111192013001509

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	CS200518779
Company Name	IP E-GAME VENTURES INC.
Industry Classification	Other Amusement & Recreational Activities, N.E.C.
Company Type	Stock Corporation

Document Information

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COVER SHEET

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S.E.C. Registration Number

IP E-GAME VENTURES, INC. AND SUBSIDIARIES (A Subsidiary of IPE Global Holdings Corporation)

(Company's Full Name)

2/F Bonifacio Technology Center, 31st Street Corner 2nd Avenue, Bonifacio Global City, Taguig City

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

Miguel B. Ladios	(02) 976-4777
Contact Person	Company Telephone Number

0 9	3 0	SEC Form 17-Q	0 6	0 6
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

SEC	Article VII
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

2 3	₱–	–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2013**

2. SEC Identification Number **CS200518779**

3. BIR Tax Identification No. **242-246-380**

4. Exact name of issuer as specified in its charter **IP E-GAME VENTURES, INC.**

5. **Metro Manila, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **2/F Bonifacio Technology Center, 31st St. Cor 2nd Ave., Bonifacio Global City, Taguig City**
   Address of principal office

   Postal Code **1630**

   Issuer's telephone number, including area code **+63 2 976 4777**

8. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	**30,000,000,000**

10. Are any or all of these securities listed on a Stock Exchange.

    Yes [x]   No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange   **Common Shares**

11. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [x]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [x]   No [ ]

12. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

    The aggregate market value of the voting stock held by non-affiliates of the Company as of September 30, 2013 is ₱227,075,066 (17,467,312,800 shares @ ₱0.013/share).

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this report, the **QUARTERLY REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2013** (SEC Form 17-Q) is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, Philippines on **November __, 2013.** NOV 18 2013

IP E-GAME VENTURES, INC. AND SUBSIDIARIES

Issuer

By:

JAIME ENRIQUE Y. GONZALEZ
Chairman & Chief Executive Officer

MIGUEL B. LADIOS
Treasurer

Before me REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

NOV 18 2013

SUBSCRIBED AND SWORN TO before me this __ day of **November 2013**, the following persons exhibiting me their Tax Identification Numbers, as follow:

	Tin No.	Date of Issue	Place of Issue
Jaime Enrique Y. Gonzalez	201-868-133		
Miguel B. Ladios	139-534-890		

Doc No. 69;
Page No. 15;
Book No. XII;
Series of 2013.

JOSE VOLTAIRE A. BAUTISTA
NOTARY PUBLIC
UNTIL DEC. 31, 20 13
PTR No. 3684580 ISSUED ON 1-2-13 AT MAKATI
SC ROLL NO. 47491

FINANCIAL INFORMATION

Item 1. Financial Statements

The information contained herein should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes of the Company, prepared in accordance with Philippine Financial Reporting Standards (PFRS), as of September 30, 2013 (with comparative figures for 2012) and for the periods ended September 30, 2013 and 2012 (see **Annex A**).

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

Discussions in the foregoing sections of this report may contain forward-looking statements that reflect current views, with respect to the company's future plans, events, operational performance, and desired results. These statements, by their very nature, contain substantial elements of risks and uncertainties. Actual results may be different from our forecasts.

PART I. BUSINESS AND GENERAL INFORMATION

IP E-Game Ventures, Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group" were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on various dates.

The Group is principally engaged in the business of interactive gaming and content distribution to the local, regional and global market. We also provide Internet, intranet, extranet and other related value-added services to any and all types of information technology users related to interactive computer games and content distribution.

On January 27, 2010, the Philippine Stock Exchange (PSE) approved the Parent Company's application for Listing by Way of Introduction with the PSE's Secondary Board of 33.54 million of its common shares. Listing by Way of Introduction is a listing process that does not involve an initial public offering of securities. The Company will be conducting a follow-on offering in compliance with the Company's previous Listing By Way of Introduction.

In July 2011, the Company is 69.75%-owned by IPE Global Holdings Corporation (IPE Global or Parent Company), a company incorporated in the British Virgin Islands and 23.59%-owned by IPVG Corp. (IPVG), a company incorporated in the Philippines and whose shares are also listed in the PSE. IPE Global was 71%-owned by IPVG, making IPVG the ultimate parent of the Company. On the same date, the shareholders and the Board of Directors (BOD) of IPVG approved IPVG's Restructuring Plan, which aims to increase shareholder value and potentially generate cash for IPVG. As part of the Restructuring Plan, IP Ventures Inc. (IPVI) was incorporated in the Philippines on September 16, 2011. IPVI is owned by the same shareholders of IPVG in the same proportion as their shareholdings in the latter. Following the formation of IPVI, IPVG transferred substantially all its assets and liabilities, including its equity interest in shares of stock of the Company pursuant to the Asset Purchase Agreement (APA) dated September 28, 2011. As a result of the APA, IPVI became the ultimate parent of the Company.

On March 22, 2012, during the Shareholders' Meeting, the minority and unrelated shareholders approved the waiver of the requirement to conduct a rights or public offering in relation to the additional listing of the above shares because the 10% required public ownership has already been attained by the Company.

Throughout 2012, the Company listed additional shares for public ownership. As a result, the controlling interest vested in the Parent Company was removed and diversified into various stockholders.

The Company is the leading on-line game publisher in the Country, with a portfolio of *massively multiplayer online role-playing games* (MMORPG) and *casual online games*. The Company pioneered the "*free-to-play*" business model, wherein gamers are not required to pay a subscription fee to play online games. Gamers are given the option of purchasing "in-game items" to enhance their gaming experience by using virtual currency (e-Points), which the Company sells.

As part of strategic acquisitions, the Company acquired two of the largest Internet café chains, Digital Paradise, Inc. (DPI), which owns and operates Netopia, and Webworx, Inc. Today, a majority of internet users access the internet through internet cafes and more than 90% of our online gamers play at Internet cafes. These acquisitions are in line with its plan to be the leading digital consumer platform in the Philippines, providing content, retail access and advertising platforms to Internet users.

2013 FINANCIAL HIGHLIGHTS

- On April 12, 2013, the BOD approved the First Tranche of increase in the Company's authorized capital stock to ₱10 billion divided into 1 Trillion shares at a par value of ₱0.01 per share. The BOD also approved the issuance and listing of up to 250 billion shares from the approved increase in authorized capital stock, and the delegation of authority to the Executive Committee to determine and approve the final terms and conditions of the transactions.

- On May 15, 2013, the BOD approved the Corporation's release of the audited financial statements as of December 31, 2012.

- On August 16, 2013, the BOD approved a proposed transaction with GMA New Media, Inc. (GNMI) whereby: (i) GNMI will sell the Corporation and the Corporation will acquire shares of X-Play Online Games, Incorporated (X-Play); and (ii) IPEG will cause the issuance or transfers of shares of the Corporation to GNMI.

2012 FINANCIAL HIGHLIGHTS

Amendment of Articles of Incorporation

- On February 14, 2012, the BOD approved the amendment in the Articles of Incorporation to change the corporate name and primary purpose of the Company to allow it to engage in the business of food and beverage, entertainment, hotel and leisure.

- On June 28, 2012, the BOD approved the amendment of Article Seventh of the Amended Articles Incorporation, to increase the authorized capital stock of the Corporation from ₱300,000,000, divided into 30 billion shares with par value of ₱0.01 each, to ₱1 billion, divided into 100 billion shares with par value of ₱0.01 each.

  The BOD likewise approved the issuance and listing of up to 40 billion shares out of the increase in authorized capital stock, subject to the final terms and conditions of the subscription.

- On July 31, 2012, during the Regular Stockholders Meeting, the Corporation approved the amendment of Article Third of the Amended Articles of Incorporation to change the principal office of the Corporation to 2/F Bonifacio Technology Center, 31st Street Corner 2nd Avenue, Bonifacio Global City, Taguig City, Metro Manila.

- On October 25, 2012, the BOD approved to amend the Articles of Incorporation, increasing the authorized capital stock of the Company to P9 billion divided into 900 billion shares. On the same date, the BOD approved to issue shares out of the increase in authorized capital stock, the proceeds of which shall be used to buy into a larger gaming and resort development project.

- In November 5, 2012, the BOD approved a modification on the approval made on October 25, 2012 to amend the Company's Amended Articles of Incorporation. The modification made is to amend the Corporation's Amended Articles of Incorporation, increasing the authorized capital stock to P50 billion divided into 5 trillion shares.

- On March 22, 2012, during the Shareholders' Meeting, the minority and unrelated shareholders approved the waiver of the requirement to conduct a rights or public offering in relation to the additional listing of the above shares because the 10% required public ownership has already been attained by the Company.

Merger with Level up! Inc. (LUI)
We have become one of the leading online games publishers in the country, garnering a community of over 15.9 million registered gamers and 447,055 active users per month that play our online games. In line with our efforts to increase market share, we have entered into discussions for a possible merger with our biggest competitor, LUI. The aim is to combine gaming assets with LUI and substantially increase our gaming community, distribution and reach to the market. On March 31, 2012, we completed our merger with LUI.

Acquisition of shares in Cosamera
On March 2, 2012, the Company acquired a 25% stake in Cosamera, a company with primary business in the Cagayan Special Economic Zone and Freeport. Cosamera is in the business of hotel and resort facilities which shall serve tourists frequenting the Cagayan Economic Zone Authority including visitors to its gaming facilities. As of date, Cosamera does not have available financial information, hence the investment was reported as part of noncurrent assets in 2012 balance sheet.

Content License and Distribution Agreement with NBAP
On January 9, 2012, the Company executed a Content License and Distribution Agreement with NBAP for the right and license to operate the official website of the NBA targeted at the Philippine market. NBAP is a company based in New York that operates various commercial activities of the NBA around the world, outside of Greater China. The agreement is binding and effective until September 30, 2014 unless earlier terminated. The rights granted under this agreement shall not be assigned, sublicensed or subcontracted without the prior written consent, which consent may, in the sole discretion of NBAP, (i) be contingent upon a fee payable by IPE or the transferee, and/or (ii) impose other terms and conditions upon the assignment or transfer. The Company has plans of transferring the content license to X-Play Online Games, Inc.

DPI secured loan with Hong Kong Shanghai Banking Corporation (HSBC)
DPI secured loan with HSBC in the amount of ₱200 million, to be backed by a guarantee from the Philippine Export-Import Credit Agency (PHILEXIM). The proceeds of the loan shall be used for the expansion and development of DPI's internet café chain.

Local Publishing Agreement with Take-Two International S.A. ("Take-Two")
The Company and X-Play signed an exclusive local publishing agreement with Take-Two for online sports and social web game. The said online social web game will be locally hosted and operated in the Philippines. Take-Two, a subsidiary of Take-Two Interactive Software, Inc., is a leading developer, marketer and publisher of interactive entertainment for consumers' world-wide.

Acquisition of property in Cagayan Ecozone
Pursuant to the approval of the Company's BOD on May 9, 2012, the Company, through RAN Online, Inc., (ROI) a wholly-owned subsidiary of E-Games, acquired a 36,000 square meters of property in Cagayan Ecozone for a purchase price of P70.0 million, through combination of cash and shares of stock.

Surety Agreement
On April 30, 2012, the Board authorized the Company to enter into a surety agreement in relation to the loan of IPVI with China Banking Corporation.

2011 FINANCIAL HIGHLIGHTS

Amendment of Articles of Incorporation
On December 27, 2011, the SEC approved the reduction in the Company's par value from P1.00 per share to P0.01 per share. With the decrease in par value, the authorized capital stock of the Company of P300 million is now divided into 30 billion shares.

Subscription to AB Fiber Corporation
On December 3, 2011, the Company subscribed to 60,000 common shares of AB Fiber Corporation at P100 per share or a total subscription price of P36 million, P6 million of which was paid for by applying the Company's dividend payable from FCCDCI. The Company's stake in AB Fiber was subsequently transferred to IP Converge.

Sponsorship Certification
On November 15, 2011, GMA provided a sponsorship certification of P30 million to X-Play for development of advergaming assets to be used by GMA in their digital advertising efforts.

Option Agreement with GMA New Media, Inc.
On October 19, 2011, GNMI executed a Subscription Agreement with the Company wherein the Company committed to allow GNMI to subscribe to Offer Shares worth P130 million as part of the Company's complying public offer. On the same date, the GNMI and E-Games executed an Option Agreement relative to their shares in X-Play.

Licensing and Distribution Agreement with Blizzard
On October 18, 2011, the Company entered into a Licensing and Distribution Agreement with Blizzard Entertainment International granting the Company exclusive license to market, sell and distribute physical boxed versions of World of Warcraft, Starcraft, Legacy Products and Diablo.

Investment in Webworx
On September 2, 2011, we purchased 60% of Webworx, Inc., owner and operator of the CYBR Internet café chain with 23 Internet cafés (18 company-owned branches and 5 franchised branches located in Luzon).

Memorandum of Agreement with RS Concepts

In July 2011, we entered into a memorandum of agreement with RS Concepts whereby the parties agreed to enter into a reseller agreement allowing RS Concepts to sell E-Games' available advertising inventory. The specific terms and conditions of the agreement are subject to further discussion and negotiations. RS Concept is a non-traditional advertising company.

On July 8, 2011, we commercially launched Point Blank, a first person shooter game whose active user base has surpassed the performance of our flagship MMORPGs in terms of number of users and growth rate.

First Cagayan Converge Data Center, Inc. ("FCCDCI")

On April 13, 2011, our Board approved the transfer of our 40% stake in FCCDI to IPCDCI. The transfer, which was done in three tranches, was part of the IPVG Groups' thrust to rationalize and consolidate its interests and business operations into the respective subsidiaries and affiliates.

As part of a rationalization of our services to focus on consumer Internet instead of a wider array of Internet services, we decided to transfer our holdings in FCCDCI to publicly listed data center operator IPCDCI. As of June 30, 2011, we have transferred 1/3 of our 40% stake in FCCDCI to IPCDCI and on September 30, 2011 we transferred an additional 1/3 of our 40% stake therein. The remaining 1/3 was sold on December 31, 2011. The total sale price was ₱114.0 million of which ₱100.0 million will be paid in cash and ₱20.0 million in future services, including internet bandwidth and co-location services. The transfer of our 40% stake in FCCDCI also includes the transfer of our equity stake, comprising 60,000 shares, in AB Fiber Corporation, the company that owns the fiber optic cables. As of December 31, 2011, the Company has completed the transfer of FCCDCI to IPCDCI.

Acquisition of DPI shares

On April 1, 2011, we acquired 97,557,504 shares of DPI from ePLDT, Inc. for a consideration of ₱145 million, or approximately ₱1.49 per share. The acquired shares constitute 75% of the outstanding capital stock of DPI, a corporation engaged in the business of providing shared community access through the Internet, computer leasing, desktop publishing and other Internet-related activities.

Software Development and License Agreement with Zepetto Co.

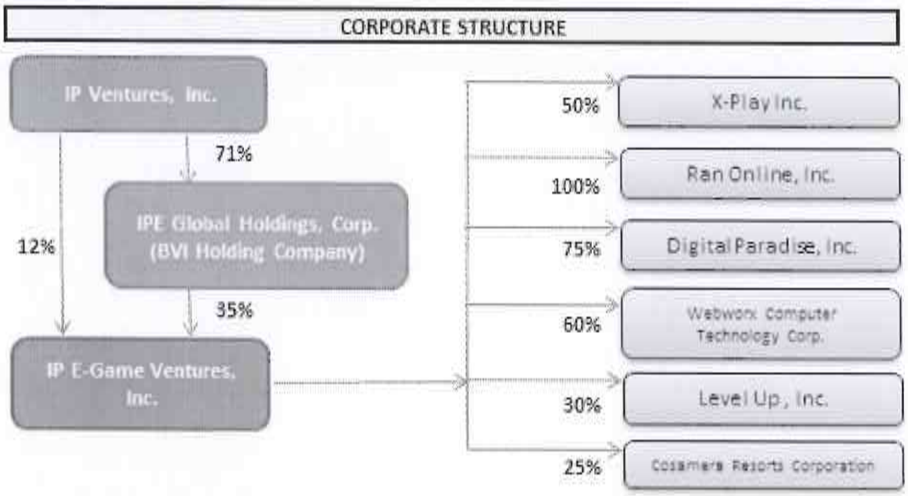
On April 1, 2011, we executed a Software Development and License Agreement with Zepetto Co., a South Korean company which owns the worldwide and exclusive right to market and distribute Point Blank, a casual FPS game. Pursuant to the agreement, we were granted the exclusive, royalty-bearing and non-transferrable license for the use, promotion, distribution and marketing of the localized version of Point Blank for a period of three years from the date of commercial launch. We launched the game commercially on July 8, 2011.

Rights offering of common shares

In January 2011, we conducted a rights offering and offered 134,182,216Common Shares ("Rights Shares") to our stockholders as of January 3, 2011 ("Record Date"). The Rights Shares were offered at the offer price of P1.00 per share and each eligible holder of Common Shares was entitled to subscribe to four (4) Rights Shares for every one (1) Common Share held as of the Record Date. The Rights Offering was fully subscribed and the Rights Shares were listed on the Second Board of the PSE on February 4, 2011.

CORPORATE STRUCTURE

A chart showing our corporate structure is shown below.



X-Play Online Games Incorporated ("X-Play")
On December 20, 2007, we signed a Shareholders' Agreement with GMA New Media, Inc. (GNMI) creating and operating a joint venture company, X-Play, which will engage in the business of designing, operating and maintaining casual online gaming and casual online gaming related portals. X-Play was incorporated on June 12, 2008 with an authorized capital stock of 8.0 million common shares with a par value of ₱100 per share, subscribed capital of ₱200.0 million, and paid in capital of ₱100.0 million, equally owned with GNMI. Our contribution to capital was in the form of cash and certain online gaming assets. GNMI contributed cash and advertising airtime.

The formation of X-Play allowed us to expand our casual games platform to the mainstream television market. We hope to recruit new players for our casual games from the television viewing public. We will have access to the website development, talents and advertising spots of GMA Network, Inc. X-Play has expanded its focus from operating primarily casual games to publishing top tier game titles and other online content such as those from Blizzard, Take-Two Interactive and NBA.Com.

RAN Online, Inc.
RAN Online, Inc. ("ROI") was incorporated on August 3, 2006. It has an authorized capital stock of ₱1.0 million divided into one million common shares, and a subscribed capital of ₱250,000. It is a wholly-owned subsidiary that was incorporated to provide information technology support services to third party gaming companies as well as our affiliates.

Digital Paradise, Inc. ("DPI")
Digital Paradise, Inc. was incorporated in the Philippines and registered with the SEC on July 23, 2002 to establish, purchase or otherwise acquire, develop, transfer, assign, or license a distinctive business format or system in rendering internet, desktop publishing and other related services to the public. It has an authorized capital stock of 190,000,000 shares with a par value of ₱1.00 per share and subscribed capital of 130,078,756 shares, or ₱130.1 million. We acquired 75% ownership of DPI on April 1, 2011.

On June 22, 2010, the SEC approved and issued the Certificate of Amendment of the Articles of Incorporation, reflecting the change in DPI's primary purpose to engage in, conduct and carry on the business of providing shared community access through the internet, computer leasing, desktop publishing and other Internet-related activities.

DPI uses the brand Netopia and EGG for its chain of internet café in the Philippines with over 2,847 owned workstations consisting of 70 company-owned and 30 franchised branches located in major malls and near schools.

WebWorx
On September 2, 2011, the Company subscribed to 375,000 primary shares of Webworx, equivalent to 60% of the latter's increased outstanding capital stock, for a total subscription price of ₱48.0 million or ₱128.0 per share. Of the total subscription price, ₱33.6 million was paid on September 2, 2011 while the balance of ₱14.4 million is payable on the earlier of December 31, 2011 or 10 business days after the mandatory initial public offering is completed. On January 19, 2012, the parties revised the Subscription Agreement to provide that the balance amounting to ₱14.4 million shall be paid as follows: (i) ₱7.2 million to be paid within 10 business days from receipt by the Company of Webworx's financial statements showing a trailing six months, commencing on February 1, 2012, EBITDA of ₱6.0 million; and (ii) ₱7.2 million to be paid within 10 business days from receipt of the financial statements showing a trailing six-months, ending on January 31, 2013, EBITDA of ₱6.0 million. The amendment further provides that should Webworx's EBITDA for both period fall below ₱6.0 million, the balance due to the Webworx's shall be subject to a downward adjustments in accordance with an agreed formula.

Webworx was incorporated on August 17, 2011 with the primary purpose of operating internet cafes in the Philippines. It has acquired all or substantially all of the assets that CyberOne Computer Technology Corp. used in operating the CYBR chain of internet cafes. Webworx currently has an authorized capital stock of ₱1.0 million divided into 1,000,000 shares with a par value of ₱1.0 per share. As part of the acquisition, the parties have signed agreements regarding rights of first refusal and drag along rights over the shares as well as for the governance of Webworx. Pursuant to such agreements, the Company was given the right to nominate three out of the five directors in Webworx's board and the right to appoint its chairman, chief finance officer/treasurer and corporate secretary for as long as it has majority ownership. Franchising will also be supervised by the Company.

Level Up! Inc. ("LUI")
In the first quarter of 2012, the Company and LUI successfully merged their Philippine online game publishing business. Selected E-Games' game titles and assets were acquired by LUI in exchange for 30% stake in LUI and cash consideration. LUI is a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines.

Acquisition of shares in Cosamera
On March 2, 2012, the Company acquired a 25% stake in Cosamera, a corporation duly organized and existing under Philippine law with primary business in the Cagayan Special Economic Zone and Freeport. Cosamera is in the business of hotel and resort facilities which shall serve tourists frequenting the Cagayan Economic Zone Authority including visitors to its gaming facilities.

First Cagayan Converge Data Center, Inc. ("FCCDCI")
FCCDCI was registered with the SEC on November 17, 2007 and was formed as a joint venture company between IP Converge Data Center, Inc. ("IPCDCI") and First Cagayan Leisure & Resort Corp. ("FCLRC"), to engage in information technology and communications, such as but not limited to Internet Protocol Systems products and their improvements and other services related thereto, such as co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution to the licensed locators of FCLRC, as well as the Cagayan Economic Zone Authority.

FCCDCI has an authorized capital stock of ₱25.0 million divided into 25 million shares with a par value of ₱1.0 per share, of which ₱25.0 million has been subscribed and ₱6.25 million has been paid. FCCDCI was established with FCLRC owning 60% and IPCDCI owning 40%. The company started commercial operations on January 1, 2008.

On January 1, 2009, IPCDCI effectively assigned its subscription rights (covering 9,999,998 shares of FCCDCI, which represent 40% of FCCDCI's outstanding capital stock) to the Company, the consideration for which was paid in cash.

Our acquisition of FCCDCI improved our communications infrastructure in the Philippines, particularly in the Northern Luzon area. FCCDCI maintains an extensive fiber optic network and data center in Cagayan Economic Zone Authority. FCCDCI is a profitable company and diversifies our business model by capturing the enterprise market.

As part of a rationalization of our services to focus on consumer Internet instead of a wider array of Internet services, we decided to transfer our holdings in FCCDCI to publicly listed data center operator IPCDCI. As of June 30, 2011, we have transferred 1/3 of our 40% stake in FCCDCI to IPCDCI and on September 30, 2011 we transferred an additional 1/3 of our 40% stake therein. The remaining 1/3 was sold on December 31, 2011. The total sale price was ₱114.0 million of which ₱100.0 million will be paid in cash and ₱20.0 million in future services, including internet bandwidth and co-location services. The transfer of our 40% stake in FCCDCI also includes the transfer of our equity stake, comprising 60,000 shares, in AB Fiber Corporation, the company that owns the fiber optic cables. As of December 31, 2011, the Company has completed the transfer of FCCDCI to IPCDCI.

SELECTED FINANCIAL DATA

The selected consolidated financial information set forth in the following tables, as prepared by the Company, were derived from the unaudited financial statements of the Company as of September 30, 2013 (with comparative figures for 2012 and 2011) and audited financial statements of the Company for the years ended December 31, 2012 and 2011.

The consolidated financial statements as of and for the year ended December 31, 2012 and 2010 were audited by Manabat Sanagustin & Co. (with comparative figures for 2011), while the consolidated financial statements as of and for the years ended December 31, 2011 were audited by Reyes Tacandong & Co., all in accordance with PFRS.

These financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this submission. The summary of consolidated financial information set out below does not purport to project the results of our operations or financial condition for any future period or date.

Consolidated Financial Data

Statement of Income Data:	**For the quarters ended September 30,**		
(In Thousand Pesos, except per share data)	**2013**	**2012**	**2011**
Net revenue	₱250,944	₱358,040	₱337,101
Cost of sales and services	(224,031)	(276,985)	(140,547)
Gross profit	26,913	81,055	196,554
Operating expenses	(100,417)	(148,995)	(196,160)
Other income (charges)	(26,370)	3,114	54,888
Income (loss) before income tax	(99,874)	(71,054)	55,282
Provision for (benefit from) Income tax	2,184	(21,601)	4,015
Net income (loss)/ Total comprehensive income	(₱102,058)	(₱49,453)	₱51,267
Net income (loss)/Total comprehensive income attributable to:			
Equity holder of the company	(₱83,174)	(₱38,867)	₱49,186
Non-controlling interests	(18,884)	(10,586)	2,081
	(₱102,058)	(₱49,453)	₱51,267
Earnings per share:			
Basic	(₱0.0053)	(₱0.0026)	₱0.32
Diluted	(0.0053)	(0.0026)	0.31

Balance Sheet Data:	**For the Period Ended,**		
(In Thousand Pesos)	**September 30, 2013**	**December 31, 2012 (Audited)**	**December 31, 2011 (Audited)**
ASSETS			
Cash	₱3,911	₱74,341	₱102,646
Short-term investment	171,737	200,886	50,592
Trade and other receivables	42,932	42,588	36,539
Due from related parties	326,856	293,663	196,237
Inventories	8,783	23,702	19,511
Assets classified as held for sale	35,126	-	89,398
Other current assets	-	23,296	18,874
Total current assets	**589,345**	**658,476**	**513,797**
Investments in associates and a joint venture	2,608,359	123,571	49,360
Available-for-sale investment	33,400	33,400	-
Property and equipment	83,012	62,950	53,063
Investment properties	71,282	71,267	-
Goodwill	26,081	26,081	61,833
Intangible assets	16,539	16,228	2,596
Deferred tax assets	4,794	4,834	4,198
Other noncurrent assets	88,247	89,307	55,297
Total noncurrent assets	**2,931,714**	**427,638**	**226,347**
TOTAL ASSETS	**₱3,521,059**	**₱1,086,114**	**₱740,144**
LIABILITIES AND EQUITY			
Trade and other payables	₱233,475	₱249,946	₱224,065
Due to related parties	98,625	81,745	22,575
Loans payable	203,974	168,017	49,469
Due to stockholders/directors	31,500	31,500	-
Income tax payable	1,469	832	75
Current portion of long-term loans	-	-	56,000
Liabilities directly associated with assets classified as held for sale	-	-	21,793
Total current liabilities	**569,043**	**532,040**	**373,977**
Retirement benefit liability	19,200	19,200	22,534
Total Liabilities	**588,243**	**551,240**	**396,511**
Equity attributable to equity holders of the Parent	2,919,779	502,953	297,954
Non-controlling Interest	13,037	31,921	45,679
Total Equity	**2,932,816**	**534,874**	**343,633**
TOTAL LIABILITIES AND EQUITY	**₱3,521,059**	**₱1,086,114**	**₱740,144**

KEY PERFORMANCE INDICATORS

The Group's top key performance indicators, as of September 30, 2013 (with comparative figures for December 31, 2012 and 2011) and for the quarter period ended September 30, and how they are computed, are listed below:

After the Company's sale of its gaming assets to LUI in March 2012, the Company has become to be a holding entity to its subsidiaries, associates and joint venture. The following financial ratios are deemed to be relevant to the Company:

	For the three months ended September 30,		For the year ended December 31,	
	2013	2012	2012	2011
Financial Ratios:				
Current ratio (x)	1.04	1.09	1.24	1.38
Asset to stockholders' equity (x)	1.20	3.02	2.03	2.15
Debt to stockholders' equity (x)	0.20	2.02	1.03	1.15
Interest rate coverage (x)	(7.04)	(2.55)	(3.35)	4.12
Gross margin (%)	10.72	22.64	22.10	32.93
Operating profit (loss) margin (%)	(34.85)	(14.25)	(17.25)	(0.07)
Basic and diluted earnings per share	(0.0053)	(0.0019)	(0.006)	0.004

Current Ratio
This is calculated by dividing current assets over current liabilities. This ratio measures the Company's ability to pay short-term obligations. As shown above, the Company's current assets are still sufficient to cover its currently maturing liabilities.

Asset to Stockholders' Equity Ratio
This is calculated by dividing total assets over total stockholders' equity. This ratio measures the Company's leverage. A ratio of more than 1.0 means that the Company owns more of its assets than financed by the shareholders through equity.

Debt to Stockholders' Equity Ratio
This is calculated by dividing total liabilities over total stockholders' equity. This ratio expresses the relationship between capital contributed by the creditors and the owners. The significant movement represents new capital infused to the Company.

Interest Rate Coverage Ratio
This is calculated by dividing a Company's earnings before interest and taxes by the Company's interest expenses. This ratio measures how easily a company can pay interest on outstanding debt. The lower the ratio, the more the Company is burdened by debt expense. Hence, an interest coverage ratio below 1.0 indicates the Company is not generating sufficient revenues to satisfy interest expenses.

Gross Margin
This is computed by dividing gross profit by total revenue, and is dependent on the amount of revenues generated and cost of services expended. Please refer to "Results of Operations" for a more detailed analysis of revenues and cost of services.

Operating Profit (Loss) Margin
This is computed by dividing earnings before interest and taxes by net revenue. The operating profit (loss) margin is a measure of overall operating efficiency, incorporating all the expenses of ordinary, daily business activity.

Basic Earnings Per Share
This is computed by dividing net income by weighted average number of common shares outstanding. Basic earnings per share do not factor in the dilutive effects on convertible securities.

Diluted Earnings Per Share
A performance metric used to gauge the quality of a company's earnings per share (EPS) if all convertible securities were exercised. Convertible securities refer to all outstanding convertible preferred shares, convertible debentures, stock options (primarily employee based) and warrants.

Results of Operations
Quarter ended September 30, 2013 compared with quarter ended September 30, 2012

Revenues

Net revenues went down by 30% (or ₱107 million) from ₱358 million in 2012 to ₱251 million in 2013 for the nine months period ended September 30.

Primary reason would be the transfer of revenues generated by gaming assets in 2012 (namely Ran Online, Cabal Online and Point Blank) which together contributed ₱47 million in 2012.

In addition, there were no revenues reported yet for Webworx in 2013. This is consequence to the on-going legal issues as to the control over operations of Webworx which started in August 2012. Webworx contributed ₱22 million for the nine months ended September 30, 2012.

Despite the ₱8 million rental revenue contributed by Ran Online, Inc. to the consolidated profit or loss for the nine months ended September 30, 2013 (nil in 2012), DPI however had a dip by 18% or ₱45 million in revenues.

The breakdown of revenues is shown in the following table:

(In Thousand Pesos)	For the Quarter Ended September 30, 2013		2012		Increase (Decrease)	
	₱000	%	₱000	%	₱000	%
E-Games Revenues:						
Game box selling[1]	₱32,237	13%	₱24,605	7%	₱7,632	31%
Game play revenues[2]:						
Ran Online	-	-	25,080	7%	(25,080)	(100%)
Cabal Online	-	-	15,016	4%	(15,016)	(100%)
Point Blank	-	-	6,792	2%	(6,792)	(100%)
	32,237	13%	71,493	20%	(39,256)	(55%)
In-game advertisements[3]	845	0%	4,563	1%	(3,718)	(81%)
Other sources[4]	1,082	0%	1,680	0%	(598)	(36%)
	34,164	**14%**	**77,736**	**22%**	**(43,572)**	**(56%)**
DPI Revenues[5]:						
Usage & printing	109,041	43%	130,902	37%	(21,861)	(17%)
Retail	91,053	36%	113,159	32%	(22,106)	(20%)
	200,094	80%	244,061	68%	(43,967)	(18%)
Advertisements	585	0%	1,472	0%	(887)	(60%)
Other sources	8,082	3%	7,778	2%	304	4%
	208,761	**83%**	**253,311**	**71%**	**(44,550)**	**(18%)**
Ran Online[6]:						
Rental	**8,019**	**3%**	-	**0%**	**8,019**	**100%**
Webworx Revenues[7]:						
Usage & printing	-	-	20,119	6%	(20,119)	(100%)
Advertisements	-	-	45	0%	(45)	(0%)
Other sources[7]	-	-	6,829	2%	(6,829)	(2%)
	-	-	**26,993**	**8%**	**(26,993)**	**(8%)**
Total Net Revenues	**₱250,944**	**100%**	**₱358,040**	**100%**	**(₱107,096)**	**(30%)**

Notes:

1. *Game box selling – in second quarter of 2012, the Company started selling game boxes as main source of operating revenues.*
2. *Game Play Revenue – e-Points loaded and spent on specific games. These game titles were sold to LUI in March 2012.*
3. *In-game Advertisement – third party ad fee for product placements (i.e. game launcher applications, in-game platforms, and events).*
4. *Other Sources – revenue from sale of starter kits (for selected games) and merchandise and auctions (during mall events).*
5. *DPI – Main source of revenue is usage, printing and retailing of box games in its internet cafes.*
6. *Ran Online – In 2012, the Company started leasing its properties located in Cagayan.*
7. *Webworx- consolidated beginning September 2, 2011. In August 2012, the Company's investment over Webworx was reclassified as Available-for-sale investment.*

E-Games Revenues
E-Game's revenues decreased by 30% for the nine months period ended September 30 (from ₱78 million in 2012 to ₱34 million in 2012). The significant decline was due to the merger with LUI in March 2012, where game titles were acquired by LUI in exchange for 30% stake.

There was no significant movement on in-game advertisement and other sources of revenues from prior year.

Internet Café Revenues
Revenues from the internet café businesses, DPI posted ₱209 million to our net revenues in 2013, from ₱253 million in 2012, or decrease of 18%. The decrease is a result of reduction in number of internet cafes. However, the Group anticipates that it will grow the number of its café chains over the year.

In 2012, incidental to an on-going legal issues as to the control over operations of Webworx, the Company's investment to Webworx was reclassified as "Available-for-sale investment". Therefore, its revenues and expenses were accounted for separately in the books of Webworx moving forward.

Revenue from internet café includes advertising and other sources which amounted to ₱9 million and ₱16 million in 2013 and 2012, respectively. Other sources of revenues include franchise and royalty fees and rentals from events held at branches.

Cost of Sales and Services

The following table shows the major components of our cost of sales and services for the periods indicated.

(In Thousand Pesos)	For the Nine Months Period Ended September 30,				Increase (Decrease)	
	2013		2012			
	₱000	%	₱000	%	₱000	%
Cards and pins	₱92,879	41%	₱76,677	28%	₱16,202	21%
Rent	36,166	16%	52,695	19%	(16,529)	(31%)
Salaries and wages	30,003	13%	43,734	16%	(13,731)	(31%)
Utilities	17,293	8%	25,132	9%	(7,839)	(31%)
Depreciation and amortization	16,093	7%	18,249	7%	(2,156)	(12%)
Food and beverages	12,725	6%	15,440	6%	(2,715)	(18%)
Maintenance	5,949	3%	6,649	2%	(700)	(11%)
Communication and co-location	6,005	3%	15,574	6%	(9,569)	(61%)
Royalties	-	-	17,504	6%	(17,504)	(100%)
Others	6,918	3%	5,331	1%	1,587	30%
Total	**₱224,031**	**100%**	**₱276,985**	**100%**	**(₱52,954)**	**(19%)**

Although cost of sales and services are not entirely variable, we expect any increase or decrease in cost of sales and services to be directly proportionate to any increase or decrease in game play and internet café revenues. Revenues decrease by 42% while cost of sales and services decrease by 19%.

Our cost of sales and services decreased by ₱53 million or 19% for the nine months ended September (from ₱277 million in 2012 to ₱224 million in 2013). As a percentage of total net revenues, cost of sales and services were at 89% in 2013 and 77% in 2012, which we consider to be on an acceptable range. 86% of the total cost of sales came from DPI.

Operating Expenses

The following table shows our operating expenses, by amount and percentage of our net revenues, for the periods indicated:

(In Thousand Pesos)	**For the Nine Months Period Ended September 30,**				**Increase (Decrease)**	
	2013		**2012**			
	₱000	**%**	**₱000**	**%**	**₱000**	**%**
Salaries and employee benefits	₱37,470	37%	₱51,477	35%	(₱14,007)	(27%)
Depreciation and amortization	8,699	9%	10,604	7%	(1,905)	(18%)
Advertising and promotion	7,448	7%	6,829	5%	619	9%
Professional fees	5,814	6%	12,360	8%	(6,546)	(53%)
Utilities	5,656	6%	8,395	6%	(2,739)	(33%)
Outside services	4,733	5%	14,076	9%	(9,343)	(66%)
Bank charges	5,421	5%	-	4%	5,421	100%
Transportation and travel	5,201	5%	5,447	4%	(246)	(5%)
Rent	4,483	4%	13,835	9%	(9,352)	(68%)
Taxes and licenses	3,461	3%	11,545	8%	(8,084)	(70%)
Others	12,031	12%	14,427	10%	(2,396)	(17%)
Total Operating Expenses	**₱100,417**	**100%**	**₱148,995**	**100%**	**(₱48,578)**	**(33%)**

As a percentage of total net revenues, operating expenses account for 40% and 42% in 2013 and 2012, respectively. Total operating expenses amounted to ₱100 million and ₱149 million in 2013 and 2012, respectively, a decrease of 33% or ₱49 million.

It can be noted that the decrease in operating expenses likewise decrease significantly along with the decrease in revenues.

Salaries and other employee benefits include basic salary of monthly and daily paid employees, legally mandated 13th month pay, allowances given to interns or trainees, government mandated contributions (i.e. employer share of SSS, Philhealth, and HDMF), employer contributions to health and medical plans given to regular employees, overtime pay, vacation leave premiums, actual expense reimbursements for meals and transportation incurred by employees, provision for employee retirement benefits, costs related to training, both internal and external, and employee reimbursable out of pocket expenses.

Outside services or "other contractual services" include costs for customer support used to monitor and resolve in-game issues, commissioning third party research firms for the conduct of a market study and similar services. Significant portion of the amounts shown under this classification are payments to jobbers and talents who participate in events organized by the companies. These events are mostly related to brand and product initiatives. The costs for these jobbers and talents are normally part of the marketing budgets. Other items included here are payments to consultants for special engagements like the HR consultant for the establishment of the Integrated Performance Management System among others.

Rent expense includes office, storage and other administrative spaces being leased by the Group.

Professional fees include third party payments to artists, musicians, models and other performers engaged for marketing related activities, services for legal and audit and other consultancy services.

Taxes and licenses which pertain to payments to the BIR (i.e. income tax, capital gains tax), business permits, import/export duties, if any, and all other expenditure levied by the national or local governments. We endeavor to structure the company's business transactions such that optimal tax savings are attained while ensuring that the Company is in adherence to all tax laws all the time.

Our sales and marketing expenses primarily consist of advertising and promotion, transportation and travel, and representation expenses. All above the line and on the ground activities related to public relations and promoting the brand and products of the companies are reported in this account. The Company endeavors to allocate between 5 to 10% of its projected revenues to advertising and promotions. However, it is normal to incur advertising and promotion costs greater than 10% if there are significant product launches. This is because spending is quite heavy during product launches and it normally takes some time to ramp up the revenues of such product. Advertising and promotion also includes expenses for events, merchandise, and other sponsorship activities.

Transportation and travel expenses include local transportation costs incurred for business purposes, and travel costs (including meals and lodging) while away from home overnight for business purposes.

Other Income (Charges)

The following table shows our other income (charges), by amount and percentage of our revenues, for the periods indicated:

(In Thousand Pesos)	**For the Nine Months Ended September 30,**				**Increase (Decrease)**	
	2013		**2012**			
	₱000	**%**	**₱000**	**%**	**₱000**	**%**
Gain on sale on disposal of investment/assets	₱-	0%	₱19,338	621%	(₱19,338)	(100%)
Finance cost - net	(12,417)	(47%)	(20,026)	(643%)	7,609	(38%)
Equity share in net losses of an associate and joint venture	(15,212)	(58%)	3,363	108%	(18,575)	(552%)
Foreign exchange gain (loss) - net	683	3%	427	14%	256	60%
Others - net	576	2%	(6,216)	(200%)	6,792	(109%)
	(₱26,370)	**100%**	**(₱3,114)**	**100%**	**(₱23,256)**	**747%**

The Company and LUI completed the merger of their Philippine online game publishing businesses. On March 30, 2012, the parties closed the transaction contemplated under the Asset Sale and Purchase Agreement (ASPA) to transfer selected Company's assets and liabilities to LUI in exchange for 30% equity in LUI and cash consideration. The transaction was unanimously approved by the Company's stockholders and the BOD on the same date. The gain on sale on disposal of assets in the above table represents this asset sale.

Net finance cost mainly represents interest charges from reputable banks and financing companies.

We recognize our proportionate share in X-Play and LUI's earnings. For the nine months ended September 30, 2013 and 2012, our net equity share in the net income (losses) of an associates and joint venture amounted (₱15 million) and ₱3 million, respectively, or 552% down from prior year. The reduction was attributed to operating losses both of X-Play and LUI.

Net Income (Loss)

Our bottom figure posted a net loss of ₱102 million and ₱49 million for the nine months ended September 30, 2013 and 2012.

Liquidity and Capital Resources

Our principal source of liquidity is net cash generated from our operations. We also source liquidity through advances from related parties which are non-interest bearing, unsecured and repayable within 12 months. We also source liquidity through third-party loans and financing which bear interest at market rates.

As of September 30, 2013 and December 31, 2012, we have cash and short-term investments of ₱175 million and ₱201 million, respectively. We expect to meet our working capital and capital expenditure requirements for 2013 onwards primarily from continuous efforts raising cash flows from operations and from issuance of shares of stock.

Additional Disclosures

We currently do not foresee events that will result in liquidity increasing or decreasing in a material manner such as cash flow or liquidity problems.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

No independent accountant was previously engaged as the principal accountant to audit the Company's financial statements, neither was an independent accountant, previously engaged to audit a significant subsidiary of the Company, ceased performing services for the Company.

There were no disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter of the disagreement(s) in connection with this report.

Item 3. Other Information

There were no material disclosures that have not been reported under SEC Form 17-C (Current Report) during the quarter ended September 30, 2013, particularly on the following:

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity;

b. Any events that will trigger direct or contingent financial obligation that is material to the Company including any default or acceleration of an obligation;

c. Any material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;

d. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;

f. Any significant elements of income or loss that did not arise from the issuer's continuing operations;

g. The causes of any material change from period to period which shall include vertical and horizontal analyses of any material item; and

h. Any seasonal aspects that had a material effect on the financial condition or results of operations.

REPUBLIC OF THE PHILIPPINES)
)S.S.

TREASURER'S CERTIFICATION

I, **MIGUEL B. LADIOS**, of legal age, Filipino and with office address at the 2nd Floor, Bonifacio Technology Center, 2nd Ave. Cor. 31st St., Bonifacio Global City, after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **IP E-Game Ventures, Inc. and Subsidiaries** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. **CS200518779** with principal office address at 2nd Floor, Bonifacio Technology Center, 2nd Ave. Cor. 31st St., Bonifacio Global City.

2. The Financial Statement ("F/S") diskette submitted contains the exact data stated in the hard copies of the F/S of the Corporation.

3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

NOV 18 2013

WITNESS MY HAND on this __ **day of November 2013** at **Makati City**.

MIGUEL B. LADIOS
Treasurer

NOV 18 2013

SUBSCRIBED AND SWORN TO before me this __ **day of November 2013**, the following person exhibiting me his Tax Identification Number:

	Tin No.	Date of Issue	Place of Issue
Miguel B. Ladios	139-534-890		

Doc. No. 46 ;
Page No. 15 ;
Book No. XII ;
Series of 2013.

JOSE VILLAIRE A. BAUTISTA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
PTR 3668462 ISSUED ON 1-2-13 AT MAKATI
GL ROLL NO. 49491

IP E-GAME VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND DECEMBER 31, 2012

	Notes	September 30, 2013	December 31, 2012
ASSETS			
Current Assets			
Cash	8, 32	**P3,910,763**	P74,341,011
Short-term investments	9, 32	**171,736,696**	200,885,611
Trade and other receivables – net	10, 32	**42,932,383**	42,588,243
Due from related parties	30, 32	**326,856,475**	293,663,432
Inventories	11	**8,783,402**	23,702,257
Other current assets	12	**35,125,504**	23,296,161
Total Current Assets		**589,345,223**	658,476,715
Noncurrent Assets			
Investments in equity shares	13	**2,608,359,194**	123,570,911
Available for sale investments	5	**33,400,000**	33,400,000
Property and equipment – net	15	**83,012,496**	62,949,880
Investment properties	14	**71,281,953**	71,266,954
Goodwill	16	**26,080,634**	26,080,634
Intangible assets – net	17	**16,538,808**	16,227,586
Deferred tax assets	29	**4,794,251**	4,833,844
Other noncurrent assets	18	**88,247,342**	89,307,248
Total Noncurrent Assets		**2,931,714,678**	427,637,057
		P3,521,059,901	P1,086,113,772
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	19, 32	**233,476,311**	249,945,218
Loans payable	20	**203,973,687**	168,016,812
Due to related parties	30	**98,624,524**	81,745,395
Due to stockholders	20	**31,500,000**	31,500,000
Income tax payable		**1,469,442**	832,308
Total Current Liabilities		**569,043,964**	532,039,733
Noncurrent Liability			
Retirement benefit liability	28	**19,199,932**	19,199,932
Total Liabilities		**588,243,896**	551,239,665

Forward

	Note	September 30, 2013	December 31, 2012
Equity Attributable to Equity Holders of the Parent			
Capital stock	*31*	**300,000,000**	300,000,000
Additional paid-in capital	*31*	**255,535,853**	255,535,853
Deposits for future stock subscription	*31*	**2,500,000,000**	-
Deficit		**(135,757,040)**	(52,583,159)
		2,919,778,813	502,952,694
Non-controlling Interests	*31*	**13,037,192**	31,921,413
Total Equity		**2,932,816,005**	534,874,107
		P3,521,059,901	P1,086,113,772

See Notes to the Consolidated Unaudited Financial Statements.

IP E-GAME VENTURES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012

	Note	2013	2012
REVENUES	*23*	**P250,944,197**	P358,038,887
COST OF SERVICES	*24*	**(224,030,818)**	(276,984,547)
GROSS PROFIT		**26,913,379**	81,054,340
OPERATING EXPENSES	*25*	**(100,416,771)**	(148,995,213)
GAIN ON SALE OF ASSETS – Net		**-**	19,337,790
EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND A JOINT VENTURE	*13*	**(15,211,717)**	336,389
OTHER CHARGES – Net	*27*	**(11,158,458)**	(22,787,504)
LOSS BEFORE INCOME TAX		**(99,873,567)**	(71,054,198)
INCOME TAX EXPENSE (BENEFIT)	*29*	**2,184,536**	(21,601,334)
NET LOSS		**(102,058,103)**	(49,452,864)
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE LOSS		**(P102,058,103)**	(P49,452,864)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent		**(P83,173,881)**	(P38,866,725)
Non-controlling interests		**(18,884,221)**	(10,586,139)
		(P102,058,102)	(P49,452,864)
BASIC AND DILUTED EARNINGS PER SHARE			
Attributable to equity holders of the Parent	*31*	**(P0.0053)**	(P0.0026)

See Notes to the Consolidated Unaudited Financial Statements.

IP E-GAME VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED
SEPTEMBER 30, 2013 AND 2012

	Note	**2013**	2012
REVENUES	*23*	**P69,465,452**	P126,740,169
COST OF SERVICES	*24*	**(65,616,448)**	(92,916,467)
GROSS PROFIT		**3,849,004**	33,823,702
OPERATING EXPENSES	*25*	**(30,252,830)**	(51,069,537)
GAIN ON SALE OF INVESTMENTS – Net		-	(33,886,200)
EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND A JOINT VENTURE	*13*	**(9,815,857)**	6,553,945
OTHER CHARGES – Net	*27*	**(3,168,285)**	(13,697,281)
LOSS BEFORE INCOME TAX		**(39,387,968)**	(58,275,371)
PROVISION FOR (BENEFIT FROM) INCOME TAX	*29*		
Current		**1,027,601**	(9,884,308)
Deferred		-	-
		1,027,601	(9,884,308)
NET LOSS		**(40,415,569)**	(48,391,063)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS		**(P40,415,569)**	(P48,391,063)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent		**(P33,596,297)**	(P42,766,454)
Non-controlling interests		**(6,819,272)**	(5,624,609)
		(P40,415,569)	(P48,391,063)
BASIC AND DILUTED EARNINGS PER SHARE			
Attributable to equity holders of the Parent	*31*	**(P0.0021)**	(P0.0026)

See Notes to the Consolidated Unaudited Financial Statements.

IP E-GAME VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 AND 2012

	Note	**2013**	2012
CAPITAL STOCK	*31*		
Balance at beginning of year		**P300,000,000**	P188,697,281
Issuances of shares		-	-
Balance at end of year		**300,000,000**	188,697,281
ADDITIONAL PAID-IN CAPITAL	*31*		
Balance at beginning of year		**255,535,853**	34,343,165
Premiums received		-	-
Balance at end of year		**255,535,853**	34,343,165
DEPOSITS FOR STOCK SUBSCRIPTIONS	*31*		
Balance at beginning of year		-	19,000,000
Additional deposits		**2,500,000,000**	-
Issuances of shares		-	-
Balance at end of year		**2,500,000,000**	-
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year		**(52,583,159)**	55,914,020
Net loss for the year		**(83,173,881)**	(38,866,725)
Balance at end of year		**(135,757,040)**	17,047,295
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**2,919,778,813**	259,087,741
NON-CONTROLLING INTERESTS	*31*		
Balance at beginning of year		**31,921,413**	45,679,423
Net loss for the year		**(18,884,221)**	(10,586,139)
Balance at end of year		**13,037,192**	35,093,284
		P2,932,816,005	P294,181,025

See Notes to the Consolidated Unaudited Financial Statements.

IP E-GAME VENTURES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR NINE-MONTH PERIOD ENDED
SEPTEMBER 30, 2013 AND 2012

	Notes	**2013**	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(P99,873,567)**	(P71,054,198)
Adjustments for:			
Depreciation and amortization	*15, 17*	**24,791,917**	34,217,346
Interest expense	*27*	**16,266,466**	20,824,151
Equity share in net loss of an associate and a JV	*13*	**15,211,717**	(336,389)
Retirement benefit expense (income)	*28*	**-**	1,278,364
Interest income	*27*	**(3,849,714)**	(798,407)
Gain on disposal of assets	*27*	**-**	(19,337,790)
Operating income (loss) before working capital changes		**(47,453,181)**	(35,206,923)
Decrease (increase) in:			
Trade and other receivables		**(344,140)**	(122,351,546)
Inventories		**14,918,855**	(35,396,730)
Other current assets	*12*	**(11,829,343)**	(3,299,577)
Increase (decrease) in trade and other payables		**(16,468,907)**	9,132,831
Net cash generated from (used in) operations		**(61,176,716)**	(187,121,945)
Interest paid		**(16,266,466)**	(20,824,151)
Income taxes paid		**(1,507,809)**	(3,102,683)
Interest received		**3,849,715**	798,407
Cash flows provided by (used in) operating activities		**(75,101,276)**	(210,250,372)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		**-**	147,800,000
Additions to:			
Software and intangible assets	*17*	**(4,587,493)**	(16,339,886)
Property and equipment	*15*	**(40,578,262)**	(82,159,457)
Investments in stock	*13*	**(2,500,014,999)**	(30,061,121)
Decrease (increase) in:			
Other noncurrent assets		**1,059,856**	(57,348,360)
Due from related parties		**(33,192,993)**	(10,089,410)
Short-term investments		**29,148,915**	(3,786,040)
Cash flows used in investing activities		**(2,548,164,976)**	(51,984,274)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Deposit for future stock subscriptions		**2,500,000,000**	-
Availments (payment) of short-term loans - net		**35,956,875**	144,644,152
Increase (decrease) in due to related parties		**16,879,129**	88,920,850
Cash flows provided by financing activities		**2,552,836,004**	233,565,002
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH		**-**	-
NET INCREASE (DECREASE) IN CASH		**(70,430,248)**	(28,669,644)
CASH AT BEGINNING OF YEAR		**74,341,011**	102,646,017
CASH AT END OF YEAR		**P3,910,763**	P73,976,373

See Notes to the Consolidated Unaudited Financial Statements.

IP E-GAME VENTURES INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

IP E-Game Ventures Inc. (the "Parent Company") and the following subsidiaries (collectively referred to as the "Group") are incorporated in the Philippines are registered with the Philippine Securities and Exchange Commission (SEC) on various dates:

	Principal Activity	Percentage of Ownership 2012	2011
Ran Online, Inc. (ROI)	Interactive gaming and content distribution	**100%**	100%
Digital Paradise, Inc. (DPI)	Computer leasing	**75%**	75%
Webworx Computer Technology Corporation (Webworx)	Computer leasing	**60%**	60%

IP E-Games Ventures, Inc.
The Parent Company was incorporated and registered with SEC on November 22, 2005 to engage in the business of interactive gaming and content distribution, catering to local, regional and global market.

On January 27, 2010, the Philippine Stock Exchange (PSE) approved the Parent Company's application for Listing by Way of Introduction with the PSE's Secondary Board of 33.54 million of its common shares. Listing by Way of Introduction is a listing process that does not involve an initial public offering of securities. The Company will be conducting a follow-on offering in compliance with the Company's previous Listing By Way of Introduction.

In July 2011, the Company is 69.75%-owned by IPE Global Holdings Corporation (IPE Global or Parent Company), a company incorporated in the British Virgin Islands and 23.59%-owned by IPVG Corp. (IPVG), a company incorporated in the Philippines and whose shares are also listed in the PSE. IPE Global was 71%-owned by IPVG, making IPVG the ultimate parent of the Company. On the same date, the shareholders and the Board of Directors (BOD) of IPVG approved IPVG's Restructuring Plan, which aims to increase shareholder value and potentially generate cash for IPVG. As part of the Restructuring Plan, IP Ventures Inc. (IPVI) was incorporated in the Philippines on September 16, 2011. IPVI is owned by the same shareholders of IPVG in the same proportion as their shareholdings in the latter. Following the formation of IPVI, IPVG transferred substantially all its assets and liabilities, including its equity interest in shares of stock of the Company pursuant to the Asset Purchase Agreement (APA) dated September 28, 2011. As a result of the APA, IPVI became the ultimate parent of the Company.

On March 22, 2012, during the Shareholders' Meeting, the minority and unrelated shareholders approved the waiver of the requirement to conduct a rights or public offering in relation to the additional listing of the above shares because the 10% required public ownership has already been attained by the Company.

Throughout 2012, the Company listed additional shares for public ownership. As a result, the controlling interest vested in the Parent Company was diversified into various stockholders.

Registration with the Board of Investment (BOI)
The Parent Company registered with BOI on October 16, 2007 under the Omnibus Investments Code of 1987 as a New Information Communications and Technology Export Service Firm in the field of application/systems development for the on-line computer systems.

As a registered enterprise, the Parent Company is entitled to certain tax and nontax incentives which include, among others, income tax holiday for a period of four years until October 15, 2011. In 2011, no tax incentives were availed of by the Parent Company.

The registered office address of the Parent Company is at 2nd Floor, Bonifacio Technology Center, 2nd Avenue Cor. 31st Street Bonifacio Global City.

Ran Online, Inc.
ROI was incorporated in the Philippines and registered with SEC on August 3, 2006 to engage primarily in the business of interactive gaming and content distribution, catering to the local, regional and global market; provide internet, intranet, extranet and other related value services to any and all types of information technology users related to interactive computer games and content distribution, including but not limited to, manufacturing, assembling, processing, producing, inventing, developing, and/or importing programs and equipment and other components thereof, and provide management, technical and maintenance report and services. During 2012, the Company started leasing properties to third parties whose line of business includes operating casino and other related online gaming.

Digital Paradise, Inc.
DPI was incorporated in the Philippines and registered with SEC on July 23, 2002 to establish, purchase or otherwise acquire, develop, transfer, assign or license a distinctive business format or system in rendering internet, desktop publishing and other related services to the public.

On June 22, 2010, the SEC approved the amendment to DPI's Articles of Incorporation, which amend the DPI's primary purpose into engaging in the business of providing shared community access through the internet, computer leasing, desktop publishing, and other internet-related activities. On February 9, 2012, DPI further amended its Articles of Incorporation to include as its secondary purpose, the business of establishing, operating, and maintaining restaurants, coffee shops, refreshment parlors, cocktail lounges and carter foods and drinks.

On April 1, 2011, the Parent Company acquired 97,557,504 shares of DPI from ePLDT, Inc. representing 75% of the outstanding capital stock of DPI. Following the said acquisition, DPI became a subsidiary of the Parent Company.

Webworx Computer Technology Corp.
Webworx was registered with SEC on August 17, 2011 to engage in, conduct, and carry on the business of providing shared community access through the internet, computer leasing, desktop publishing and other internet related activities, buying, selling, distributing, marketing, at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description, of computer products, and to enter into all kinds of contracts for the provision of such services. Webworx is 60% owned by the Parent Company.

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs includes statements named PFRSs and Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the consolidated financial statements of each entity are measured using that functional currency. All financial information expressed in Philippine Peso has been rounded off to the nearest peso, unless when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its Subsidiaries, which it controls as at December 31 of each year. Control is normally evidenced when the Parent Company owns, either directly or indirectly, more than 50% of the voting rights of an entity's capital stock.

The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the consolidated financial statements of each entity are measured using that functional currency.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions including inter-group unrealized profits and losses are eliminated in preparing the consolidated financial statements.

The financial statement s of the subsidiaries are included in the consolidated financial statements from the date when the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and are presented in the consolidated financial statement separately from equity attributable to equity holders of the Parent. This includes the equity interests in DPI and Webworx not held by the Parent Company.

3. Significant Accounting Policies

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

<u>Adoption of Amendments to Standard and Interpretations</u>
The Group has adopted the following amendments to PFRS 7 and interpretation starting January 1, 2012 and accordingly, changed its accounting policies.

- Amendments to PFRS 7, *Disclosures - Transfers of Financial Assets*, which requires additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of these financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in the derecognized financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011.

- PIC Q&A No. 2011-03, *Accounting for Inter-company Loans*, provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/ stand-alone financial statements of the lender and the borrower (i) on the initial recognition of the loan; and (ii) during the periods to repayment. This interpretation is effective for annual financial statements beginning on or after January 1, 2012.

The adoption of the above amendments to PFRS 7 and interpretations did not have a material effect on the Group's financial statements. Additional disclosures required by the amendments to PFRS 7 and interpretations were included in the financial statements, where applicable.

New or 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, 2012, and have not been applied in preparing the 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. The Group does not plan to adopt these standards early.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates:

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements).* The amendments: (a) 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; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statement of comprehensive income to statement of profit loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard. These amendments are effective for annual periods beginning on or after July 1, 2012.

- 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: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position. These amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

- PFRS 10, *Consolidated Financial Statements,* introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements* and Philippine Interpretation Standards Interpretation Committee (SIC) - 12, *Consolidation - Special Purpose Entities.* The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements,* focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures* and Philippine Interpretation SIC - 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities,* 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: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows. The Group is currently assessing the disclosure requirements for interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosure. The new standard is effective for annual periods beginning on or after January 1, 2013.

- 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: (a) simplify the process of adopting PFRS 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities; (b) simplify the transition and provide additional relief from the disclosures that could have been onerous depending on the extent of comparative information provided in the consolidated financial statements; and (c) 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. The amendments are effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement,* replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Group is currently reviewing its methodologies in determining fair values. The new standard is effective for annual periods beginning on or after January 1, 2013.

- PAS 19, *Employee Benefits* (amended 2011), includes the following requirements: (a) 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 (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Group is currently assessing the impact of the removal of the accounting policy choice for recognition of actuarial gains and losses and the impact of the change in measurement principles of expected return on plan assets. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent 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 (b) 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. The amendments are effective for annual periods beginning on or after January 1, 2013.

- *Improvements to PFRS 2009-2011* contain amendments to five (5) standards with consequential amendments to other standards and interpretations. The following are the said amendments to PFRSs and interpretation:

- Comparative Information beyond Minimum Requirements *(Amendments to PAS 1)*. 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: (a) other primary statements for that additional comparative period, such as a third statement of cash flows; or (b) the notes related to these other primary statements. The amendments are effective for annual periods beginning on or after January 1, 2013.

- Presentation of the Opening Statement of Financial Position and Related Notes *(Amendments to PAS 1)*. This is amended to clarify that: (a) the opening consolidated statement of financial position is required only if: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification has a material effect upon the information in that consolidated statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Change in Accounting Estimates and Errors*, notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated 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 consolidated statement of financial position are different, because the underlying objectives are different. Consequential amendments have been made to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* and PAS 34, *Interim Financial Reporting*. The amendments are effective for annual periods beginning on or after January 1, 2013.

- Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment)*. This is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*. The amendments are effective for annual periods beginning on or after January 1, 2013.

- Income Tax Consequences of Distributions *(Amendments to PAS 32, Financial Instruments Presentation)*. This is amended to clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between

PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments.* The amendments are effective for annual periods beginning on or after January 1, 2013.

- Segment Assets and Liabilities *(Amendments to PAS 34).* This is amended to align the disclosure requirements for segment assets and segment liabilities in interim consolidated financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

- Offsetting Financial Assets and Financial Liabilities *(Amendments to PAS 32).* These amendments clarify that: (a) An entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The amendments are effective for annual periods beginning on or after January 1, 2014 and are applied retrospectively.

- PFRS 9, *Financial Instruments (2010),* PFRS 9, *(2009).* 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. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The adoption of PFRS 9 (2010) is expected to have an impact on the Group's consolidated financial statements and could change the classification and measurement of financial assets. PFRS 9 (2010 and 2009) is effective for annual periods beginning on or after January 1, 2015.

Financial Assets and Liabilities
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 instruments. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at fair value through profit and loss (FVPL), includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, Available-for-sale financial assets, financial assets as at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities as at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

'Day 1' Profit. Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

The Group has no HTM investments, financial assets as at FVPL, and financial liabilities as at FVPL as at December 31, 2012 and 2011.

Financial Assets

Loans and Receivable. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities 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 financial assets or financial assets as at FVPL.

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 integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Cash includes cash on hand and in banks which are stated at face value.

The Company's cash, short-term investments, trade and other receivables, deposits and amounts due from related parties are included in this category (Notes 8, 9, 10, 13 and 30).

AFS Investments. AFS investments are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS investments are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" in the consolidated statements of comprehensive income. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. When individual AFS investments are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

As of December 31, 2012, investments accounted for under this category amounted to P33.4 million.

Financial Liabilities
Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Group's trade and other payables (excluding statutory liabilities), amounts due to related parties, due to stockholders, short-term and long-term loans are included in this category (Notes 19, 20, 21, 22 and 30).

Derecognition of Financial Assets and 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 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 Liabilties. 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.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a 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 have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group 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 the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of 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) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. 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 reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting Financial Instruments
Financial assets and 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.

Inventories
Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined based on weighted average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs to make the sale.

Assets Classified as Held for Sale
Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Property and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

Business Combination and Goodwill
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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8.

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- Loss of Control
  Upon the loss of the control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS financial asset depending on the level of influence retained.

<u>Investment in an Associate and a Joint Venture</u>
Investment in an associate and a joint venture are accounted for using the equity method and recognized initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity in which is subject to a joint control.

An assessment of the carrying amount of the investment is performed when there is an indication that the investment has been impaired.

Unrealized intercompany profits arising from the transactions with the associate are eliminated.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized.

Investment Properties

Investment properties consist of properties held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties, except for land, are measured at cost, including transaction costs, less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Investment properties are derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment properties are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner's occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of the owner's occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment loss.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location 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. Costs of day-to-day servicing of an asset are recognized as expenses in the year in which they are incurred.

Construction in progress (CIP) represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

The useful lives and depreciation method are reviewed at each reporting date to ensure that the period and methods are consistent with the expected pattern of economic benefits from the items of property and equipment.

Depreciation is computed using the straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Furniture and fixtures	5
Computer equipment	5 – 10
Office and network equipment	3 – 5
Transportation equipment	3 – 5
Leasehold improvements	3 - 5 or term of the lease, whichever is shorter

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

Intangible Assets

Intangible assets consist of computer software, game licenses and goodwill.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as the date of acquisition. Following initial recognition, intangible assets with finite lives carried at cost less accumulated amortization and any impairment losses.

The useful lives of intangible assets are as either finite or indefinite.

Intangible Assets with Finite Life. Intangible assets with finite life pertains to computer software and gaming licenses and measured at cost less accumulated amortization and any impairment losses. Amortization is computed using the straight-line method over the estimated useful lives. The useful lives of intangible assets are assessed to either finite or indefinite. Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period, and method for an intangible asset with finite lives are reviewed annually or earlier whenever an indication of impairment exists. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization is computed using the straight-line over the estimates useful lives as follows:

	Number of Years
Computer software	1 – 3
Game licenses	1 – 5

Intangible Asset with Indefinite Useful Life. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the intangible assets, liabilities and contingent liabilities. Where the costs of the business combination and the Group's interest are determined provisionally, goodwill is initially measured using those provisional values. The Group recognizes any adjustments to these provisional values and to the goodwill initially recognized, as a result of completing the initial accounting within 12 months from the acquisition date.

Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is any indication that any of its investments, property and equipment and intangible assets may be impaired. If any such indication exists, the recoverable amount of the related nonfinancial assets is estimated in order to determine the extent of the impairment loss if any.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in the arm's length transaction. 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 assessment of the time value of money and the risks specific to the assets. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Equity

Capital Stock. Capital is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares and share option are recognized as a deduction from additional paid-in capital, net of any tax effects.

Additional Paid-in Capital. Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any tax.

Deposits for Stock Subscriptions. Deposits for stock subscriptions represent funds received by the Group which it records as such with a view of applying the same for additional shares or increase in capital stock. Deposits for stock subscriptions are presented as a separate line item in the equity section of the consolidated statement of financial position.

Retained Earnings. Retained earnings represent the accumulated net income or losses, net of any dividend declaration.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Service Revenue. Revenue is recognized based on the usage of prepaid cards sold and loaded to the gaming system by the patrons, net of re-sellers' discounts. Unearned revenue which pertain to the total value of prepaid cards sold but are not yet loaded to and used up in the gaming system are included under "Trade and other payables" account.

Sale of Goods. Revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, title has transferred, selling price is fixed or determinable and collectability of the selling price is reasonably assured.

Advertising Income. Revenue is recognized in accordance with the terms of the relevant agreement and is recognized on the substance of that basis.

Dividend Income. Revenue is recognized when the Group's right as a shareholder to receive the payment is established.

Interest Income. Revenue is recognized as it accrues, using the effective interest method.

Other Income. Revenue is recognized when the earning process is complete and the flow of economic benefit is reasonably assured.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss upon receipt of goods, utilization of the services or at the date the costs and expenses are incurred.

Expenses are also recognized in the consolidated statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in the consolidated statements of comprehensive income on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position as an asset.

Borrowing Cost

Borrowing costs are generally expensed as incurred and presented under "Interest expense" in profit or loss. Borrowing costs directly attributable to the construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible for capitalization.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease – Group as Lessee. Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Operating Lease - Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Finance Lease - Group as Lessee. Finance leases, which transfer to the Group substantially the risks and rewards incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized to profit or loss.

Related Parties
Parties are considered 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 significant influence. The key management personnel of the Group are considered to be related parties.

Foreign Currency Transactions
Foreign currencies transactions are recorded in Philippine Peso based on the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at reporting date. Foreign exchange gains or losses arising from settlements of foreign currency transactions and translations of foreign currency denominated assets and liabilities are recognized in profit or loss.

Retirement Benefit
The Group accrues retirement benefits for its employees in compliance with Republic Act (RA) No. 7641 "Philippine Retirement Law" which requires a company to pay a minimum retirement benefit to employees who retire after reaching the mandatory retirement age of 65 years old or the optional age of 60 years old with at least five (5) years of service to the Group. The retirement benefit is equivalent to one-half month of the latest basic pay for every year of service.

The cost of providing benefits under the defined benefits retirement plan is determined using the projected unit credit method. Under this method, the current services cost is the present value of retirement benefit obligation in the future with respect to services rendered in the current year. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged in the profit or loss when the net cumulative unrecognized actuarial gains and losses at the end previous year exceed 10% of the defined benefit obligation at the date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost are recognized immediately in profit or loss, unless the changes to the retirement plan are conditional on the employees remaining in services for specified periods of time (the vesting period). In this case, past service cost are amortized on a straight-line basis over the vesting period.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets on which the obligations are to be settled directly. The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement obligation.

Income Taxes
Current Tax. Current income tax assets and liabilities for the current and prior years measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.