Payable and Accrued Expenses

This account at December 31 consists of:

	<i>Note</i>	2013	2012
Accounts payable - trade	22	P167,351,234	P211,783,090
Accrued expenses and other payables	22	40,316,891	35,076,585
Income tax payable		1,260,327	7,706,157
Due to a related party	15, 22	3,366,096	-
		P212,294,548	P254,565,832

Accounts payable - trade mainly consists of payable to suppliers, PeGS operators and PAGCOR.

The details of the accrued expenses and other payables account are as follows:

	<i>Note</i>	2013	2012
Contractors	22	P17,614,716	P6,337,627
Manpower services	22	9,786,699	14,709,875
Utilities and communications	22	4,526,966	3,865,819
Interest	22	4,327,431	-
Ads and promo	22	1,655,892	1,987,070
Audit fees	22	1,164,100	1,273,500
Travel expenses	22	485,428	146,424
Due to government agencies		289,369	4,746,583
Others	22	466,290	2,009,687
		P40,316,891	P35,076,585

13. Notes Payable

The Parent Company has peso-denominated unsecured short-term notes payable from local banks amounting to P1.2 billion and nil as at December 31, 2013 and 2012, respectively, with maturities of less than a year and bear annual interest at an average of 4.5% to 5.0% in 2013.

The Group recognized interest expense of P22.1 million, nil and P1.0 million in the consolidated statements of comprehensive income for the years ended December 31, 2013, 2012 and 2011, respectively.

14. Income Taxes and Registration with the Board of Investments ("BOI") and Philippine Economic Zone Authority (PEZA)

- a) Effective March 14, 2001, the Parent Company was registered with the BOI as a new IT service firm, providing Internet services and other IT-related services on a pioneer status. As a BOI-registered enterprise, the Parent Company is entitled to certain tax and non-tax incentives which include, among others, an income tax holiday (ITH) for a period of six (6) years, extendable under certain conditions to eight (8) years; tax and duty-free importation of capital equipment; and, tax credit on domestic capital equipment.

On February 26, 2007, the Parent Company was registered with the BOI, under Registration No. 2007-030, on a pioneer status as new IT Service Firm in the field of an Application Service Provider. ITH entitlement period started on March 1, 2007 to February 28, 2013. As a BOI-registered enterprise, the Parent Company is entitled to certain tax and non-tax incentives which include among others, income tax holiday for a period of six (6) years from March 2007, provided, however, that the Parent Company has complied with the infusion of the minimum investment cost of US\$2.5 million or its peso equivalent within one year from the date of its BOI registration. In 2008, the Parent Company has complied with all the requirements of the BOI.

On January 23, 2013, the BOI approved a one year extension of the Parent Company's ITH covering the period from March 1, 2013 to February 28, 2014.

The Parent Company is setting up a new business location in Pasig City, a strategic location that will allow the company to serve its customer better and faster. This will also allow the Company's room for additional equipment and new employees. On February 13, 2014 the BOI approved the registration of this new project under New Creative Industries/Knowledge-Based Services Provider (Software Development) on a Non-Pioneer Status. This will entitle the Parent Company to an ITH for four (4) years for all the income generated thru this new location, provided however that certain conditions in investment and employment requirements are met as provided under the Parent Company's registration terms and conditions.

On November 29, 2012, the Philippine Economic Zone Authority (PEZA) approved the application for registration of e-Magine Gaming Corporation (formerly PhilWeb Gaming Solutions Corporation) ("e-Magine"), a subsidiary of PhilWeb Corporation, as an Ecozone Export Enterprise to develop and manufacture electronic machines at the Laguna Technopark - Special Economic Zone. Under the PEZA registration agreement, the e-Magine's projects shall be entitled to four (4) years ITH from start of commercial operations.

- b) Income tax expense for the years ended December 31 consists of:

	2013	2012	2011
Current tax expense	P1,260,327	P11,539,132	P12,218,284
Deferred tax expense (benefit)	(14,174,070)	1,350,416	(4,148,209)
	(P12,913,743)	P12,889,548	P8,070,075

- c) Deferred tax assets (liabilities) - net as at December 31 pertains to the tax impact of the following temporary differences:

	2013	2012 (As restated - see Note 25)
Items recognized in profit or loss		
Allowance for impairment losses on input VAT	P8,701,770	P2,797,794
Retirement benefits liability	7,796,093	-
Allowance for impairment losses on trade receivables	474,001	-
NOLCO	263,063	-
Unrealized foreign exchange gain	(263,063)	-
	16,971,864	2,797,794
Items recognized directly in other comprehensive income		
Remeasurement losses on defined benefit liability	593,941	2,094,674
	P17,565,805	P4,892,468

- d) Deferred tax assets of the Group at December 31 have not been recognized in respect of the following items because it is not probable that tax benefits will be available in the near future against which the Group can utilize the benefits therefrom.

	2013	2012	2011
Allowance for impairment losses on input VAT, receivables and notes receivable	P218,840,648	P75,690,581	P75,690,581
NOLCO	84,794,724	62,064,020	52,090,552
Retirement benefits liability	-	18,748,923	13,759,358
Unrealized foreign exchange loss	-	467,689	-
	P303,590,372	P156,971,213	P141,540,491

Details of NOLCO as at December 31 are as follow:

Incurred In	Amount	Expired/ Applied	As at December 31, 2013	Available Until
2010	P18,848,595	(P18,848,595)	P -	2013
2011	18,980,376	-	18,980,376	2014
2012	26,922,507	-	26,922,507	2015
2013	39,723,718	-	39,723,718	2016
	P104,475,196	(P18,848,595)	P85,626,601	

- e) The reconciliation between the income tax expense computed at the statutory tax rate and income tax expense shown in the profit or loss for the years ended December 31 follows:

	2013	2012	2011
Income before tax	P189,980,812	P1,109,177,126	P922,144,745
Income tax expense at statutory rate	P56,994,244	P332,753,138	P276,643,424
Adjustments resulting from:			
Income tax holiday on BOI - registered operations	(269,157,231)	(257,741,636)	(225,167,296)
Unrecognized deferred tax assets arising from temporary differences and NOLCO	43,985,748	4,629,216	5,400,849
Tax effects of:			
Equity in net earnings of associates	(25,821,832)	(11,971,817)	(54,666,799)
Interest/other income not subject to corporate tax	(6,750,120)	(65,365,922)	(6,586,208)
Non-deductible expenses/loss	187,835,448	10,586,569	12,446,105
Income tax expense	(P12,913,743)	P12,889,548	P8,070,075

15. Related Party Transactions

In the ordinary course of business, the Group has transactions with its related parties summarized as follows:

Category/Transaction	Year	Note	Amount of the Transaction	Outstanding Balance		Terms	Conditions
				Due from Related Parties	Due to Related Parties		
Entities under Common Control							
ISM Corporation							
▪ Common personnel and rental expenses	2013	15a	P28,036,068	P -	P3,366,096	Due and demandable; non-interest bearing	Unsecured;
	2012		36,793,636	24,675,025	-	Due and demandable; non-interest bearing	Unsecured; no impairment
Alphaland Corporation							
▪ Common personnel and rental expenses	2013	15a	40,311,940	48,314,523	-	Due and demandable; non-interest bearing	Unsecured; no impairment
	2012		27,603,762	8,002,583	-	Due and demandable; non-interest bearing	Unsecured; no impairment
Monfortino Holdings, Inc.							
▪ Sale of equity investment in ISM	2013	15b	698,396,248	45,100,342	-	Due and demandable; non-interest bearing	Unsecured; no impairment
TOTAL	2013			P93,414,865	P3,366,096		
TOTAL	2012			P32,677,608	P -		

- The Parent Company bills ISM and Alphaland for their share in common expenses which include common personnel cost and rental expense.
- On November 19, 2013, the BOD approved the disposal of the Parent Company's investment in ISM under the Stock Purchase Agreement with MHI. The Parent Company agreed to sell its 466 million shares or 24.30% interest on ISM for a price of P1.50 per share (see Note 9).
- Compensation and short-term employee benefits of key management personnel of the Group in 2013, 2012 and 2011 amounted to P48.3 million, P69.1 million, and P66.3 million, respectively. The Group has no other key management compensation relating to post-employment benefits or other long-term benefits for the years ended December 31, 2013, 2012 and 2011.

16. Equity

Common Stock

The movements in the number of issued and outstanding shares of common stock are as follows:

	2013	2012
Balance at beginning of year	1,513,993,659	1,261,682,465
Stock dividends during the year	-	252,311,194
Issued shares at end of year	1,513,993,659	1,513,993,659
Less treasury shares	(341,773,099)	(89,627,680)
Issued and outstanding shares at end of year	1,172,220,560	1,424,365,979

Change in Par Value of Capital Stock

Stock Option Plan

On February 15, 2000, the BOD approved the Parent Company's Stock Option Plan ("Plan") covering all employees, officers and directors of the Parent Company, its subsidiaries as well as such other qualified persons determined as eligible by the BOD. The aggregate number of shares that may be purchased under the Plan shall not be more than five percent (5%) of the total number of shares of the outstanding capital stock of the Parent Company, at a price not less than eighty percent (80%) of the fair market value of the shares on the date the option is granted. Effectivity date is one (1) year after an option is awarded to the participant. 1/3 of the total number of options covered by a grant shall vest upon effectivity date; 1/3 shall vest one year after effectivity date and 1/3 shall vest two years after the effectivity date. Options may be exercised within a period of three (3) years, starting after the lapse of one (1) year from the date of grant.

On April 19, 2012, the Stock Option Plan Committee of PhilWeb Corporation approved the awarding to selected officers and employees of options to subscribe to a total of 8.9 million common shares at an exercise price of P14.0 per share.

The fair value of stock option is estimated using Black-Scholes option pricing method, which considered annual stock volatility, risk-free interest rate, expected life of option and exercise price.

The inputs to the model used to measure the fair value of the shares granted in 2013 and 2012 is as follows:

Expected volatility	16.40%
Risk-free interest rate	2.56%
Expected life option	3 years

Expected volatility is estimated by considering average share price volatility.

Details of stock option transactions at December 31 are as follows:

	2013		2012	
	Number of Options	Weighted Average Exercise Price of Options	Number of Options	Weighted Average Exercise Price of Options
Options outstanding, beginning of year	-	P -	-	P -
Granted	8,300,000	-	8,900,000	-
Forfeited/expired	(2,300,000)	-	(600,000)	-
Options outstanding, end of year	6,000,000	P -	8,300,000	P -
Options exercisable, end of year	-	P -	-	P -

Stock option cost (reversal) recognized in profit or loss is included under "salaries and benefits" account in the consolidated statements of comprehensive income and amounted to (P0.4 million) and P4.4 million in 2013 and 2012, respectively, (see Note 17).

Retained Earnings

Cash dividends declared by the Company from retained earnings during the years ended December 31, 2013, 2012 and 2011 follow:

<u>Date Approved</u>	<u>Per Share</u>	<u>Total Amount</u>	<u>Stockholders of Record Date</u>	<u>Date Paid/Issued</u>
August 19, 2010	P0.10	P125,832,262	September 3, 2010	September 20, 2010
April 13, 2011	0.10	126,155,597	April 28, 2011	May 13, 2011
September 7, 2011	0.10	126,155,597	September 21, 2011	October 04, 2011
February 15, 2012	0.10	126,155,597	March 1, 2012	March 16, 2012
September 24, 2012	0.10	150,862,399	October 8, 2012	October 15, 2012
February 28, 2013	0.10	138,699,693	March 5, 2013	March 15, 2013
October 10, 2013	0.10	128,973,898	October 15, 2013	October 25, 2013

On April 19, 2012, the Parent Company's Board of Directors approved the declaration of twenty percent (20%) stock dividends payable on May 30, 2012 to shareholders of record as of May 4, 2012. The 252.3 million shares of stock to be issued to the stockholders under the stock dividend declaration will be taken from the existing unissued shares of the Parent Company.

Treasury Stock

The movements in the number of treasury shares are as follows:

	2013	2012
Balance at beginning of year	89,627,680	126,492
Purchase during the year	252,145,419	227,001,188
Sale during the year	-	(137,500,000)
Balance at end of year	341,773,099	89,627,680

- a. On July 10, 2012, the Parent Company entered into a Share Purchase Agreement (SPA) with ePLDT where the latter offered to sell to the former 397.9 million common shares of the Parent Company, representing approximately 27% of the then outstanding capital stock of the Parent Company. The SPA provided that the sale of the shares will be executed in four tranches, where the first two tranches representing 186.9 million shares for a total purchase price of P2.0 billion were completed in 2012; while the other remaining two tranches representing 211.0 million shares for a total purchase price of P2.3 billion were executed in 2013.

On October 17, 2012, the Parent Company, ePLDT and PhilWeb Casino Corporation (PCC) entered into a Supplement to the SPA whereby the former designated PCC as the buyer of the second, third and fourth tranches. The first and second tranches were completed on July 13, 2012 and October 22, 2012, respectively. These transactions have been accounted for as treasury shares and presented as a reduction in equity in the consolidated statements of changes in equity.

Relative to the above transaction, the Parent Company entered into a SPA with PCC where the former sold to the latter 93.4 million shares of the Parent Company at a price of P10.7 per share. These shares comprised the first tranche of shares that the Parent Company acquired from ePLDT on July 13, 2012. These transactions have been accounted for as treasury shares and presented as a reduction in equity in the consolidated statements of changes in equity.

On October 25, 2012, PCC sold 137.5 million of the Parent Company's shares through a placement, to qualified buyers at a price of P15.0 per share, with a total selling price of P2,062.5 million. The excess of selling price over the cost of the treasury shares is shown as "additional paid-in capital" in the consolidated statements of changes in equity.

The third and fourth tranches covering 93.5 million shares and 117.5 million shares for a total purchase price of P1.0 million and P1.3 billion were completed on June 13, 2013 and December 13, 2013, respectively

- b. On November 21, 2012, the BOD approved the creation of a share buyback program. The Parent Company acquired 41.2 million shares and 40.1 million shares of its common shares at a total cost of P567.2 million and P531.6 million in 2013 and 2012, respectively, which has been accounted for as treasury shares.

17. Salaries and Benefits

This account consists of:

	<i>Note</i>	2013	2012	2011
Salaries and wages		P121,896,603	P142,433,848	P114,739,787
Retirement benefits cost	20	7,238,055	4,989,565	4,909,761
Cost (reversal) of stock option	16	(379,246)	4,422,064	-
		P128,755,412	P151,845,477	P119,649,548

18. Earnings Per Share

The following reflects the income and share data used in the basic/dilutive EPS computations:

	2013	2012 (As restated - see Note 26)	2011 (As restated - see Note 26)
Net income attributable to equity holders of the parent	P280,215,819	P1,092,992,616	P915,695,014
Weighted average number of shares outstanding	1,330,852,173	1,474,759,576	1,513,867,167
Basic/dilutive EPS	P0.2106	P0.7411	P0.6049

The weighted average number of shares outstanding takes into account stock dividends and the treasury shares at year-end. There have been no other transactions involving ordinary shares or potential ordinary shares.

There were no potential dilutive shares as at December 31, 2013, 2012, and 2011.

19. Lease Commitments

The Group leases its main and other offices under various operating lease arrangements with terms ranging from three (3) to five (5) years. Such leases are renewable at the end of the lease term upon mutual consent of the parties.

Total rentals recognized in profit or loss for the years ended December 31, 2013, 2012 and 2011 amounted to about P70.9 million, P60.2 million, and P40.6 million, respectively.

Non-cancellable operating lease rentals as at December 31 are payable as follows:

	2013	2012	2011
Less than one year	P49,470,583	P38,532,516	P37,231,028
Between one and five years	40,730,759	65,639,965	65,970,156
	P90,201,342	P104,172,481	P103,201,184

20. Retirement Benefits

The Group has unfunded, non contributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date was made on December 31, 2013. Valuations are obtained on an annual basis.

The Parent Company accrues retirement benefits for its employees in compliance with Republic Act 7641 "Philippine Retirement Law" which requires a company to pay a minimum retirement benefit to employees who retires after reaching the mandatory age of 65 years old or the optional retirement age of 60 years old, with at least five (5) years of service to the Parent Company. The benefits as required by the Act are equivalent to 22.5 days Pay for every year of credited service.

The movements in the present value of defined benefit obligation to the recognized liability included under "Noncurrent liabilities" section of the consolidated statements of financial position is as follows:

	2013	2012 (As restated)
Present value of the defined benefit obligation at the beginning of year	P25,731,172	P15,307,736
Current service cost and interest cost (see below)	7,238,055	4,989,565
Remeasurement (gains) losses on defined benefit liability	(5,002,443)	5,433,871
Present value of the defined benefit obligation at the end of year	P27,966,784	P25,731,172

The retirement benefits cost recognized in profit or loss and included under "Salaries and benefits" consists of:

	2013	2012 (As restated)	2011 (As restated)
Current service cost	P5,665,880	P3,910,370	P3,815,201
Interest cost	1,572,175	1,079,195	1,094,560
	P7,238,055	P4,989,565	P4,909,761

The amounts of remeasurements recognized in other comprehensive income consist of:

	2013	2012
Balance at beginning of year	P6,982,249	P1,548,378
Remeasurements during the year:		
Experience adjustments	56,725	5,495,370
Changes in financial assumptions	(755,949)	2,525,706
Changes in demographic assumptions	(4,303,219)	(2,587,205)
	(5,002,443)	5,433,871
Balance at end of year	P1,979,806	P6,982,249

The Company does not expect to make contributions to the plan in 2014. Based on the latest actuarial valuation made as at December 31, 2013, the principal actuarial assumptions used to determine retirement benefits are as follows (expressed as percentages under weighted averages):

	2013	2012	2011
Discount rate	6.38%	6.11%	7.05%
Future salary increases	5.00%	5.00%	5.00%

Assumptions and Relevant Information

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 100 bps:

	Defined Benefit Obligations			
	Increase		Decrease	
Discount rate	(P2,527,270)	(9.00%)	P2,978,517	10.70%
Future salary increases	2,759,746	9.90%	(2,399,245)	(8.60%)

Maturity Profile of the Defined Benefit Liability

Assumptions regarding mortality and disability rates used in the valuation were based on 100% of the 1985 Unisex Annuity Table and 100% of the 1952 Disability Table, respectively.

The weighted-average duration of the defined benefit liability as at December 31, 2013 and 2012 is 16.6 years.

Asset-liability Matching Strategies to Manage Risks

The Group does not have a formal and funded retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

Funding Arrangements

Since the Group does not have a formal and funded retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

21. Operators' Deposits

Operator's deposits account consists of cash received from operators upon opening of PeGS Station. This serves as a bond/security in case an operator defaults from payments. This deposit shall be returned to the operator after the termination of the contract. The carrying amount of operator's deposit approximates its amortized cost as the impact of discounting is not material.

22. Financial Risk and Capital Management

Financial Instruments

The accounting policies for financial instruments classified under loans and receivables have been applied to the line items below:

	<i>Note</i>	2013	2012
Current assets:			
Cash and cash equivalents	4	P341,990,428	P1,052,170,913
Accounts receivable	5	253,868,791	266,820,041
Notes receivable	7	312,910,738	497,215,526
Total current financial assets		908,769,957	1,816,206,480
Noncurrent assets:			
Noncurrent notes receivable	9	656,100,000	486,000,000
Rental and other deposits under "Other noncurrent asset - net"	11	44,170,803	42,458,993
Total noncurrent financial assets		700,270,803	528,458,993
Total financial assets		P1,609,040,760	P2,344,665,473

Accounts payable and accrued expenses, notes payable and operators' deposits are designated as other financial liabilities. The balances disclosed are the contractual undiscounted cash flows which equal their carrying amounts, as the impact of discounting is not significant.

Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Group's risk management policies are established to identify and analyze these risks, to set appropriate transaction limits and controls, and to monitor and assess the risks and compliance to internal control policies. Risk management policies and structures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Interest Rate Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

Credit Risk. Credit risk represents the risk of loss the Group would incur if counterparties fail to perform their contractual obligations. The Group's internet gaming businesses are made on cash basis and internet gaming operators are covered by required security deposits. Other receivables arise from one-off transactions and are due and demandable on a short term basis. Due to these reasons, management believes that the Group's exposure to credit risk is manageable as at December 31, 2013 and 2012. The carrying amount of each financial asset represents the Group's maximum credit exposure.

The Group's aging per class of financial assets that were not impaired is as follows:

	Neither Past Due nor Impaired	Past Due and not Impaired			Total
		1 to 30 Days	31 to 60 Days	More than 60 Days	
December 31, 2013					
Cash and cash equivalents	P341,990,428	P -	P -	P -	P341,990,428
Accounts receivable	171,631,410	51,199,317	14,137,683	16,900,381	253,868,791
Notes receivable	312,910,738	-	-	-	312,910,738
Noncurrent notes receivable	656,100,000	-	-	-	656,100,000
Rental and other deposits under "Other noncurrent assets - net"	44,170,803	-	-	-	44,170,803
	P1,526,803,379	P51,199,317	P14,137,683	P16,900,381	P1,609,040,760

	Neither Past Due nor Impaired	Past Due and not Impaired			Total
		1 to 30 Days	31 to 60 Days	More than 60 Days	
December 31, 2012					
Cash and cash equivalents	P1,052,170,913	P -	P -	P -	P1,052,170,913
Accounts receivable	94,420,940	27,104,814	2,722,160	142,572,127	266,820,041
Notes receivable	497,215,526	-	-	-	497,215,526
Noncurrent notes receivable	486,000,000	-	-	-	486,000,000
Rental and other deposits under "Other noncurrent assets - net"	42,458,993	-	-	-	42,458,993
	P2,172,266,172	P27,104,814	P2,722,160	P142,572,127	P2,344,665,473

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade and standard grade.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling obligations, thus credit risk is minimal. This normally includes large prime financial institutions and well established companies.

Standard Grade - there is a moderate concentration of credit risk with respect to these financial assets. These refer to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Low Grade - there is a high concentration of credit risk with respect to these financial assets. These refer to accounts from customers in default due to financial difficulties and without clear indication of full recoverability.

The table shows the credit quality of the Group neither past due nor impaired financial assets as follows:

	Total	Neither Past Due nor Impaired			Total	Past Due but not Impaired Standard Grade	Past Due and Impaired
		High Grade	Standard Grade	Low Grade			
December 31, 2013							
Cash in banks	P176,737,797	P176,737,797	P -	P -	P176,737,797	P -	P -
Short-term investments	154,042,613	154,042,613	-	-	154,042,613	-	-
Accounts receivable	368,394,315	171,631,410	-	-	171,631,410	82,237,381	114,525,524
Notes receivable	346,923,619	312,910,738	-	-	312,910,738	-	34,012,881
Noncurrent notes receivable	656,100,000	656,100,000	-	-	656,100,000	-	-
Rental and other deposits under "Other noncurrent assets - net"	44,170,803	44,170,803	-	-	44,170,803	-	-
	P1,746,369,147	P1,515,593,361	P -	P -	P1,515,593,361	P82,237,381	P148,538,405

	Total	Neither Past Due nor Impaired			Total	Past Due but not Impaired Standard Grade	Past Due and Impaired
		High Grade	Standard Grade	Low Grade			
December 31, 2012							
Cash in banks	P784,965,371	P784,965,371	P -	P -	P784,965,371	P -	P -
Short-term investments	254,427,436	254,427,436	-	-	254,427,436	-	-
Accounts receivable	267,492,531	94,420,940	-	-	94,420,940	172,399,101	672,490
Notes receivable	497,215,526	497,215,526	-	-	497,215,526	-	-
Noncurrent notes receivable	486,000,000	486,000,000	-	-	486,000,000	-	-
Rental and other deposits under "Other noncurrent assets - net"	42,458,993	42,458,993	-	-	42,458,993	-	-
	P2,332,559,857	P2,159,488,266	P -	P -	P2,159,488,266	P172,399,101	P672,490

Liquidity Risk. Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. To effectively manage liquidity risk, the Group monitors its cash flows and ensures that credit facilities are available to meet its obligation when they fall due.

The Group's ratio of current assets to current liabilities as at December 31, 2013 and 2012 are 0.71:1 and 7.6:1, respectively. The current liabilities of the Group are expected to be paid within one year.

	As at December 31, 2013			
	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Accounts payable and accrued expense ^(a)	P211,744,852	P211,744,852	P211,744,852	P -
Notes payable	1,200,000,000	1,246,114,583	1,246,114,583	-
Operator's deposits	50,755,000	50,755,000	-	50,755,000

	As at December 31, 2012			
	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Accounts payable and accrued expense ^(a)	P242,744,852	P242,744,852	P242,744,852	P -
Operator's deposits	48,300,000	48,300,000	-	48,300,000

(a) Due to government agencies are excluded.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk managements is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group is subject to various risks, including foreign currency and prices.

Interest Rate Risk. Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to notes receivable. Receivables issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, receivables issued at variable rates expose the Group to cash flow interest rate risk.

As at December 31, 2013 and 2012, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	Nominal Amount	
	2013	2012
Fixed-rate Financial Instruments		
Financial assets		
Cash in bank	P176,737,797	P784,965,371
Short-term investments	154,042,613	254,427,436
Notes receivable	72,960,000	282,012,881
	403,740,410	1,321,405,688
Financial liabilities		
Notes payable	1,200,000,000	-
Variable-rate Financial Instruments		
Financial asset		
Notes receivable	240,010,738	215,202,645

Fair Value Sensitivity Analysis for Fixed-rate Instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash Flow Sensitivity Analysis for Variable-rate Instruments

A reasonably possible change of 1% in interest rate at December 31, 2013 and 2012 would have increase or decrease equity and profit or loss by P2.40 million and P2.15 million, respectively. This assumes that all other variables, in particular foreign exchange currency rates, remain constant.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charges on group's borrowings are optimal and benchmarked against the rates charged by other creditor banks.

Foreign Currency Exchange Risk. Foreign currency exchange risk is the risk that changes in foreign exchange rates will affect the Group's income. The Group's exposure to foreign currency exchange risk is minimal and limited to its US dollar denominated receivable amounting to \$0.8 million and \$0.9 million as at December 31, 2013 and 2012.

The US dollar exchange rate as at December 31, 2013 and 2012 are US dollar 1 = P44.41 and 1 = P41.19, respectively.

Sensitivity Analysis

A 10% strengthening of the Philippine peso against US dollar as at December 31, 2013 and 2012 would have decreased the equity and profit by P2.5 million and P2.6 million, respectively.

A 10% weakening of the peso against US dollar as at December 31, 2013 and 2012 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To manage or adjust the capital structure, the Group capital structure, the Group may obtain additional advances from stockholders, adjust the return of the capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2013 and 2012. The Group monitors capital using the monthly cash position report and financial statements.

The Group defines capital as total equity, which includes capital stock, surplus from write-down of capital stock, additional paid-in capital, stock options outstanding and retained earnings, net of treasury stock.

The Group is not subject to externally-imposed capital requirement.

Fair Values

The fair values of the Group's financial instruments approximate their carrying amounts as of reporting date because of their relatively short-term nature. In the case of noncurrent notes receivable, the fair value of P656.1 million is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

23. Segment Reporting

The Group operates in two (2) reportable geographical segments, the domestic operations and foreign operations.

Bulk of the Group's revenue is coming from the domestic operations which is a group of related products or services that is subject to the same risks and returns. Its operations and sources of revenues are interdependent, share the use of the facilities of the Parent Company, particularly computer equipment and are under agreements with PAGCOR, the Group's partner in the internet gaming business.

In 2012 and 2011, the Group launched scratch cards or instant-win type product in Cambodia and Timor-Leste, respectively. Likewise, the Group opened its Sweepcenter business in Guam in October 2011. These scratch cards, instant-win type products and Sweepstakes business are not material to the Group in 2013, 2012 and 2011.

The Group's Chairman of the BOD reviews internal management reports on a monthly basis.

Analysis of financial information by geographical segment in 2013 is as follows:

	Domestic Operations	Foreign Operations	Eliminations	Consolidated
Net Revenues				
External revenue	P1,458,632,788	P35,066,976	P -	P1,493,699,764
Operating expenses	(621,575,992)	(217,408,049)	-	(838,984,041)
Interest income	22,544,402	197,331	(241,332)	22,500,401
Interest expense	(22,072,431)	(241,332)	241,332	(22,072,431)
Others	(551,235,654)	-	-	(551,235,654)
	(1,172,339,675)	(217,452,050)	-	(1,389,791,725)
Income before Income Tax	286,293,113	(182,385,074)	-	103,908,039
Income tax benefits	(12,913,743)	-	-	(12,913,743)
Segment Profit (Loss)	299,206,856	(182,385,074)	-	116,821,782
Equity in net earnings of associates	86,072,773	-	-	86,072,773
Consolidated Profit	P385,279,629	(P182,385,074)	P -	P202,894,555
Other Information				
Additions to property and equipment	P68,991,717	P28,696,093	P -	P97,687,810
Depreciation and amortization	99,803,591	31,920,570	-	131,724,161
Assets and Liabilities				
Current assets	P977,927,185	P263,644,503	(P178,422,576)	P1,063,149,112
Noncurrent assets	970,748,035	8,262,034	-	979,010,069
Total Assets	P1,948,675,220	P271,906,537	(P178,422,576)	P2,042,159,181
Current liabilities	P1,344,336,324	P246,380,800	(P178,422,576)	P1,412,294,548
Noncurrent liabilities	78,721,784	-	-	78,721,784
Total Liabilities	P1,423,058,108	P246,380,800	(P178,422,576)	P1,491,016,332

Analysis of financial information by geographical segment in 2012 is as follows:

	Domestic Operations	Foreign Operations	Eliminations	Consolidated
Net Revenues				
External revenue	P1,345,099,256	P138,490,667	P -	P1,483,589,923
Operating expenses	(514,841,706)	(117,490,185)	-	(632,331,891)
Interest income	41,108,179	193,796	(4,657,795)	36,644,180
Interest expense	-	(4,657,795)	4,657,795	-
Others	181,368,227	-	-	181,368,227
	(292,365,300)	(121,954,184)	-	(414,319,484)
Income before Income Tax	1,052,733,956	16,536,483	-	1,069,270,439
Income tax expense	8,571,004	4,318,544	-	12,889,548
Segment Profit	1,044,162,952	12,217,939	-	1,056,380,891
Equity in net earnings of associates	39,906,058	-	-	39,906,058
Consolidated Profit	P1,084,069,010	P12,217,939	P -	P1,096,286,949
Other Information				
Additions to property and equipment	P148,835,749	P11,486,511	P -	P160,322,260
Depreciation and amortization	93,982,811	2,744,617	-	96,727,428
Assets and Liabilities				
Current assets				
Current assets	P1,644,490,881	P149,956,359	P135,755,673	P1,920,202,913
Noncurrent assets				
Noncurrent assets	1,873,413,618	11,486,511	-	1,884,900,129
Total Assets	P3,517,904,499	P161,442,870	P135,755,673	P3,815,103,042
Current liabilities				
Current liabilities	P228,745,769	P161,575,736	(P135,755,673)	P254,565,832
Noncurrent liabilities				
Noncurrent liabilities	67,049,552	-	-	67,049,552
Total Liabilities	P295,795,321	P161,575,736	(P135,755,673)	P321,615,384

24. Contingencies

The Group is a party to certain lawsuits or claims filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements as at and for the years ended December 31, 2013 and 2012.

On January 30, 2014, the Parent Company filed a case against Playtech Software Limited for damages and loss of revenue it caused by violating the provision of the agreement with the Company.

25. Change in Accounting Policy

The Group restated the December 31, 2012 account balance as a result of the retrospective application of PAS 19 (Amended 2011) and accordingly, recognized the actuarial gains and losses in other comprehensive income.

The change in accounting policy resulted to the recognition of all actuarial gains and losses (AGL) arising from changes in the assumption used in calculating the Group's liability as at reporting dates in other comprehensive income. Previously, the Group used the "corridor approach" whereby the Group recognizes AGL in profit or loss when the net cumulative unrecognized AGL at the end of previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or the fair value of the plan asset at such date. The AGL were recognized in profit or loss over the remaining working lives of the employees participating in the plan.

Summary of Quantitative Impacts

The following tables summarize the effects of the changes on the Group's financial position and comprehensive income.

The impact of the change as at January 1, 2012 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Consolidated Statement of Financial Position			
Retirement benefits liability	P13,759,358	P1,548,378	P15,307,736
Remeasurement losses on defined benefit liability - net of tax	-	(1,083,865)	(1,083,865)
Consolidated Statement of Comprehensive Income			
Remeasurement losses on defined benefit liability - net of tax	-	(1,083,865)	(1,083,865)

The impact of the change as at and for the year ended December 31, 2012 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Consolidated Statement of Financial Position			
Retirement benefits liability	P18,749,552	P6,981,620	P25,731,172
Retained earnings	2,073,440,049	629	2,073,440,678
Remeasurement losses on defined benefit liability	-	(4,887,575)	(4,887,575)
Deferred tax asset	-	2,004,674	2,004,674
Consolidated Statement of Comprehensive Income			
Salaries and benefits	151,846,106	(629)	151,845,477
Remeasurement losses on defined benefit liability - net of tax	-	(3,803,710)	(3,803,710)

The impact of the change as at and for the year ended December 31, 2013 is as follows:

	Amount
Consolidated Statement of Financial Position	
<i>Increase in:</i>	
Deferred tax asset	P548,915
Retirement benefits liability	1,829,715
Remeasurement losses on defined benefit liability - net of tax	1,385,865
Retained earnings	105,065

	Amount
Consolidated Statement of Financial Position	
<i>Increase (decrease) in:</i>	
Salaries and benefits	P149,462
Deferred tax expense	(44,839)
Increase in net income	104,623
<i>Increase in:</i>	
Remeasurement gains on defined benefit liability - net of tax	3,501,710
Increase in total comprehensive income	P3,606,333

There is no effect on both basic and diluted earnings per share as at December 31, 2013 and 2012.

The Group did not present a third consolidated statement of financial position because the impact to the consolidated financial position as at January 1, 2012 is immaterial and the restatement has not affected any account other than those indicated above.

26. Earnings before Interest, Taxes and Depreciation and Amortization (EBITDA)

The following table presents the computation of EBITDA as derived from the Group's consolidated net income attributable to equity holders of the Parent Company for the year:

	2013	2012	2011
Net income attributable to equity holders of the parent	P280,215,819	P1,092,992,616	P915,695,014
Minority interest	(77,321,264)	3,294,962	(1,620,344)
Net income	202,894,555	1,096,287,578	914,074,670
Add (deduct):			
Gain (loss) on sale of equity investment	551,958,543	(181,242,227)	-
Impairment loss	198,472,147	19,145,556	4,455,336
Depreciation	131,724,161	96,727,428	79,227,049
Provision for income tax	(12,913,743)	12,889,548	8,070,075
Equity in net earnings	(86,072,773)	(39,906,058)	(182,222,663)
Interest expense	22,072,431	-	1,026,432
Interest income	(22,500,401)	(36,644,180)	(44,130,837)
EBITDA	P985,634,920	P967,257,645	P780,500,062
Issued and outstanding shares at end of year	1,172,220,560	1,424,365,979	1,261,555,973
EBITDA - EPS	0.8408	0.6791	0.6187

EBITDA and EBITDA - EPS are non-PFRS measures.



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Subic · Cebu · Bacolod · Iloilo

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
PhilWeb Corporation
The Penthouse, Alphaland Southgate Tower
2258 Chino Roces Avenue corner EDSA
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of PhilWeb Corporation and Subsidiaries (the "Group") as at and for each of the three years in the period ended December 31, 2013, included in this form 17-A, and have issued our report thereon dated March 18, 2014.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.


ADOR C. MEJIA

Partner

CPA License No. 0029620

SEC Accreditation No. 1464-AR-2, Group A, valid until March 24, 2016

Tax Identification No. 112-071-634

BIR Accreditation No. 08-001987-10-2013

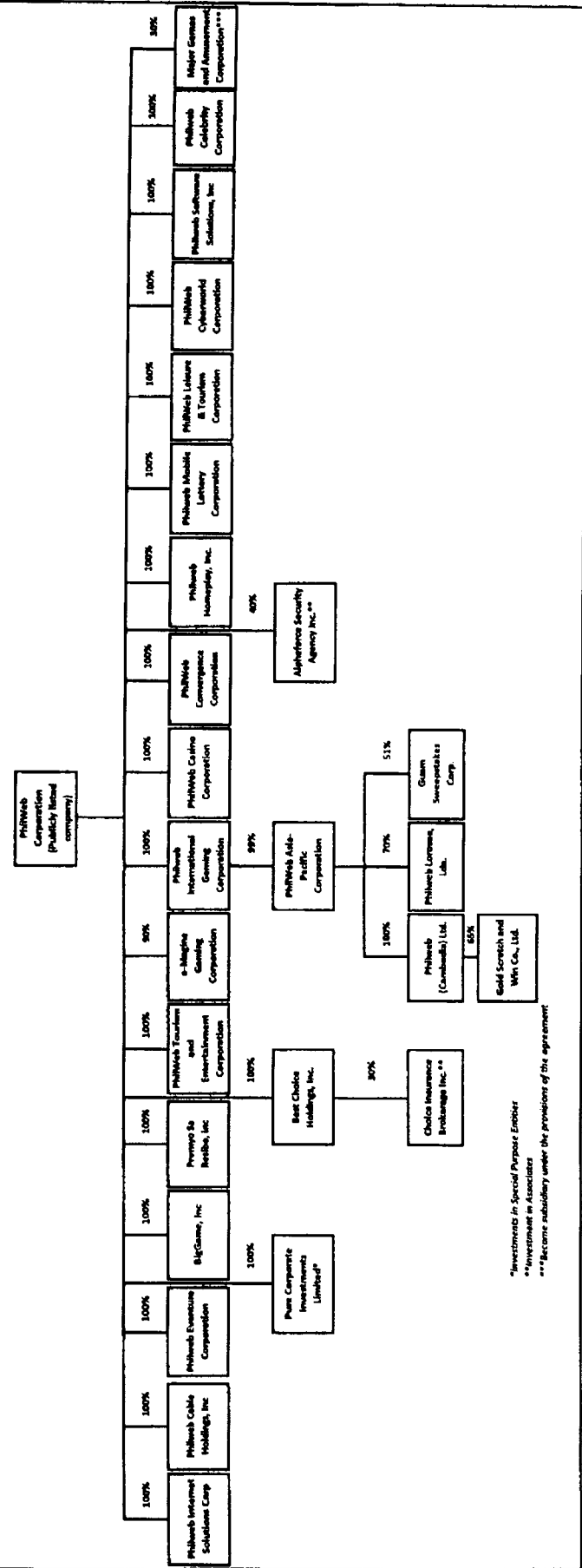
Issued May 9, 2013; valid until May 8, 2016

PTR No. 4225335MC

Issued January 2, 2014 at Makati City

March 18, 2014
Makati City, Metro Manila

GROUP ORGANIZATIONAL STRUCTURE OF PHILWEB CORPORATION



*Investment in Special Purpose Entity
 **Investment in Associate
 ***Became subsidiary under the provisions of the agreement

PHILWEB CORPORATION
The Penthouse, Alphaland Southgate Tower,
2258 Chino Roces Avenue corner EDSA, Makati City
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND
INTERPRETATIONS

PHILWEB CORPORATION			
The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City			
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS			
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics			
PFRSs Practice Statement Management Commentary			
Philippine Financial Reporting Standards			
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards		✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate		✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters		✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters		✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters		✓
	Amendments to PFRS 1: Government Loans		✓
PFRS 2	Share-based Payment	✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations		✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions		✓
PFRS 3 (Revised)	Business Combinations	✓	
PFRS 4	Insurance Contracts		✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts		✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources		✓
PFRS 7	Financial Instruments: Disclosures	✓	
	Amendments to PFRS 7: Transition		✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets		✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition		✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments		✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓	
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities		✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓

PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements		✓	
PFRS 11	Joint Arrangements		✓	
PFRS 12	Disclosure of Interests in Other Entities		✓	
PFRS 13	Fair Value Measurement		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		

PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓

IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILWEB CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2013

Schedule	Particulars	
A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	Not applicable
C	- AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- INTANGIBLE ASSETS AND OTHER ASSETS	Not applicable
E	- LONG-TERM DEBT	Not applicable
F	- INDEBTEDNESS TO RELATED PARTIES (LONG- TERM LOANS FROM RELATED COMPANIES)	Not applicable
G	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	Not applicable
H	- CAPITAL STOCK	

PHILWEB CORPORATION
AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2013

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and receivables				
Cash and cash equivalent				
Cash on hand and in banks	187,947,815	187,947,815	797,743,477	797,743,477
Short-term investments	154,042,613	154,042,613	254,427,436	254,427,436
	<u>341,990,428</u>	<u>341,990,428</u>	<u>1,052,170,913</u>	<u>1,052,170,913</u>
Accounts receivables				
Trade receivables	1,823,469	1,823,469	86,721,974	86,721,974
Claims from telecommunication companies	31,898,480	31,898,480	4,144,606	4,144,606
Receivable from PAGCOR	33,478,483	33,478,483	43,393,406	43,393,406
Receivables from eCasino operation	27,867,772	27,867,772	22,076,407	22,076,407
Advances to a related party	93,414,865	93,414,865	24,675,025	24,675,025
Advances to officers and employees	3,886,046	3,886,046	2,502,088	2,502,088
Advances to customers/suppliers	61,499,676	61,499,676	83,306,535	83,306,535
	<u>253,868,791</u>	<u>253,868,791</u>	<u>266,820,041</u>	<u>266,820,041</u>
Notes receivable				
	969,010,738	969,010,738	983,215,526	983,215,526
Other assets				
	44,170,803	44,170,803	42,458,993	42,458,993
Total	<u>1,609,040,760</u>	<u>1,609,040,760</u>	<u>2,344,665,473</u>	<u>2,344,665,473</u>

PHILWEB CORPORATION
AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2013

Subsidiary	Balance of beginning period	Additions	Amounts collected	Amounts provided with allowance	Current	Non-current	Balance at end of period
PhilWeb Cyberworld Corporation	168,472,799			(168,472,799)	-	-	-
BigGame, Inc	34,914,790	29,923,617	(15,967,893)		48,870,514	-	48,870,514
Premyo Sa Resibo, Inc	450,849	9,890,172	(7,809,931)		2,531,090	-	2,531,090
PhilWeb Asia-Pacific Corporation	54,139,304	77,324,850	(129,332,557)		2,131,597	-	2,131,597
PhilWeb Casino Corporation	31,134,430	2,313,768,730	-		2,344,903,160	-	2,344,903,160
PhilWeb (Cambodia) Ltd.	81,616,370	-	(81,616,370)		-	-	-
Triple Play Technology, Inc.	6,788,709			(6,788,709)	-	-	-
PhilWeb Tourism and Entertainment Corporation	3,222,047		(3,222,047)		-	-	-
Philweb Homeplay, Inc.	2,145,041	4,102			2,149,143	-	2,149,143
PhilWeb Convergence Corporation	1,300,175			(1,300,175)	-	-	-
Best Choice Holdings, Inc.	-	6,941,510			6,941,510	-	6,941,510
e-Magine Gaming	2,946,082	94,723,739			97,669,821	-	97,669,821
Total	387,130,596	2,532,576,720	(237,948,798)	(176,561,683)	2,505,196,835	-	2,505,196,835

PHILWEB CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2013

Description	Number of Shares Authorized	Number of Shares Issued	Number of Shares Subscribed	Treasury Shares	Number of Shares Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held by		
							Affiliates	Directors, Officers and Employees	Others
Common shares	2,600,000,000	1,350,614,879	163,378,780	(341,773,099)	1,172,220,560	0	-	822,814,235	349,406,325
Total	2,600,000,000	1,350,614,879	163,378,780	(341,773,099)	1,172,220,560	0	-	822,814,235	349,406,325

PHILWEB CORPORATION AND SUBSIDIARIES
A Schedule Showing Financial Soundness Indicators in Two Comparative
Period as Follows:

	December 31	
	2013	2012
Statements of Financial Position		
Current Assets	1,063,149,112	1,930,202,913
Total Assets	2,042,159,181	3,817,197,716
Current Liabilities	1,412,294,548	254,565,832
Total Liabilities	1,491,016,332	328,597,004
Retained Earnings	2,085,982,906	2,073,440,678
Stockholders' Equity	551,142,849	3,488,600,712
Stockholders' Equity - Parent	3,035,105,988	2,941,803,453
Book Value per Share	0.47	2.45

	Year Ended December 31	
	2013	2012
Statements of Financial Performance		
Operating Revenue	1,493,699,764	1,483,589,923
Other Revenue	109,296,063	76,676,238
Gross Revenue	1,602,995,827	1,560,266,161
Operating Expense	838,984,041	632,331,262
Other Expense	574,030,974	(181,242,227)
Gross Expense	1,413,015,015	451,089,035
Net Income Before Tax	189,980,812	1,109,177,126
Income Tax Expense	(12,913,743)	12,889,548
Net Income After Tax	202,894,555	1,096,287,578
Net Income Attributable to Parent Equity Holder	280,215,819	1,092,992,616
Earnings Per Share (Basic and Diluted)	0.2106	0.7411

Financial Ratios	Formula	Year Ended December 31	
		31-Dec-13	31-Dec-12
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets/Current Liabilities	0.75	7.58
Quick Ratio	(Current Assets - Inventory - Prepayments)/Current Liabilities	0.85	0.94
Solvency Ratio	Total Assets/Total Liabilities	1.37	11.62
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.73	0.09
Debt to Equity Ratio	Total Debt/Total Stockholders' Equity	2.71	0.09
Interest Coverage	Earnings Before Interest and Taxes(EBIT)/Interest Charges	8.59	N/A
Asset to Equity Ratio	Total Assets/Total Stockholders' Equity	3.71	1.09
Profitability Ratios			
Gross Profit Margin	Sales-Cost of Goods Sold or Cost of Service/Sales	0.44	0.57
Net Profit Margin	Net Profit/Sales	0.14	0.74
Return on Assets	Net Income/Total Assets	0.10	0.29
Return on Equity	Net Income/Total Stockholders' Equity	0.37	0.31
Price/Earnings Ratio	Price Per Share/Earnings Per Common Share	42.65	16.95



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Subic - Cebu - Bacolod - Iloilo

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
PhilWeb Corporation
The Penthouse, Alphaland Southgate Tower
2258 Chino Roces Avenue corner EDSA
Makati City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of PhilWeb Corporation (the "Company") as at and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated March 18, 2014.

Our audits were made for the purpose of forming an opinion on the basic separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

R.G. MANABAT & CO.

ADOR C. MEJIA

Partner

CPA License No. 0029620

SEC Accreditation No. 0464-AR-2, Group A, valid until March 24, 2016

Tax Identification No. 112-071-634

BIR Accreditation No. 08-001987-10-2013

Issued May 9, 2013; valid until May 8, 2016

PTR No. 4225135MC

Issued January 2, 2014 at Makati City

March 18, 2014

Makati City, Metro Manila

PHILWEB CORPORATION
 The Penthouse, Alphaland Southgate Tower
 2258 Chino Roces Avenue corner EDSA, Makati City
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
 DIVIDEND DECLARATION**

*(Figures based on Company's
 audited financial statements as at
 and for the year ended
 December 31, 2013)*

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, January 1, 2013		P966,620,077
Net Income based on the face of AFS	P944,285,139	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the year		944,285,139
Less: Dividend declarations during the year	286,902,563	
Treasury shares during the year	567,202,505	854,105,068
TOTAL RETAINED EARNINGS, December 31, 2013 AVAILABLE FOR DIVIDEND		P1,056,800,148