

23. Capital Management

The Group considers its total equity as its core capital. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group monitors its capital structure using debt-to-equity ratio which is gross debt divided by equity. The Group's debt-to-equity ratio is as follows:

	2018	2017
Total debt	₱379,886,037	₱364,034,542
Total equity	6,159,332	74,222,620
Debt-to-equity ratio	61.68:1	4.905:1

The Group manages the capital structure and makes adjustments when there are 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 dividends paid to shareholders, issue new shares or sell assets to reduce debt.

24. Operating Segment Information and Disaggregation of Revenue

The Group operates in two (2) geographical segments, the domestic operations and the foreign operations. However, foreign operations is not a reportable operating segment since it does not meet the minimum quantitative threshold provided by PFRS 8.

Bulk of the Group's revenue is coming from the domestic operations which is a group of related products or services that is subject to the same risks and returns. Its operations and sources of revenue are interdependent, share the use of the facilities of the Parent Company, particularly computer equipment, and are under agreements with PAGCOR, the Group's partner in the electronic gaming business.

The Group's foreign operations are considered to be immaterial in relation to the consolidated financial statements. Total assets and revenues are both below 1% in 2018, 2017 and 2016.

The Group disaggregates revenue from contract with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disaggregation is as follows:

	2018	2017
PeGS:		
Sites owned by subsidiaries	₱304,831,893	₱156,875,282
Independent operators	50,351,353	-
E-bingo sites	11,180,998	1,077,489
	₱366,364,244	₱157,952,771

25. EBITDA

The following table presents the computation of EBITDA as derived from the Group's consolidated net loss attributable to the equity holders of the Parent Company:

	2018	2017	2016
Net loss attributable to equity holders of the Parent Company	(P77,579,968)	(P293,269,659)	(P296,099,426)
Share of non-controlling interest in net loss	(486,269)	(1,155,493)	(1,592,432)
Net loss	(78,066,237)	(294,425,152)	(297,691,858)
Add (deduct):			
Depreciation and amortization	64,260,395	108,549,479	119,997,016
Impairment losses	26,667,647	72,948,608	110,337,325
Provision for (benefit from) income tax	(14,603,213)	(40,463,639)	5,949,850
Interest expense	12,285,638	3,925,278	6,227,941
Interest income	(1,265,925)	(1,171,666)	(14,076,659)
Loss (gain) on sale or disposal of assets	-	(1,841,095)	649,285,056
Equity in net income (loss) of associates	-	-	415,384
EBITDA	P9,278,305	(P152,478,187)	P580,444,055
Issued and outstanding shares at end of year	1,176,987,479	1,175,891,107	1,162,210,904
EBITDA per share	P0.0079	(P0.1297)	P0.4994

EBITDA and EBITDA per share are non-PFRS measures.



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
PhilWeb Corporation and Subsidiaries
41st Floor, One San Miguel Avenue Condominium
San Miguel Avenue corner Shaw Boulevard
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PhilWeb Corporation and Subsidiaries (the Group) as at and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated April 1, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2018 are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Adoption of Effective Accounting Standards and Interpretations
- Financial Soundness Indicators
- Schedules required by Part II of SRC Rule 68, as Amended

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II, as amended, and are not part of the consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until August 17, 2021

BIR Accreditation No. 08-005144-012-2017

Valid until March 8, 2020

PTR No. 7334342

Issued January 3, 2019, Makati City

April 1, 2019

Makati City, Metro Manila

PHILWEB CORPORATION

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018**

Unappropriated retained earnings, <i>as adjusted to available for dividend distribution, beginning</i>	₱339,507,140
Less:	
Net loss of the Parent Company during the period closed to retained earnings	(74,282,115)
Deferred tax benefit recognized during the period	(13,572,202)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱251,652,823
Reconciliation:	
Unappropriated retained earnings at end of period as shown in the separate financial statements	₱1,411,682,925
Less:	
Restricted for treasury shares	(1,098,928,524)
Net deferred tax assets as shown in the separate financial statements	(61,101,578)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱251,652,823

PHILWEB CORPORATION AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2018**

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements	✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics			
PFRSs Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation			✓
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILWEB CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

	2018	2017
<i>Liquidity Analysis Ratios</i>		
Current assets	₱129,947,380	₱161,202,593
Current liabilities	349,006,437	344,137,096
Liquidity ratio	0.37:1	0.47:1
Current assets less prepayments and other current assets	₱92,671,647	₱134,684,473
Current liabilities	349,006,437	344,137,096
Quick ratio	0.27:1	0.39:1
Total assets	₱386,045,369	₱438,257,162
Total liabilities	379,886,037	364,034,542
Solvency ratio	1.02:1	1.20:1
<i>Financial Leverage Ratios</i>		
Total liabilities	₱379,886,037	₱364,034,542
Total assets	386,045,369	438,257,162
Debt ratio	0.98:1	0.83:1
Total liabilities	₱379,886,037	₱364,034,542
Total equity	6,159,332	74,222,620
Debt-to-equity ratio	61.68:1	4.90:1
Earnings before interest and taxes	(₱80,383,812)	(₱330,963,513)
Interest expense	12,285,638	3,925,278
Interest coverage ratio	(6.54):1	(84.32):1
<i>Profitability Ratios</i>		
Net loss	(₱78,066,237)	(₱294,425,152)
Total assets	386,045,369	438,257,162
Return on assets	(0.20):1	(0.67):1
Net loss	(₱78,066,237)	(₱294,425,152)
Total equity	6,159,332	74,222,620
Return on equity	(12.67):1	(3.97):1

PHILWEB CORPORATION AND SUBSIDIARIES

**SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended
DECEMBER 31, 2018**

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B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounts Receivable from and Payable to Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>2</u>
D	Intangible Assets - Other Assets	<u>N/A</u>
E	Long-term Debt	<u>N/A</u>
F	Indebtedness to Related Parties	<u>N/A</u>
G	Guarantees of Securities of Other Issuers	<u>N/A</u>
H	Share Capital	<u>3</u>
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries	<u>4</u>

PHILWEB CORPORATION AND SUBSIDIARIES

**A. Financial Assets
DECEMBER 31, 2018**

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds and notes</i>	<i>Amount shown in the balance sheet</i>	<i>Value based on market quotation at end of reporting period</i>	<i>Income received and accrued</i>
<i>Cash</i>				
Cash and cash equivalents	N/A	₱54,304,294	₱54,304,294	₱282,900
<i>Receivables</i>				
Trade	N/A	₱9,204,864	₱9,204,864	
Others	N/A	16,731,851	16,731,851	
		₱25,936,715	₱25,936,715	₱983,025
<i>Other noncurrent assets</i>				
Rental and other deposits	N/A	₱46,543,544	₱46,543,544	₱-

PHILWEB CORPORATION AND SUBSIDIARIES

**C. Amounts Receivable from Related Parties which are Eliminated During the
Consolidation of the Financial Statements
DECEMBER 31, 2018**

<i>Name and Designation of Debtor</i>	<i>Balance at Beginning of Period</i>	<i>Additions</i>	<i>Amounts Collected</i>	<i>Current</i>	<i>Noncurrent</i>	<i>Balance at End of Period</i>
E-Magine Gaming Corporation	P37,232,173	P500	P-	P-	P-	P37,232,673
BigGame, Inc.	9,611,646	-	(2,131,735)	-	-	7,479,911
Easy e-Bingo, Inc.	117,125	4,852,690	-	-	-	4,969,815
PhilWeb Asia Pacific Corporation	2,909,494	100,499	-	-	-	3,009,993
Best Choice Holdings Inc.	1,906,472	-	-	-	-	1,906,472
PhilWeb Casino Corporation	-	466,404	-	-	-	466,404
	P51,776,910	P5,420,093	(P2,131,735)	P-	P-	P55,065,268

PHILWEB CORPORATION AND SUBSIDIARIES

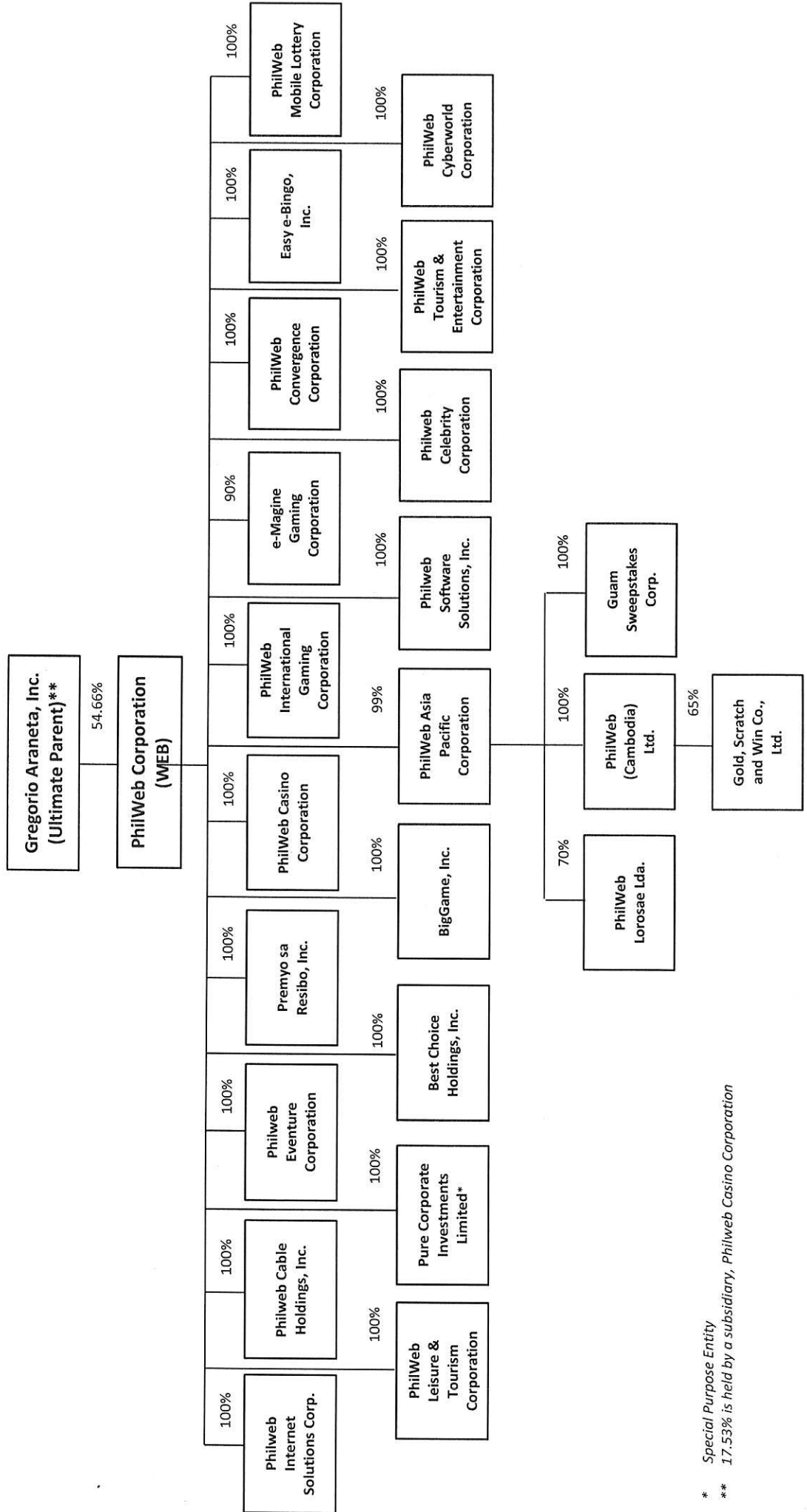
**H. SHARE CAPITAL
DECEMBER 31, 2018**

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related financial position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Capital Stock - ₱1 par value	2,600,000,000	1,176,987,479	-	-	807,528,706	369,458,773

PHILWEB CORPORATION AND SUBSIDIARIES

I. Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries

DECEMBER 31, 2018



* Special Purpose Entity
 ** 17.53% is held by a subsidiary, Philweb Casino Corporation