

SEC Number 39121
File Number

PHILWEB CORPORATION

(Company's Full Name)

**The Penthouse, Alphaland Southgate Tower
2258 Chino Roces Avenue corner EDSA, Makati City**

(Company's Address)

338-5599

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC Form 17-A (Annual Report)

Form Type

Amendment Designation (if applicable)

December 31, 2014

Period Ended Date

N/A

(Secondary License Type and File Number)

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2014
2. SEC Identification Number 39121 3. BIR Tax Identification No. 000-141-527-000
4. Exact name of issuer as specified in its charter PhilWeb Corporation
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: _____(SEC Use Only)
7. Address of principal office: The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue cor. EDSA, Makati City
8. Registrant's telephone number (632) 338-5599 Zip Code 1232
9. Former name, former address, and former fiscal year, if changed since last report _____.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares of common stock and amount of debt outstanding</u>
Common P1.00 par value	1,432,616,314 (net of treasury shares)

11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes

12. Indicate whether the issuer:

- a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 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 12 months (or for such shorter period the registrant was required to file such reports)
Yes

- b) has been subject to such filing requirements for the past 90 days
Yes

Part I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

The Company became an Internet company in January 18, 2000 upon the stockholders' approval of a restructuring plan which involved changes in the Company's name, primary purpose, increase in capital stock, declassification of shares, increase in the number of directors, and adoption of new by-laws, among other matters. At the same meeting, the stockholders likewise authorized the Board of Directors to sell all or substantially all of the assets of the Company, and approved the sale of the mining properties and tangible mining assets.

On January 18, 2000, the Parent Company entered into a Deed of Assignment with All-Acacia Resources, Inc. whereby the Parent Company transferred all its rights over its mining claims located in the Provinces of Samar and Surigao and all of its mining assets, both tangible and intangible, used in the Parent Company's mining operations. In consideration therefore, All-Acacia agreed to assume all liabilities and obligations of the Parent Company, including those relating to the assignment of advances from stockholders and/or deposits on subscriptions in excess of P18 million which had been agreed to be converted to equity of the Parent Company, and arrange for the resignation, retirement or termination of all the Parent Company's personnel relating to the mining business and pay their corresponding separation or retirement pay, as well as hold the Parent Company free and harmless from any expense, liability or obligation arising from the operation of the Parent Company as of the date of the Agreement.

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

At the annual stockholders' meeting on May 31, 2002, the stockholders approved the change in corporate name from "PhilWeb.com, Inc." to "PhilWeb Corporation". The SEC approved these changes on November 5, 2002.

At the annual stockholders' meeting on May 29, 2003, the stockholders approved the amendment of the Company's Articles of Incorporation by changing the primary purpose to that of application service provider for gaming and including the current internet business activities as an additional secondary purpose of the Company. The SEC approved these amendments on November 10, 2005.

At the annual stockholders' meeting on May 28, 2009, the stockholders approved the amendment to the Company's Articles of Incorporation changing the par value of the Company's common stock from P0.01 per share to P1.00 per share, with the authorized capital stock unchanged at P2.6 Billion but with a concurrent decrease in the number of shares from 260 Billion shares to 2.6 Billion shares. On September 22, 2009, the Securities and Exchange Commission approved the said amendment.

PAGCOR e-Games cafés

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

There are now 305 e-Games cafés all over the country, with the majority owned and operated by independent operators. These e-Games Operators handle day-to-day operations and get a commission based on the casino winnings of the café.

In 2014, e-Games stood strong amidst changes and challenges in the industry. From 299 e-Games cafes, the Company added 6 sites, bringing up the nationwide count to 305. This increase brought up Terminal Count to 8,193, a 7.3% increase from last year's figures. Total Casino Win reached P5.432 billion. e-Games PAGCOR remittances exceeded the previous year's figure by 12%. Despite the presence of traditional casinos such as Solaire, Resorts World Manila, and the recently opened City of Dreams, e-Games' operations and growth remain unaffected.

Realtime Gaming (RTG), e-Games' backend software provider, together with the new server enabled e-Games to accommodate more players and paved the way for account-based play. e-Games also achieved the highest winnings in one day of P22 million, set in December. Apart from RTG, Microgaming continues to provide its suite of casino games into various cafes.

e-Games site renovations, which began in 2013, continued into 2014. Each site renovation brought about an enhanced player experience, with newly-installed bars, lounges and crap tables. In 2015, e-Games will continue renovating its sites. The Company will also explore new trends to keep its core business at par with current industry standards.

The game distribution for the past year is split into four major categories: slots games, baccarat games, video poker games, and others. Slots continued its dominance, with a

62% market share in 2014, which is a clear indication that it remains a favorite amongst e-Games players. Meanwhile, Baccarat was the second highest at 21%. Video poker encompassed 10% of the total game distribution, while other games took up the remaining 7%.

Marketing Highlights

Launched in 2013, e-Games' Membership and Rewards Program enjoyed continued patronage in 2014. As of this writing, there are 70,000 registered accounts. As card-carrying members, e-Games players have access to a web-based interface that allows them to manage their accounts, participate in quarterly promotions, and redeem exclusive reward items. Raffle draws were also held in 2014, with more than P12 million in prizes given away.

In 2014, e-Games initiated the Club Platinum Program, a player retention program exclusive only for e-Games' super VIP (SVIP) players. SVIP clients are identified as high-rollers who have accumulated considerable playing time and significant wins. They are assigned with Relationship Managers who they can call at any time. Relationship Managers ensure that personalized attention is given toward delighting each and every client in this category and on infrequent instances, the timely resolution of any concerns SVIP members may have, from game play issues to general dissatisfaction.

The final component of the SVIP program is the Platinum card, which can be used to avail of discounts and upgrades from e-Games' high-end partner establishments. These partner establishments consist of selected retail stores, hotels, and restaurants.

SVIP clients enjoy more perks. A rewards program has been established wherein members may redeem their accumulated points for premium items such as high-end designer bags and trips to exclusive destinations like Balesin Island Club.

Goals for 2015

e-Games key initiative in 2015 will be the activation of the Electronic Wallet (e-Wallet), which will allow players to leave credits in their accounts. This is a significant step forward from the current cash-only transaction model, reducing the various risks involved in the handling of cash. Players will enjoy the portability and security of keeping their credits within their electronic player account, knowing they have instant access to their balance at any e-Games terminal across the country. The e-Wallet will be launched in Q2 2015.

With the SVIP program launched in 2014, e-Games marketing will launch programs which will cater to different segments of the market. In terms of games, e-Games will introduce slots games which carry multi-level progressive jackpots. Instead of just one payout, there will be multiple jackpot winning opportunities.

e-Games will continue with its events and product activations, with focus on specific geographic segments.

BigGame, Inc.

BigGame, Inc. (BGI) is a wholly owned subsidiary of PhilWeb Corporation. It owns and operates 17 e-Games cafés, making it one of the largest operators in the business.

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

BigGame delivered a top-line revenue of P213 million in 2014, up from P211 million in 2013. BGI was also able to acquire Sucat, an existing PEGS branch while its Blue Wave outlet was transferred to another location, bringing its total site count up from 16 to 17. Total gaming terminals is up by 4%, from 1063 terminals in 2013 to 1,110 terminals in 2014.

In 2014, BGI introduced several new concepts which were successfully met. These included the VIP Couple Seats which allowed couples to play alongside each other, VIP Pods that were patterned after business class airline seats, curved terminals, lounge chairs with dedicated tables and VIP booths with push recliner chairs. These were all well-received by BGI's clients.

Another new improvement that was introduced in BGI sites was the conversion of bar set-ups to lounge set-ups. Through extensive research, it was noted that customers enjoyed playing far longer on comfortable sofas rather than on bar stools. In 2015, BGI looks forward to deploying the Genesis line of gaming terminals from e-Magine Gaming, which will in turn provide a more engaging customer experience.

BGI Marketing

In 2014, BGI's marketing efforts consisted of several key activities. The first was "Tis the Season to be Lucky," a three-month raffle activity which was launched in November. All BGI members were eligible to participate, with several of the winners of P100,000 coming from Cebu.

Another major event in 2014 that BGI participated in was the 14th Grand Wine Experience. Considered to be the biggest wine event in Southeast Asia, the event was held November 14, 2014 at the Grand Ballroom of the Marriott Hotel, Newport City. Organized annually by Philippine Wine Merchants the event focuses on fostering the promotion of wine drinking and was well-attended by wine enthusiasts, celebrities, international VIPs and members of Philippine society. BGI made its presence felt via a demonstration booth which was located at the ballroom's entrance. Here, guests could play and experience e-Games for free. Towards the end of the night, vouchers were given out as raffle prizes.

BGI also celebrated the renovation of its Buendia branch with a launch. Held on December 21, 2014, the Buendia Renovation Launch featured numerous fun activities for its clients. These included “VIPs of the Day” promo, Random Seat Promo, Attendance Promo, and a Slots Tournament. Two new games were introduced during the Slots Tournament – White Rhino and Hen House. These two games represent the first of many Multi-level Progressive Jackpot games, which are differentiated by having both a major and minor cash prize.

BGI in 2015

In 2015, BGI will carry on with its site expansions and renovations to existing cafés and are planning four additional sites for the year.

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

BGI’s marketing group will focus on its VIP program, which will target its high-roller customers. There will also be retention programs that will offer perks for VIPs when they reach a certain deposit amount or play at specific BGI sites. BGI will also conduct site promotions that aim to grow the player base and keep players engaged.

e-Magine Gaming Corporation

e-Magine gaming is a subsidiary of PhilWeb Corporation. The Company’s primary purpose is to develop and manufacture gaming terminals. Launched in 2012, e-Magine’s goal is to strengthen PhilWeb’s revenues and support its local business operations.

e-Magine’s Genesis 103 is a sleek and user-friendly console, utilizing a Windows-based operating platform to handle a multitude of unique and varied gaming applications.

The Genesis 103 is built for online casino gaming. Offering a greater experience with its 21-inch touch screen and all-in-one terminal capabilities, players begin their game play through the 103’s casino lobby screen via their membership card. Players can insert money and collect tickets from the terminal without having to leave their seats.

2014 Highlights

e-Magine achieved two key highlights in 2014. The first was the Gaming Labs International, Inc. (GLI) certification which was awarded to the Company in December 2014. Since Q2 of 2014, e-Magine had been coordinating with GLI representatives to discuss and define the local and international requirements of the unit.

On August 7, 2014, e-Magine sent two units to GLI Macau Technical Center for initial testing then transferred the units to Adelaide, Australia for further testing. On December 18, 2014, Gaming Laboratories Australia issued PA-308-EMA-14-01 certifying the Genesis

103 for the hardware requirements of PAGCOR Technical Standards for Electronic Gaming Machine Version 1.0. This certification represents the local version of GLI-11.

In the future, PAGCOR will require local operators to comply with GLI certification or other similar equivalents. This puts e-Magine ahead of its competitors as the Company already has the certification requirements. Moving forward, the Company will keep adding to its GLI certification. GLI certification is an important component for e-Magine when it pushes into international markets requiring this industry standard.

Another highlight for e-Magine is the roll-out of 146 units of the Genesis 103 units in selected BGI branches. To date, BGI branches have utilized the traditional desktop computer setup for its gaming consoles. With the introduction of these sleek Genesis 103 units, players will now enjoy a more interactive gaming experience. Boasting a modern design with touchscreen terminals, the Genesis is a modular, customizable gaming machine that can be adjusted to one's preferred viewing angle.

Corporate Services

Finance

The PhilWeb Finance Department demonstrates excellence in maintaining the integrity of our financial reports. It continuously develops and implements financial systems and internal control policies to safeguard the Company's assets and resources. Its role has also evolved from pencil pushers or number generators for the organization to a business partner of the other departments. Our Finance Department has become the catalyst for other areas to achieve their respective cost and revenue targets, thereby allowing the whole organization to achieve its objective for the Stakeholders.

One of the critical, if not the most critical, role of finance is to make sure that all cash from the nationwide network of e-Games are collected in a timely and accurate manner. Thru our Company-proprietary POS system and 24/7 operation of our Cash Centers, we are able to monitor cash exposure thereby making it possible for us to collect or replenish the cash needs of each site almost immediately. Coupled with the strict implementation of collection policies, we are able to manage our cash with very minimal risk to the Company. The Company also has partner banks that accept payments or fund transfers on behalf of the Company.

In 2014, we established another business location right in the heart of the business district of Pasig City. The new location includes Field, IT, Customer Service and Cash Center departments. This enabled us to provide faster and more efficient services to our clientele and partners.

Legal

The Legal Department ensures that the interests of the Company as well as its subsidiaries and affiliates are fully protected. Likewise, it makes certain that the Company observes all laws, rules and regulations relevant to the operation of its business and that it complies with all the reportorial requirements of various government offices and agencies such as, but not limited to, the Securities and Exchange Commission, the Philippine Stock Exchange, the Board of Investments and the Philippine Economic Zone Authority. In the same manner, the Legal Department manages and oversees the Company's dealings with concerned local government units with respect to the issuances of permits and licenses.

The Legal Department is also responsible for the registration of trademarks, patents and copyrights that are aimed to protect the intellectual property rights of the Company. Moreover, it is in-charge of reviewing all the contracts that the Company enters into thereby guaranteeing that the terms of every agreement are beneficial to the interests of the Company. Further, the Legal Department handles all cases brought by or against the Company whether these cases involve civil, criminal or administrative matters. In all, the Legal Department serves as the legal adviser and consultant of the Company, ever vigilant and protective of the Company's rights and interests.

Customer Support

In 2014, changes were made to the Customer Support Department in an effort to streamline the service. The Field Support Group was merged into the IT Division to exploit possible synergies; and the remaining Contact Center operation was merged into the Gaming Division to provide a venue for customer feedback on the various projects that were being undertaken.

Despite these changes, the team continued to render multi-channel support 365 days a year, 24 hours a day for all PhilWeb products, to include e-Games members and operators and site staff, as well as customers of Premyo sa Resibo and MegaSportsWorld. There was an 8% increase in the number of transactions in 2014 -- over 300,000 calls and e-mails. Despite the volume, CS has maintained low single-digit call abandonment rates, enabling the team to answer at least 92% of all calls in 20 seconds coming from a 90% average in 2013, while majority of emails were responded to within the first 30-minutes. The nature of transactions were varied. Apart from incoming queries from customers and various stakeholders, the group also provided outbound call and e-mail support for other departments: Marketing - for promo announcements, reminders and contacts with promo winners; Information Technology - for advisories on the terminal migrations and other maintenance activities; and Finance - for cash collection and replenishment.

The team believes that the past year's success is the product of their sustained focus on (1) process improvements - to simplify handling of inquiries or fast track processing of requests and complaints, and (2) weekly team calibrations, mentoring and targeted coaching - to reinforce soft skills.

In 2015, the encompassing goal for all CS activities is to maximize significant opportunities for customer engagement with focus on strengthening direct to player relationships. The group plans to achieve this through expanded contact channels, a more regular and extended Customer Satisfaction survey, staff empowerment, new processes and support systems to better serve our customers, reduce service times and better tailoring of the customer experience.

Information Technology

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

The Infrastructure Department's primary role is to provide all the components - hardware, software, network resources, facilities and services - needed to deliver IT services for PhilWeb's casino and corporate operations. The team is also responsible for the monitoring and maintenance of these components to ensure that operations are supported 24/7.

The Software Development Department is in charge of creating and implementing software vital to PhilWeb's casino operations. As of this writing, a number of homegrown applications are in production which will allow PhilWeb to provide a better gaming experience to its customers through the management of their membership credentials and loyalty points. Internally, the group has also developed tools to provide the operational teams such as Customer Support, Finance Operations, and Casino Operations with the information they need for their day-to-day activities.

The Service Delivery Department is responsible for the implementation and management of quality IT services. Guided by industry best practices, the group manages delivery of services through the disciplines of Project Management and Change Management. In line to its vision to ensure quality, the team also has a Quality Assurance unit which conducts testing on homegrown software prior to customer endorsement in order to ensure that business requirements are met.

The Service Support Department is charged with providing first level technical support and ensuring that IT services are available 24/7 to both internal and external customers of the Company. There are two groups under this department: a) the Technical Support team, which monitors and performs first level troubleshooting on services pertaining to PhilWeb's corporate & casino infrastructure and b) Field Support, which is tasked to providing first level troubleshooting for e-Games sites. Tickets reported by site personnel and operators are first escalated to this team for validation and resolution.

The Security and Compliance Department is primarily concerned with ensuring that proper security measures are in place. These measures cover network, software, application, and the social engineering of PhilWeb's IT infrastructure.

Highlights in 2014

After strengthening network security in 2013, the objective for 2014 was focused on supporting PhilWeb's goals in providing a better gaming experience for its E-Games patrons. This year, the account-based play, for which IT has provided a new infrastructure, will be fully integrated with the existing e-Games Membership and Rewards platform, which will also include enhanced monitoring, management and support tools.

2015 Goals

While its goal of providing the right technology and technical services remains unchanged, PhilWeb's IT Department is also looking to enhance the Company's operations through the efficient delivery of IT services. The group will also focus on aligning its services to the industry's best practices and trends to improve both the external and internal customer experience.

Human Resources and Administration

The Company's Human Resources and Administration Department continues to focus on (1) ensuring that employees receive timely compensation and benefits services, (2) offering greater opportunities for growth, and (3) providing efficient company-wide purchasing and logistics services.

Four employees celebrated their 10th year with the Company while 20 others reached their 11th to 14th years of loyal service, thus proving that PhilWeb Corporation remains one of the employers of choice in the gaming industry.

Sixty employees, compared with only 20 in 2013, mostly from the IT development and infrastructure departments, were provided with outside training and skills development.

Keeping employees actively engaged through wellness programs, regular general assemblies and other means of communication is another aspect of the Human Resources and Administration Department.

Sixty employees participated in the Company's second Eco-Awareness Program in November. This was conducted by Haribon Foundation, Inc. as part of their "Road 2020 Movement" to restore one million hectares of Philippine rainforests. The employees were divided into two groups and each group spent one day at Haribon Foundation's Bahay Punlaan along the Caliraya-Cavinti Road in Laguna. Forest rangers led participants through nursery activities (sifting soil, packing soil in plastic bags for seedlings, pruning and transferring seedlings), a little hiking and tree-planting activities.

The Administration Team, which handles purchasing and logistics, had a busy 2014 - moving offices and building new e-Games sites. The move of PhilWeb Corporation's 24/7 operations from the 19th floor of Alphaland Southgate Tower in Makati to the 41st floor of One San Miguel Avenue building in Ortigas was completed on schedule in June

2014. The Administration Team also oversaw the repairs of six e-Games sites as well as the renovation and construction of three others, all under BigGame.

Corporate Social Responsibility

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

As PhilWeb grows and delivers profit to its stakeholders, it also amasses resources that can make a positive difference in the lives of the less privileged. Management strongly believes that computer education is the way for the Company to provide continued service to its direct constituents and the country at large. Thus, through the PhilWeb Foundation, it has awarded deserving students with scholarships to the University of the Philippines since 2011. These scholars have been provided their full tuition and living allowance. The scholarship is offered to deserving and qualified students who take up IT-related courses such as BS Computer Science or BS Computer Engineering. One scholar graduated in 2014 and is now a successful full-time employee in PhilWeb's IT Development Department.

PhilWeb Foundation donated computers in 2014, mostly to public schools and church communities such as:

1. CBCP (Central Secretariat), Mandaluyong City
2. Napico Elementary School, Pasig City
3. Rizal High School, Pasig City
4. Sagad High School, Pasig City
5. Victory Christian Fellowship, Pasig City
6. St. Peter Apostle Parish, Pasig City

Using 20 computers donated by PhilWeb Foundation, the Makati City Jail partnered with the University of Makati to provide computer classes to inmates. The first batch completed their basic computer program on July 23, 2014. This program aims to help them reintegrate into society upon their release. The graduates will not only be given certificates of completion, but also a chance to start a new life.

Forty personal computers were likewise donated to the Alternative Learning System of the New Bilibid Prison, Muntinlupa City, as part of their skills development program.

Competitive Business Condition and the Registrant's Competitive Position in the Industry and Methods of Competition

The Internet industry in the Philippines is relatively young, but it is experiencing rapid growth and diversification. There is a proliferation of portals, websites, e-commerce ventures and Internet gaming. The latter is undoubtedly one of the most attractive growth areas in the entire Internet business segment. Internet sports betting and Internet casinos dominates most of the Internet gaming revenues.

Sports betting are, to a vast population of Filipinos, a way of life. Betting on cockfighting, horse-racing, basketball and other local sports has been popular nationwide for many years. The gaming market in the Philippines is estimated to be over 100 billion pesos per year.

Capitalizing on its Internet technology experience, PhilWeb in early 2003 made a deliberate decision to focus on Internet gaming. It established partner relationship with leading software providers in addition to establishing its own gaming software capability. Recognizing PhilWeb's extensive knowledge in Internet technology, software development and expertise and its nationwide marketing distribution network, PAGCOR signed a Memorandum of Agreement with PhilWeb in November 2002, engaging the latter as its technology service provider and marketing consultant for Internet sports betting. Subsequently, PhilWeb and PAGCOR likewise entered into several Supplementary Agreements to cover the expansion programs of PAGCOR on Internet sports betting. PhilWeb excels in the gaming industry by providing superior and innovative products with the highest standards of customer service. It establish strategic partnership to ensure a fair, secure and legal gaming experience for the customers. PhilWeb has created a rewarding and dynamic work environment where it attracts, retains and motivates highly competent, passionate and innovative people, and delivers above-market value for its shareholders.

The Company's objective is to be the premier Internet gaming firm in the country. Its Internet gaming strategy is anchored on the Company's contractual relationship with PAGCOR and its advanced Internet technology platform and marketing infrastructure.

The Company is the first and largest Internet gaming company in the Philippines. It is the dominant technology-based gaming firm listed on the Philippine Stock Exchange.

The Company excels in the gaming industry by providing superior and innovative products with the highest standards of customer service. It establishes strategic partnerships to ensure a fair, secure and legal gaming experience for the customers. The Company creates a rewarding and dynamic work environment where it attracts, retains and motivates highly competent, passionate and innovative people, and delivers above-market value for its shareholders.

Sources and Availability of Raw Materials and Names of Principal Supplier

The Company is a service business that does not require raw material. It is not dependent on any principal supplier.

Dependence on One or a Few Major Customers and Identification of Such

It is the Company's strategy to offer its services to as broad a market as possible. In 2004, the Company has set up business partnership with various Internet sports betting operators. This partnership continues to expand.

No PeGS operators accounts for a major portion or 20% or more of the revenues of the Company.

Patents, Trademarks, Licenses, Franchises, Concessions, and Royalty Agreements

The Company has the following trademarks registered with the Intellectual Property Office (IPO) of the Philippines:

1. Basketball Jackpot and device (Registration No. 4-2014-00005227 dated 18 September 2014)
2. e-Casino Filipino (Registration No. 4-2014-00005231 dated 16 October 2014)
3. Playaway and device (Registration No. 4-2014-005403 dated 16 October 2014)
4. PhilWeb Corporation (Registration No. 4-2010-006766 dated 19 May 2011)
5. e-pitaka and device (Registration No. 4-2014-00005230 dated 7 August 2014)
6. Wannabet and device (Registration No. 4-2014-005402 dated 16 October 2014)
7. e-Games (Registration No. 4-2012-00012726 dated 24 October 2013)
8. e-Magine (Registration No. 4-2013-00001693 dated 27 September 2013)
9. Stylized Bidwars and device (Registration No. 4-2014-00005226 dated 7 August 2014)
10. TV Sabong (Registration No. 4-2014-00005228 dated 18 September 2014)

Moreover, the Company also registered the following copyrights with the National Library:

1. Premyo Sa Resibo (Registration No. 0-2006-174 dated 26 May 2006)
2. BasketballJackpot.net Program Source Code (Registration No. 0-2006-3055 dated 20 October 2006)
3. Txtingo Super Singko Program Source Code (Registration No. 0-2008-393 dated 17 October 2008)
4. Resibonanza Program Source Code (Registration No. 0-2009-159 dated 12 March 2009)
5. Station Manager PAGCOR E-Games Station POS System Source Code (Registration No. N2010-23 dated 19 February 2010)
6. PAGCOR E-City POS Station Manager Source Code (Registration No. N2010-118 dated 1 October 2010)
7. Dashboard (Registration No. N2013-112 dated 4 October 2013)
8. PBA Trading Cards TMS (Registration No. N2013-113 dated 4 October 2013)
9. Loyalty System (Registration No. N2013-114 dated 4 October 2013)
10. Kick for Gold Betting and Admin System (Registration No. N2013-115 dated 4 October 2013)
11. Spyder Client (Registration No. N2013-116 dated 4 October 2013)
12. Spyder Server (Registration No. N2013-117 dated 4 October 2013)
13. E-City Launchpad (Registration No. N2013-118 dated 4 October 2013)
14. Kronus Admin (Registration No. N2013-119 dated 4 October 2013)
15. Kronus Alerts (Registration No. N2013-120 dated 4 October 2013)
16. Kronus Cashier (Registration No. N2013-121 dated 4 October 2013)
17. Kronus Prepaid Accounting System (Registration No. N2013-122 dated 4 October 2013)
18. Membership Admin (Registration No. N2013-123 dated 4 October 2013)
19. Membership Portal (Registration No. N2013-124 dated 4 October 2013)

20. MIS Tool (Registration No. N2013-125 dated 4 October 2013)
21. TMS – Indonesia (Registration No. N2013-126 dated 4 October 2013)
22. Voucher/Stacker Management System (Registration No. N2013-127 dated 4 October 2013)
23. TMS – Cambodia (Registration No. N2013-128 dated 4 October 2013)
24. TMS – Timor Leste (Registration No. N2013-129 dated 4 October 2013)
25. TeGS Zentrum Admin (Timor Leste e-Games) (Registration No. N2013-130 dated 4 October 2013)
26. TeGZ Zentrum Portal (Timor Leste e-Games) (Registration No. N2013-131 dated 4 October 2013)
27. Sweeps Admin (Registration No. N2013-132 dated 4 October 2013)
28. Sweepstakes Cashier (Registration No. N2013-133 dated 4 October 2013)
29. Sweeps Deck Management (Registration No. N2013-134 dated 4 October 2013)
30. Sweeps Launchpad (Registration No. N2013-135 dated 5 October 2013)
31. DBA Tool (Registration No. N2014-34 dated 28 January 2014)
32. Digital Signage System (Registration No. N2014-33 dated 28 January 2014)
33. SMS BGI (Registration No. N2013-172 dated 26 December 2013)
34. Launchpad-RSS (Registration No. N2013-171 dated 26 December 2013)
35. Loyalty V2 Web Service (Registration No. N2013-170 dated 26 December 2013)
36. Loyalty V2 Portal (Registration No. N2013-169 dated 26 December 2013)
37. Loyalty V2 Admin (Registration No. N2013-168 dated 26 December 2013)
38. Cambodia Lottery Cashier (Registration No. N2013-167 dated 26 December 2013)
39. Cambodia Lottery Admin (Registration No. N2013-166 dated 26 December 2013)
40. PHP Hotel-Casino Lobby (Registration No. N2013-165 dated 26 December 2013)
41. PHP Hotel-Admin (Registration No. N2013-164 dated 26 December 2013)
42. Mobile Lotto (Registration No. N2013-163 dated 26 December 2013)
43. Friends Online Casino (Registration No. N2013-162 dated 26 December 2013)
44. Fraud Control management System (Registration No. N2013-161 dated 26 December 2013)
45. Bidwars (Registration No. N2013-160 dated 26 December 2013)
46. TV Sabong Admin & Betting System (Registration No. N2013-159 dated 26 December 2013)
47. Wannabet (Registration No. N2013-158 dated 26 December 2013)
48. Jackpot Karera (Registration No. N2013-157 dated 26 December 2013)

Pending Applications for Registration of Trademarks

The Company has eleven (11) pending trademarks applications with the IPO:

1. Premyo sa Resibo and device (Application No. 4-2014-00004755)
2. Txtingo 9 (Application No. 4-2014-006250)
3. Txtingo Super 5 and device (Application No. 4-1014-006249)
4. BigGame Inc. and device (4-2014-004756)
5. Gold Master Brand Logo (Application No. 4-2012-011523)
6. Gold Lotto 4/38 (Application No. 4-2012-0011522)
7. Vibrant Vegas Logo (Application No. 4-2012-009142)
8. Magic Macau Logo (Application No. 4-2012-009141)
9. Gold Lotto 6/49 (Application No. 4-2012-00011661)

10. e-Games Virtual Entertainment City (Application No.4-2012-0154429)
11. Genesis (Application No. 4-2013-00011661)

Pending Applications for registration of Industrial Design and Utility Model

The Company has two (2) pending applications for industrial design and utility model with the IPO:

1. Computer-Based Automated Terminal (Industrial Design) (Application No. 3-2013-001325)
2. Automated Terminal (Utility Model) (Application No. 2-2013-000658)

Need for Governmental Approval of Principal Products or Services; Effect of Existing or Probable Governmental Regulations on the Business

The Company's Internet gaming activities are done in partnership with PAGCOR, which is the only entity, authorized by the government to operate any game of chance.

Estimate of Amount Spent for Research and Development Activities in the Next Three Years

The Company does not expect to make any significant investment or expenditure for research and development for the existing bus. It is part of the Company's strategy to obtain its technology through strategic partnerships or similar arrangements with parties that already have access to the technologies, services, or products required by PhilWeb.

Costs and Effects of Compliance with Environmental Laws

The Company's current operations do not require an environmental compliance certificate from the Department of Environment and Natural Resources. In the event environmental laws and regulations cover any of its future operations, the Company intends to comply with such requirements.

Business Transactions with Related Parties

The Company has extended short-term advances to a related party with no interest. The Board of Directors of the respective companies has approved inter-company advances.

The Company has no material business transactions with related parties.

There are no major risks involved in each of the business of the Company and its subsidiaries.

Labor

The Company currently has 262 employees broken down as follows: 111 rank and file, 69 supervisors, 58 managers, 24 executives. There is no union and neither is there a

collective bargaining agreement with its employees. There have been no strikes or threats to strike in the past three years. Supplemental benefits given to employees include stock option plan to qualified employees, among others.

The Company does not expect any material change in the number of its employees over the next 12 months.

Material Events

The significant contracts and commitments entered into by the Company as of December 31, 2014 are as follows:

- On December 17, 2010, Parent Company entered into an Omnibus Amended Intellectual Property License and Management Agreement (IPLMA) for PAGCOR E-Games with the Philippine Amusement and Gaming Corporation (PAGCOR) wherein the Parent Company grants an exclusive intellectual property license to PAGCOR for the use of its proprietary software system and collateral hardware necessary for PAGCOR to operate the Internet Casino or PAGCOR e-Games. This supersedes the June 1, 2006 IPLMA.
- On December 22, 2009, the Parent Company entered into an Agreement relating to the sale and purchase in January 2010 of certain shares of Acentic GmbH with LBC Capital Sarl (LBC Capital), Host Union International Limited and ISM. On January 11, 2010, the Parent Company completed the acquisition of 32.5% of Acentic GmbH, a Germany based company engaged in hotels and other multi-dwelling establishment thru Host Union International Limited in the amount of 9,750,000 Euro.
- In September 2006, the Parent Company entered into a Deed of Sale with SIIS Investment Holdings Limited wherein the latter has offered to sell and the Company has agreed to buy full ownership of all four special purpose vehicles (SPV), companies incorporated under the laws of the British Virgin Islands. The SPVs will own and hold the 2,285,714,286 common shares of ISM Communications Corporation in equal share.
- On July 26, 2006, the Company secured an irrevocable domestic standby letter of credit from Bank of Commerce in favor of PAGCOR amounting to P17 million to guarantee PhilWeb Corporation's obligation on the Premyo sa Resibo program and its obligation on Internet casinos and Internet sports betting.
- In April 2006, the Parent Company entered into a Memorandum of Understanding with the Department of Finance, Bureau of Internal Revenues, and PAGCOR, whereby the Parent Company and PAGCOR will establish a nationwide text-based raffle program with prizes. This project is entitled "Premyo sa Resibo" which will encourage all purchasers of goods and services in the country to demand a official receipt for every purchase.

- On June 1, 2006, the Parent Company entered into an Intellectual Property License and Management Agreement (IPLMA) for Internet Casinos with PAGCOR, wherein the Parent Company has agreed to license to PAGCOR the former's intellectual property rights to the software system and to provide the collateral hardware and other requirements necessary for the operations of PAGCOR's Internet casino game offering. This supersedes the Memorandum of Agreement dated November 28, 2002, Supplemental Agreement No. 1 dated March 18, 2003 and a Supplemental Agreement No. 2 dated June 30, 2003.

Subscription to ISM Communications Corporation Common Stock

On July 2, 2001, the Company entered into a Memorandum of Agreement (MOA) with Itogon-Suyoc Mines, Inc. (ISMI) whereby ISMI appointed the Company to manage the transformation of ISMI from a mining company to a company engaged in information technology, media, telecommunications, or other similar industries, as well as to identify and negotiate with investors who will infuse the necessary capital or assets for such project. In consideration of the services to be rendered by the Company, and in order to generate investor confidence in the new corporate direction of ISMI, the Company undertook to subscribe to 12,000,068,290 unissued shares of ISMI at its par value of P0.01 per share. The Company has made a partial payment of twenty five percent (25%) on such subscription.

On January 29, 2003, the PSE approved the application of ISM Communications Corporation to list the 3,000,000,000 common shares subscribed and fully paid by the Company at P0.01 par value per share. These shares form part of the 12,000,068,290 common shares subject of the private placement transaction between ISM Communications Corporation and the Company.

In July 2007, the Parent Company subscribed to 13,237,083,080 ISM Communications Corporation's rights offer shares at P0.01 par value each share. The subscription price was paid in full.

On February 16, 2009, the Parent Company exercised its right to subscribe to 1 share for every 1.92 common shares of ISM Communications Corporation held. The subscription payment amounted to P166,225,645 which covers 16,622,564,499 shares of ISM Communications Corporation. This subscription increased the Parent Company's holdings in ISM Communications Corporation from 24.5 billion shares or 19.4% in 2008 to 41.1 billion shares or 21.5% in February 2009.

On June 1, 2009, the Parent Company purchased 5,428,740,000 common shares of ISM Communications Corporation through Uscon Limited, a Hongkong based company. The total additional investment amounted to P172,250,000 which was also paid in the same month. This brings the holdings of the Parent Company to ISM Communications Corporation from 41.1 billion shares or 21.5% to 46.6 billion shares or 24.3%.

On November 19, 2013 as approved by the BOD, the Parent Company executed a Stock Purchase Agreement with Monfortino Holdings, Inc. (MHI) and agreed to sell its 466 million shares or 24.30% interest on ISM for a price of P1.50 per share.

Other Material Contracts

1. Contract of Lease with Alphaland Corporation for the lease of the Company's principal office premises located at The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue Extension cor. Epifanio de los Santos Avenue (EDSA), Makati City. The lease is effective for 5 years and may be renewed upon the mutual agreement of the parties.
2. Deed of Assignment dated January 18, 2000 between the Company and All-Acacia Resources, Inc. whereby the Company transferred all of its rights over its mining claims located in the Provinces of Samar and Surigao and all of its mining assets, both tangible and intangible, used in the Company's mining operations. In consideration therefore, All-Acacia agreed to assume all liabilities and obligations of the Company, including those relating to the assignment of advances from stockholders and/or deposits on subscriptions in excess of P18 million which had been agreed to be converted to equity of the Company, and arrange for the resignation, retirement or termination of all the Company's personnel relating to the mining business and pay their corresponding separation or retirement pay, as well as hold the Company free and harmless from any expense, liability or obligation arising from the operation of the Company as of the date of the Agreement.

Item 2. Properties

In connection with the Company's intention to cease its mining and oil exploration operations and venture into the Internet business, the stockholders, at its annual meeting held on January 18, 2000, authorized the Board of Directors to sell all or substantially all of the assets of the Company, and approved the sale of the mining properties and tangible mining assets to All-Acacia Resources, Inc. Consequently, the Company entered into a Deed of Assignment dated January 18, 2000 whereby it assigned to All-Acacia Resources, Inc. all of its rights over certain mining claims in the Provinces of Samar and Surigao and all of its mining assets, both tangible and intangible, used in the Company's mining operations.

The Company does not own any real property. However, it is presently leasing from Alphaland Corporation, the premises of its principal office located at The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue Extension corner EDSA, Makati City. The lease term is from September 19, 2014 to September 18, 2019 for a monthly lease of P2,689,406.42. The lease agreement is for a period of five (5) years with an option to renew under mutually agreeable terms. The Company is also leasing from Amberland Corporation, located at the Unit 4101, One San Miguel Avenue Condominium, San Miguel Avenue corner Shaw Boulevard, Ortigas Center, Pasig City. The lease term is from April 15, 2014 to April 14, 2019 for a monthly lease of P368,161.20. The lease agreement is for a period of five (5) years with an option to renew under mutually agreeable terms.

No extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Company's operations. All purchases will be financed through internally-generated funds and existing capitalization, except for limited leasing facilities that will be utilized for the purchases of certain computer and transportation equipment.

Item 3. Legal Proceedings

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

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

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

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

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

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

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

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

4. Arvin Arcales vs. PhilWeb Corporation, et al.
NLRC RAB-VII-Case No. 09-1476-11/ CA Case No. CA - G.R. SP. No. 07281
For Separation Pay, Backwages and damages

Arvin Arcales filed an illegal dismissal case with a claim for separation pay, backwages and damages. The National Labor Relations Commission (NLRC) decided on 24 September 2012 that Arcales was validly terminated from employment and that he is not entitled to the award of separation pay, backwages, moral and exemplary damages and attorney's fees. Arcales filed a Petition for Certiorari with the Court of Appeals. On 21 April 2014, PhilWeb filed its Memorandum with the Court of Appeals.

5. PhilWeb Corporation and e-Magine Gaming Corporation vs. Paolo Ambrosi
(Civil Case No. 14-1115)
Complaint for Breach of Contract and damages with application for Temporary Restraining Order (TRO) and Injunction

The respondent is a former employee of PhilWeb and was assigned to work for e-Magine. Upon leaving PhilWeb and e-Magine, it was discovered that he disclosed and utilized for himself confidential information of PhilWeb and e-Magine.

The TRO was granted by the trial court. The case is currently set for the hearing on the preliminary injunction.

6. PhilWeb Corporation and e-Magine Gaming Corporation vs. Paolo Ambrosi
(NPS No. XV-05-INV-14J-3850)
Criminal case for Qualified Theft and Unfair Competition

The respondent is a former employee of PhilWeb and was assigned to work for e-Magine. Upon leaving PhilWeb and e-Magine, it was discovered that he stole and then disclosed and utilized for himself confidential information of PhilWeb and e-Magine.

The case is currently undergoing preliminary investigation with the Office of the City Prosecutor of Makati.

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

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

8. Brinia A. Flojemon vs. PhilWeb, et al.
NLRC LAC Case No. 01-000237-15

Brinia A. Flojemon filed an illegal dismissal case with the National Labor Relations Commission. On 30 October 2014, The Labor Arbiter issued a Decision in favor of Flojemon. On 29 December 2014, PhilWeb filed its Appeal Memorandum with the National Labor Relations Commission seeking to have the Decision of the NLRC reversed and set-aside. Flojemon has since filed her Opposition to PhilWeb's Appeal Memorandum. On 19 March 2015, PhilWeb filed its Reply to Flojemon's Opposition.

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

PhilWeb discovered that Brinia A. Flojemon, whose employment has been terminated for cause, stole money from the company amounting to Php1,829,000.00 through unliquidated cash advances and allowances. Accordingly, PhilWeb filed a case for qualified theft against Flojemon. On 18 August 2014, the Office of the City Prosecutor of Makati issued a Resolution dismissing the complaint filed by PhilWeb. Accordingly, PhilWeb seasonably filed a Motion for Reconsideration and is currently awaiting the resolution of the same.

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

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

PhilWeb filed a case against Playtech with the Regional Trial Court of Makati on 30 January 2014 for damages and loss of revenue it caused by violating the provisions of the SLA. On 17 November 2014, the trial court dismissed the case against Playtech. Thereafter, on 19 December 2014, PhilWeb filed a Motion for Reconsideration.

11. Eduveges O. Batalan vs. PhilWeb Corporation, et al.
NLRC LAC Case No. 01-000099-15

Eduveges O. Batalan filed an illegal dismissal case with the National Labor Relations Commission. The Labor Arbiter issued a Decision in favor of Batalan. On 11 December 2014, PhilWeb filed its Appeal Memorandum with the National Labor Relations Commission (NLRC) seeking to have the Decision of the Labor Arbiter reversed and set-aside. PhilWeb's Appeal Memorandum was dismissed by the NLRC due to a technicality. PhilWeb has since filed its Motion for Reconsideration.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market Price, Dividends and Related Stockholder Matters

Market Information

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

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

	Price per Share	
	High	Low
2009		
First Quarter (ending March 2009)	0.0460	0.0270
Second Quarter (ending June 2009)	0.0525	0.0430
Third Quarter (ending September 2009)*	15.50	5.00
Fourth Quarter (ending December 2009)	18.75	12.50
2010		
First Quarter (ending March 2010)	17.50	16.75
Second Quarter (ending June 2010)	16.50	16.25
Third Quarter (ending September 2010)	16.00	12.00
Fourth Quarter (ending December 2010)	15.62	14.58
2011		
First Quarter (ending March 2011)	16.78	15.70
Second Quarter (ending June 2011)	16.70	16.50
Third Quarter (ending September 2011)	16.60	15.12
Fourth Quarter (ending December 2011)	15.36	14.80
2012		
First Quarter (ending March 2012)	13.90	12.70
Second Quarter (ending June 2012)	17.62	12.70
Third Quarter (ending September 2012)	17.00	12.24
Fourth Quarter (ending December 2012)	17.04	12.26
2013		
First Quarter (ending March 2013)	14.68	12.70
Second Quarter (ending June 2013)	15.80	14.00
Third Quarter (ending September 2013)	15.10	10.84
Fourth Quarter (ending December 2013)	11.24	8.40
2014		
First Quarter (ending March 2014)	8.96	5.02
Second Quarter (ending June 2014)	5.61	4.89

Third Quarter (ending September 2014)	5.45	4.40
Fourth Quarter (ending December 2014)	9.75	5.09
2015 First Quarter (ending March 2015)	13.88	10.82

* On the third quarter of 2009, PSE approved the change in par value of the Company's shares from P0.01 to P1.00.

Dividends

PhilWeb declared a cash dividend of P0.10 per share which was paid on 23 June 2014 to the holders of common stock as of 9 June 2014. PhilWeb declared a cash dividend of P0.10 per share which was paid on 15 September 2014 to the holders of common stock as of 1 September 2014. PhilWeb declared a cash dividend of P0.10 per share which was paid on 5 December 2014 to the holders of common stock as of 21 November 2014. PhilWeb declared a cash dividend of P0.15 per share which was paid on 16 February 2015 to the holders of common stock as of 30 January 2015.

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

Holdings

There were 1,500 shareholders of record holding the Company's outstanding capital stock of 1,432,616,314 common shares as of March 31, 2015 net of treasury shares of 81,380,938.

Top 20 Stockholders

The top 20 stockholders of record as of March 31, 2015 (based on total outstanding capital stock of 1,432,616,314 shares, net of treasury shares of 81,380,938 were:

Name of Stockholder	No. of Subscribed Common Shares	% to Total Outstanding
1. PCD Nominee Corporation Filipino -171,286,813 Non-Filipino – 120,148,703	291,435,516	20.34
2. PhilWeb Casino Corporation	260,392,307	18.18
3. Azurestar Corporation	147,868,248	10.32
4. Compact Holdings, Inc.	95,574,500	6.67
5. Dominion Equities, Inc.	90,842,400	6.34
6. Deltaventure Resources, Inc.	90,001,797	6.28
7. Elkhound Resources, Inc.	59,401,200	4.15
8. Ramon S. Ang	53,854,536	3.76
9. Tocmo Realty Corporation	36,001,000	2.51
10. Evermore Trading Limited (Foreign BVI))	24,558,303	1.71
11. Sunrise Sunset Island Corporation	24,001,200	1.68
12. Bluesirius Holdings, Inc.	24,000,000	1.68
13 Roberto V. Ongpin	21,840,000	1.52
14. Stargate Securities Holdings, Inc.	19,916,834	1.39
15. Labilab Corporation	19,200,600	1.34
16. Armada Resources & Development Corporation	18,000,000	1.26
17. Goldenmedia Corporation	17,260,800	1.20
18. Giantnova Holdings Inc.	16,577,776	1.16
19. Aquadisk Corporation	14,369,508	1.00
20. Bacong Highland Realty, Inc.	13,200,500	0.92
20. Itogon Realty Corporation	13,200,500	0.92

Recent Sales of Unregistered Securities:

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

Item 6. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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

The Company does not expect to conduct any material product research and development in the foreseeable future.

No extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Company’s operations. All purchases will be financed through internally-generated funds and existing capitalization, except for the limited leasing facilities that may be utilized for the above-mentioned purchases.

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

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

There are no significant elements of income or loss that has not been disclosed.

The Company's Key Performance Indicators

For the year 2014, the Company's key performance indicators are the following:

- 1.) The Company's Net Income margin for the aforementioned period was at 55%. Net Income of P903,875,688 divided by Net Revenues of P1,639,956,575.
- 2.) The Company's Earnings Before Interest, Taxes, and Depreciation and Amortization (EBITDA) was P1,176,003,787 or 19% higher compared last year.
- 3.) The increase in revenues in 2014 was 10%. It was computed by dividing the difference between 2014 and 2013 Revenue by 2013 Revenue.
- 4.) Operating Income margin was 63%. Operating Income of P1,032,105,775 divided by Net Revenues of P1,639,956,575.
- 5.) Current ratio was at 1.17:1.00. Current Assets of P1,233,786,008 divided by Current Liabilities of P1,053,823,031.
- 6.) Asset to equity ratio was at 2.14:1.00. Total Assets of P2,114,515,904 divided by Total Equity of P990,140,448.
- 7.) Debt to equity ratio was at 1.14:1.00. Total Liabilities of P1,124,375,456 divided by Total Equity of P990,140,448.
- 8.) The Return on Total Assets was 43%. Net Income of P903,875,688 divided by the Total Assets of P2,114,515,904.
- 9.) The Return on Equity was 91%. Net Income of P903,875,688 divided by the Total Equity of P990,140,448.

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

- 1.) The Company's Net Income margin for the aforementioned period was at 14%. Net Income of ₱202,894,555 divided by Net Revenues of P1,493,699,764.
- 2.) The Company's Earnings Before Interest, Taxes, and Depreciation and Amortization (EBITDA) was P985,634,920 or 2% higher compared last year.

- 3.) The increase in revenues in 2013 was 1%. It was computed by dividing the difference between 2013 and 2012 Revenue by 2012 Revenue.
- 4.) Operating Income margin was 44%. Operating Income of ₱654,715,723 divided by Net Revenues of ₱1,493,699,764.
- 5.) Current ratio was at 0.75:1.00. Current Assets of ₱1,063,149,112 divided by Current Liabilities of ₱1,412,294,548.
- 6.) Asset to equity ratio was at 3.71:1.00. Total Assets of P2,042,159,181 divided by Total Equity of P551,142,849.
- 7.) Debt to equity ratio was at 2.71:1.00. Total Liabilities of ₱1,491,016,332 divided by Total Equity of ₱ 551,142,849.
- 8.) The Return on Total Assets was 10%. Net Income of P202,894,555 divided by the Total Assets of P2,042,159,181.
- 9.) The Return on Equity was 37%. Net Income of P202,894,555 divided by the Total Equity of P551,142,849.

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

- 1.) The Company's Net Income margin for the aforementioned period was at 74%. Net Income of ₱1,096,287,578 divided by Net Revenues of P1,483,589,923.
- 2.) The increase in revenues in 2012 was 27%. It was computed by dividing the difference between 2012 and 2011 Revenue by 2011 Revenue.
- 3.) Operating Income margin was 57%. Operating Income of ₱851,258,661 divided by Net Revenues of ₱1,483,589,923.
- 4.) Current ratio was at 7.58:1.00. Current Assets of ₱1,930,202,913 divided by Current Liabilities of ₱254,565,832.
- 5.) Asset to equity ratio was at 1.09:1.00. Total Assets of P3,817,197,716 divided by Total Equity of P3,488,600,712.
- 6.) Debt to equity ratio was at 0.09:1.00. Total Liabilities of ₱328,597,004 divided by Total Equity of ₱3,488,600,712.
- 7.) The Return on Total Assets was 29%. Net Income of P1,096,287,578 divided by the Total Assets of P3,817,197,716.
- 8.) The Return on Equity was 31%. Net Income of P1,096,287,578 divided by the Total Equity of P3,488,600,712.

Performance for the Year Ended December 31, 2014

Cash and Cash Equivalents

The cash and cash equivalents increased by P33 million or 10% versus last year. The Company operations generated cash amounting to P1,052.3 million, and used its cash mainly for CAPEX P75.2 million, payments of dividends P468.9 million and payment of loan P500.0 million.

Receivables (net)

The receivables increased by P45.8 million or 18% versus last year, mainly due to increase in interest receivables.

Inventories

The increased in inventories amounting to P50.2 million or 90% due to the gaming terminal cost of e-Magine Gaming Corporation.

Notes Receivable

The increase in notes receivable of P47.3 million or 15% versus last year, was mainly due to reclassification of receivables from the sale of investment in Acentic.

Prepayments and Other Current Assets

Prepayments and other current assets decreased by P5.7 million or 6% versus last year mainly due to the decrease in input VAT.

Investment in Associates

Investment in associates slightly increased by P0.3 million or 2% due to equity in net earnings from associates.

Noncurrent Receivables

Noncurrent receivables decreased by P72.9 million or 11% versus last year, due to reclassification of current receivables in accordance with the amendment of payment terms of receivables from the sale of investment in Acentic.

Property and Equipment

The decreased in property and equipment of P28.2 million or 11% represents the total acquisitions of P75.2 million less depreciation amounting to P103.4 million.

The acquisitions mainly pertain to the network and data communication equipments for PeGS and BGI operations.