Deferred Tax. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax asset are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT expect:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding 1.0 million are claimed as credit against output VAT represents the unamortized input VAT on capital goods.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed 1.0 million, the total VAT will be allowed as credit against output VAT in the month of acquisition.

Earnings per Share

The Group presents basic and diluted earnings per share (EPS) date for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Parent Company by weighted average number of common shares outstanding during the year, adjusted for own shared held.

Diluted EPS is calculated in the same manner, adjusted for the effects of all dilutive potential common shares, adjusted for the effects of all diluted potential common shares.

As the Group has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

The measurement policies the Group used for segment reporting under PFRS 8, are the same as those used in its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Events After the Reporting Date
Any event after the reporting date that provides additional information about the Group's financial position at reporting date (adjusting event) is reflected in the consolidated financial statements when material. Any event after the reporting date that is not an adjusting event is disclosed when material to consolidated financial statements.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the investing activities of the Group.

Operating Lease Commitments - Group as Lessee. The Group has entered into various lease agreements as a lessee. The Company had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases. The Group has lease agreements with third parties and sub-lease agreements with related parties. All significant risks and benefits incidental to ownership of the sub-leased properties remain with the aforementioned lessor. Accordingly, the lease is accounted for as operating lease (see Note 22).

Rent expense recognized in the consolidated statement of comprehensive income amounted to P41 million and P39 million for the nine months period ended September 30, 2013 and 2012, respectively (see Notes 24 and 25).

Operating Lease Commitment - Group as Lessor. The Group has entered into a lease agreement as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases.

Rental income recognized in profit or loss amounted to P8 million and nil for the nine months period ended September 30, 2013 and 2012, respectively (Note 23).

Finance Lease Commitments - Company as Lessee. The Group has lease agreements with various leasing and financing institutions covering certain computer and network equipment. The lease provides that ownership of these assets shall transfer to the Group at the end of the lease term. Accordingly, the lease is accounted for as finance lease (see Note 22).

For the nine months period ended September 30, 2013 and 2012, there were no computer and network equipment acquired through finance lease arrangements.

Estimates

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Allowance for Impairment Losses on Receivables. The Group maintains allowance for impairment losses on receivables at level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited, to the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates.

Allowance for impairment losses on trade and other receivables as at September 30, 2013 and December 31, 2012 amounted to P15 million (see Note 10).

The carrying amount of trade and other receivables amounted P43 million as at September 30, 2013 and December 31, 2012 (see Note 10).

Allowance to Reduce Inventories to NRV. The Group maintains an allowance to reduce inventories to NRV at a level considered adequate to provide for potential obsolete inventories and other factors based on specific identification and as determined by management for inventories estimated to be unsalable in the future. The level of this allowance is evaluated by management based on the movements and current condition of inventory items.

As at September 30, 2013 and December 31, 2012, the Group assessed that the carrying amount of its inventories amounted to P9 million and P24 million, respectively (see Note 11).

Estimating Useful Lives of Property and Equipment. The Group estimates the useful lives of property and equipment based on the year over which these are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on the factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation and decrease noncurrent assets.

As at September 30, 2013 and December 31, 2012, the carrying amount of property and equipment amounted to P83 million and P63 million, respectively (see Note 15).

Estimating Useful Lives of Intangible Assets. The Group assesses that its intangible assets have finite useful lives and amortization method of intangible assets based on the year and pattern in which the future economic benefits from a particular game are expected to be consumed to which the intangible assets pertain to. The estimated useful lives and amortization period of intangible assets are reviewed at each reporting date and are updated if there are changes in estimates embodied in the intangible assets. Actual results, however, may vary due to changes in estimates brought about by changes in the estimates used.

The carrying amount of intangible assets with finite lives amounted to P17 million as at September 30, 2013 and December 31, 2012 (see Note 17).

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

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

The Group recognizes impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit to which the assets belongs.

Management assessed that there were no impairment indicators on other nonfinancial assets.

The carrying amounts of non-financial assets of the Group are as follows:

	September 30, 2013	December 31, 2012
Investments in stock	**P2,608,359,194**	P123,570,911
Investment properties	**71,281,953**	71,266,954
Property and equipment	**83,012,496**	62,949,880
Goodwill	**26,080,634**	26,080,634
Intangible assets	**16,538,808**	16,227,586

Retirement Benefits Cost. The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rates and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded obligation in such future period.

Retirement benefits liability amounted to 19 million as at September 30, 2013 and December 31, 2012. Retirement benefits charged to operations amounted to nil and P0.9 million for the nine months period ended September 30, 2013 and 2012, respectively (see Note 26).

Realizability of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses is based on the projected taxable income in the following periods.

As at September 30, 2013 and December 31, 2012, deferred tax assets amounted to P5 million (see Note 29).

Fair Value of Investment Properties. The fair value of investment properties presented for disclosure purposes is based on market values, being the estimated amount for which the property can be exchanged between a willing buyer and seller in an arm's length transaction, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

The carrying amount of investment properties as at September 30, 2013 and December 31, 2012 amounted to P71 million (see Note 14).

Principal Assumptions for Management's Estimation of Fair Value. The Group tests whether investment properties have suffered any impairment, in accordance with the accounting policy. The determination of the fair value of investment properties is dependent on the selection of certain assumptions used by qualified independent appraisers and agreed by management in calculating such amounts using the Income Approach method. This method requires a preparation of an estimate of the annual gross rent potential of the land and typical cash expenses to be incurred in its operation, if any.

In 2012, key assumptions used in determining the fair value of investment properties using the income approach are as follows:

Gross potential income	**9,215,482**
Occupancy rate	**100%**
Escalation rate	**10%**
Capitalization rate	**5.68%**

Gross potential income is the annual revenue to be earned based on the total leasable land area which the Group can lease to tenants.

The occupancy rate used is determined by computing the actual leased land over the total leasable land area.

The escalation rate is based on the rate indicated in the lease agreements to account for future changes in time value of money. This is effective after every 5 years of the lease term.

The capitalization rate is based on the average monthly lending rates in 2012 as published in the BSP website.

Following the income approach method and using the assumptions summarized in the preceding table, the Group's investment properties have a calculated fair value of P71 million as at September 30, 2013 and December 31, 2012 which approximates its cost. Accordingly, no impairment has been recognized in 2013 and 2012.

Provisions and Contingencies. The estimate of the probable costs for the resolution of possible claim has been developed in consultation with outside counsel handling the Company's defense in these matters and is based on an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of the business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims will not have a material effect on the Company's financial position and performance. Estimated provision for probable losses arising from legal contingencies was recognized in the financial statements amounted to P2.9 million as at September 30, 2013 and December 31, 2012.

5. Business Combination

In 2012, incidental to an on-going legal issues as to the control over operations of Webworx, the Company netted its investment amounting to P48.0 million against the remaining subscription payable amounting to P14.6 million. The resulting carrying value amounting to P33.4 million was reclassified as "AFS investments" account in 2012. As a result, goodwill arising from the acquisition of Webworx in 2011 which amounted to P35.8 million was derecognized in 2012 (see Note 16).

6. Operating Segments

With the acquisitions of DPI in April 2011 and Webworx in 2011, the Group is now involved in providing shared community access through the internet, computer leasing, desktop publishing and other internet-related activities. Prior to the acquisitions, the Group is involved solely in internet gaming and content distribution business.

In addition, the Group is also involved in leasing its investment properties acquired in 2012 located in Cagayan.

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services that cater to different market.

Details of operating segments of the Group are as follows:

- Internet gaming and content distribution segment - This includes sale of prepaid cards for use in various on-line video games based on the usage of prepaid cards sold and loaded to the gaming system by the patrons.

- I-café Segment - this accounts for all internet connectivity related services based on actual usage, net of discounts given, including initial franchise fees recognized, royalty fees and related fees from membership agreement.

- Leasing - this pertains to the rental of the investment properties which started in third quarter of 2012.

The Group operates and generates revenue principally in the Philippines. Consequently, geographical business information is not applicable.

Financial information for as of and for the nine months period ended September 30, 2013 and 2012 of the business segments are summarized as follows:

	Internet Gaming and Content Distribution		I-Cafe		Leasing		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
TOTAL REVENUE										
Services to external customers	**P34,462,876**	P77,735,801	**P208,762,124**	P280,303,086	**P8,019,197**	P -	**P-**	P -	**P251,244,197**	P358,038,887
Inter-segment services	**-**	1,607,143	**-**	-	**-**	-	**(300,000)**	(1,607,143)	**(300,000)**	-
Total revenue	**34,462,876**	79,342,944	**208,762,124**	280,303,086	**8,019,197**	-	**(300,000)**	(1,607,143)	**P250,944,197**	P358,038,887
RESULTS										
Segments results	**2,235,679**	37,770,689	**17,221,668**	43,630,838	**8,019,197**	-	**(563,164)**	(347,187)	**26,913,380**	81,054,340
Operating expenses	**(15,447,153)**	(47,783,177)	**(84,613,309)**	(102,173,083)	**(517,598)**	-	**161,288**	961,047	**(100,416,772)**	(148,995,213)
Loss from operations	**(13,211,474)**	(10,012,487)	**(67,391,641)**	(58,542,245)	**7,501,599**	-	**(401,876)**	613,860	**(73,503,392)**	(67,940,873)
Gain on sale of assets	**-**	17,910,385	**-**	-	**-**	-	**-**	-	**-**	17,910,385
Equity share in net earnings (loss) and a joint venture	**(15,211,717)**	336,389	**-**	-	**-**	-	**-**	-	**(15,211,717)**	336,389
Interest income	**3,365,151**	56,406	**482,858**	742,002	**1,705**	-	**-**	-	**3,849,714**	798,408
Interest expense	**(2,701,739)**	(14,525,453)	**(9,486,757)**	(6,298,698)	**(4,077,970)**	-	**-**	-	**(16,266,466)**	(20,824,151)
Other income (charges) – net	**(2,241)**	(3,813,300)	**1,260,536**	2,478,944		-	**-**	-	**1,258,295**	(1,334,356)
Income (loss) before income tax	**(27,762,020)**	(10,048,060)	**(75,135,004)**	(61,619,997)	**3,425,334**	-	**(401,876)**	613,860	**(99,873,566)**	(71,054,198)
Income tax benefit (expense)	**(466,963)**	3,115,335	**-**	18,485,999	**(1,717,573)**	-	**-**	-	**(2,184,536)**	21,601,334
Net income (loss)	**(P28,228,983)**	(P6,932,725)	**(P75,135,004)**	(P43,133,998)	**P1,707,761**	P -	**(P401,876)**	P613,860	**(P102,058,102)**	(P49,452,864)
Attributable to:										
Equity holders of the Parent	**(P28,228,983)**	(P6,932,725)	**(P56,250,783)**	(P32,547,859)	**P1,707,761**	P -	**(P401,876)**	P613,860	**(P83,173,881)**	(P38,866,725)
Non-controlling interests	**-**	-	**(18,884,220)**	(10,586,139)	**-**	-	**-**	-	**(18,884,221)**	(10,586,139)
Net income (loss)	**(P28,228,983**	(P6,932,725)	**(P75,135,004)**	(P43,133,998)	**P1,707,761**	P -	**(P401,876)**	P613,860	**(P102,058,102)**	(P49,452,864)

(Forward)

	Internet Gaming and Content Distribution		I-Cafe		Leasing		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
ASSETS AND LIABILITIES										
Segments assets	**P531,591,126**	P389,218,528	**P331,612,595**	P352,539,965	**P80,130,622**	P-	**(P78,047,330)**	(P79,097,513)	**P865,287,013**	P622,660,980
Investments in an associate and a joint venture	**2,837,916,032**	390,916,032	**-**	-	**-**	-	**(229,556,838)**	(243,554,102)	**2,608,359,194**	147,361,930
Intangible assets and goodwill	**2,836,505**	424,399	**13,702,304**	39,241,088	**-**	-	**26,080,634**	34,283,674	**42,619,443**	73,949,161
Deferred tax assets	**4,292,863**	9,151,285	**-**	19,675,973	**501,388**	-	**-**	-	**4,794,251**	28,827,259
Total Assets	**P3,376,636,526**	P789,710,245	**P345,314,899**	P411,457,026	**P80,632,010**	-	**(P281,523,534)**	(P288,367,941)	**P3,521,059,901**	P912,799,330
Segment liabilities	**P291,883,888**	P443,019,777	**P294,503,908**	P256,241,950	**P80,031,726**	P-	**(P78,175,626)**	(P80,643,422)	**P588,243,896**	P618,618,305
Total Liabilities	**P291,883,888**	P443,019,777	**P294,503,908**	P256,241,950	**P80,031,726**	P-	**(P78,175,626)**	(P80,643,422)	**P588,243,896**	P618,618,305

7. Assets Classified as Held for Sale

The Parent Company and Level Up! Inc. (LUI) completed the merger of their Philippine online game publishing business. 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 amounting to P92.7 million and cash consideration of P58.0 million. The transaction was unanimously approved by the Company's stockholders and BOD on the same date (see Note 12).

The subject assets and liabilities are as follows:

	Note	Mar 30, 2012
Assets		
Computer and network equipment	*15*	P91,699,153
Intangible assets	*17*	21,046,186
Assets classified as held for sale		P112,745,339

Liabilities		
Trade payables	*19*	P4,287,183
Loans payable	*20*	5,591,561
Obligations under finance lease	*21*	11,914,685
Liabilities directly associated with assets classified as held for sale		P21,793,429

The transfer of assets and liabilities resulted to gain amounting to P19.7 million shown under "Other expenses (income)," account for the year ended December 31, 2012 (see Note 27).

8. Cash

This account consists of:

	September 30, 2013	**December 31, 2012**
Cash in banks	**P2,534,949**	**P72,929,411**
Cash on hand	**1,375,814**	**1,411,600**
	P3,910,763	**P74,341,011**

Cash in banks earn interest at the respective bank deposit rates.

9. Short-term Investments

Short-term investments which amounted to P172 million and P201 million as at September 30, 2013 and December 31, 202 include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Short-term investments earn interest of 2.5% to 4.0% per annum. Interest income earned for the nine months period ended September 30, 2013 and 2012 amounted to P3.8 million and P0.3 million, respectively (see Note 27).

10. Trade and Other Receivables

This account consists of:

	September 30, 2013	December 31, 2012
Trade receivables	**P23,697,425**	P30,354,050
Advances to officers and employees	**6,773,029**	10,155,175
Advances to suppliers and contractors	**13,819,772**	-
Other receivables	**13,536,832**	16,939,657
	57,827,058	57,448,882
Allowance for impairment losses	**(14,894,675)**	(14,860,639)
	P42,932,383	P42,588,243

Trade receivables are noninterest-bearing and generally on a 15 to 90-day credit term.

Other receivables mainly pertain to noninterest-bearing advances made to the following:

	September 30, 2013	December 31, 2012
AB Fiber Corporation	**P7,300,000**	P7,300,000
Prime Logic Group Ltd.	**3,848,049**	3,848,049
E-Store Exchange	**1,729,698**	1,729,698
Epicsoft Pte. Ltd.	-	2,583,375
	P12,877,747	P15,461,122

11. Inventories

This account consists of:

	September 30, 2012	December 31, 2012
At costs:		
Game installers	**P698,222**	P11,426,297
Materials and supplies	**5,562,578**	7,647,694
Prepaid cards	**2,982,425**	5,108,116
	9,263,252	24,182,107
Less allowance for inventory write-down	**(479,850)**	479,850
	P8,783,402	P23,702,257

Materials and supplies include paper supplies and inks used for printing services.

12. Other Current Assets

This account consists of:

	September 30, 2013	December 31, 2012
Advances to suppliers	**P10,786,386**	3,067,187
Deposits	**8,725,116**	P8,725,116
Current portion of deferred input VAT	**5,561,886**	2,446,681
Prepayments for:		
Taxes	**3,666,575**	3,013,524
Rent	**4,033,594**	3,905,236
Insurance	**707,895**	1,604,779
Others	**1,644,052**	533,638
	P35,125,504	P23,296,161

Deposits primarily include escrow fund for marketing activities.

Advances to suppliers pertain to advance payments for purchases of prepaid cards and game installers.

Prepaid taxes represent accumulated creditable withholding taxes and excess income tax payments.

13. Investments in an Associate, Joint Venture and Equity Shares

	September 30, 2013	December 31, 2012
Joint venture - X-Play		
Acquisition cost	**P100,000,000**	P100,000,000
Accumulated share in net losses:		
Balance at beginning of year	**(56,702,496)**	(50,640,497)
Equity in net losses during the quarter/year	**(6,926,287)**	(6,061,999)
Balance at end of year	**(63,628,783)**	(56,702,496)
	36,371,217	43,297,504
Associate - Level Up, Inc.:		
Acquisition cost	**92,666,037**	92,666,037
Accumulated share in net losses:		
Balance at beginning of year	**(12,392,630)**	-
Equity in net losses during the quarter/year	**(8,285,430)**	(12,392,630)
Balance at end of year	**(20,678,060)**	(12,392,630)
	7,1987,977	80,273,407
Investments in equity shares	**2,500,000,000**	-
	P2,608,359,194	P123,570,911

The principal activities and percentage of ownership are as follows:

	Principal Activities	Percentage of Ownership 2013	2012
Associate – LUI	Information and Communications Technology	**30%**	-
Joint Venture - X Play	Interactive gaming and content contribution	**50%**	50%

The associate and joint venture were all incorporated in the Philippines and registered with the SEC.

The amount of net losses used in the computation of the Parent Company's equity in net losses of LUI for the year ended December 31, 2012 was obtained from the unaudited financial information of LUI. The audited financial information is currently unavailable as the audit of LUI's 2012 financial statements is still on-going as at audit report date.

LUI

On March 30, 2012, the Company and LUI completed the merger of their Philippine online game publishing businesses. The Group transferred its selected assets and liabilities through the ASPA to LUI in exchange for 4.76 million shares or 30% equity amounting to P92.7 million and cash consideration amounting to P58.0 million.

X-Play

Under a Shareholders' Agreement in 2007, GMA New Media, Inc. (GNMI) and the Group agreed to have equal equity interest in X-Play, an interactive company. Both parties subscribed to one million common shares each at par value of P100 share. The Group paid P50.0 million in cash and the balance is payable in the form of online game assets while GNMI paid P50.0 million cash and the balance is payable in the form of television airtime.

On October 19, 2011, GNMI executed a Subscription Agreement with the Group, wherein the Group committed to allow GNMI to subscribe 5.0 million shares out of the total Group's shares to be offered for public listing for a subscription price of P26 a share or P130.0 million. On the same date, the Group and GNMI executed an Option Agreement relative to their shares in X-Play. Under the Option Agreement, the Group irrevocably granted GNMI the option to sell its 1.0 million shares in X-Play at a total exercise price of P75.0 million. GNMI has not exercised the option upon its expiration on October 19, 2012. The agreement was extended until June 30, 2013.

Financial information of the joint venture and associate as at and for the year ended December 31 follows:

	2013			
	Assets	**Liabilities**	**Revenue**	**Net Loss**
Level Up! Inc.	**P**	**P**	**P175,457,287**	**P27,618,100**
X-Play	**P38,210,078**	**P65,467,644**	**P-**	**P13,852,573**

	2012			
	Assets	Liabilities	Revenue	Net Income
X-Play	P52,711,873	P45,047,793	P5,860,016	P8,975,073

14. Investment Properties

In June 2012, the Company acquired several parcels of land situated in Sta. Ana, Cagayan with total area of 35,812 square meters. As of December 31, 2012, the cost of property amounting to P71 million includes the acquisition price and other directly attributable transaction costs.

The fair value of the investment properties approximates its cost as at December 31, 2012.

Rental income generated from investment properties amounted to P8 million and nil for the nine months period ended September 30, 2013 and 2012, respectively (See Note 23).

15. Property and Equipment

Movements in this account are as follows:

	Note	Computer and Network Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost:							
January 1, 2012		P32,676,928	P14,356,528	P1,527,080	P28,851,318	P-	P77,411,854
Additions		7,383,731	17,639,331	2,380,000	22,445,114	8,190,780	58,038,956
Disposals		(17,760,340)	(5,374,648)	(362,666)	(19,766,629)	-	(43,263,283)
December 31, 2012		**22,301,319**	**26,621,211**	**3,544,414**	**31,529,803**	**8,190,780**	**92,187,527**
Additions		4,643,644	12,923,714	-	23,010,904		40,578,262
Reclassifications/disposals		-	-	(39,196)	6,579,151	(6,539,955)	-
September 30, 2013		**26,944,963**	**39,544,925**	**3,505,218**	**61,119,858**	**1,650,825**	**132,765,789**
Accumulated depreciation:							
January 1, 2012		P13,770,974	P2,711,279	P795,427	P7,070,909	P-	P24,348,589
Depreciation		16,519,101	7,342,627	562,981	10,369,060	-	34,793,769
Disposals		(12,001,306)	(3,674,953)	(117,334)	(14,111,118)	-	(29,904,711)
December 31, 2012		**18,288,769**	**6,378,953**	**1,241,074**	**3,328,851**	-	**29,237,647**
Depreciation		7,795,137	6,344,595	439,004	5,936,910	-	20,515,646
September 30, 2013		**26,083,906**	**12,723,548**	**1,680,078**	**9,265,761**	-	**49,753,293**
Net book value:							
September 30, 2013		**P861,057**	**P26,821,377**	**P1,825,140**	**P51,854,097**	**P1,650,825**	**P83,012,496**
December 31, 2012		P4,012,550	P20,242,258	P2,303,340	P28,200,952	P8,190,780	P62,949,880

Depreciation for the nine months period ended September 30 is allocated as follows:

	Note	2013	2012
Cost of services	24	**P14,684,034**	P18,116,531
Operating expenses	25	**577,7763**	9,281,232
		P20,515,646	P27,397,763

16. Goodwill

Goodwill acquired from business combinations pertain to:

	Note	September 30, 2013	December 31, 2012
Webworx	5	**P35,752,505**	P35,752,505
DPI	5	**26,080,634**	26,080,634
		P61,833,139	P61,833,139
Derecognition	5	**35,752,505**	35,752,505
		P26,080,634	P26,080,634

17. Intangible Assets

This account consists of game licenses and computer software.

Movements in this account are as follows:

	Note	September 30, 2013	December 31, 2012
Cost:			
Beginning of the year		**P53,449,384**	P38,978,938
Additions		**4,587,493**	16,539,054
Write offs		**-**	(133,584)
Disposals		**-**	(1,935,024)
Balance at end of year		**58,036,877**	53,449,384
Accumulated amortization:			
Beginning of the year		**37,221,798**	31,998,067
Amortization during the year		**4,276,271**	5,357,315
Write offs during the year		**-**	(133,584)
Balance at end of year		**41,498,069**	37,221,798
		P16,538,808	P16,227,586

Amortization for the nine months period ended September 30 is allocated as follows:

	Note	2013	2012
Cost of services	*24*	**P1,408,691**	P5,357,315
Operating expenses	*25*	**2,867,580**	-
		P4,276,271	P5,357,315

18. Other Noncurrent Assets

This account consists of:

	Note	**September 30, 2013**	December 31, 2012
Security deposits	*22*	**P80,930,565**	P44,378,948
Advances		**3,746,998**	41,256,400
Others		**3,569,779**	3,671,850
		P88,247,342	P89,307,198

Security deposits pertains to deposits in relation to leased office space and store premises, refundable deposits from co-location service providers and amount of deposits to be used for future investments of the Company.

Advances represent the amount of deposits to be used for future investments of the Company.

19. Trade and Other Payables

This account consists of:

	Note	**September 30, 2013**	December 31, 2012
Trade payables		**P112,123,677**	P125,109,830
Subscription payable	*13*	**52,500,000**	49,999,850
Accrued expenses		**25,200,007**	27,246,105
Output VAT		**16,283,488**	16,153,524
Nontrade payables		**11,313,323**	10,657,555
Withholding taxes		**11,696,565**	1,026,920
Others		**4,359,251**	19,751,434
		P233,476,311	P249,945,218

Trade payables pertain to amounts payable to software licensors and co-location service providers and payable within one year.

Accrued expenses consist of accruals for royalties, employee benefits and other operating expenses.

Subscriptions payable pertains to the unpaid subscriptions of shares in X-Play (see Note 13).

20. Loans Payable

This account consists of:

	Note	**September 30, 2013**	December 31, 2012
HSBC		**P188,973,687**	P153,016,812
Esquire		**15,000,000**	15,000,000
		P203,973,687	P168,016,812

Esquire
In 2012, the Group entered into the following unsecured interest-bearing loan contract with Esquire:

Date availed	Terms	Amount
February 2012	Payable until January 2015 with interest rate of 9% - 24% per annum	P25,000,000
April 2012	Payable on demand with interest rate of 24% per annum	19,000,000
June 2012	Long-term with interest rate of 2% per month	15,000000
		P59,000,000

Out of the P25 million and P19 million loan agreements, P31.5 million were settled in advance in November 2012 by its stockholders. The remaining P12.5 million was offset against the placement made by the Group to Esquire which served as collateral to the latter. The loan payable balance in 2011 was fully paid in 2012.

HSBC
Bank loans consist of peso-denominated, unsecured loans from local banks with fixed interest rate of 5.00% to 6.25%. These bank loans are considered short-term in nature with maturities of three (3) months. The Group however, has the option to extend the maturity dates subject to repricing of interest rates.

Interest expense arising from loans payable amounted to P16 million and P21 million for the nine months period ended September 30, 2013 and 2012, respectively (see Note 27).

21. Long-terms Loans

Other than the loans indicated in Note 20, the Group has no other long-term loans as of September 30, 2013 and December 31, 2012.

22. Commitments and Contingencies

Commitments

The Group has commitments arising from the following:

Online Game License Agreements

The Group has existing online game licensing agreements as follows:

Effectivity Date	Agreement	Game Title	Licensor	Term
October 18, 2011	License and Distribution Agreement	World of Warcraft, Starcraft, Legacy Products and Diablo	Blizzard Entertainment International	Expires on December 31, 2013, unless terminated earlier
June 12, 2011	Exclusive rights Agreement	CABAL online	ESTsoft Corp.	Three years from June 12, 2011 unless validly terminated
April 1, 2011	Software Development and License Agreement	Point Blank	Zepetto Co.	Three years from April 1, 2011 unless validly terminated
October 2010	Software License and Agreement	RAN online	Min Communication, Inc.	January 1, 2011 until March 31, 2012
November 26, 2009	Sublicense and Sub-distribution	Dragonica	Cyber Gateway (L) Pte. Ltd.	Three years from September 2010, commercialization date; terminated on September 16, 2011
January 2009	License Agreement	02 Jam	Nowcom Co., Ltd	Two years from January 1, 2009, and may be extended at such terms subsequently agreed by both parties
July 31, 2009	Exclusive License and Distribution Agreement	Runes of Magic	Tahadi games Ltd.	Three years from July 31, 2009
January 2007	Distribution Agreement	Granado Espada	Inforcomm Asia Holdings Pte. Ltd.	24 months after commercial launch date, unless extended or terminated earlier
December 7, 2011	License and Distribution Agreement	NBA 2k Online	Take Two International S.A.	Three years from commercial launch

The licensors granted the Group the exclusive right to market and distribute the games within the Philippine territory.

The term of the game license agreements ranges from one to three years, starting from the date of contract effectivity or commercial launch of game, depending on the agreement.

As consideration, the Group pays the licensors one-time license fee (recognized as intangible assets) and monthly royalty fees. Monthly royalty fees are based on certain percentage of gross or net revenue derived from the respective games. Royalty expenses amounted to nil and P13 million for the nine months period ended September 30, 2013 and 2012, respectively, (see Note 24).

In March 2012, pursuant to the Asset Purchase Agreement entered into by the Group with Level Up, Inc. (LUI), licenses for CABAL Online, Point Blank, RAN Online, Dragonica, 02 Jam, Runes of Magic, and Zhu Xian Online were also transferred to LUI. As at December 31, 2012, only game titles with Blizzard Entertainment International remained with the Parent Company.

Cost Sharing Agreements

Date of Agreement	Related Party	Shared Cost	*Note*	Term
April 16, 2009	X-Play	Common overhead costs	*26*	Four years starting January 1, 2012
2011	IPE Global	Shared overhead costs	*26*	Two years

Investment Agreement with GEM Global
On September 7, 2009, the Parent Company entered into an Investment Agreement with GEM Global and GEMIA, wherein GEM Global was given the option to subscribe an aggregate of up to P500.0 million in the shares of stock in the Parent Company. GEM Global's obligation to subscribe the shares only takes effect upon (a) the Parent Company is listed by the way of introduction and (b) any restrictions imposed against the Parent Company and the GEM for the issue of the shares has been waived by the relevant governmental authorities in writing.

The agreement may be terminated during the commitment date, within the period from the 16^{th} trading day after the listing date to the third anniversary of the listing date or the date when the aggregate purchase price of shares subscribed under this agreement equals P500.0 million, whichever is earlier.

In 2012, GEM Global accepted a drawdown and agreed to subscribe 3,750 million shares of the Parent Company for P103.5 million. The subscribed shares were assigned to the lending shareholder, IPVI. As of December 31, 2012, only 2,701 million shares have been issued and the remainder will be issued upon approval of the increase in the authorized capital stock of the Parent Company.

Co-Location Agreement with ePLDT
In 2005, the Company entered into a Co-Location Agreement with ePLDT, Inc., who operates an internet data center located within PLDT Internet Data Center, wherein PLDT agrees to allow the Company to place equipment within the co-location space beginning October 1, 2005 and shall continue for a minimum term of one year. The agreement is renewable at the option of both parties. Upon signing the Agreement, the Company is required to remit to ePLDT an amount equivalent to one month recurring fee as security deposit, which may be applied to any unpaid obligations of the Company. The unused portion of the security deposit will be returned to the Company within 30 days from the expiration of the Agreement. The agreement was renewed on June 1, 2011 and valid until May 30, 2012. In March 2012, such agreement was transferred to LUI by way of the ASPA.

As at September 30, 2013 and December 31, 2012, security deposits related to this agreement amounted to P2.7 million (see Note 18).

Operating Lease Commitments – Group as Lessee
The Group has an existing contract of lease to Safehouse Storage Facility covering a stockroom space for its inventories. The term of lease contract shall be for one year, from September 2012 to 2013, renewable every year for a monthly rental rate of P20,089. Security deposit equivalent to one month rent is required.

In July 2012, the Group and IPVI relocated from RCBC Makati to Bonifacio Global City. The lease agreement with the present lessor is with IPVI. While the terms of cost sharing for rental is being finalized, IPVI is initially billing the Company in proportion to the area it occupies.

Rent expense amounted to P41 million and P39 million for the nine months period ended September 30, 2013 and 2012, respectively (see Note 25).

Contingencies - Legal Claims
On May 9, 2011, the Company was notified of the Notice of Arbitration filed by Bejing Perfect World Software, Inc. (PW). Under its statement of claim, PW claims for outstanding obligation and damages resulting from breach of contract.

On November 9, 2012, the Company was again notified of a resolution ordering the Group to pay PW a certain amount for guaranteed royalties, publishing agreement, damages, license fee and interest and for legal costs.

As at December 31, 2012 and 2011, the parties are still in the course of pleadings and other evidence in support of their respective claims.

The provision related to the claims amounted to P2.9 million as at September 30, 2013 and December 31, 2012 and included in "Trade and other payables" account.

23. Revenues

For the nine months period ended September 30, 2013 and 2012, this account consists of:

	2013	2012
Service revenue	**P109,041,085**	P197,908,729
Sale of goods	**123,290,025**	137,763,963
Advertising	**1,429,880**	6,079,616
Others	**17,183,207**	16,286,579
	P250,944,197	P358,038,887

24. Cost of Services

For the nine months period ended September 30, 2013 and 2012, this account consists of:

	Notes	**2013**	2012
Cards and pins		**P92,878,801**	P76,677,046
Rent	*25*	**36,166,403**	52,694,954
Salaries and other employee benefits	*26, 28*	**30,002,880**	43,734,000
Depreciation and amortization	*15, 17*	**16,092,725**	18,249,497
Utilities		**17,293,302**	25,132,000
Food and beverage		**12,724,701**	15,440,000
Maintenance		**5949174**	6,649,149
Communications and co-location	*22*	**6004790**	15,574,000
Royalties	*22*	**-**	17,503,958
Others		**6,918,042**	5,329,943
		P224,030,818	P276,984,547

25. Operating Expenses

For the nine months period ended September 30, 2013 and 2012, this account consists of:

	Notes	**2013**	2012
Salaries and other employee benefits	*26, 28*	**P37,470,142**	P51,477,123
Advertising and promotions		**7,448,081**	6,829,100
Depreciation and amortization	*15, 17*	**8,699,192**	10,604,200
Transportation and travel		**5,200,507**	5,446,867
Professional fees		**5,814,127**	12,359,743
Supplies and other office expenses		**4,823,365**	2,853,255
Communication, light and water		**5,656,371**	8,394,603
Rent	*22*	**4,483,290**	13,834,894
Taxes and licenses	*29*	**3,460,542**	11,544,822
Outside services	*5*	**4,733,215**	14,075,785
Fees and subscription		**1,343,971**	3,144,499
Impairment losses on trade and other receivable	*10*	**51,105**	1,514,891
Others		**11,232,863**	6,915,431
		P100,416,771	P148,995,213

26. Salaries and Other Employee Benefits

For the nine months period ended September 30, 2013 and 2012, this account consists of:

	Note	**2013**	2012
Salaries and wages		**P57,255,575**	P41,624,220
Bonuses		**5,441,911**	3,089,284
Social security cost		**3,855,653**	3,300,836
Retirement benefits	*28*	**-**	853,697
Other benefits		**919,883**	10,056,629
		P67,473,022	P58,924,666

The amount of salaries and other employee benefits are allocated as follows:

	Note	**2013**	2012
Cost of services	*24*	**P30,002,880**	P33,207,071
Operating expenses	*25*	**37,470,142**	51,477,123
		P67,473,022	P84,684,194

27. Other Income (Charges)

For the nine months period ended September 30, 2013 and 2012, this account consists of:

	Note	**2013**	2012
Interest expense	*20*	**(P16,266,466)**	(P14,287,671)
Interest income	*8, 9*	**3,849,714**	502,234
Net foreign exchange gain (loss)		**682,655**	108,283
Others		**8,565,812**	(3,930,734)
		(P3,168,285)	(P17,607,888)

28. Retirement Benefits

The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees in compliance with the minimum regulatory benefit under the Republic Act (RA) No. 7641. The plan provides a retirement benefit equal to 22.5 days pay for every year of credited service.

Actuarial valuation of the retirement plan is done by an independent actuary.

The Company' obligation for its defined benefit retirement plan in the consolidated statement of financial position follows:

	Note	September 30, 2013	December 31, 2012
Present value of defined benefit obligation		**P19,199,932**	P6,687,911
Unrecognized actuarial gains attributable to the acquisition of DPI	7	**-**	-
Unrecognized actuarial gains		**-**	12,120,347
Unrecognized past service cost - non-vested benefits		**-**	391,674
Recognized liability		**P19,199,932**	P19,199,932

The movements in present value of the defined benefit obligation follow:

	Note	September 30, 2013	December 31, 2012
Balance at beginning of year		**P6,687,911**	P7,731,036
Current service cost		**-**	1,730,312
Actuarial gains		**-**	1,043,958
Interest cost		**-**	486,282
Benefits paid-directly from book reserve		**-**	(1,860,748)
Settlement/curtailment - (gain)		**-**	(2,442,929)
Balance at end of year		**P6,687,911**	P6,687,911

The principal actuarial assumptions used at the reporting date are as follows:

	2012	2011	2010
Discount rate	**6%**	6.0% - 6.3%	8.0%
Expected rate salary increases	**5%**	5.0% - 6.0%	5.05

29. Income Tax

The reconciliation of the income tax expense computed at statutory income tax rate and income tax for the nine months period ended September 30, 2013 and 2012 shown in the consolidated statement of comprehensive income is as follows:

	2013	2012
Tax expense at statutory rate	**(P29,962,070)**	(P6,394,878)
Addition to (reduction in) income tax resulting from the tax effects of:		
Change in unrecognized deferred tax assets	**28738,005**	(14,964,820)
Equity share in net earnings (loss) of an associated and a joint venture	**4,563,515**	(100,917)
Interest income subject to final tax	**(1,154,914)**	(239,522)
Nondeductible expenses	**-**	98,803
	P2,184,536	(P21,601,334)

The Components of the Group's deferred tax assets from the related temporary differences are as follows:

	Note	September 30, 2013	December 31, 2012
Allowance for impairment losses on receivables		**P2,854,308**	P2,854,308
Retirement benefit liability		**945,904**	985,497
NOLCO		**325,931**	325,931
Accrued expenses and unearned revenue		**215,049**	215,049
Unrealized foreign exchange loss		**453,059**	453,059
		P4,794,251	P4,833,844

Deferred tax assets have not been recognized in respect of the following deductible temporary differences attributable to the acquisition of DPI (see Note 5).

	Note	September 30, 2013	December 31, 2012
NOLCO		**P17,659,221**	P17,659,221
Retirement benefit liability		**4,774,483**	4,774,483
MCIT		**3,870,926**	3,870,926
Allowance for impairment of impairment losses on receivables and security deposit		**1,603,884**	1,603,884
Others		**811,683**	811,683
		P28,720,197	P28,720,197

As at September 30, 2012 and December 31, 2012, deferred tax assets have not been recognized in respect of the following deductible temporary differences on accrued expenses and unused MCIT and NOLCO:

	Note	September 30, 2013	December 31, 2012
Unused NOLCO		**P18,421,487**	P18,421,487
Deductible temporary differences on accrued expense		**4,885,698**	4,885,698
Unused MCIT		**3,332,620**	3,332,620
		P26,639,805	P26,639,805

As at December 31, 2012, NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Amount		Balance	Expiration
2011	P49,045,300	P-	P49,045,300	2014
2012	72,260,163	-	72,260,163	2015
	P121,355,463	P-	P121,355,463	

The unused MCIT can be applied against future tax payable as follows:

Year Incurred	Amount	Applied	Balance	Expiration
2010	P1,510,676	P -	P1,510,676	2013
2011	3,415,591		3,415,591	2014
2012	2,277,280	-	2,277,280	2015
	P7,203,547	P -	P7,203,547	

30. Related Party Transactions

In the ordinary course of business, the Group has the following significant transactions and balances with its related parties:

(a) In 2011, the Group entered into Deeds of Assignment with IPVI and IPE Global to assign certain receivables from related parties. Receivables are mainly from IPVG Corporation Pte. Ltd. and Cyberworld Corporation.

(b) The Group obtains and provides noninterest-bearing cash advances to and from related parties to finance working capital requirements. These cash advances are payable on demand.

(c) The Group entered into Asset Sale and Purchase Agreement with LUI for the sale of gaming assets in consideration for 30% equity in the latter and cash consideration.

The following are the transactions with related parties as at September 30, 2013 and December 31, 2012:

Category / Transaction	Year	Note	Amount of the Transaction	Outstanding Balances: Due from Related Parties	Outstanding Balances: Due to Related Parties	Terms	Conditions
Present Ultimate Parent							
IPVI							
▪ Assignment of receivables	**2013**		**P-**	**P34,952,078**	**P -**	**On demand; non-interest bearing**	**Unsecured**
	2012	*a*	P32,872,477	P34,952,078	P -	On demand; non-interest bearing	Unsecured
▪ Advances	**2013**	*b*	**7,820,158**	**28,683,724**	**48,931,794**	**On demand; non-interest bearing**	**Unsecured**
	2012	*b*	35,435,676	37,281,852	48,153,824	On demand; non-interest bearing	Unsecured
IPE Global Pte. Ltd							
▪ Sale of inventories/ advances	**2013**		**16,503,952**	**16,147,972**	**355,980**	**On demand; non-interest bearing**	**Unsecured**
	2012		-	-	-	On demand; non-interest bearing	Unsecured
Previous Parent							
IPE Global							
Advances	**2013**		**549,175**	**81,540,022**	-	**On demand; non-interest bearing**	**Unsecured**
	2012	*b*	377,192	80,990,847	-	On demand; non-interest bearing	Unsecured

Forward

Joint Venture: X-Play							
▪ Advances	**2013**	*a*	**P13,649,506**	**P27,724,305**	-	**On demand; non-interest bearing**	**Unsecured**
	2012	*a*	21,635,084	14,074,799	-	On demand; non-interest bearing	Unsecured
Common cost allocation	**2013**		-	-	-	-	-
	2012		15,425,527	-	-	On demand; non-interest bearing	Unsecured
Associate: LUI							
▪ Sale of gaming assets	**2013**	*c*	-	-	-	-	-
	2012	*c*	157,060,887	-	-	-	-
Assumed liability	**2013**		**2,419,851**	**6,071,923**		**On demand; non-interest bearing**	**Unsecured**
	2012		8,491,774	8,491,774		**On demand; non-interest bearing**	**Unsecured**
Under Common Control							
IPVG Employees, Inc.							
▪ Advances	**2013**	*b*	**802,574**	-	**5,910,330**	**On demand; non-interest bearing**	**Unsecured**
	2012	*b*	250,330	-	6,712,904	On demand; non-interest bearing	Unsecured
IPCDCI*							
▪ Sale of investments in FCCDI and AFC	**2013**		-	-	-	**On demand; non-interest bearing**	**Unsecured**
	2012		-	-	-	On demand; non-interest bearing	Unsecured
HC Philippines, Inc.							
▪ Advances	**2013**	*b*	**3,944,456**	**108,324,077**	-	**On demand; non-interest bearing**	**Unsecured**
	2012	*b*	104,379,621	104,379,621	-	-	-
GRCO Isulan Mining Corporation							
▪ Advances	**2013**	*b*	**3,998,165**	**17,458,075**	-	**On demand; non-interest bearing**	**Unsecured**
	2012	*b*	13,459,910	13,459,910	-	On demand; non-interest bearing	Unsecured
Webworx							
Advances	**2013**	*b*	-	-	**19,000,000**	**On demand; non-interest bearing**	**Unsecured**
	2012	*b*	19,000,000	-	19,000,000	-	-
Ipay Commerce Ventures							
▪ Advances	**2013**	*b*	**16,547,753**	-	**24,426,420**	**On demand; non-interest bearing**	**Unsecured**
	2012	*b*	-	-	7,878,667	**On demand; non-interest bearing**	**Unsecured**
Others							
▪ Advances	**2013**	*b*	**5,921,748**	**5,954,299**	-	**On demand; non-interest bearing**	**Unsecured**
	2012	*b*	-	32,551	-	On demand; non-interest bearing	Unsecured
	2013			**P326,856,475**	**P98,624,524**		
	2012			P293,663,432	P81,745,395		

**IPCDCI is no longer a related party as at December 31, 2012.*

31. Equity

Capital Stock
This account consists of:

	Number of Shares	
	2013	2012
Authorized - P0.01 par value in 2012 and 2011; P1.00 par value in 2010	**30,000,000,000**	30,000,000,000
Issued and outstanding	**30,000,000,000**	18,869,718,100

The Group and GNMI entered into a subscription agreement on October 19, 2011, wherein GNMI agreed to subscribe up to 5 million shares of the Group for P26.00 a share as part of the follow-on offering to be made by the Group. On the same date, GNMI and the Group executed on Option Agreement relative to their shares in the Group. Under such agreement, the Group irrevocably granted GNMI the option its 1.0 million shares in the Group at a total exercise price of P75.0 million. GNMI has not exercised the option upon its expiration on October 19, 2012. The agreement was extended until June 30, 2013.

On December 29, 2011, the SEC approved the reduction in the par value of common shares from P1.00 to P0.01 per share. After such reduction, the authorized number of shares also increased from 300 million to 30 billion while issued shares and outstanding increased from 188.7 million shares to 18.9 billion shares.

In 2012, IPE Global Holdings Corp., IPVI and IPVG Employees, Inc. subscribed to additional shares of the Parent Company of 7.9 billion, 3.1 billion, and 0.1 billion shares, respectively. Subscriptions were made above par in which the excess were credited to "Additional Paid-in capital" with a total consideration amounting to P221.2 million.

On December 27, 2012, the subscription of IPVI exceeded the authorized shares of stock of the Parent Company. In April 2013, the BOD approved the increase in the Company's authorized shares of stock (see Note 33). No application for the increase in shares of stock was filed yet to SEC. The subscription amounting to P29.0 million was classified as part of Advances from IPVI account under "Due to related parties" (see Note 30).

As at December 31, 2011, the Parent Company's deposit for future stock subscription amounting to P19.0 million represents deposit of Webworx to the Parent Company's future issuance of shares. However, since the Parent Company had fully issued its authorized capital stock as at December 31, 2012 and has not actually submitted an application for additional increase in the authorized capital stock to SEC, the deposit for future stock subscription of Webworx was reclassified to "Due to related parties" account in 2012 (see Note 30).

On April 11, 2013, the Board of Directors approved the First Tranche of increase in the Group's Authorized Capital Stock to P10 billion divided into 1 trillion shares at par value of P0.01 per share.

On the same date, the Board of Directors 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.

(EPS)
The computation of basic earnings per share for the nine months period ended September 30, 2013 and 2012 is as follows:

	2013	2012
Net income (loss)	**(P61,642,534)**	(P49,452,864)
Divided by weighted average number of common shares	**19,366,232,969**	18,869,728,100
Basic EPS	**(P0.0053)**	(P0.0026)

The weighted average number of common shares for basic earnings per share is as follows:

	2013	2012
Issued common shares at beginning of year	**18,869,728,100**	18,869,728,100
Effect of issuance and cancellation of common shares	**496,504,869**	-
Total weighted average number of common shares*	**19,366,232,969**	18,869,728,100

* *Including increase in the number of shares as a result of reduction in par value in 2011*

The Company has no dilutive potential common shares outstanding. Thus, basic and diluted EPS are stated at the same amount.

For purposes of EPS computation, the increase in the number of shares issued and outstanding as a result of reduction in par value was reflected in the earliest year presented.

Dividend Declaration
No dividend declaration was made for the nine months period ended September 30, 2013 and 2012.

Non-controlling Interests
Movements of non-controlling interests are as follows:

	September 30, 2013	December 31, 2012
Balance at beginning of year	**P31,921,413**	P45,679,423
Share in net loss for the year	**(18,884,221)**	(6,476,216)
Disposal	**-**	(7,281,794)
	P13,037,192	P31,921,413

32. Financial Risk Management Objectives and Polices

The Group's financial instruments primarily comprise of cash in banks, long-term loans and loans payable. The main purpose of these financial instruments is to finance the Group's operations and capital expenditures. The Group has various other financial assets and liabilities such as trade and other receivables, amounts due from related parties, temporary placements, security deposits, AFS investments, trade and other payables (excluding statutory liabilities), amounts due to related parties, and obligations under finance lease, which arise directly from operations.

The main risk arising from the Group's financial instruments are credit risk and liquidity risk.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee identifies all issued affecting the operations of the Company and reports regularity to the BOD on its activities.

The Group's risk management policies are established to identify and analyze the risks face by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risks

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from counterparties and is monitored on an going basis. The objective is to reduce the risk of loss through default by counterparties.

The Group's exposure to credit risk relates principally to its receivable from distributors related parties and financial institutions in the case of cash in banks and short-term investment and deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	September 30, 2013	December 31, 2012
Cash in banks	**P2,534,949**	P72,929,411
Short-term investments	**171,736,696**	200,885,611
Trade and other receivables - net	**42,932,383**	42,588,243
Due from related parties	**326,856,475**	293,663,432
Deposits	**80,930,565**	54,803,329
	P624,991,068	P664,870,026

The aging analysis of financial assets as at September 30, 2013 and December 31 are as follows:

	September 30, 2013						
	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days		
Cash in banks	P2,534,949	P -	P -	P -	P -	P -	P2,534,949
Short term investments	171,736,696	-	-	-	-	-	171,736,696
Trade and other receivables	14,556,306	2,183,446	436,689	1,018,941	3,639,077	14,894,675	36,729,134
Due from related parties	65,371,295	-	-	-	261,485,180	-	326,856,475
Other noncurrent assets	80,930,565	-	-		-	-	38,556,307
	P335,129,811	P2,183,446	P436,689	1,018,941	P265,124,257	P14,894,675	P618,787,819

	December 31, 2012						
	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days		
Cash in banks	P72,929,411	P -	P -	P -	P -	P -	P72,929,411
Short term investments	200,885,611	-	-	-	-	-	200,885,611
Trade and other receivables	9,319,992	1,016,598	5,372,556	3,122,556	23,756,541	14,860,639	57,448,882
Due from related parties	-	-	-	-	293,663,432	-	293,663,432
Other noncurrent assets	54,803,329	-	-		-	-	54,803,329
	P337,938,343	P1,016,598	P5,372,556	P3,122,556	317,419,973	P14,860,639	P679,730,665

Due from related parties are both trade and nontrade in nature and due and demandable. There are also no collateral and other current enhancements.

The table shows the credit quality of the Group's financial assets that are neither past due nor impaired based on their historical experience with the corresponding debtors.

	As at September 30, 2013		
	Grade A	**Grade B**	**Total**
Cash in banks	**P2,534,949**	**P -**	**P2,534,949**
Short-term investment	**171,736,696**	**-**	**171,736,696**
Trade and other receivables -net	**42,932,383**	**-**	**42,932,383**
Deposits	**80,930,565**	**-**	**80,930,565**
	P298,134,593	**P -**	**P298,134,593**

	As at December 31, 2012		
	Grade A	Grade B	Total
Cash in banks	P72,929,411	P -	P72,929,411
Short-term investment	200,885,611	-	200,885,611
Trade and other receivables -net	9,319,992	-	9,319,992
Deposits	54,803,329	-	54,803,329
	P337,938,343	P -	P337,938,343

Grade A receivables pertains to those receivables from customers and counterparties that always pay on time or even before the maturity date. Grade B includes receivables that are collected in their due dates provided that they were reminded or followed up by the Group.

Market Risk
Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest Rate Risk
The Group's interest rate risk management policy centers on reducing the Group's exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's cash in banks, short-term investments, loans payable and long-term loans.

As at September 30, 2013 and December 31, 2012, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	September 30, 2013	December 31, 2012
Fixed Rate Instruments		
Cash in banks	**P2,534,949**	P72,929,411
Short-term investments	**171,736,696**	200,885,611
Loans payable	**203,973,687**	168,016,812
	P378,245,332	P441,831,834

Fair Value Sensitivity Analysis for Fixed Rate Instruments
The Group does not account for any fixed rate financial assets and liabilities as at FVPL, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitor the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The table below summarizes the maturity profile of the Group's liabilities based on contractual undiscounted payments:

	As at September 30, 2013				
	On Demand	**<1 Year**	**1 - 3 Years**	**> 3 Years**	**Total**
Trade and other payables*	**P106,706,606**	**P45,731,402**	**P -**	**P -**	**P152,438,008**
Loans payable**	**-**	**203,973,687**	**-**	**-**	**203,973,687**
Due to related parties	**98,624,524**	**-**	**-**	**-**	**98,624,524**
Due to stockholders	**-**	**31,500,000**	**-**	**-**	**31,500,000**
	P205,331,130	**P281,205,089**	**P -**	**P -**	**P486,536,219**

* *Excluding statutory and other payables to government agencies*
***Including interest payable computed using prevailing rate as at September 30, 2013.*

	As at December 31, 2012				
	On Demand	<1 Year	1 - 3 Years	> 3 Years	Total
Trade and other payables*	P179,047,002	P52,141,155	P -	P -	231,188,157
Loans payable**	-	180,797,820	-	-	180,797,820
Due to related parties	81,745,395	-	-	-	81,745,395
	P260,792,397	P232,938,975	P -	P -	P493,731,372

* *Excluding statutory and other payables to government agencies*
***Including interest payable computed using prevailing rate as at December 31 2012*

Fair Values
The carrying amounts of financial assets and liabilities reflected in the statements of financial position as of December 31, 2012 and 2011, approximate fair values due to the relatively short-term nature of these financial instruments.

Capital Management
The Group's capital management objective is to ensure the Group's ability to continue as a going concern; and to provide for an adequate return to shareholders by pricing services commensurately with the level of risk. The Group considers its equity as its capital which amounted to P534.9 million and P343.6 million in 2012 and 2011, respectively.

The Group records capital via equity as stated on the face of the statements of financial position. The Group's capital for the covered reporting periods is summarized in the table below:

	September 30, 2013	December 31, 2012
Total assets	**P3,521,059,901**	P1,084,846,768
Total liabilities	**588,243,896**	549,972,661
Total equity	**2,932,816,005**	534,874,107
Debt to Equity Ratio	**0.20:1**	1.03:1

The Group's goal in capital management is to maintain a debt-to-equity structure that provides a well-structured balance between risks and returns. The Group recognizes the need to have adequate capital in order to serve as a cushion in times of strong pressures for higher working capital, while it is likewise conscious in managing its cost of capital, as equity is computed to have higher cost than interest bearing financial liabilities.
The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year.

The Group has no exposure on externally-imposed capital requirements.