

COVER SHEET

AS094-8678  
SEC Registration Number

WATERFRONT PHILIPPINES, INC.

(Company's Full Name)

NO. 1 WATERFRONT DRIVE  
OFF SALINAS DRIVE LAHUG  
CEBU CITY

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

MS. IRISH CHARA LAWAS  
Contact Person

(02) 559-0130  
Company Telephone Number

1 2 3 1  
Month Day

SEC 201S DEFINITIVE  
FORM TYPE

0 9 2 4  
Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

464  
Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



SECURITIES AND EXCHANGE  
COMMISSION  
**RECEIVED**  
AUG 19 2016  
MARKET REGULATION DEPT.  
SY: \_\_\_\_\_ TIME: 2:20  
*[Signature]*

August 18, 2016

Vicente Graciano P. Felizmenio, Jr.  
Director  
Markets and Securities Regularization Department  
SEC Building, EDSA, Greenhills, Mandaluyong Cuty

Dear Mr. Felizmenio,

Stated herewith are the following revisions:

Paragraph	Page No.	Amendments / Revisions
1 ITEM 4. Voting Securities and Principal Holders - Disclose ownership of foreigners on a per class basis of the total outstanding shares, if any.	3	Complied.
2 Please disclose beneficial owner under PCD Nominee Corp. owning more than 5%.	3	Complied.
3 ITEM 5. Directors and Executive Officers - Please submit certification that no directors or officers are connected If there is, notify them to submit a written permission from the head of department instead of a certification.		Already attached after financial ratios.
4 (B) If a director has resigned or declined to stand for re-election to the board.	6	Already stated.
5 ITEM 6. Compensation of Directors and Executive Officers (1) Summary of Compensation Table (2) Description of Any Standard Arrangement (3) Disclose of Material Terms of Any Other Arrangement (4) Description of the Terms and Condition: a. Employment Contract Between the Registrant and Named Executive Officers b. Compensatory Plan or Agreement c. Information on all Outstanding Warrants or Options held by Directors, Officers	10 - 11	Already stated.

Sincerely,

*[Signature]*  
ARTHUR R. PONSARAN  
Corporate Secretary

Waterfront Philippines Inc.  
7<sup>th</sup> Floor, Manila Pavilion Hotel  
United Nations Avenue corner Ma. Orosa St.  
Manila 1000 Philippines  
Tel.: (63-2) 559-0888 Fax: (63-2) 559-0129  
Email: corporateoffice@waterfronthotels.net  
Website: www.waterfronthotels.com.ph  
Central Reservations: 1-800-10-9376688



August 31, 2016

Dear Stockholder:


Please be advised that the annual meeting of the stockholders of WATERFRONT PHILIPPINES, INC. (the "Corporation"), will be held on Saturday, September 24, 2016 at 10:00 a.m. at the Waterfront Cebu City Hotel, Lahug, Cebu City for the purpose of transacting the following business:

1. Call to Order
2. Report on Attendance and Quorum
3. Approval of Minutes of Stockholders' Meeting held on September 12, 2015
4. Report to Stockholders for the Year 2015
5. Ratification of Resolutions and Acts of the Board and Management for 2015
6. Election of Board of Directors for the Ensuing Term
7. Appointment of External Auditor
8. Appointment of External Counsel
9. Other Business
10. Adjournment

The record date for the purpose of determining the stockholders who are entitled to vote in said stockholders' meeting is August 31, 2016. The stock and transfer book will be closed from September 1, 2016 to September 24, 2016.

If you are not attending, you may submit a proxy instrument to the office of the Corporate Secretary of this Corporation at the address below. Corporate stockholders are requested to attach to the proxy instrument, their respective board resolutions in support of their proxies.

On the day of the meeting, you or your proxy are hereby requested to bring this notice and any form of identification with picture and signature (e.g. driver's license, SSS ID, company ID, etc.) to facilitate registration.

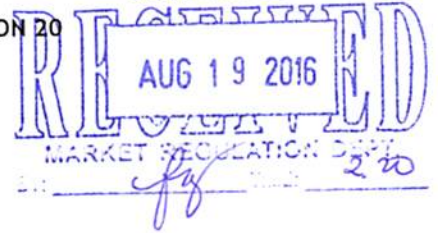
  
ARTHUR R. PONSARAN  
Corporate Secretary  
Waterfront Cebu City Hotel  
Lahug, Cebu City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION



1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter WATERFRONT PHILIPPINES, INCORPORATED
3. PHILIPPINES  
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number AS-0994-8678
5. BIR Tax Identification Code D80-003-978-254-NV
6. No. 1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City 6000  
 Address of principal office Postal Code
7. Registrant's telephone number, including area code  
(02) 559-0130
8. September 24, 2016 at 10:00 a.m. at Waterfront Cebu City Casino Hotel, Inc. Lahug, Cebu City  
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders: September 02, 2016
10. In case of Proxy Solicitations:  
 Name of Person Filing the Statement/Solicitor: \_\_\_\_\_  
 Address and Telephone No.: \_\_\_\_\_
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
 

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<u>Common Shares - P1.00 par value</u>	<u>2,498,991,753</u>
12. Are any or all of registrant's securities listed in a Stock Exchange?  
 Yes  No   
 If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
Philippine Stock Exchange - Common shares



**PART I.**

**A. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of security holders**

- a.) The annual meeting of the stockholders of Waterfront Philippines, Incorporated is scheduled to be held on September 24, 2016 at 10:00 a.m. at the Waterfront Cebu City Casino Hotel, Inc. Lahug, Cebu City. The complete mailing address of the principal office of the registrant is No.1 Waterfront Drive, Off Salinas Drive Lahug, Cebu City.
- b.) Approximate date on which the Information Statement is first to be sent or given to security holders: September 02, 2016.

**Item 2. Dissenter's Right of Appraisal**

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 81 of the Corporation Code, under any of the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition, of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

Under Section 81 and 82 of the Corporation Code, stockholders who dissent to certain corporate actions are given the right appraisal as provided in the Corporation Code. Among others, appraisal rights are available to dissenters in case the corporation invests its funds in another corporation or business for any purpose other than its primary purpose. The appraisal right may be exercised by any stockholder who shall have voted against the corporate action, by making a written demand on the corporation within (30) days after the date on which the vote was taken for the payment of the fair value of his shares.

"Indication whether there is any matter to be taken up which will give rise to the exercise of the dissenter's right of appraisal-there is none.

**Item 3. Interest of Certain Persons in or Opposition to Matter to be Acted Upon**

1. Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of stockholders on September 24, 2016.
2. No director intends to oppose any action to be taken at the said meeting.

**Item 3. Interest of Certain Persons in or Opposition to Matter to be Acted Upon**

Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of stockholders on September 24, 2016.

No director intends to oppose any action to be taken at the said meeting.

**B. CONTROL AND OTHER INFORMATION****Item 4. Voting Securities and Principal Holders Thereof**

The number of shares outstanding and entitled to vote in the stockholders' meeting is 2,498,991,753 shares as of June 30, 2016. The record date for purposes of determining stockholders entitled to vote is August 31, 2016. Stockholders are entitled to cumulative voting in the election of directors, as provided by the Corporation Code.

Under Section 24 of the Corporation Code, cumulative voting is allowed in the election of Directors. Thus, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record and Beneficial Owners and Management. There is no change in control of the registrant since the beginning of the last calendar year.

**Item 4. Security Ownership of Certain Record and beneficial Owners:  
(As of June 30, 2016)**

The following persons are known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of any class of the Company's voting securities:

<u>Title of Class</u>	<u>Name &amp; Address of Record Owner &amp; Relationship with Issuer</u>	<u>Name of Beneficial Owner &amp; Relationship with Record Owner</u>	<u>Citizenship</u>	<u>No. of Shares Held</u>	<u>% of Class</u>
Common	The Wellex Group, Inc. 35 <sup>th</sup> Flr One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas <i>TWGI is the holding company and major stockholder of WPI.</i>	The Wellex Group, Inc. 35 <sup>th</sup> Flr One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas  • Represented by Miss Elvira A. Ting, who is a nominee of said company. Directors & Officers are William T. Gatchalian, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur R. Ponsaran & Yolanda T. de La Cruz	Filipino	1,143,466,800	45.757%
Common	PCD Nominee Corporation (Fil.) 37/F Tower I, The Enterprise Center 6766 Ayala Ave., Paseo de Roxas, Makati City <i>(PCD Nominee is not related to WPI)</i>	Various Clients	Filipino	577,910,374	23.126%
Common	Silver Green Investments LTD.	As of the date of this definitive report the	Non Filipino	180,230,000	7.212%

	Commence Overseas LTD. Commence Chambers P.O Box 2200, Road Town Tortola, BVI	authorized person to vote is not yet known.			
Common	Chesa Holding, Inc Unit 401 Joy bldg., No.6 Joy St, Grace Village Brgy. Balingasa	As of the date of this definitive report the authorized person to vote is not yet known.	Filipino	175,924,000	7.040%
Common	Tybalt Investment LTD Scotia Ctr 4/F P.O 2804 George Town Grand Cayman Island British West Indies	As of the date of this definitive report the authorized person to vote is not yet known.	Filipino	135,010,000	5.403%

Natural persons authorized to vote the shares of Silver Green Investments LTD., Chesa Holding, Inc. and Tybalt Investment LTD cannot be identified until the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact.

PCD Nominee Corp. - Westlink Global Equities, Inc. at 6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City owns 5.01% share of the total outstanding and issued shares.

None on the listed above do foreigners own directly or indirectly of more than 5% of any class of the Company's voting securities. PCD Nominee(Non-Filipino) constitutes only a 1.29%.

**Security Ownership of Management**  
(As of June 30, 2016)

Title Of Class	Name of beneficial Owner	Amount and nature of Beneficial Ownership	Citizenship	% of Class
Common	Renato B. Magadia	200 direct	Filipino	0.000
Common	Kenneth T. Gatchalian	30,000,100 direct	Filipino	1.200
Common	Weslie T. Gatchalian	30,000,000 direct	Filipino	1.200
Common	Arthur M. Lopez	1 direct	Filipino	0.000
Common	Elvira A. Ting	10,000,009 direct	Filipino	0.400
Common	Lamberto B. Mercado, Jr.	100 direct	Filipino	0.000
Common	Arthur R. Ponsaran	110 direct	Filipino	0.000
Common	Dee Hua T. Gatchalian	350,000 direct	Filipino	0.014
Common	Reno I. Magadia	10,000 direct	Filipino	0.000
Common	Sergio R. Ortiz-Luis Jr.	110 direct	Filipino	0.000
Common	Ruben D. Torres	1,000 direct	Filipino	0.000
	<b>Total Beneficial Ownership</b>	<b>70,361,630</b>		<b>2.814</b>

There is no voting trust holder of 5% or more.

There are no persons holding a certain class of stocks under a voting trust or similar agreement. There are also no arrangements that may result in a change in control of the registrant.

**Item 5. Directors and Executive Officers**

**Nominees for Election as Members of the Board of Directors:**  
(Final as Pre-screened by NOMELEC)

Name	Position	Age	Citizenship
Renato B. Magadia	Chairman of the Board	78	Filipino
Elvira A. Ting	Treasurer/Director	56	Filipino
Lamberto B. Mercado, Jr.	Director	52	Filipino

➤ Sergio R. Ortiz-Luis, Jr.	Independent Director	73	Filipino
➤ Ruben D. Torres	Independent Director	75	Filipino
Reno I. Magadia	Director	46	Filipino
➤ Arthur M. Lopez	Independent Director	70	Filipino
Kenneth T. Gatchalian	President/Director	40	Filipino
Dee Hua T. Gatchalian	Director	68	Filipino
Arthur R. Ponsaran	Corporate Secretary	73	Filipino

They are in the final list of nominees as pre-screened by NOMELEC. They are being nominated by Ms. Elvira Ting, all of whom are not related with her.

Independent Directors should possess all the qualifications and none of the disqualifications to serve as such as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.

**Nominations Committee**

- Chairman - Arthur M. Lopez -Independent Director
- Member - Ruben D. Torres -Independent Director
- Member - Lamberto B. Mercado, Jr.

*The Company has complied with the Guidelines on the Nomination and Election of the Independent Directors as outlined in SRC Rule 38.*

**Directors and Executive Officers:**

- a) There are 9 seats in the Board of Directors. The term of office of each member is one year.
- b) The current members of the Board of Directors are now as follows:

Office	Name	Age	Citizenship	Position in Other Listed Companies
Chairman of the Board	Renato B. Magadia	78	Filipino	Director-Phil. Estate Corporation, Chairman of the Board of Metro Alliance Holdings and Equities Corporation, Mercator Holdings and Equities Corporation, 2007-2008 Rotary Governor for district 3930; Vice-Chairman of Acesite (Phils.) Hotel Corp.; Director of Misons Industrial and Development Corp., All Oceans Maritime Agency, Inc., Howden Insurance and Reinsurance Brokers (Phils.), Inc., Cunningham Toplis Philippines, Inc., Metro Combined Logistics Solutions, Inc. and President of The Zuellig Corporation. An active member of Rotary Club of Makati North.
Director	Kenneth T. Gatchalian	40	Filipino	Director-Wellex Industries Inc.; President & CEO of Acesite (Phils.) Hotel 2007-present; President and Chief Executive Officer of Philippine Estates Corporation 2010-2011; Director-Forum Pacific Inc.
Director	➤ Arthur M. Lopez	70	Filipino	Owner and Principal Consultant of AML Hotel Consultancy, Management and Technical Services Consultant of Federal Land and owner of Grand Hyatt Projects and Marco Polo Cebu; Director-Philippine Estates Corp., Chairman- Acesite Phils. Hotel Corp, Hotel Management Consultant of the B Hotel Manila,



				Bellevue Bohol Resort in Panglao, B Hotel Quezon City, Bellevue Baguio (opening in 2018) and Bloomberry Casino Hotels & Resorts; Regional Director of Asia Pacific Top Management International Resources Corp.; Hotel Management Consultant of Double Dragon properties Corporation. President of Legoli Holdings Inc and Arleff Holdings Inc. and President of Phil. Hotel Federation Inc.
Director	Dee Hua T. Gatchalian	68	Filipino	Director- Philippine Estates Corporation, Acesite (Philippines) Hotel Corporation; EVP-Finance and Admin The Wellex Group, Inc., & Plastic City Corporation. Chairperson of Jesus Our Life Ministries, Inc.
Director	Reno I. Magadia	46	Filipino	Managing Director- Misons Industrial & Development Corp., Metro Combined Logistics Solutions, Inc.; Director - Metro Alliance Holdings and Equities Corp. Vice-President and Director of Mercator Filter Manufacturing Corporation.
Director	Lamberto B. Mercado, Jr.	52	Filipino	Director-The Wellex Group, Inc., Metro Alliance Holdings & Equities Corp., Forum Pacific, Inc. Director- Acesite (Phils.) Hotel 2004-present, Air Philippines Corporation and Philippine International Airways, Inc.
Director	➤ Sergio R. Ortiz-Luis, Jr.	73	Filipino	Independent Director-Waterfront Philippines, Inc., President & CEO - Philippine Exporters Confederation, Inc. (PHILEXPORT); Honorary Chairman - Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines, Integrated Concepts and Solutions, Inc., Vice-Chairman of Alliance Global, Inc.; Director - International Chamber of Commerce of the Philippines, Manila Exposition Complex, Inc., Lasaltech Academy, BA Securities, Rural Bank of Baguio, GS1.; Gov't Affiliations: Vice-Chairman - Export Development Council; Civic Organizations: Chairman - Rotary Club of Green Meadows, Director - PILAK Foundation, Universal Access Center for Trade Others: Honorary Consul General - Consulate of Romania in the Philippines.
Director	➤ Ruben D. Torres	75	Filipino	Independent Director Waterfront Philippines, Inc., President -BPO Workers Association of the Phils.; Senior Partner - Torres Caparas Torres Law Offices; Secretary General-Katipunan ng Manggagawa at Magsasaka ng Pilipinas; Chairman/CEO - Service Exporters Risk Management & Consultancy Co., Towers Corporation and Optimus Medical Care and Trading Corporation.
Director and Treasurer	Elvira A. Ting	56	Filipino	President & CEO - Philippine Estates Corporation; Director-Wellex Industries, Inc., Forum Pacific, Inc., Orient Pacific Corporation, Crisanta Realty and Development Corporation, Recovery Development Corporation, The

				Wellex Group, Inc., Plastic City Industrial Corporation.
Corporate Secretary	Arthur R. Ponsaran	73	Filipino	Director-Philippine Estate Corporation, Wellex Industries, Inc., Forum Pacific, Inc. Acesite (Phils.) Hotel, Managing Partner-Corporate Counsels, Phils., Chairman of Value Management and Options Corp and Corp Secretary of Producers Rural Banking Corp., The Wellex Group, Inc., MRL Gold Phils., Inc., Village Foundation, Shuylkill Assets Strategists (SPV-AMC), Inc., Petrolift Corp.

#### Key Officers

Name	Office	Age	Citizenship
Kenneth T. Gatchalian	President	40	Filipino
Precilla O. Toriano	Corporate Finance Director	48	Filipino
Maria Socorro Coteló	Corporate Planning Director	40	Filipino
Ma. Theresa S. Fernandez	Corporate Sales and Marketing Director	54	Filipino

On the year 2014, GM Alfred Portenschlager and HM Rouel Guanzon resigned and Ms. Gaye Maureen Cenabre availed the early retirement. Said previous officers resigned without any disagreements on any proposed action of the Board.

A brief description of the directors' and executive officers' business experience and other directorship held in other reporting companies for the last five years are provided as follows:

<b>Renato B. Magadia</b>	<b>Chairman of the Board</b>
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A graduate of the University of the Philippines Diliman with a degree in Business Administration major in Accounting and a Certified Public Accountant. He is concurrently, the Chairman of the Board of Metro Alliance Holdings and Equities Corporation, Waterfront Philippines, Inc. and Mercator Securities Corporation. He is a Director of various companies like Howden Insurance and Reinsurance Brokers (Phils.), Inc., All Ocean Maritime Agency, Inc., Cunningham Toplis Philippines, Inc., The Zuellig Group, Misons Industrial & Dev't Corp., Phil. Accident Managers, Inc. and Philippine. Estates Corp. He is also a trustee in The Zuellig Foundation, Inc. He has been a director of Waterfront since April 1999- present From 2006-2008 he is the Rotary Governor for district 3930.

<b>Kenneth T. Gatchalian</b>	<b>President</b>
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Mr. Kenneth T. Gatchalian is a President of the Company. He is a member of the Board of Forum Pacific, Inc. and Wellex Industries, Inc., and The Wellex Group, Inc. He is 40 years old and holds a Degree in Bachelor of Science in Architecture from University of Texas in San Antonio, Texas, USA. He's been a director of Waterfront since February 2001.

<b>Arthur M. Lopez</b>	<b>Director</b>
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Arthur M. Lopez is the Principal Consultant of AML Hotel Consultancy, an independent Hotel Consultant. The President of the Philippine Hotel Federation Inc. Currently he is the Hotel Management Consultant of Jin Jiang Inn Ortigas, Jin Jiang Inn Makati, Hotel 101 Manila, Injap Tower Iloilo, Hotel 101 Fort; Hotel Management Consultant of B Hotel in Manila, B Hotel Quezon City, Bellevue Bohol Resort in Panglao and Bellevue Baguio (opening in 2018). Hotel Advisor of Cathay International Resources Corp., Hotel Technical Services Adviser and Management Consultant of Hotel of Asia Inc., Director of Asia Pacific Top Management International Resources Corp. and, Chairman of Acesite Philippines Hotel Corporation and Director of Philippine Estates Corporation. He is the Owner's Representative and Advisor of the Sheraton Langkawi Beach Resort in Malaysia, Four Points by Sheraton Kuching, Malaysia, the Santubong Resort in Kuching, Malaysia and Helang Hotel, Langkawi, Malaysia. He was the

Management Consultant at the Rarotongan Beach Resort & Spa and the Aitutaki Lagoon Resort and Spa in Cook Islands and has done hotel and club consultancy work in Japan, Palau, China and Indonesia. He was the Management and Technical Services Consultant of Federal Land's Grand Hyatt Manila project and assisted in the negotiation of the management and technical services agreement with Hyatt Hotels. Pre-opening Management and Technical Services Consultant Bloomberry Casino Hotels and Resorts/Solaire Hotel and Casino. He was elected as Chairman of Acesite (Phil's.) Hotel Corp., since 2004-present.

He is 70 years old and a Masters Degree holder in Business Administration from the University of Santo Tomas. He's been a director of Waterfront Philippines, Inc. since October 2000-present. In 21st September 2013, he received the Certificate of Recognition in the Field of Business Management BSC Management 1968, "in grateful appreciation for giving pride, honor and prestige to UST College Alumni Foundation as well as living the true Thomasian legacy". He was one of the UST Commerce Outstanding Alumni 2013 in the field of Business Management given in 19<sup>th</sup> September 2013. This was in recognition of his having shown professional excellence, exemplary moral and Christian conduct in his chosen field, living the true Thomasian legacy. On 2014, Rotary Club of Manila 10<sup>th</sup> Tourism Awards, Hotel Tourism Category, in recognition of his extraordinary contribution to the promotion and advancement of the tourism industry in the Philippines.

<b>Dee Hua T. Gatchalian</b>	<b>Director</b>
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Mrs. Gatchalian was elected director of the Company since 24 June 2004-present. She is the Executive Vice-President of The Wellex Group, Inc., and also the Executive Vice-President of Plastic City Corporation. She is a board of director of Philippine Estates Corporation, and Acesite (Phils.) Hotel Corp. She graduated with a degree in Medical Technology from the Far Eastern University in 1970. In addition to her numerous positions in business firms, she is the Chairperson of Jesus Our Life Ministries, Inc., a non-profit, non-stock organization duly registered with the Securities and Exchange Commission.

<b>Reno I. Magadia</b>	<b>Director</b>
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A Master's degree holder in Business Administration from Pepperdine University in Los Angeles, California, Mr. Magadia is currently the Managing Director of holding firm, Misons Industrial and Development Corp. He is also the Managing Director of Metro Combined Logistics Solutions, Inc. He is on the Board of Directors of Metro Alliance Holdings and Equities Corporation. He held the posts of Vice President and Director of Mercator Filter Manufacturing Corporation. He also worked as Head Portfolio Manager of stock brokerage firm, Papa Securities Corporation. He was also the President and Founder of the Youth Leaders for Change, a non-profit and multi-sectoral organization for youth leaders in Quezon City. He was elected as Director of Waterfront Philippines, Inc., since September 17, 2005-present.

<b>Lamberto B. Mercado, Jr.</b>	<b>Director</b>
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A lawyer and a CPA by profession, Atty. Mercado is a member of the Board of Directors of several publicly-listed companies namely: Waterfront Philippines, Inc., Metro Alliance Holdings & Equities Corp., Forum Pacific, Inc., Acesite (Philippines) Hotel Corporation and Wellex Industries, Inc. He is currently the Vice-President for Legal Affairs of the Wellex Group, Inc. In the past as Deputy Administrator for Administration, he had supervised the largest group in the Subic Bay Metropolitan Authority (SBMA). He had also, helped in the drafting of Administrative Orders to effectively implement R.A. 7227 (the law creating the Subic Bay Freeport Zone) and its implementing rules and regulations. He was the President of Freeport Service Corporation, a subsidiary of SBMA and helped in the creation and organization of this service corporation. He was also a Director of Acesite (Phils.) Hotel Corporation since June 24, 2004-present. He studied BSC Major in Accountancy at the University of Santo Tomas and Bachelor of Laws (LLB) at the Ateneo de Manila University School of Law, graduated in 1985 and 1990, respectively. He has been a director of Waterfront Philippines Inc., since July 2003-present.

<b>Sergio R. Ortiz-Luis, Jr.</b>	<b>Director</b>
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He has degrees of Bachelor of Arts and Bachelor of Science in Business Administration from De La Salle University; PhD Humanities from Central Luzon State University, and PhD Business Technology from Eulogio "Amang" Rodriguez Institute of Science and Technology. He is the President and CEO of Philippine Exporters Confederation, Inc. An Honorary Chairman of Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines as well as Integrated Concepts & Solutions, Inc. He is the Vice Chairman of Alliance Global, Inc., Export Development Council. He is a Director of Manila

Exposition Complex, Inc., Lasaltech Academy, Philippine Estate Corporation, BA Securities, Rural Bank of Baguio, PILAK Foundation, and Universal Access Center for Trade and Philippine International Training Corporation. He is a Council Adviser Member of Philippine Foundation, Inc., a Founding Director of International Chamber of Commerce of the Philippines and GSI. He is also a member of the Board of Advisers of Southville International School and Colleges. He is a commissioner of Patrol 117, a Financing Champion of National Competitiveness Council and a Private Sector Representative of Bamboo Council. He is also a Chairman of Rotary Club of Green Meadows Foundation and also a Chairman of Council of Advisers Eastern Police District. He is the Past President of Rotary Club of Green Meadows Quezon City RI District 3780; a Board of Advisers Member of Council of Advisers Philippine National Police, a senator of Philippine Jaycee Senate, Captain of Philippine Coastguard Auxiliary and a member of the League of Corporate Foundation. He is the Honorary Consul General of Consulate of Romania in the Philippines, a Treasurer of Consular Corps of the Philippines and an Honorary Adviser of International Association of Education for World Peace. Some awards that he received were International Peace Award for Economic Development in 2005, Most Outstanding Citizen of Nueva Ecija in the Field of Business in 2005 also, Most Outstanding Pasigueno in 2006, Ulirang Ama also in 2006 and Presidential Merit Award Medal in 2007. He became an Independent Director of Waterfront Philippines, Inc. since August 2006-present. This 2014, he attended Exporter's Partner in Gearing the Country for the AEC Markets of the World 2, Technology Innovation and Entrepreneurship as Competitive Strategies PHILAAS 63<sup>rd</sup> Annual Convention and lastly, Bringing the Buy Pinoy Campaign to the Next Level.

<b>Ruben D. Torres</b>	<b>Director</b>
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Mr. Ruben Torres graduated in the University of the Philippines with a degree of Bachelor of Arts (Political Science) after which, he finished the degree of Bachelor of Laws at the same university. He is 75 years old. Presently he is also the President of BPO Workers Association of the Philippines and Senior Partner of Torres Caparas Torres Law Office. He is also the Secretary General of Katipunan ng Manggagawa at Magsasaka ng Pilipinas. He is associated with the Integrated Bar of the Philippines and Philippine Academy of Professional Arbitrators. His former positions include being a Member of the House of Representatives of the 2nd District of Zambales, Executive Secretary of the Office of the President in Malacañang, Secretary of the Department of Labor and Employment. Mr. Torres became an Independent Director of Waterfront Philippines, Inc. since August 2006-present.

<b>Elvira A. Ting</b>	<b>Director and Treasurer</b>
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Ms. Elvira A. Ting earned her Bachelor's Degree in Business Administration major in Management from the Philippine School of Business Administration. She's 56 years old and has been a Director of Waterfront Philippines, Inc., since October 2000-present. She is also the President/Director of Philippine Estates Corp., a director Wellex Industries, Inc., The Wellex Group, Inc., and Forum Pacific, Inc. She is also a Director/CFO of Acesite Phils. Inc. since 2004-present.

**Executive**

<b>Kenneth T. Gatchalian</b> (see above description)	<b>President</b>
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<b>Precilla O. Toriano</b>	<b>Corporate Finance Director</b>
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Ms. Toriano joined Waterfront in September 10, 2001 as Asst. Financial Controller of Waterfront Cebu City Casino Hotel. After five (5) months, she became the Financial Controller before she was promoted as Corporate Finance Director for the group. Before joining Waterfront, she has already been working with the group; she worked as Internal Auditor at Air Philippines Corp. and eventually transferred to The Wellex Group, Inc. to join the Corporate Internal Audit team, which paved the way for her coming in the Waterfront Hotels and Casinos. She is a CPA by profession; she graduated at the University of the East with a degree of Bachelor of Science in Business Administration Major in Accounting. She took up MBA units in the Polytechnic University of the Philippines. After graduation, she worked as an accounting staff at Liberty Corrugated Boxes Manufacturing, Inc. Then, she moved to Control Management Inc. as an Internal Auditor. After which, she worked for Philippine Remnants Corp. as an Accounting Manager. She had several trainings in the following fields: Managerial Leadership and Decision Making Skills, the Basics of Management Audit, Supervisory Effectiveness, Accounting and BIR Regulations, Accounting and Bookkeeping Audit, Operations Audit, Living and Working in Balance, Management Development



Program, Accounting & Administrative Control, and Lean Six Sigma. In 2005 she acquired a Certification in Financial Management for Hotels at Cornell University School of Hotel Administration, in New York USA focusing on High Performance Financial Management For Hotels Operations, Hospitality Financial Management & Operations Decision Making, and Fraud Controls for Managers. She attended the CFO Congress 2007 at Malaysia. In 2010 she was sent to Singapore to attend the Strategic & Sustainable Cost Control Training. She attended the Financial Modeling Seminar in Singapore in 2011. In the year 2012 in June-July, she was sent by the company to New York to attend the Management Development Program at Cornell University thus granting her the "Certification in Strategic Management". This June 2015, she took the 3-day MBA for Chief Finance Officers held in Kuala Lumpur, Malaysia.

<b>Maria Socorro Cotelo</b>	<b>Corporate Planning Director</b>
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Ms. Cotelo is the Corporate Planning Director for Waterfront Hotels & Casinos. She joined Waterfront in 2003 as Sales Accounts Manager before she moved to help establish Revenue Management in the company from there she continued to work in the Corporate Planning Division undertaking Standardization, Business Development, Reservation & Distribution and Corporate Information Technology. She earned her Bachelor's Degree in Economics at the University of San Carlos and took up masteral units for the same course before pursuing her Bachelor of Laws from SouthWestern University, Cebu City. After completing her Bachelor of Laws, she worked for the Davide, Calderon, and Tolentino Law office in 2002 and as part-time instructor for the University of San Carlos, Economics Department. She had significant training in Hotel Management and Distribution Systems and attended Revenue Management seminars specifically on Pricing, Travel distribution and technology, Project Management, Branding, and Selling Skills workshops. Her speaking engagement to two of these international seminars & forums under the Travel Distribution Summit Asia in 2008 and 2009 include topics on Revenue Management in Tough times and Integrating Sales and Marketing in Revenue Management. She completed her Certification in Revenue Management at Cornell University, New York in 2011 with focus on hotel and restaurant revenue management, strategic pricing, demand management, strategic marketing and financial management.

<b>Ma. Theresa S. Fernandez</b>	<b>Corporate Sales and Marketing Director</b>
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Ma. Theresa Fernandez, joined Waterfront in September 1, 2006-December 15, 2011 as being the Hotel Manager in Waterfront Insular Hotel Davao, and was appointed as Hotel Manager of Waterfront Airport Hotel on December 16, 2011. Currently, she is the Corporate Sales and Marketing Director. She graduated in St. Scholastica's College Manila in 1984 and in Swiss Hotel Association -Switzerland in 1987. Before joining Waterfront she had been an Asst. Maitre'd in Hotel Castell -Switzerland, Asst. Garde Manager in Relais fe Lavaux-Switzerland, Sales Account Manager in Holiday Inn -Manila, Banquet Sales Manager in Manila Pavillion Hotel -Manila, Banquet Manager in Manila Pavillion Hotel -Manila, Banquet Administration Manager in Manila Galleria Suites -Manila, F&B Director in Holiday Inn Galleria -Manila, Consultant in Boracay Regency Hotel & Convention, and the Resident Manager in Boracay Regency Hotel & Convention -Boracay, Aklan.

### Significant Employees

There are no employees of the Company who is not an Executive Officer but expected to make significant contribution to the business of the Company.

### Family Relationship

Mr. Kenneth T. Gatchalian is the son of Ms. Dee Hua T. Gatchalian. Ms. Elvira A. Ting is a sister of Ms. Dee Hua T. Gatchalian and an aunt of Kenneth T. Gatchalian.

Mr. Reno Magadia is also a son of Mr. Renato B. Magadia.

There are no other relationships among the officers listed.

**Involvement in Certain Legal Proceedings**

As of June 30, 2016 none of the directors and officers/nominees was involved in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceedings, or been subjected to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities or commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

**Certain Relationship and Related Transactions**

	Relationship to the Issuer	Nature of Advances	Amount of Advances
The Wellex Group, Inc. (TWGI)	Ultimate Parent	Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal	2015- P 945,471,000 2014 - P 958,716,000
Metro Alliance Holdings & Equities Corp. (MAHEC)	Stockholder	Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal	2015 - P __0.00__ 2014 - P 365,933,000
Pacific Rehouse Corporation (PRC)	Stockholder	Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal	2015 - P 520,743,000 2014 - P 510,532,000
Philippine Estate (PHES)	Stockholder	Unsecured; non-interest bearing; due on demand	2015 - P 92,054,000 2014 - P 97,754,000
Crisanta Realty	Stockholder	Unsecured; interest-bearing; subject to re-pricing; due in 5 years	2015 - P 332,797,000 2014 - P __0.00__

See notes 8 on Consolidated FS 2015

**Term of Office**

The Directors of WPI are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until they're respective successors have been elected and qualified. Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have been qualified.

**Item 6. Compensation of Directors and Executive Officers**

None of the Directors receive compensation for serving as Directors of the Company.

**The aggregate paid to the Five**

Aggregate Compensation paid to the 3 highly compensated executive officers	Principal Position	Year	Salary (P)	Bonus (P)	Other annual compensation
Precilla O. Toriano	Corporate Finance Director	2015 2014	P 8,665,992.96 P 8,253,326.63	None None	None None
Maria Socorro Coteló	Corporate Planning Director	2013	P 8,687,926.90	None	None
Ma. Theresa S. Fernandez	Corporate Sales and Marketing Director				

Ms. Lanelle Barba	Corporate Human Resource Director				
Benhur Caballes	Hotel Manager				

The President has no remuneration benefit.

**Compensation Plan of Directors**

The members of the Board of Director are elected for a term of one year. Director per diem are at a rate of Php8,000.00 (net of 20% ewt) per board meeting. Except for the Chairman and the CEO, Directors, are not entitled to compensation package. Except as herein mentioned, no director received bonuses or profit sharing plans for the years ended 31 December 2015 and December 2014.

**Item 7. Independent Public Accountants**

The external auditor of Waterfront Philippines, Inc. (WPI) for the most recently completed calendar year ending December 2015 is KPMG RG Manabat and Co., previously KPMG Manabat Sanagustin and Co., under Mr. Tireso Randy F. Lapidez, Partner in-charge, and they are being recommended by the board of directors for the approval of stockholders for this coming year. The firm also audited the Company’s previous calendar year.

The company is in compliance with SRC Rule 68, Paragraph 3(b)(iv) .

There were no changes in and disagreements with the accountants nor with the current accounting firm relating on accounting and financial disclosure.

Representatives of said firm are expected to be present at the stockholders’ meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Audit Committee**

The Board is authorized to create an Audit Committee, composed of at least three (3) directors, at least one (1) of whom shall be an independent director. Each member of the Audit Committee shall have adequate understanding, at least, or competence at most, of the company’s financial management systems and environment. The Audit Committee shall have the functions, powers and authorities as may be prescribed by the Board, or as provided in the Corporation’s Manual of Corporate Governance, and as may be prescribed by applicable law and regulations.

**Duties and Responsibilities of the Audit Committee**

Review all financial reports against compliance with both the internal financial management policy and pertinent accounting standards, including regulatory requirements. Review management policy on financial management, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, crisis management. Review audit plans, scope and frequency of the external audit to the extent advisable, interface with the internal and external auditors. Develop a plan to elevate to international standards the accounting and auditing processes, practices and methodologies, including: a realistic timetable within which the accounting system of the Corporation will be 100% International Accounting Standards (IAS) compliant; an accountability statement that will specifically identify officers and /or personnel directly responsible for the accomplishment of such task;

Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization.

**The Board constituted the following committees:**

**Audit Committee**

Chairman - Sergio R. Ortiz-Luis, Jr - Independent Director  
 Member - Arthur M. Lopez - Independent Director  
 Member - Dee Hua T. Gatchalian

**Audit and Audit-Related Fees**

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,	
	2015	2014
Aggregate Fees Billed for the external audit of the Company's financial statements	3,685,000.00	3,845,000.00

The Company has complied with the requirements of the Rotation of External Auditors as outlined in SRC Rule No.68, Paragraph 3(b)(iv).

**Item 8. Compensation Plans**

To date WPI has not issued any options or implemented any option scheme to its directors and officers.

The Company has no immediate plan with regard to any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

As of June 30, 2016 Waterfront Philippines, Inc. has no plans yet to increase its authorized capital stock.

**Item 10. Modification or Exchange of Securities**

Waterfront Philippines, Inc. has no plans to modify any of each authorized and issued securities or to exchange them to another class.

**ADDITIONAL REQUIREMENTS AS TO CERTAIN ISSUES AND ISSUER**

As of December 31, 2015 the company has a net worth of P4.9 billion and is not planning to issue unsecured bond for 2015.

**Properties**

The Company, being a holding company, has no real properties under its name. Properties under WPI are under the ownership or lease holdings of the respective subsidiaries. WPI is renting an office in the City of Manila.

Information and terms of the rent/lease are as follows:

Location	7 <sup>th</sup> Flr Manila Pavilion Hotel U.N. Avenue corner Maria Y Orosa St. Ermita Manila
Size	538.7 square meters with parking spaces
Terms of Rent	From October 1, 2011 to December 31, 2021 (10 years); renewable within 90 days before the lease period expires permissible by the laws of the Philippines.
Rental	On the office spaces: Php 250,000 per month with an escalation of 5% per year.



WCCCHI and WMCHI have separate contracts of lease for the use of parcels of land in the province of Cebu.

WCCCHI Land Lease:

Location	Former airport site at Lahug in Cebu City
Size	Approximately 4.6 hectares
Lessor	Mactan Cebu International Airport Authority
Terms of Lease	50 years with an option for renewal for another 25 years, permissible by the laws of the Philippines
Lease Agreement	Fixed rental per month of Php 11.00 per square meter or a total amount per annum of Php 6,072,000.00 + Percentage rental of 2% of the annual Gross Revenue as defined under the Land Lease Agreement

WMCHI Land Lease:

Location	In front of Mactan-Cebu International Airport, Lapu-Lapu City
Size	Approximately 3.2 hectares
Lessor	Mactan Cebu International Airport Authority
Terms of Lease	50 years with an option for renewal for another 25 years, permissible by the laws of the Philippines
Lease Agreement	Fixed rental per month of Php 18.75 per square meter or a total amount per annum of Php 7,875,000.00 + Percentage rental of 2% of the Annual Gross Revenues as defined under the Land Lease Agreement.

DIHCI Wholly Owned:

Location	Lanang, Davao City	
Size	Approximately 12.29 hectares but with foreshore area of 4.3 hectares	
	Title	Area (In Sq. Meters)
	TCT 0-255*	2,997
	0-256*	304
	0-257*	113
	0-258*	50
	0-259*	404
	T-10250*	43,881
	T-10250*	47,320
	T-10251*	2,091
	T-102510*	2,043
	T-10252*	1,133
	T-10252*	300
	T-10252*	300
	T-10252*	1,580
	T-10254*	500
	T-10254*	400
	T-10303-A*	304
	T-30874*	223
	T-10264*	18,959

ACESITE Land Lease

Location	Corner of United Nations Avenue & Maria Y. Orosa Street in Ermita, Manila
Size	Total land area of 6,500 square meters
Lessor	Cima Realty Philippines Inc.
Terms of Lease	Lease is valid until January 2031, renewable for another 20 years.
Lease Agreement	Php 250,000 per month; escalation of 5% per year

CIMA Realty

Location	Corner of United Nations Ave. & Maria Y. Orosa St., Ermita, Manila
Size	Approximately 6,500 square meters
Title	TCT 184100

The building is mortgaged in favor of the Metropolitan Bank and Trust Company-Trust Department, as the trustee for the Singapore Branch of the Industrial and Commercial Bank of China (ICBC), a banking corporation organized under the laws of the People's Republic of China (PROC), to secure a loan in the original principal amount of Fifteen Million US Dollars (US\$15,000,000.00).

Legal Proceedings

SSS vs WPI. Et al civil case no. Q-04-52629 at regional trial court, Quezon City

On January 13, 2015, the RTC of Quezon City issued a decision declaring null and void the contract of loan and the related mortgages entered into with SSS on the ground that the officers and the SSS are not authorized to enter the subject loan agreement. In the decision, the RTC of Quezon City directed the Parent Company to return to SSS the principal amount of loan amounting to P375 million and directed the SSS to return to the Parent Company and to its related parties titles and documents held by SSS as collaterals. SSS filed a Motion for Reconsideration of the decision of the RTC and WPI filed its comments on said motion.

On January 13, 2015, the RTC of Quezon City issued a decision declaring null and void the contract of loan and the related mortgages entered into by the Parent Company with SSS on the ground that the officers and the SSS are not authorized to enter the subject loan agreement. In the decision, the RTC of Quezon City directed the Company to return to SSS the principal amount of loan amounting to P375.00 million and directed the SSS to return to the Company and to its related parties titles and documents held by SSS as collaterals.

As at December 31, 2015, SSS has not yet appealed or filed a motion for reconsideration.

BIR Assessment

On November 10, 2008, the Parent Company received a preliminary assessment notice from the BIR for deficiency taxes for the taxable year 2006. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment. On February 18, 2009, the Regional Office of the BIR sent a letter to the Parent Company informing the latter that the docket was returned to Revenue District Office for reinvestigation and further verification.

On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.3 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals ("CTA") on the grounds of lack of legal and factual bases in the issuance of the assessments.

In its decision promulgated on November 13, 2012, the CTA upheld the expanded withholding tax

("EWT") assessment and cancelled the VAT and compromise penalty assessments. WPI decided not to contest the EWT assessment. The BIR filed its motion for reconsideration ("MR") on December 4, 2012 and on April 24, 2013, the Court issued its amended decision reinstating the VAT assessment. The Parent Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

The Parent Company appealed the case to the CTA sitting En Banc on October 21, 2013. The CTA En Banc decision promulgated on December 4, 2014 affirmed the VAT and EWT assessments. The EWT assessment was paid on March 3, 2013.

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2015, the Parent Company is still awaiting SC's decision.

Management and its legal counsel believe that the position of the Parent Company is sustainable, and accordingly, believe that the Parent Company does not anymore have a present obligation (legal or constructive) with respect to the assessment.

#### **Item 11. Financial and Other Information**

The consolidated financial statements are filed as part of this FORM SEC 2015, attached hereto and marked as "Annex A."

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

As of June 30, 2016, Waterfront Philippines, Inc. has no plans to merge, and consolidate with other company, to acquire other company's securities, to acquire any other going business or of the assets thereof, to sell or transfer any substantial part of its assets and to liquidate or dissolve the Company.

#### **Item 13. Acquisition or Disposition of Property**

The Company acquired 100% interest of CIMAR, a former subsidiary of Acesite Limited (BVI) or ALB, in October 2011. In July 2011, the Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settle all pending cases and controversies between the two parties. In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agreed to assign, sell, transfer and convey all existing shares of stocks of CIMAR to the Company.

#### **Item 14. Restatements of Accounts**

The Consolidated Financial Statements of Waterfront Philippines, Inc. has been prepared in accordance with Philippine Financial Reporting Standards (PFRS). In particular there have no restatements of Accounts.

#### **D. Other Matters**

##### **Item 15. Action with Respect to Reports**

1. Annual report for the year ending December 31, 2015 will be presented to the stockholders for approval.
2. Minutes of the 2014 Annual Stockholders' Meeting will also be presented to the security holder for approval.
3. Interim Report as of June 30, 2016 will be presented to the security holder for information regarding the actual situation of the business.

**Item 16 Matters Not Required to be Submitted-NONE**

**Item 17. Amendments of Charter, By-Laws & Other Documents**

a. Except for the amendments that the Corporation has made to its by-laws, Article III, Board of Directors, Sections 3-7, as per Board of Directors meeting held on September 1, 2004 and Stockholders' meeting held on September 4, 2004, And it was filed and approved with SEC last September 6, 2005. Since then there is no other amendments made by the corporation.

b. On May 25, 2012, the application for the increase in Acesite (Phils.) Hotel Corp.'s authorized capital stock, one of Waterfront Philippines Inc.'s subsidiaries, from P310 million to P1.21 billion was approved by SEC. Accordingly, the Company distributed the 250% stock dividends or 246,248,212 shares on July 19, 2012 for stockholders of record as of June 25, 2012.

The Board of Directors and the stockholders of Acesite (Phils.) Hotel Corporation approved on June 11, 2009 and July 2, 2009, respectively, the increase of the authorized capital from P1, 210,000,000.00 to P2, 010,000,000.00 via stock rights offering at an entitlement ratio of 0.58:1.

In a special meeting held last July 14, 2014, the Board of Directors approved the amendment of the entitlement ratio from 0.58:1 to 1:1.

The proceeds will be used for the renovations of rooms, facilities, repair and replacement of equipment and working capital.

c. In a special meeting also held last July 14, 2014, the Board of Directors approved the proposal to increase the authorized capital stock of Waterfront Mactan Casino Hotel, Inc, one of Waterfront Philippines Inc.'s subsidiaries, from P13, 800,000.00 to P500, 000,000.00, which increase will be paid-up via declaration of stock dividends in the amount of P262, 200,000.00.

d. Waterfront Philippines Inc.'s principal office address is located at No.1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City as amended in the Articles of Incorporation on December 19, 2001.

**Item 18. Other Proposed Action**

For the coming Stockholders meeting on September 24, 2016 at Waterfront Cebu City Hotel, these are the following proposed action to be taken:

- a. Approval of Minutes of the previous stockholders meeting.
- b. Presentation of the Annual Report and Audited Financial Statements for the calendar year 2015 and during the meeting a copy of the 2<sup>nd</sup> quarterly report for 2016 will be furnished to the stockholders.
- c. Election of the board of directors for the ensuing term:
  - Mr. Renato B. Magadia
  - Mr. Kenneth T. Gatchalian
  - Ms. Elvira A. Ting
  - Ms. Dee Hua T. Gatchalian
  - Mr. Arthur R. Ponsaran
  - Mr. Lamberto B. Mercado, Jr.
  - Mr. Reno I. Magadia
  - Mr. Arthur M. Lopez
  - Mr. Sergio R. Ortiz-Luis, Jr.
  - Mr. Ruben D. Torres



e. Appointment of External Counsel

For the year 2016 the board will recommend Corporate Counsels, Philippines as the Legal Counsel of the Company.

f. Ratification of the acts of the Board of Directors and Management

Acts of Management and resolutions of the Board including:

- To appoint and constitute BOD Trust and Investment Group as our Stock Transfer Agent to issue shares of the company in scrip less or uncertificated form in accordance with Section 43 of the Securities Regulation Code and to link our database to the EDR(Electronic Direct Registration) system of Pastra Net. Inc.
- Renewal of licenses with government agencies/offices and other contracts and designation of the authorized signatories.
- All other administrative matters concerning Waterfront Philippines, Inc.

Other than the above mentioned proposed actions there are no other matters that the Board of Directors intends to present or have the reason to believe others will present at the meeting.

**Item 19. Voting Procedures**

The vote of stockholders representing at least majority of the issued and outstanding capital stock entitled to vote is required.

At every meeting of the stockholders of the corporation, each share of stock entitles its owner to one vote, provided, however, that in the case of election of directors, every stockholder entitled to vote shall be entitled to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the entire number of votes cast by him shall not exceed the number of shares owned by him multiplied by the entire number of directors to be elected.

Every stockholder entitled to vote at any meeting of the stockholders may so vote in person or by proxy, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. The instrument authorizing a proxy to act must be in the hands of the Secretary not later than forty-eight (48) hours before the time for the meeting (Article II, Sec. 7 of the By-Laws). Voting shall be by raising hands and need not be by ballot, the Corporate Secretary shall duly count any action authorized upon the vote of the majority of the votes cast, except in the election of directors, which shall be on the basis of cumulative voting hitch.

It is being noted that all items in the agenda shall be voted majority of the stockholders.

**THE COMPANY'S ANNUAL REPORT ON SEC FORM 17 A WILL BE PROVIDED WITHOUT CHARGE UPON WRITTEN REQUEST OF ANY SHAREHOLDERS OF RECORD ENTITLED TO NOTICE OF AND VOTE OF AT THE MEETING, AT THE DISCRETION OF THE MANAGEMENT, A CHARGE MAY BE MADE FOR EXIBITS, PROVIDED SUCH CHARGE IS LIMITED TO REASONABLE EXPENSES INCURRED BY THE REGISTRANT IN FURNISHING SUCH EXHIBITS.** Such written request may be directed to our Corporate Secretary, Atty. Arthur R. Ponsaran, with Office Address at unit 3104 31<sup>st</sup> floor Antel Global Corporate Center # 03 Doña Julia Vargas, Ortigas Center Center Pasig City.



**WATERFRONT**  
**PHILIPPINES**

PART II

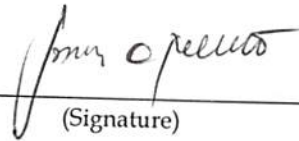
"WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED NOT TO SEND A PROXY."

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu on August 18, 2016.

By:



(Signature)

Precilla O. Toriano/Corporate Finance Director  
(Printed Name/Title)

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ARTHUR M. LOPEZ**, Filipino, of legal age, and a resident of The Ritz Tower Condominium, 6745 Ayala Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Waterfront Philippines, Inc.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Waterfront Phils., Inc.	Independent Director	2002 – present
Acesite (Phils.) Hotel Corporation	Chairman, Independent Director	2004 – present
Phil. Estates Corporation	Director	1996 – present
Phil. Hotel Owners Association Inc.	President	2006 – present
Arleff Holdings Inc.	President	2008 - present
Legoli Holdings Inc.	President	2008 – present
Bellevue Manila	Hotel Management Consultant	2003 – present
Bellevue Resort Bohol in Panglao	Hotel Management Consultant	Present
Hotel of Asia Inc. - Hotel 101 Manila, Jin Jiang Ortigas	Hotel Management Consultant and Technical Services Adviser	2013 – present
Double Dragon Properties Corp – Injap Tower Iloilo	Hotel Management Consultant	2013 – 2014
Contemporain Development Corporation – Jin Jiang Inn Makati	Hotel Management Consultant and Technical Services Adviser	2013 – present
Hotel 101 Management Corp – Hotel 101 Fort	Hotel Management Consultant	2015 – present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Philippines, Inc, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
5. I shall inform the corporate Secretary of Waterfront Philippines, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_

  
\_\_\_\_\_  
Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_  
affiant personally appeared before me and exhibited to me his Tax Identification No. 181-980-515.

Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of 2016.

  
**ATTY. ALYSHA GRACE M. ZULUEJA**  
NOTARY PUBLIC - MANILA  
COMM. NO. 2016-045 UNTIL DEC. 31, 2017  
PTR. NO. 4532793, 7/7/16-MLA.  
IRP LIFETIME - 011076 - 6/10/12

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **SERGIO ORTIZ-LUIS JR**, Filipino, of legal age, and a resident of 151 corner 3<sup>rd</sup> St., and 10<sup>th</sup> Ave., Riverside Village, Pasig, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Waterfront Philippines Inc.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Waterfront Phils., Inc.	Independent Director	2006-present
Acesite (Phils.) Hotel Corporation	Independent Director	2013-present
Alliance Global	Vice Chairman	2007-present
Phil. Chamber of Commerce & Industry	Honorary Chairman/Treasurer	2008-present
PHILEXPORT	President/CEO	1991-present
ECOP	Past President/Honorary Chairman	2010 – present
Philippine Estates Corporation	Director	2015 - present
International Chamber of Commerce of the Philippines	Founding Director	present
Manila Exposition Complex Inc (World Trade Center)	Director	present
Consulate of Romania in the Philippines	Honorary Consul General	2015 - present

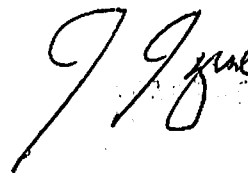
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Philippines, Inc, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
5. I shall inform the corporate secretary of Waterfront Philippines, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_.

  
 Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his Tax Identification Number 107-846-762-000.

Doc. No.       
 Page No.       
 Book No.       
 Series of 2016.

  
 \_\_\_\_\_

**CERTIFICATION OF INDEPENDENT DIRECTORS**

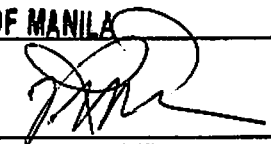
I, **RUBEN D. TORRES**, Filipino, of legal age, and a resident of # 22 Kalaw Ledesma Circle, Tierra Verde Homes, Tandang Sora, Quezon City after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Waterfront Philippines, Inc.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
BPO Workers Association of the Philippines. (BWAP)	President	Present
Service Exporters Risk Management & Consultancy Co (SERM)	Chairman/CEO	Present
Trade Union Congress of the Philippines	VP-International Affairs	Present
Torres Caparas Torres Law Office	Senior Partner	1998-present
WATERFRONT PHILIPPINES INC.	Board of Director	2006-present
ACESITE PHILIPPINES HOTEL CORP.	Board of Director	2014-present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Philippines, Inc. as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
5. I shall inform the corporate secretary of Waterfront Philippines, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_\_ day of JUL 13 2016 at CITY OF MANILA

  
 \_\_\_\_\_  
 Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of JUL 13 2016 at CITY OF MANILA, affiant personally appeared before me and exhibited to me his Tax Identification Number 135-071-068-000.

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 Book No. XVI  
 Series of 2016.

  
**ATTY. JOSELYN BONNIE V. VALEROS**  
 NOTARY PUBLIC, ROLL NO. 54515  
 PTR No. 40215 issued on: Dec. 22, 2015 Until Dec. 31, 2016  
 PFR No. 723963 issued on: Aug. 21, 2007  
 Commission No. 2016-089 issued on: April 05, 2016, Until Dec. 31, 2017  
 Office Address: Imperial Bayfront Tower, 1642 A, Mabini, Manila  
 MCLC NO. IV-0017429 issued on April 18, 2013

**Financial and Other Information**

Management Discussion and Analysis (See Annex I)

Financial Statements (See Annex II)

Changes In and Disagreements with Accounts on Accounting and Financial Disclosure-  
NONE.

## MANAGEMENT REPORT

ANNEX I

## A Year of Decisive Gains

The year 2015 has been an exceedingly successful one for the Waterfront group of companies. It marks a spike in profits, healthy performance and positive overall growth—a testament to the aptness of strategies undertaken in previous years, and a direct outcome of the intensified marketing focus that has become the new game-changer, pushing us to further profitability.

Previously, we determined ourselves as “Charting New Horizons”—emerged out of challenging times, rightly positioned to seize future opportunities, with key indicators on a clear upward trend. By now the horizons are within grasp. We are truly the captains of our ship, surpassing the performance of previous years and setting all-new benchmarks for efficiency, effective distribution, satisfaction and value for our customers, peers and shareholders.

We have positive numbers in nearly every aspect of operations, with evident gains in Gross Operating Profit (GOP) and Net Operating Profit (NOP). GOP in 2015 rose to PhP 696.53 million—a remarkable 24% increase from the previous year’s PhP 563.05 million. NOP increased by 447%. From 2014’s PhP 29.02 million it is now a robust PhP 158.71 million.

The Consolidated Gross Revenue is at PhP 2.10 billion—a 6% increase from the previous year’s PhP 1.97 billion. Gross Revenue for hotel operations totals PhP 2.02 billion, a 7% increase from 2014’s PhP 1.89 billion. For subsidiaries, the Gross Revenue amounts to PhP 88.88 million. Effective cost control was demonstrated yet again as consolidated cost and expenses for all properties decreased by 0.42%, from PhP 1.41 billion in 2014 to PhP 1.40 billion in 2015, and cost and expenses for subsidiaries cropped by a significant 10%, from PhP 104.69 million in 2014 to PhP 94.11 million in 2015.

These figures indicate the blanket effect of comprehensive institutional measures that have been implemented across all our properties, resulting in company-wide gains and strong overall performance. The relatively new facilities brought back to the market have started to yield.

Per property, GOP has been robust, exhibiting double-digit growth. Waterfront Cebu City Hotel and Casino (WCCHC) experienced a 12% leap, from PhP 288.41 million in 2014 to PhP 323.44 million in 2015. Manila Pavilion Hotel (MPH)’s GOP has a growth rate of 19%, from PhP 185.19 million in 2014 to PhP 220.84 million in 2015. Waterfront Airport Hotel and Casino (WAHC) also achieved a significant growth rate in GOP. From the past year’s PhP 105.47 million it rose to PhP 134.62 million, a growth rate of 28%. Waterfront Insular Hotel Davao (WIHD) also bumped its growth rate higher. From a GOP of PhP 28.80 million in 2014 it achieved PhP 32.02 million in 2015—a growth of 11%.

Having instituted effective cost-saving strategies, invested considerably in the improvement of our product and service, constantly improved our peer performance through trainings, improved our experience and infrastructure, allocated new resources to the development of our online channels, reviewed and enhanced our various distribution channels and built strategic partnerships in the industry that propelled us forward, we are in 2015 a confident and emboldened organization, making decisive strides in key business metrics.

What sets us apart this year is our renewed and intensified focus on marketing. We have redoubled our efforts to market our brand to our customers and endeavored to meet them where they increasingly spend their time—which is, in this age of digitally-propelled tourism, the online space. We still cater to traditional markets through our offline channels, strengthening partnerships and aggressively forming revenue-generating deals and contracts with significant clients. By being proactive and addressing the consumer market through innovative and creative marketing in multiple touch points and by maximizing online-offline dynamics, we have been able to capture a bigger share of the business, generating increased rooms revenue and F&B revenue. These efforts have resulted in total rooms revenue for all WPI properties at PhP 606.47 million, growing by 7% from the previous year’s PhP 565.51 million. F&B



revenue in 2015 for all properties totaled PhP 585.76 million, reflecting an 8% growth rate versus the past year's PhP 544.84 million.

The MICE market has been a particularly strong driving force in the year. Our ability to reach out to our existing client base to facilitate further business and enhance brand loyalty has been highly rewarding, with MICE-generated banquet and functions contributing significantly to overall growth in sales. Consolidated MICE group rooms revenue for WCCHC, WAHC, Acesite and WIHD is PhP 96.68 million, up 14% from 2014's PhP 84.78 million. Three properties demonstrated considerable growth in this area, with WCCHC increasing MICE rooms revenue by 9%, from PhP 42.61 million in 2014 to PhP 46.55 million in 2015, WAHC growing by 26% from PhP 3.33 million in 2014 to PhP 4.18 million in 2015 and WIHD up by 45% from PhP 18.86 million in 2014 to PhP 27.40 in 2015.

Consolidated F&B Banquet revenue for WCCHC, WAHC, Acesite and WIHD generated from MICE in 2015 is PhP 202.77 million, up 15% from the previous year's PhP 176.19 million. Acesite demonstrated 449% growth in this area, from PhP 3.06 million in 2014 to PhP 16.79 million in 2015. WIHD increased its revenue by 13% from PhP 49.06 million in 2014 to PhP 55.35 million in 2015. WAHC also grew by 30% from PhP 3.73 million in 2014 to PhP 4.85 million in 2015. WCCHC increased revenue by 5% from PhP 120.34 million in 2014 to PhP 125.77 million in 2015.

Events such as the APEC Summit, while enhancing our brand as a business destination in Southeast Asia, also generated rooms revenue and banquet sales, meeting both marketing and sales agenda. We are determined to continue to market ourselves as the choice host for such iconic business conventions.

Our online distribution continues to generate increasing revenue year on year. By subscribing to online systems like the newly introduced booking engine on our website and the Channel Management System (provided by DirectWithHotels and Compass Edge, respectively), which makes monitoring and handling of our online travel agents more efficient, we are able to maintain an aggressive position in harnessing the extensive online market and address the movement of the customer to the online space. Our Waterfront mobile app, which has been given some functional and design upgrades, serves our market even better by being an added tool of convenience for those who prefer to do booking over an app. The overwhelming trend towards mobile is also pushing the industry increasingly to developing more tools that cater to new consumer behavior.

Total revenue for online channels grew from PhP 152.33 million in 2014 to PhP 218.89 million in 2015, reflecting a growth rate of 44%. Room nights under online channels for all properties increased by a growth rate of 51% from 69,693 room nights in 2014 to 105,156 in 2015. WCCHC contributed a total online revenue (combined from global distribution service, online travel agencies, website and mobile app revenue) of PhP 113.25 million, up 50% from 2014's PhP 75.55 million. Total room nights in 2015 is at 43,437, an increase of 50% from online-generated room nights in 2014 at 28,983. WAHC's total online revenue increased by 41% from PhP 34.43 million in 2014 to PhP 48.50 million in 2015. Room nights from online sources also increased by 49%, from 14,416 in 2014 to 21,549 in 2015. WIHD's total online revenue grew by 7% from PhP 11.46 million in 2014 to PhP 12.29 million in 2015. Room nights grew by 20% from 5,169 the previous year to 6,199 in 2015. MPH's online-generated revenue increased from PhP 30.89 million in 2014 to PhP 44.85 million this year. There is also demonstrated growth in room nights from online bookings from 2014's 21,125 to 33,971 in 2015.

Our top market continues to be the local Philippine market, making up 155,636 room nights for the year, followed by Japan with 43,625 room nights and Korea with 33,703 room nights. These are followed by other markets such as the US, Australia, China, Great Britain, India, Singapore and Canada to form the top ten. There has been a demonstrated growth of 28% in bookings from Japan with 34,134 room nights in 2014 to the current figure of 43,625 room nights. The US showed a significant growth in 2015 at 35% with 17,409 room nights compared to 2014's 12,844. Korea demonstrated a 29% increase with 33,703 room nights.

Overall, this reflects a keen interest by both local and international markets, with the local market as a uniquely consistent driving force in our hotels--showing that the Waterfront brand has gained significant loyalty among local customers and provides an important revenue stream that can be harnessed further

as it creates resilience in the business. The increase in foreign bookings among different demographics indicates the overall upward trend in global travel, yet also demonstrates our ability to capture different markets through effective distribution across our selected channels.

Our Guest Satisfaction Index (GSI) has remained consistent across our properties. We continue to use Revinate as our Reputation Management System, enabling guest reviews to provide us with a roadmap to guide in improving products and services. Overall Hotel Experience in WCCHC garnered a 4.17 score (with 4 as the benchmark passing score), a growth rate of 1.71% from 2014's 4.1; WAHC attained 4.82; WIHD is at 4.40. MPH ranked well in the Banquet dimension of GSI, with a 4.15 score.

At Waterfront, we emphasize service that brings people back, and we reinforce this service through site training, among other programs. We are known for our signature warmth, attention to detail and approachability, qualities that our guests of all nationalities cherish during every stay. Whoever encounters the Waterfront experience will be assured of a reliable, consistent and satisfying brand familiarity that leads to loyalty.

I would like to thank our shareholders, partners and peers for your enduring trust in the Waterfront brand. Our efforts are consistently geared towards providing profitability and value, and rewarding your confidence. Our success this year is owed in no small measure by the pivotal steps taken in the past, building up to a re-energized and renewed organization, able to deliver on its promise of strength and growth. However, it is also fuelled by our desire to consistently better our performance each year, taking into account our strengths and maximizing our opportunities.

Our company is meeting this optimistic time with optimistic gains. This is a moment to celebrate our triumphs. We are resolute on the path of growth, as our drive for change meets our soaring momentum.

#### Management's Discussion and Analysis or Plan of Operation

This year is about forging ahead and beginning to appreciate the results of the institutional interventions that were set in motion. Total gross revenue this year is at PhP 2.10 billion in 2015 versus PhP 1.973 billion in 2014, posting only a slight decline of 6%. Total Room Revenue is up by 7%, from PhP 565.51 million in 2014 to PhP 606.47 in 2015 ; F&B revenue showed an increase of 8%, from PhP 544.84 million in 2014 to PhP 585.76 million in 2015, one of our best-performing departments this year. NOP increased significantly by 447% this year from 2014's PhP 29.02 million to PhP 158.71 million this year. RevPar was at P 1,447.70. Group average room rate was at P 2,313.22.

Below are the results of operations of the Parent Company and its subsidiaries, for the years ending December 31, 2015 and 2014 together with its financial conditions as of the same period.

#### RESULTS OF OPERATIONS (Amounts in P)

	2015	2014
Revenues	2,100,907,790	1,973,280,085
Less: Costs and Expenses	1,404,374,036	1,410,230,629
<b>Gross Income</b>	<b>696,533,754</b>	<b>563,049,456</b>
Other Expenses (Income)	461,018,951	506,012,469
<b>Net Income (Loss) Before Income Tax</b>	<b>235,514,803</b>	<b>57,036,987</b>
Income Tax Expense (Benefit)	76,807,708	28,021,818
<b>NET INCOME (LOSS)</b>	<b>158,707,095</b>	<b>29,015,169</b>
<b>Earnings (Loss) Per Share</b>	<b>0.051</b>	<b>0.004</b>

**FINANCIAL CONDITION (Amounts in P)**

	2015	2014
<b>ASSETS</b>		
Current Assets	2,103,361,353	2,409,062,395
Non Current Assets	6,441,372,043	6,524,806,969
<b>Total Assets</b>	<b>8,544,733,396</b>	<b>8,933,869,364</b>
<b>LIABILITIES</b>		
Current Liabilities	2,443,353,478	2,021,297,096
Non-current Liabilities	1,238,750,926	2,226,011,738
<b>Total Liabilities</b>	<b>3,682,104,404</b>	<b>4,247,308,834</b>
Total Stockholders' Equity	4,086,192,880	3,941,444,970
Minority Interest	776,436,112	745,115,560
<b>Total Liabilities &amp; S/H Equity</b>	<b>8,544,733,396</b>	<b>8,933,869,364</b>

**Calendar Year ended December 31, 2015 as compared with Calendar Year ended December 31, 2014****RESULTS OF OPERATION*****Revenues and Earnings per share***

- Total revenues for year ended Dec. 31, 2015, was higher than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2015, is P2.10B compared to 2014's P1.97B. Impressive increase of 6.47% or 127.63M.

Earnings per share for 2015 were 0.051 compared to last year's 0.004. There are no potentially dilutive shares as of December 31, 2015, 2014, 2013.

***Cost and expenses***

- Cost and expenses decrease of P5.86M reflecting a slight decrease of 0.42% from previous year.

**FINANCIAL CONDITION**

***Cash and cash equivalents*** - This account increase by P33.48M more or 23.97%. Short-term placements earn interest at 2% per annum and maturity of 30 days.

***Receivables*** - receivables increased by 6.87%, from P199.96M in 2014 to P213.70M in 2015. The company continues to counter the increased credit sales, at the same time increase the collection, generally on a 30 day term.

***Inventories*** - Inventories increased by 5.33% compared to last year. This year being at P29.30M and last year at P27.82M.

***Due from related parties-current portion*** - This account was decreased by P373.89M or 18.84% compared to last year. The decreased was due to full settlement of MAHEC's advances on December 2015. This also represents interest bearing advances with TWGI and PRC at a rate of two percent (2%) per annum and subject for re-pricing yearly. PHES which is due and demandable with no interest charges.

**Prepaid expenses and other current assets** – There was an increased of P19.49M in this account approximately 33.90% from P57.49M in 2014 to P76.98M for this year. Prepaid expenses are defined as payment for services and or/ benefits yet to be performed or received, it also include prepaid taxes and insurance.

**Due from related parties-noncurrent portion** – This account increased by P332.80M . The advances were granted on December 21, 2015 with a 2% interest and maturity on December 21, 2020. It was agreed that Crisanta Realty has the option to pay the balance before maturity date without payment of penalty fees and in case the latter refuses to pay the principal and interest within the time agreed upon, the same shall be due and demandable.

**Property plant & equipment** – This account was decreased by P308.64M reflecting a 4.95% decrease from last year.

**Other non current assets** – This account was decreased by P26.00M or 38.99% from P66.69M in 2014 to P40.69M of 2015. This consists of refundable deposits, special project deposits and other deposits to service providers.

**Current Liabilities** - This account consists of trade payable, income tax payable, accruals and loans payable. This account increased by 20.88% from last year, P2.02B in 2014 going up to P2.44B in 2015.

**Accounts payable & accrued expenses** – The account was increased by 4.90% from last year.

**Loans Payable-current** – There was a decreased of P78.14M equivalent to 13.61%. This represents loan from SSS, ICBC and PBB.

**Other current liabilities** – There was an increased of P468.61M equivalent to 688.45%. This represents concessionaire's deposits, current portion of advance rental and others.

**Other noncurrent liabilities** – A decreased of P648.55M equivalent to 98.28%. This represents advance rental and others.

#### Calendar Year ended December 31, 2014 as compared with Calendar Year ended December 31, 2013

#### RESULTS OF OPERATION

##### **Revenues and Earnings per share**

- With economy's current strides, WPI showed resilience despite the challenges of the country. Total revenues for the year ended December 31, 2013 was slightly higher than the current year. In actual performance, revenues for hotel and other subsidiaries for the year 2014, is P1.973B compared to 2013's P1.979B; a slight decrease of 0.29%.

Due to cost efficiency measures, it gives the Group to edge out a greater net income by 144% as compared to last year's net loss of P65M.

##### **Cost and expenses**

- Cost and expenses was lowered by P51M reflecting a 4% decrease from the previous year.

##### **Interest, Depreciation, amortization and Impairment Losses**

- A decrease of P73M or 12% from last year's.

## FINANCIAL CONDITION

**Cash and cash equivalents** – This account increased by P68M, which is higher from last year.

**Receivables** – Decreased by 1% from P191M in 2013 to P189M in 2014.

**Inventories** – Inventories for the period increased by 4% compared to last year, this year being at P28M and last year at P27M.

**Due from related parties-current portion** – This account was decreased by P18M an amount equivalent to 0.90%. This represents interest bearing advances to MAHEC, TWGI and PRC. It also includes from PHES which is non-interest bearing. This year of 2014, these advances are due in one year, subject to yearly renewal and re-pricing.

**Prepaid expenses and other current assets** – This increased by P998 thousand, approximately 1%; from P68M in 2013 to P69M for this year. Prepaid expenses are defined as payment for services and/or benefits yet to be performed or received; it also includes prepaid taxes and insurance.

**Property plant & equipment** – This account reflected a decreased by P271M more or 4% compared from last year. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

**Available for sale investments** – The occurrence and movement of this account was due on approval of the BOD conversion of APHC's net receivables from MAHEC and East Asia Oil Company(EAOC) into 86,710,000 shares of stock of WII, an entity under common control, the shares of which are listed in the Philippine Stock Exchange. In accordance with PAS 39, Financial Instruments: Recognition and Measurement, APHC classified the investment in WII's shares of stocks as an AFS investment. The aggregate fair market values of WII shares based on its closing market price as of December 31, 2014 and 2013 are P22.98M and P16.91M, respectively, resulting in a valuation gain of P6.07M in 2014 and valuation loss of P9.10M and P3.03M in 2013 and 2012, respectively.

**Other non current assets** – There is a decreased of P8M on this account, an amount equivalent to 10% compared from last year.

**Current Liabilities** – The account consists of trade payable, income tax payable, accruals and loans payable. The account decreased by 9% from last year; P2.2B in 2013 to P2.0B in 2014.

**Loans Payable** – The total amount consist of current and long term loans payable; decreased by 23% or P250M compared to last year. This represents loan from Social Security System, Philippine Business Bank and Industrial Commercial Bank of China – Singapore Branch.

**Other current liabilities** – The account resulted an increased of 4%. This is composed of current portion of advance rental, concessionaires and other deposits, current portion of obligations under finance lease and unsecured short-term loan obtained from a local bank.

<b>TOP 5 PERFORMANCE INDICATORS</b>			
<b>As of December 31, 2014, 2013 and 2012</b>			
	<b>December 2015</b>	<b>December 2014</b>	<b>December 2013</b>
Occupancy percentage	63%	56.00%	55.60%
Average Room Rates	2,313.22	2,444.00	2,361.39
Average Food Covers	324,326	227,024.00	161,782.00
Average Food Checks	368.28	532.10	404.89
Average Food Costs	42%	30%	30%

**Occupancy Percentage**

The Company's occupancy percentage for 2015 was 63% as compared to last year's 56%. This is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

**Average Room Rate**

Average room rate decreased by 5% compared to last year's balance of 2,444. It is computed by dividing the total rooms revenue over total number of rooms sold.

**Average Food Covers**

Food covers increased by 35%. This pertains to increasing number of guests that availed our outlets.

**Average Food Checks**

The average food checks or the average consumption per guest decreased by 31%. Although it remains that the main generator of revenue are the social functions booked and rates are lower as compared to those in outlets, the Company has doubled its efforts in satisfying the eclectic tastes of the guests and marketing them by various promotions.

**Average Food Costs**

The average food cost grew by 12% as compared from last year. The Company is continually contemplating ways to avoid higher food costs without jeopardizing the quality of its products. Total cost of food sold divided by food revenue.

**Key Variable and Other Qualitative and Quantitative Factors:**

- (i) Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE
- (ii) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- (iii) There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- (iv) There are no material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.
- (v) From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.
- (vi) Causes of material changes in the items in the financial statements from the year ending 31 December 2015 - NONE

**Interim Periods and Comparable Discussions to Assess Material Changes:**

Discussion and analysis on the operating results for the 1st quarter of 2016 is briefly discussed on the attached SEC Form 17Q while for the 2nd quarter ended June 30, 2016 will be attached on or before the scheduled date of 2015 Annual Stockholders Meeting which is duly received by SEC before its deadline on August 12, 2016. Attached herewith in this report is a Letter of Undertaking which states the distribution of SEC Form 17-Q 2nd quarter of 2016 during the Annual Stockholders Meeting.

**OPERATIONAL AND FINANCIAL INFORMATION**

**Market for Registrant's Common Equity and Related Stockholder Matters**

1. The stocks of WPI shares which are listed on the Philippine Stock Exchange for the last two calendar years are as set out hereunder:

Peso	High	Low
<b>2016</b>		
January - March 2016	0.36	0.310
April- June 2016	0.41	0.320

Peso	High	Low
<b>2014</b>		
January - March 2015	0.40	0.335
April- June 2015	0.37	0.315
July-September 2015	0.43	0.170
October-December 2015	0.38	0.300

Peso	High	Low
<b>2014</b>		
January - March 2014	0.38	0.31
April- June 2014	0.36	0.305
July-September 2014	0.435	0.32
October-December 2014	0.490	0.35

The number of stockholders of record as of December 31, 2015 on the Register of Shareholders was 464 but the company is not able to identify the actual number of beneficial owners who are registered under the name of the member companies of the Philippine Stock Exchange (PSE). Common shares outstanding as of December 31, 2015 were 2,498,991,753. There are no sales for the last three years of unregistered securities.

2. The List of top 20 stockholders of record as of June 30, 2016 is as stated hereunder:

	Name of Stockholder of Record	No. of Shares	%
1	The Wellex Group, Inc.	1,143,466,800	45.757
2	PCD Nominee Corporation (Filipino)	577,910,374	23.126
3	Silver Green Investments LTD	180,230,000	7.212
4.	Chesa Holdings, Inc.	175,924,000	7.040
5.	Tyalt Investment LTD	135,010,000	5.403
6.	Pacific Wide Realty Development Corp.	36,445,000	1.458
7.	PCD Nominee Corporation (Non-Filipino)	32,224,800	1.290
8.	Kenneth T. Gatchalian	30,000,100	1.200

9.	Rexlon T. Gatchalian	30,000,000	1.200
10.	Weslie T. Gatchalian	30,000,000	1.200
11.	Forum Holdings Corporation	20,626,000	0.825
12.	Primary Structures Corporation	16,212,500	0.649
13.	Pacific Rehouse Corporation	15,598,900	0.624
14.	Rexlon T. Gatchalian	14,740,000	0.590
15.	Metro Alliance Holdings & Equities, Inc.	14,370,000	0.575
16.	Mizpah, Holdings Inc.	10,489,200	0.420
17.	Elvira A. Ting	10,000,009	0.400
18.	Catalina Roxas Melendres	6,246,000	0.250
19.	Manuel H. Osmena	1,400,000	0.056
20.	Rolando M. Lim	1,142,500	0.046

3. The common stock of the company is being traded currently in the Philippine Stock Exchange. On June 16, 1999, the Parent Company declared cash dividend of Php 0.02 per share on its Common Shares outstanding as of May 15, 1999. This amounted to Php 19.23 million. The Parent Company also declared a 10% stock dividend as of September 15, 1999 record date.

Company has not issue dividends since the year 2000. However, it promises to declare dividends once the deficit is offset and the market for the coming years proper.

There is no restriction made by the company with regards to the declaration of giving a dividend to stockholders.

#### 4. Issuance and Exchange of Securities

In 2008, the Parent Company sold its investment in APHC totaling 4,900,000 shares at varying selling price through the PSE. Total proceeds from the sales transactions, net of related expenses and taxes, amounted to P 48.2 million. Gain on sale of APHC shares amounting to P10.1 million was recognized in the December 31, 2008 consolidated statements of operations. The total proceeds from the sale transaction amounting to P48.2 million, which was provided to TWGI s cash advances was recorded as receivable from TWGI and part of the "Due from related parties" account in the consolidated balance sheets (see Note 9). As of December 31, 2008, the Parent Company's equity interest in APHC decreased to 69% FROM 75% IN 2007.

Date of Sale and Title and Amount of Securities Sold	Names of Underwriters of Identity to whom it May Sold	Share # of Swap	SEC FORM
December 22, 2008 - Common-4,700,000	Not applicable	500,000 @ P9.40	10.1
June 19, 2008 - Common-20,000,000	Not applicable	2,000,000 @ P10.00	10.1
June 26, 2008 - Common-7,000,000	Not applicable	700,000 @ P10.00	10.1
June 30, 2008 - Common-7,610,000	Not applicable	761,000 @ P10.00	10.1
July 2, 2008 - Common - 9,390,000	Not applicable	9,390,000 @ P15.00	10.1



## Corporate Governance

The following are the point-by-point compliance of the Company to the Manual:

The Company has a compliance officer in the name of Precilla O. Toriano as required by the Manual for Corporate Governance. Said Compliance Officer reported directly to the Chairman of the Board and in his absence, to the executives of the Company.

The Compliance Officer monitored the compliance regarding the provisions and requirements of the Corporate for Governance Manual.

The Compliance Officer is issuing this certification to the extent of compliance of the Company to this Manual.

The Compliance Officer has identified, monitor and controlled the compliance risks involved in the Company considering the large scope of its operations and the accounting procedures that have to be done correspondingly.

The Board of Directors has taken care of its responsibility to foster long-term success of the Corporation through its meeting every other month. Each meeting has been carefully recorded in minutes. The authority given to each Board member has been within the by-laws of the Company and within the limits of the law.

The Board of Directors has implemented a process of selection to ensure the combination of its directors and officers.

The Corporation through the Board and the Corporate Secretary has complied with all the relevant laws, regulations and codes of best business practices.

The Board of Directors has implemented the proper disclosure of information to its stockholders as exemplified in the General Information Statement sent to each of them.

According to Company's assessment, the directors have conducted fair business transactions with the Corporation, seen to it that personal interests did not prejudice their Board decisions, have devoted time and attention needed for the discharge of their duties and responsibilities, acted judiciously, exercised independent judgment, observed confidentiality, and ensured the continuing soundness, effectiveness and adequacy of the Corporation's internal control environment.

The Board has created committees, namely: the Nomination Committee, Compensation & Remuneration Committee, and the Audit Committee.

The Nomination Committee, composed of 3 voting directors (one is independent), is in charge of the screening of the candidates for a seat in the Board of Directors in accordance to the qualifications set in the Manual. Said Committee has also considered the disqualifications specifically enumerated.

The Compensation and Remuneration Committee is composed of three members, one of them is independent as provided for in the guidelines.

The Compensation and Remuneration Committee has made sure that the compensation of the key officers and executives of the Company was in line with the culture and policies of the Company.

The Compensation and Remuneration Committee has developed a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors and officers. The Committee has also developed a system regarding disclosure of all the incoming officers as to their business interests which might be in conflict with that of the Company. No director or officer has been allowed to decide on his own remuneration.

The Compensation and Remuneration Committee has provided annual reports, information and proxy statements on the disclosure of the compensation for the executives and officers of the Company.

The Audit Committee has been composed of three members, one of whom is independent. The said Committee has reviewed all financial reports against compliance with both the internal financial management policy and pertinent accounting standards. The Committee has also reviewed management policies on financial management, audit plans, interface with the internal and external auditors. The Committee has also developed a financial management system that ensured the integrity of internal control activities throughout the Company.

The Corporate Secretary of Waterfront Philippines, Inc. is Atty. Arthur R. Ponsaran, a Filipino citizen. He possesses the administrative and interpersonal skills. He is also a Certified Public Accountant. He gathered all documents with regard to the discharge of his duties and responsibilities, prepared board meeting notices, submitted through the SEC 17C the annual certification as to attendance of the directors during Board meetings.

The External Auditor for the year 2016 and 2015 is KPMG RG Manabat & Co., and was chosen by the Board and approved by the stockholders upon recommendations of the Audit Committee.

The Internal Auditor reporting directly to the Audit Committee provided reasonable assurance that the key organizational and procedural controls were effective, appropriate and complied.

The Manual for Corporate Governance has been made available to discerning stockholders during office hours of Waterfront Philippines, Inc.

The reports required for the Manual were prepared and submitted to the Commission.

All material information that could potentially affect shares were publicly disclosed in accordance with the rules of the Philippine Stock Exchange and the Commission. The Annual Reports were properly disseminated to the stockholders.

The stockholders were given the right to elect, remove and replace directors in accordance with the Corporation Code. Cumulative was used during the last annual stockholders' meeting. They were also provided the power of inspection of the corporate books and records including the minutes of the Board Meetings, without costs and restrictions.

#### **Other Matters**

The Compliance Officer was deemed to have reported grave violations of the Manual but since there was none, none was reported.

The Compliance Officer was deemed to have appeared before the Securities and Exchange Commission upon summons but since there was none, said Officer was not compelled to, or Waterfront Philippines, Inc. being a holding company and limited in terms of physical office space with only a few people holding key functions, it was enough that a few copies were available for inspection by all of its few employees.

The company did not issue any additional shares during the year to make use of the pre-emptive right for the stockholders.

The shareholders had been granted the right to propose the holding of a meeting, right to propose items in the agenda, but to date none has been communicated to the management of the Company regarding such proposals.

None so far has expressed to exercise his right to Appraisal in the last annual meeting of the stockholders.

The company has submitted its Revised Manual on Corporate Governance in accordance with SEC Memorandum Circular No. 6, series of 2009 "Revised Code of Corporate Governance.

**Financial Ratios**

	<b>Formula</b>	<b>Calendar Year Ended December 31, 2015</b>	<b>Previous Calendar Year December 31, 2014</b>
<b>Liquidity Analysis Ratios:</b>			
<b>Current Ratio or Working Capital Ratio</b>	<b>Current Assets / Current Liabilities</b>	0.86	1.19
<b>Quick Ratio</b>	<b>(Current Assets - Inventory - Prepayments) / Current Liabilities</b>	0.82	1.14
<b>Solvency Ratio</b>	<b>Total Assets / Total Liabilities</b>	2.32	2.1
<b>Financial Leverage Ratios</b>			
<b>Debt Ratio</b>	<b>Total Debt / Total Assets</b>	0.43	0.48
<b>Debt-to-Equity Ratio</b>	<b>Total Debt / Total Stockholders' Equity</b>	0.76	0.91
<b>Interest Coverage</b>	<b>Earnings Before Interest and Taxes (EBIT) / Interest Charges</b>	0.72	1.43
<b>Asset to Equity Ratio</b>	<b>Total Assets / Total Stockholders' Equity</b>	1.76	1.91
<b>Profitability Ratios</b>			
<b>Gross Profit Margin</b>	<b>Sales - Cost of Goods Sold or Cost of Service / Sales</b>	0.50	0.40
<b>Net Profit Margin</b>	<b>Net Profit / Sales</b>	0.11	0.03
<b>Return on Assets</b>	<b>Net Income / Total Assets</b>	0.03	0.01
<b>Return on Equity</b>	<b>Net Income / Total Stockholders' Equity</b>	0.048	0.012
<b>Price / Earnings Ratio</b>	<b>Price Per Share / Earnings Per Common Share</b>	0.051	0.004

Republic of the Philippines)  
City of Pasig) S.S. ~~City of Pasig) S.S.~~

**CERTIFICATION**

I, **ARTHUR R. PONSARAN**, of legal age and with office address at Unit 3104 Antel Global Corporate Center, #3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City, after being duly sworn to in accordance with law, do hereby certify:

1. I am the duly elected Corporate Secretary of **WATERFRONT PHILIPPINES, INC.** the ("Corporation"), a corporation duly organized and existing under Philippine laws with principal office at No. 1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City;
2. All incumbent directors and officers of the Company are not connected with any government agencies or its instrumentalities.

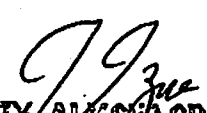
I execute this Certification to comply with the requirements of the Securities and Exchange Commission.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 7<sup>th</sup> day of July 2016 in the City of Pasig: ~~City of Pasig)~~

  
**ARTHUR R. PONSARAN**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 08 JUL 2016 at CITY OF MANILA affiant exhibiting to me his Passport No. EB997119 issued on January 11, 2014.

Doc. No. 716;  
Page No. 80;  
Book No. V;  
Series of 2016.

  
**ATTY. ALYSSA GRACE M. ZULUETA**  
NOTARY PUBLIC - MANILA  
COMM. NO. 2016-045 UNTIL DEC. 31, 2017  
PTR. NO. 4930793, 1/7/16-MLA,  
IDP LIFETIME-011076-6/19/12  
ROLL NO. 30529-MCLEV-0005239  
UNIT 70, 7F, MER CONDO, 1200  
T. SOGOBO ST. ERMITA NLA.

RBKPS006



Philippine Depository &amp; Trust Corp.

PCDUSER1

## OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - WPI000000000 &amp; Company Name - WATERFRONT PHIL., INC.

Business Date 06/30/2016

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
1000000000 5	UPCC SECURITIES CORP. UNIT 1202 TOWER ONE AND EXCHANGE PLAZ AYALA AVENUE, MAKATI CITY Metropolitan Manila 0	Omnibus Without Client 8921174	Tax Identification Number 1	Domestic PHILIPPINES	105,500.00 PH10
1010000000 5	A & A SECURITIES, INC. Rm. 1906 Ayala Ave. Condominium 6776 Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 810-54-01	Tax Identification Number 2	Domestic PHILIPPINES	555,700.00 PH10
1020000000 5	ABACUS SECURITIES CORPORATION Unit 2904-A East Tower, PSE Centre Exchange Road Ortigas Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 634-2105	Tax Identification Number 001-006-900	Domestic PHILIPPINES	46,920,411.00 PH10
1020000000 7	ABACUS SECURITIES CORPORATION Unit 2904-A East Tower, PSE Centre Exchange Road Ortigas Center Pasig City Metropolitan Manila 1600	Own 634-2105	Tax Identification Number 001-006-900	Domestic PHILIPPINES	1,202,533.00 NWT
1020000000	PHILSTOCKS FINANCIAL INC Unit 1101 Orient Square Building Emerald Avenue Ortigas Center, Pasig City Metropolitan Manila 1600	Omnibus Without Client 687-5071 to 74	Tax Identification Number 213-831-103	Foreign PHILIPPINES	3,914,000.00 FMX1

BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
10300000000 5	PHILSTOCKS FINANCIAL INC Unit 1101 Orient Square Building Emerald Avenue Ortigas Center, Pasig City Metropolitan Manila 1600	Omnibus Without Client 687-5071 to 74	Tax Identification Number 213-831-103	Domestic PHILIPPINES	61,888,320.00 PH10
10400000000 5	A. T. DE CASTRO SECURITIES CORP. Suite 701, 7/F Ayala Tower I, Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 848-7160 to 65	Tax Identification Number 000-151-360-000	Domestic PHILIPPINES	84,000.00 PH10
00000 5	ALL ASIA SECURITIES MANAGEMENT CORP. All Asia Capital Center 105 Paseo de Roxas St. Makar City Metropolitan Manila 1200	Omnibus Without Client 818-3211	Tax Identification Number 6	Domestic PHILIPPINES	202,500.00 PH10
10600000000 5	ALPHA SECURITIES CORP. UNIT 3003, ONE CORPORATE CENTRE, 30TH FLOOR, JULIA VARGAS STREET, COR MERALC AVENUE STREET, ORTIGAS CENTER, PASIG CI Metropolitan Manila 1200	Omnibus Without Client 6546806	Tax Identification Number 000-155-035-000	Domestic PHILIPPINES	1,229,000.00 PH10
10900000000 6	BA SECURITIES, INC. Rm 401-403 CLMC Bldg, 256-259 EDSA Greenhills Mandaluyong City Metropolitan Manila 1550	Settlement 727-5374	Tax Identification Number 10	Domestic PHILIPPINES	783,000.00 NWT
10900000000 14	BA SECURITIES, INC. Rm 401-403 CLMC Bldg, 256-259 EDSA Greenhills Mandaluyong City Metropolitan Manila 1550	Settlement 727-5374	Tax Identification Number 10	Domestic PHILIPPINES	1,000.00 PH10
11000000000	AP SECURITIES INCORPORATED Suites 2002/2004, The Peak, 107 Alfaro St., Salcedo Village, Makati City Metropolitan Manila 1227	Omnibus Without Client 8482915	Tax Identification Number 005-037-731-000	Domestic PHILIPPINES	16,416,000.00 PH10

BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
11100000000 1	ANSALDO, GODINEZ & CO., INC. 340 Nueva St., Binondo Manila Metropolitan Manila 1006	Omnibus Without Client 242-5127	Tax Identification Number 007-571-837-000	Foreign PHILIPPINES	1,750,000.00 FMX1
11100000000 5	ANSALDO, GODINEZ & CO., INC. 340 Nueva St., Binondo Manila Metropolitan Manila 1006	Omnibus Without Client 242-5127	Tax Identification Number 007-571-837-000	Domestic PHILIPPINES	10,265,700.00 PH10
11200000000 2	AB CAPITAL SECURITIES, INC. 8/F Phinma Plaza 39 Plaza Drive, Rockwell Center Makati City Metropolitan Manila 1200	Settlement 814-5601	Tax Identification Number 13	Foreign PHILIPPINES	575,000.00 FMX1
11200000000 5	AB CAPITAL SECURITIES, INC. 8/F Phinma Plaza 39 Plaza Drive, Rockwell Center Makati City Metropolitan Manila 1200	Omnibus Without Client 814-5601	Tax Identification Number 13	Domestic PHILIPPINES	4,654,900.00 PH10
11200000000 6	AB CAPITAL SECURITIES, INC. 8/F Phinma Plaza 39 Plaza Drive, Rockwell Center Makati City Metropolitan Manila 1200	Settlement 814-5601	Tax Identification Number 13	Domestic PHILIPPINES	10,560,100.00 NWT
11500000000 1	SB EQUITIES, INC. 18/F, Security Bank Centre 6776 Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 8911037	Tax Identification Number 000-152-830-000	Foreign PHILIPPINES	460,000.00 FMX1
11500000000 2	SB EQUITIES, INC. 18/F, Security Bank Centre 6776 Ayala Avenue, Makati City Metropolitan Manila 1226	Settlement 8911037	Tax Identification Number 000-152-830-000	Foreign PHILIPPINES	40,000.00 FMX1
11500000000 5	SB EQUITIES, INC. 18/F, Security Bank Centre 6776 Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 8911037	Tax Identification Number 000-152-830-000	Domestic PHILIPPINES	3,010,800.00 PH10

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
11500000000 6	SB EQUITIES, INC. 18/F, Security Bank Centre 6776 Ayala Avenue, Makati City Metropolitan Manila 1226	Settlement 8911037	Tax Identification Number 000-152-830-000	Domestic PHILIPPINES	95,000.00 NWT
11600000000 5	ASIA PACIFIC CAPITAL EQUITIES & SECURITII CORP. 24/F Galleria Corporate Center EDSA corner Ortigas Avenue, Pasig City Metropolitan Manila 1605	Omnibus Without Client 6345622-24	Tax Identification Number 002-011-914-000	Domestic PHILIPPINES	832,800.00 PH10
11600000000 1	ASIASEC EQUITIES, INC. 8/F Chatham House 116 Valero cor. V.A. Rufino Sts Salcedo Village, Makati City 1227 Metropolitan Manila 1227	Omnibus Without Client 8937981	Tax Identification Number 000-154-961-000	Foreign PHILIPPINES	38,500.00 FMX1
11800000000 5	ASIASEC EQUITIES, INC. 8/F Chatham House 116 Valero cor. V.A. Rufino Sts Salcedo Village, Makati City 1227 Metropolitan Manila 1227	Omnibus Without Client 8937981	Tax Identification Number 000-154-961-000	Domestic PHILIPPINES	1,144,500.00 PH10
11900000000 5	ASTRA SECURITIES CORPORATION Units 1204-1205 Ayala Tower One Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1200	Omnibus Without Client 848-6421/27	Tax Identification Number 000-107-717-000	Domestic PHILIPPINES	5,000.00 PH10
12100000000 14	MACQUARIE CAPITAL SECURITIES (PHILIPPINES), INC. 22F 6750 AYALA AVENUE BUILDING AYALA AVENUE Makati City Metropolitan Manila 1226	Settlement 857-0885	Tax Identification Number 21	Domestic PHILIPPINES	30,000.00 PH10
12200000000 5	BELSON SECURITIES, INC. 4th Floor Belson House 271 Edsa, Mandaluyong City Metropolitan Manila 1554	Omnibus Without Client 724-7586loc21	Tax Identification Number 000-154-219-000	Domestic PHILIPPINES	1,160,000.00 PH10



BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
12200000000 7	BELSON SECURITIES, INC. 4th Floor Belson House 271 Edsa, Mandaluyong City Metropolitan Manila 1554	Own 724-7586loc21	Tax Identification Number 000-154-219-000	Domestic PHILIPPINES	100.00 NWT
12300000000 5	BENJAMIN CO CA & CO., INC. Rm. 301 Downtown Ctr Bldg., 516 Quintin Paredes St Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 6345186	Tax Identification Number 000-330-322-000	Domestic PHILIPPINES	103,000.00 PH10
12400000000 000000	B. H. CHUA SECURITIES CORPORATION 872 G. Araneta Avenue, Quezon City Metropolitan Manila 1135	Omnibus Without Client 412-3444	Tax Identification Number 000-401-773	Domestic PHILIPPINES	2,266,500.00 PH10
12500000000 5	JAKA SECURITIES CORP. Unit 814, Ayala Tower I Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 8487123	Tax Identification Number 004-500-728-000	Domestic PHILIPPINES	8,659,500.00 PH10
12500000000 7	JAKA SECURITIES CORP. Unit 814, Ayala Tower I Ayala Ave., Makati City Metropolitan Manila 1226	Own 8487123	Tax Identification Number 004-500-728-000	Domestic PHILIPPINES	800,000.00 NWT
12600000000 1	BPI SECURITIES CORPORATION 8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 8196535	Tax Identification Number 000-109-309-000	Foreign PHILIPPINES	210,200.00 FMX1
12600000000 5	BPI SECURITIES CORPORATION 8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 8196535	Tax Identification Number 000-109-309-000	Domestic PHILIPPINES	10,723,204.00 PH10
12700000000 000000	CAMPOS. LANUZA & COMPANY, INC. Unit 2003B East Tower, PSE Center Exchange Road, Ortigas Center Pasig City Metropolitan Manila 1605	Omnibus Without Client 634-6881/87	Tax Identification Number 000-155-524-000	Domestic PHILIPPINES	797,802.00 PH10

BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
12800000000 7	CAMPOS, LANUZA & COMPANY, INC. Unit 2003B East Tower, PSE Center Exchange Road, Ortigas Center Pasig City Metropolitan Manila 1605	Own 634-6881/87	Tax Identification Number 000-155-524-000	Domestic PHILIPPINES	5,500.00 NWT
12800000000 18	CAMPOS, LANUZA & COMPANY, INC. Unit 2003B East Tower, PSE Center Exchange Road, Ortigas Center Pasig City Metropolitan Manila 1605	Settlement 634-6881/87	Tax Identification Number 000-155-524-000	Foreign PHILIPPINES	2,800,000.00 RA10
13000000000 5	SINCERE SECURITIES CORPORATION 1203-A East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City Metropolitan Manila 0	Omnibus Without Client 638-3549	Tax Identification Number 000-338-426-000	Domestic PHILIPPINES	526,000.00 PH10
13100000000 5	PCIB SECURITIES, INC. 8/F PCIB Tower 2, Dela Costa St., Makati City Metropolitan Manila 1002	Omnibus Without Client 8912028	Tax Identification Number 30	Domestic PHILIPPINES	726,600.00 PH10
13300000000 5	CITISECURITIES, INC. Rm. 2701-B Tektite Tower Center Exchange Rd. Pasig City Metropolitan Manila 1600	Omnibus Without Client 635-5735	Tax Identification Number 000-322-268-000	Domestic PHILIPPINES	7,218,350.00 PH10
13600000000 5	TRITON SECURITIES CORP. 26/F LKG Tower, 6801 Ayala Avenue Makati City Metropolitan Manila 0	Omnibus Without Client 5238311	Tax Identification Number 003-741-374-000	Domestic PHILIPPINES	1,924,450.00 PH10
14000000000 5	IGC SECURITIES INC. Suite 1006, Tower I & Exchange Plaza Ayala Triangle Ayala Avenue Makati City Metropolitan Manila 1200	Omnibus Without Client 816-39-86	Tax Identification Number 38	Domestic PHILIPPINES	2,495,000.00 PH10
14100000000 5	CUALOPING SECURITIES CORPORATION Suite 1801 Tytana Centre Condominium Plaza Lorenz Ruiz, Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 241-0262	Tax Identification Number 000-333-333-000	Domestic PHILIPPINES	209,500.00 PH10

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
14200000000	DBP-DAIWA CAPITAL MARKETS PHILPPINES, INC. 18/F Citibank Tower 8741 Paseo de Roxas Makati Cit Metropolitan Manila 1200	Settlement 813-73-44	Tax Identification Number 004-663-955-000	Domestic PHILIPPINES	2,200.00 PH10
14300000000	DAVID GO SECURITIES CORP. UNIT 2702D EAST TOWER, PHILIPPINE STOCK EXCHANGE CENTRE, EXCHANGE ROAD, ORTIGUEIRA CENTER, PASIG CITY Metropolitan Manila 1006	Omnibus Without Client 650-6588	Tax Identification Number 000-320-855-000	Domestic PHILIPPINES	4,987,000.00 PH10
14300000000	DIVERSIFIED SECURITIES, INC. 5/F PDCP Bank Centre, Herrera cor. Alfaro Sts., Salcedo Village, Makati City Metropolitan Manila 1600	Settlement 634-6630/31	Tax Identification Number 43	Foreign PHILIPPINES	52,000.00 FMX1
14500000000	DIVERSIFIED SECURITIES, INC. 5/F PDCP Bank Centre, Herrera cor. Alfaro Sts., Salcedo Village, Makati City Metropolitan Manila 1600	Omnibus Without Client 634-6630/31	Tax Identification Number 43	Domestic PHILIPPINES	842,800.00 PH10
14700000000	E. CHUA CHIACO SECURITIES, INC. 113 Renta St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-5145	Tax Identification Number 000-335-991-000	Domestic PHILIPPINES	6,734,000.00 PH10
14700000000	E. CHUA CHIACO SECURITIES, INC. 113 Renta St., Binondo, Manila Metropolitan Manila 1006	Settlement 242-5145	Tax Identification Number 000-335-991-000	Foreign PHILIPPINES	15,500.00 RA10
14800000000	EQUITABLE SECURITIES (PHILS.) INC. 3/F Cacho-Gonzalez Bldg, Aguirre cor. Trasierra St, Legaspi Village Makati City Metropolitan Manila 1229	Omnibus Without Client 810-4801/04	Tax Identification Number 46	Domestic PHILIPPINES	27,200.00 PH10
14900000000	EAST WEST CAPITAL CORPORATION 2/F U-Bix Building 1331 Angono St., Makati City Metropolitan Manila 1208	Own 891-98901	Tax Identification Number 000-158-383-000	Domestic PHILIPPINES	400,000.00 NWT

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
15000000000	EASTERN SECURITIES DEVELOPMENT CORPORATION 1701 Tytana Ctr. Bldg, Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-4006/11	Tax Identification Number 000-329-281-000	Domestic PHILIPPINES	2,492,200.00 PH10
15300000000	EQUITIWORLD SECURITIES, INC. 807-809 Philippine Stock Exchange Ayala Tower 1, Ayala Avenue Makati City Metropolitan Manila 1226	Omnibus Without Client 848-5401/09	Tax Identification Number 51	Domestic PHILIPPINES	412,300.00 PH10
15000000000	EVERGREEN STOCK BROKERAGE & SEC., INC. Suite 606 - 607, 6th Floor, Tower One Phil. Stock Exchange Plaza, Ayala Triangle, Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 891-9451	Tax Identification Number 001-483-985	Domestic PHILIPPINES	4,168,300.00 PH10
15400000000	EVERGREEN STOCK BROKERAGE & SEC., INC. Suite 606 - 607, 6th Floor, Tower One Phil. Stock Exchange Plaza, Ayala Triangle, Ayala Ave. Makati City Metropolitan Manila 1200	Settlement 891-9451	Tax Identification Number 001-483-985	Domestic PHILIPPINES	66,000.00 NWT
15400000000	EVERGREEN STOCK BROKERAGE & SEC., INC. Suite 606 - 607, 6th Floor, Tower One Phil. Stock Exchange Plaza, Ayala Triangle, Ayala Ave. Makati City Metropolitan Manila 1200	Own 891-9451	Tax Identification Number 001-483-985	Domestic PHILIPPINES	9,698.00 NWT
15700000000	FIRST ORIENT SECURITIES, INC. Unit 1201 Ayala Triangle Tower One Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 891-9240/45	Tax Identification Number 55	Domestic PHILIPPINES	1,242,100.00 PH10
15700000000	FIRST ORIENT SECURITIES, INC. Unit 1201 Ayala Triangle Tower One Ayala Avenue, Makati City Metropolitan Manila 1226	Own 891-9240/45	Tax Identification Number 55	Domestic PHILIPPINES	600.00 NWT

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
15900000000 5	FIRST INTEGRATED CAPITAL SECURITIES, INC Units 1211-1212 Tower 1 & Exchange Plaza, Ayala Ave. Cor. Paseo de Roxas, Makati City Metropolitan Manila 1200	Omnibus Without Client 759-4320 to 23	Tax Identification Number 57	Domestic PHILIPPINES	44,100.00 PH10
16200000000 1	F. YAP SECURITIES, INC. Unit 2301 PSE Center (East Tower) Exchange Rd., Ortigas Center Pasig City Metropolitan Manila 1603	Omnibus Without Client 635-4126	Tax Identification Number 000-333-165-000	Foreign PHILIPPINES	150,000.00 FMX1
16200000000 5	F. YAP SECURITIES, INC. Unit 2301 PSE Center (East Tower) Exchange Rd., Ortigas Center Pasig City Metropolitan Manila 1603	Omnibus Without Client 635-4126	Tax Identification Number 000-333-165-000	Domestic PHILIPPINES	1,059,000.00 PH10
16700000000 1	AURORA SECURITIES, INC. UNIT 2405A WEST TOWER PHILIPPINE STOCK EXCHANGE CENTRE ORTIGAS, PASIG CITY Metropolitan Manila 1605	Omnibus Without Client 633-5892	Tax Identification Number 002-832-240	Foreign PHILIPPINES	11,000.00 FMX1
16700000000 5	AURORA SECURITIES, INC. UNIT 2405A WEST TOWER PHILIPPINE STOCK EXCHANGE CENTRE ORTIGAS, PASIG CITY Metropolitan Manila 1605	Omnibus Without Client 633-5892	Tax Identification Number 002-832-240	Domestic PHILIPPINES	729,700.00 PH10
16800000000 5	GLOBALINKS SECURITIES & STOCKS, INC. # 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City Metropolitan Manila 1226	Omnibus Without Client 759-4136	Tax Identification Number 65	Domestic PHILIPPINES	1,336,000.00 PH10
16800000000	GLOBALINKS SECURITIES & STOCKS, INC. # 706 Ayala Tower One Ayala Avenue Cor. Paseo de Roxas St. Makati City Metropolitan Manila 1226	Own 759-4136	Tax Identification Number 65	Domestic PHILIPPINES	20,400.00 NWT

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
16900000000 5	JSG SECURITIES, INC. 4th Floor, A&T Building, 244 Escolta Street, Binondo Manila Metropolitan Manila 1006	Omnibus Without Client 2429414	Tax Identification Number 004-578-852-000	Domestic PHILIPPINES	542,650.00 PH10
17000000000 5	GOLDSTAR SECURITIES, INC. 2201-B East Tower, PSE Centre Exchange Rd, Ortiga Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 633-7485/86	Tax Identification Number 000-222-746-000	Domestic PHILIPPINES	204,000.00 PH10
17000000000 14	GOLDSTAR SECURITIES, INC. 2201-B East Tower, PSE Centre Exchange Rd, Ortiga Center Pasig City Metropolitan Manila 1600	Settlement 633-7485/86	Tax Identification Number 000-222-746-000	Domestic PHILIPPINES	461,300.00 PH10
17200000000 5	GUILD SECURITIES, INC. Unit 1215 Tower One & Exchange Plaza Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 8919232	Tax Identification Number 69	Domestic PHILIPPINES	506,100.00 PH10
17400000000 1	HDI SECURITIES, INC. UNIT 2305-B 23/F ORIENT SQUARE BLDG., F. ORTIGAS, JR. ROAD, ORTIGAS CENTRE, PASIG CITY, 1605 Metropolitan Manila 1605	Omnibus Without Client 891-9598	Tax Identification Number 001-670-271-000	Foreign PHILIPPINES	300,000.00 FMX1
17400000000 5	HDI SECURITIES, INC. UNIT 2305-B 23/F ORIENT SQUARE BLDG., F. ORTIGAS, JR. ROAD, ORTIGAS CENTRE, PASIG CITY, 1605 Metropolitan Manila 1605	Omnibus Without Client 891-9598	Tax Identification Number 001-670-271-000	Domestic PHILIPPINES	4,703,600.00 PH10
17000000000 5	H. E. BENNETT SECURITIES, INC. Rm. 1704 World Trade Exchange Bldg., 215 Juan Lur St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-5733	Tax Identification Number 000-334-004	Domestic PHILIPPINES	170,000.00 PH10

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
17500000000 7	H. E. BENNETT SECURITIES, INC. Rm. 1704 World Trade Exchange Bldg., 215 Juan Lur St., Binondo, Manila Metropolitan Manila 1006	Own 242-5733	Tax Identification Number 000-334-004	Domestic PHILIPPINES	7,700.00 NWT
17800000000 5	HK SECURITIES, INC. Suite 102 Columbia Tower, Ortigas Ave., Mandaluyong City Metropolitan Manila 1600	Omnibus Without Client 6336991 to 96	Tax Identification Number 75	Domestic PHILIPPINES	9,100.00 PH10
18000000000 5	I. ACKERMAN & CO., INC. Suite 705, Tower I Bldg. PSE Plaza, Ayala Triangle Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 891-9071	Tax Identification Number 76	Domestic PHILIPPINES	30,000.00 PH10
18000000000 5	I. B. GIMENEZ SECURITIES, INC. 3/F NEW ROSARIO ORTIGAS ARCADE, NO. 42, ORTIGAS EXTENSION, ROSARIO, PASIG CITY Metropolitan Manila 1600	Omnibus Without Client 628-0000-325-336	Tax Identification Number 000-329-846-000	Domestic PHILIPPINES	583,097.00 PH10
18100000000 5	INVESTORS SECURITIES, INC, Unit 604-605 Tower One & Exchange Plaza Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1200	Omnibus Without Client 8431210	Tax Identification Number 000-123-697-000	Domestic PHILIPPINES	845,600.00 PH10
18200000000 5	IMPERIAL, DE GUZMAN, ABALOS & CO., INC. Ground Floor, EDSA Central Square Shaw Boulevard Mandaluyong City Metropolitan Manila 1552	Omnibus Without Client 6332686	Tax Identification Number 000-121-920	Domestic PHILIPPINES	183,800.00 PH10
18300000000 5	INTRA-INVEST SECURITIES, INC. 11/F ACT Tower, 135 Sen. Gil Puyat Ave., Salcedo Vill., Makati City Metropolitan Manila 1200	Omnibus Without Client 8106934	Tax Identification Number 000-162-545-000	Domestic PHILIPPINES	289,400.00 PH10

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
18700000000 5	ASIAN CAPITAL EQUITIES, INC. 6/F Tower 1 & Exchange Plaza Ayala Ave., cor Paseo de Roxas, Makati City Metropolitan Manila 1226	Omnibus Without Client 8485126	Tax Identification Number 84	Domestic PHILIPPINES	56,100.00 PH10
18800000000 5	J.M. BARCELON & CO., INC. #5 PENNSYLVANNIA STREET, BRGY. MARIAN, NEW MANILA, QUEZON CITY Metropolitan Manila 1100	Omnibus Without Client 661-8396	Tax Identification Number 000-333-850	Domestic PHILIPPINES	64,000.00 PH10
19000000000 6	J.M. BARCELON & CO., INC. #5 PENNSYLVANNIA STREET, BRGY. MARIAN, NEW MANILA, QUEZON CITY Metropolitan Manila 1100	Settlement 661-8396	Tax Identification Number 000-333-850	Domestic PHILIPPINES	33,000.00 NWT
19200000000 2	STRATEGIC EQUITIES CORP. Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City Metropolitan Manila 1226	Settlement 759-4055	Tax Identification Number 89	Foreign PHILIPPINES	933,900.00 FMX1
19200000000 6	STRATEGIC EQUITIES CORP. Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City Metropolitan Manila 1226	Settlement 759-4055	Tax Identification Number 89	Domestic PHILIPPINES	7,200.00 NWT
19200000000 14	STRATEGIC EQUITIES CORP. Unit 610-611 PSE Plaza, Tower I, Ayala Triangle, Ayala Ave., Makati City Metropolitan Manila 1226	Settlement 759-4055	Tax Identification Number 89	Domestic PHILIPPINES	156,800.00 PH10
19300000000	LARRGO SECURITIES CO., INC. Rm. 202 2/F Rufino Building, Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 8101353	Tax Identification Number 90	Domestic PHILIPPINES	172,000.00 PH10



BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
19500000000 6	LITONJUA SECURITIES, INC. No. 444 T.M. Kalaw Ermita, Manila Metropolitan Manila 1004	Settlement 521-1951/57	Tax Identification Number 92	Domestic PHILIPPINES	7,500.00 NWT
19700000000 5	LOPEZ, LOCSIN, LEDESMA & CO., INC. 405 URBAN BUILDING, SEN. GIL. PUYAT AVEN MAKATI CITY Metropolitan Manila 1226	Omnibus Without Client 8127482	Tax Identification Number 321-000-128-692	Domestic PHILIPPINES	3,300.00 PH10
19900000000 5	LUCKY SECURITIES, INC. Unit 1402-B PSE Center Exchange Road, Ortigas Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 6346747/60	Tax Identification Number 95	Domestic PHILIPPINES	598,500.00 NWT
19900000000 5	LUYS SECURITIES COMPANY, INC. 28/F LKG Tower 6801 Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 5231040	Tax Identification Number 96	Domestic PHILIPPINES	15,500.00 PH10
20000000000 5	MANDARIN SECURITIES CORPORATION 28/F LKG Tower 6801 Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 523-8311/16	Tax Identification Number 97	Domestic PHILIPPINES	3,022,200.00 PH10
20000000002 1	R&B INSURANCE CORPORATION 28F LKG TOWER, AYALA AVENUE, MAKATI CI Metropolitan Manila	Client 8841155	Commercial Registration Number 15346	Domestic PHILIPPINES	50,000.00 NWT
20300000000 1	COL Financial Group, Inc. 2401-B EAST TOWER, PSE CENTRE EXCHANGE ROAD, ORTIGAS CENTER PASIG CITY Metropolitan Manila 1605	Omnibus Without Client 635-5735	Tax Identification Number 203-523-208	Foreign PHILIPPINES	1,424,000.00 FMX1
20300000000 1	COL Financial Group, Inc. 2401-B EAST TOWER, PSE CENTRE EXCHANGE ROAD, ORTIGAS CENTER PASIG CITY Metropolitan Manila 1605	Omnibus Without Client 635-5735	Tax Identification Number 203-523-208	Domestic PHILIPPINES	51,526,501.00 PH10

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2040000000 14	DA MARKET SECURITIES, INC. Unit 2402-B West Tower, PSE Center Exchange Road Ortigas Center Pasig City Metropolitan Manila 1600	Settlement 637-42-42	Tax Identification Number 101	Domestic PHILIPPINES	2,224,200.00 PH10
2050000000 5	MERCANTILE SECURITIES CORP. UNIT 804 FORT LEGEND TOWERS 3RD AVENUE COR. 31ST ST. FORT BONIFACIO GLOBAL CITY TAGUIG CITY Metropolitan Manila 1226	Omnibus Without Client 501-8872	Tax Identification Number 000-161-457-000	Domestic PHILIPPINES	1,038,800.00 PH10
2060000000 5	MERIDIAN SECURITIES, INC. Suite 2702B&C Tektite Tower I Ortigas Centre, Pasig City Metropolitan Manila 1600	Omnibus Without Client 634-6931/36	Tax Identification Number 000-338-748-000	Domestic PHILIPPINES	675,700.00 PH10
2080000000 5	MDR SECURITIES, INC. Unit 1806, 8/F Medical Plaza Ortigas Bldg., Pasig City Metropolitan Manila 1226	Omnibus Without Client 891-9225	Tax Identification Number 105	Domestic PHILIPPINES	87,900.00 PH10
2090000000 4	DEUTSCHE REGIS PARTNERS, INC. 23/F Tower I, Ayala Triangle, Makati City Metropolitan Manila 1226	Settlement 894-6620	Tax Identification Number 000-594-804-000	Foreign PHILIPPINES	5,300.00 RA02
2090000000 14	DEUTSCHE REGIS PARTNERS, INC. 23/F Tower I, Ayala Triangle, Makati City Metropolitan Manila 1226	Settlement 894-6620	Tax Identification Number 000-594-804-000	Domestic PHILIPPINES	66,000.00 PH10
20900000010 1	DEUTSCHE REGIS PARTNERS, INC. 23/F Tower I, Ayala Triangle, Makati City Metropolitan Manila 1226	Client 894-6620	Tax Identification Number 485	Foreign PHILIPPINES	1,600,000.00 FTXN
2100000000 5	MOUNT PEAK SECURITIES, INC. #748 C.K. Bldg., Juan Luna St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 241-8043	Tax Identification Number 000-321-831-000	Domestic PHILIPPINES	186,000.00 PH10

BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
2110000000 5	NEW WORLD SECURITIES CO., INC. 215 JUAN LUNA STREET, UNIT 2608 WORLD TRADE EXCHANGE BLDG., BINONDO, MANILA Metropolitan Manila 1006	Omnibus Without Client 2421767	Tax Identification Number 000-327-414-000	Domestic PHILIPPINES	1,341,000.00 PH10
2130000000 5	NIEVES SECURITIES, INC. UNIT 106, G/F TYTANA PLAZA V. TYTANA COF INSULAR STS. PLAZA LORENZO RUIZ, BINONE MANILA CITY Metropolitan Manila 1006	Omnibus Without Client 4777888	Tax Identification Number 000-333-999-000	Domestic PHILIPPINES	200,000.00 PH10
2150000000 5	OPTIMUM SECURITIES CORPORATION No. 11 E. O. Bldg., United St. cor. 2nd St. Bo. Kapitolyo, Pasig City Metropolitan Manila 1650	Omnibus Without Client 631-7831/36	Tax Identification Number 000-287-524-000	Domestic PHILIPPINES	389,150.00 PH10
2170000000 5	RCBC SECURITIES, INC. Unit 1008 Tower I & Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Omnibus Without Client 8485183	Tax Identification Number 000-165-644-000	Domestic PHILIPPINES	556,300.00 PH10
2180000000 5	PAN ASIA SECURITIES CORP. 910 Tower One & Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Omnibus Without Client 8919173	Tax Identification Number 000-135-142	Domestic PHILIPPINES	452,500.00 PH10
2190000000 5	PAPA SECURITIES CORPORATION GROUND FLOOR, ACE BUILDING, DE LA ROSA CORNER RADA ST., LEGASPI VILLAGE, MAKATI CITY Metropolitan Manila 1200	Omnibus Without Client 817-8433	Tax Identification Number 000-215-520	Domestic PHILIPPINES	6,170,200.00 PH10
2200000000 2	MAYBANK ATR KIM ENG SECURITIES, INC. 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 849-8855	Tax Identification Number 000-168-671-000	Foreign PHILIPPINES	6,933,500.00 FMX1

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22000000000 6	MAYBANK ATR KIM ENG SECURITIES, INC. 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 849-8855	Tax Identification Number 000-168-671-000	Domestic PHILIPPINES	12,764,199.00 NWT
22000000000 14	MAYBANK ATR KIM ENG SECURITIES, INC. 17/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 849-8855	Tax Identification Number 000-168-671-000	Domestic PHILIPPINES	2,370,950.00 PH10
22000000000 5	PLATINUM SECURITIES, INC. Unit 801, Antel Corporate Ctr., 121 Valero St., Salced Village Makati City Metropolitan Manila 1200	Omnibus Without Client 887-11-78	Tax Identification Number 000-532-022	Domestic PHILIPPINES	178,000.00 PH10
22400000000 1	PNB SECURITIES, INC. 3/F PNB Financial Center Roxas Blvd., Pasay City Metropolitan Manila 1300	Omnibus Without Client 526-3466	Tax Identification Number 000-198-201-000	Foreign PHILIPPINES	4,423,000.00 FMX1
22400000000 5	PNB SECURITIES, INC. 3/F PNB Financial Center Roxas Blvd., Pasay City Metropolitan Manila 1300	Omnibus Without Client 526-3466	Tax Identification Number 000-198-201-000	Domestic PHILIPPINES	3,646,260.00 PH10
22500000000 5	PREMIUM SECURITIES, INC. Unit 1415, Tower 1 & Exchange Plaza Ayala Avenue cor. Paseo de Roxas Makati City Metropolitan Manila 1259	Omnibus Without Client 848-5915/17	Tax Identification Number 121	Domestic PHILIPPINES	1,875,600.00 PH10
22800000000 5	PRYCE SECURITIES, INC. 15/F PRYCE CENTER BUILDING, 1179 CHINO RO AVENUE BAGTIKAN, MAKATI CITY Metropolitan Manila 1226	Omnibus Without Client 816-2426/27	Tax Identification Number 124	Domestic PHILIPPINES	12,366.00 PH10

BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
22900000000 5	SALISBURY BKT SECURITIES CORPORATION Unit 207 Cityland Condominium 10 - Tower 2 6817 H.V. De La Costa St. cor. Ayala Ave. Makati City Metropolitan Manila 1200	Omnibus Without Client 892-88-34	Tax Identification Number 000-598-559-000	Domestic PHILIPPINES	15,300.00 PH10
23000000000 1	QUALITY INVESTMENTS & SECURITIES CORPORATION Suite 1602 Tytana Plaza Oriente St, Binondo Manila Metropolitan Manila 1006	Omnibus Without Client 241-0547	Tax Identification Number 000-333-614-000	Foreign PHILIPPINES	910,000.00 FMX1
23000000000 5	QUALITY INVESTMENTS & SECURITIES CORPORATION Suite 1602 Tytana Plaza Oriente St, Binondo Manila Metropolitan Manila 1006	Omnibus Without Client 241-0547	Tax Identification Number 000-333-614-000	Domestic PHILIPPINES	12,329,800.00 PH10
23000000000 7	QUALITY INVESTMENTS & SECURITIES CORPORATION Suite 1602 Tytana Plaza Oriente St, Binondo Manila Metropolitan Manila 1006	Own 241-0547	Tax Identification Number 000-333-614-000	Domestic PHILIPPINES	173,000.00 NWT
23000000001 1	Asia Insurance (Philippines) Corporation Suite 1602 Tytana Plaza Oriente St, Binondo Manila Metropolitan Manila 1006	Client	Tax Identification Number 530	Domestic PHILIPPINES	31,000.00 NWT
23100000000 5	R & L INVESTMENTS, INC. 675 Lee St., Mandaluyong City Metropolitan Manila 1501	Omnibus Without Client 7247210/705207	Tax Identification Number 127	Domestic PHILIPPINES	336,000.00 PH10
23300000000 5	R. COYIUTO SECURITIES, INC. 5/F Corinthian Plaza, Paseo de Roxas, Legaspi Village Makati City Metropolitan Manila 0	Omnibus Without Client 811-3064	Tax Identification Number 000-329-417	Domestic PHILIPPINES	2,676,800.00 PH10
23300000000 5	REGINA CAPITAL DEVELOPMENT CORPORATION Unit 806 Tower 1 & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Omnibus Without Client 848-5482/84	Tax Identification Number 131	Domestic PHILIPPINES	3,307,332.00 PH10

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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
23500000000 6	REGINA CAPITAL DEVELOPMENT CORPORATI Unit 806 Tower 1 & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City Metropolitan Manila 1226	Settlement 848-5482/84	Tax Identification Number 131	Domestic PHILIPPINES	205,000.00 NWT
23600000000 5	R. NUBLA SECURITIES, INC. Rm 405 Co Ban Kiat Building II, 231 Juan Luna St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-1596	Tax Identification Number 132	Domestic PHILIPPINES	4,017,100.00 PH10
23700000000 5	AAA SOUTHEAST EQUITIES, INCORPORATED Ground Floor, Fortune Life Building #162 Legaspi St. Legaspi Village Makati City Metropolitan Manila 1229	Omnibus Without Client 816-2918	Tax Identification Number 000-141-894-000	Domestic PHILIPPINES	2,067,700.00 PH10
23700000002 1	FORTUNE GENERAL INSURANCE CORPORATIO 4TH/F CITYSTATE CENTRE, 709 SHAW BOULEVARD, PASIG CITY Metropolitan Manila 1600	Client 706-3959	Tax Identification Number 220.	Domestic PHILIPPINES	192,500.00 NWT
23800000000 5	R. S. LIM & CO., INC. 1509 Galvani Street San Isidro, Makati City Metropolitan Manila 1234	Omnibus Without Client 8919670	Tax Identification Number 000-333-915-000	Domestic PHILIPPINES	1,258,400.00 PH10
23900000000 5	RTG & COMPANY, INC. Unit 602 Tower 1 & Exchange Plaza Ayala Triangle, Makati City Metropolitan Manila 1200	Omnibus Without Client 8919482	Tax Identification Number 000-165-637-000	Domestic PHILIPPINES	475,100.00 PH10
24000000000 5	S.J. ROXAS & CO., INC. Unit 612 Tower One.& Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Metropolitan Manila 0	Omnibus Without Client 848-5065	Tax Identification Number 136	Domestic PHILIPPINES	604,500.00 PH10

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24000000002 1	S.J. ROXAS & CO.,INC. Unit 612 Tower One, Ayala Triangle, Ayala Avenue, Makati City Metropolitan Manila 0	Client 8485065 TO 69	Tax Identification Number 546	Domestic PHILIPPINES	18,000.00 NWT
24200000000 5	SECURITIES SPECIALISTS, INC. Unit 903 National Life Insurance Building, 6762 Ayala Avenue, Makati City Metropolitan Manila 1000	Omnibus Without Client 523-5595	Tax Identification Number 138	Domestic PHILIPPINES	2,200.00 PH10
24300000000 5	FIDELITY SECURITIES, INC. 2103-B PSE Centre, Exchange Road, Ortigas, Pasig City Metropolitan Manila 1600	Omnibus Without Client 6345038	Tax Identification Number 002-836-391-000	Domestic PHILIPPINES	44,500.00 PH10
24600000000 5	SUMMIT SECURITIES, INC. Unit 2102 B/C PSE Center Tektite Tower East Exchange Road, Ortigas Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 6311032 to 37	Tax Identification Number 000-338-985-000	Domestic PHILIPPINES	4,067,300.00 PH10
24700000000 5	STANDARD SECURITIES CORPORATION #34 Jefferson St., GHW, San Juan Metro Manila Metropolitan Manila 00	Omnibus Without Client 8486149	Tax Identification Number 000-333-108	Domestic PHILIPPINES	12,951,800.00 PH10
24700000000 6	STANDARD SECURITIES CORPORATION #34 Jefferson St., GHW, San Juan Metro Manila Metropolitan Manila 00	Settlement 8486149	Tax Identification Number 000-333-108	Domestic PHILIPPINES	110,000.00 NWT
24900000000 5	SUPREME STOCKBROKERS, INC UNIT G. GARDEN LEVEL, CORINTHIAN PLAZA PASEO DE ROXAS AVENUE, LEGASPI VILLAGI MAKATI CITY Metropolitan Manila 1226	Omnibus Without Client 5764384	Tax Identification Number 000-166-867-000	Domestic PHILIPPINES	45,350.00 PH10

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2510000000 5	TANSENGCO & CO., INC. U-2308 World Trade Exchange Condominium 215 Ju Luna St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 241-7155	Tax Identification Number 146	Domestic PHILIPPINES	1,268,200.00 PH10
2520000000 5	THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP. Rms. 801-802, PSE Tower I Ayala Ave., cor. Paseo d Roxas, Ayala Triangle, Makati City Metropolitan Manila 1200	Omnibus Without Client 8486311 to 18	Tax Identification Number 000-149-028-000	Domestic PHILIPPINES	379,700.00 PH10
2530000000 5	TOWER SECURITIES, INC. 1802-C Tektite Tower I Exchange Road, Ortigas Cent Pasig City Metropolitan Manila 1600	Omnibus Without Client 6354448	Tax Identification Number 148	Domestic PHILIPPINES	15,699,100.00 PH10
2540000000 5	TRANS-ASIA SECURITIES, INC. Rm. 601-S, State Centre 333 Juan Luna St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 242-28-23	Tax Identification Number 149	Domestic PHILIPPINES	105,500.00 PH10
2540000000 7	TRANS-ASIA SECURITIES, INC. Rm. 601-S, State Centre 333 Juan Luna St., Binondo, Manila Metropolitan Manila 1006	Own 242-28-23	Tax Identification Number 149	Domestic PHILIPPINES	100,000.00 NWT
2550000000 5	APEX PHILIPPINES EQUITIES CORPORATION Unit 902, Antel Corporate Center, No. 139 Valero St., Salcedo Vill., Makati City Metropolitan Manila 1227	Omnibus Without Client 527-1555	Tax Identification Number 150	Domestic PHILIPPINES	5,000.00 PH10
2560000000 5	TRENDLINE SECURITIES CORPORATION Rm. 503 Tytana Plaza Lorenzo Ruiz St., Binondo, Manila Metropolitan Manila 1006	Omnibus Without Client 241-0387	Tax Identification Number 151	Domestic PHILIPPINES	11,200.00 PH10



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ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
25700000000 5	TRI-STATE SECURITIES, INC. Unit 1007, 10/F Ayala Triangle Tower I, Ayala Avenue, Makati City Metropolitan Manila 1226	Omnibus Without Client 8485042	Tax Identification Number 000-704-920-000	Domestic PHILIPPINES	55,500.00 PH10
25900000000 5	UCPB SECURITIES, INC. Suite 1612, 16/F Ayala Tower I Exchange Plaza, Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 8485678	Tax Identification Number 154	Domestic PHILIPPINES	2,686,200.00 PH10
000000 6	UCPB SECURITIES, INC. Suite 1612, 16/F Ayala Tower I Exchange Plaza, Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Settlement 8485678	Tax Identification Number 154	Domestic PHILIPPINES	100,000.00 NWT
26000000000 2	UOB KAY HIAN SECURITIES (PHILS.), INC. UOB Kay Hian Securities (Phils.), Inc. Unit 404 LV Loesin Bldg. 6752 Ayala Avenue, cor. Makati Avenue, 1226, Makati City Metropolitan Manila 1200	Settlement 887-7973	Tax Identification Number 155	Foreign PHILIPPINES	620,000.00 FMX1
26100000004 1	E.SECURITIES, INC. ITF VARIOUS CLIENTS 11/F Exportbank Plaza Chino Roces cor Sen. Gil J. Puyat Ave, Makati City Metropolitan Manila 1251	Client	Tax Identification Number 560	Domestic PHILIPPINES	3,300.00 PH10
26300000000 5	VENTURE SECURITIES, INC. Unit 811 Tower One & Exchange Plaza Ayala Triangl Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 8486505	Tax Identification Number 158	Domestic PHILIPPINES	156,500.00 PH10
000000 2	VENTURE SECURITIES, INC. Unit 811 Tower One & Exchange Plaza Ayala Triangl Ayala Ave. cor. Paseo de Roxas Makati City Metropolitan Manila 1226	Settlement 8486505	Tax Identification Number 158	Domestic PHILIPPINES	2,840,400.00 NWT

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26600000000 5	VICSAL SECURITIES & STOCK BROKERAGE, IN 658 C. Palanca St., Quiapo, Manila Metropolitan Manila 1001	Omnibus Without Client 7349771	Tax Identification Number 000-089-167-000	Domestic PHILIPPINES	2,631,000.00 PH10
26700000000 1	FIRST METRO SECURITIES BROKERAGE CORP Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1226	Omnibus Without Client 759-4133/34	Tax Identification Number 003-458-062-000	Foreign PHILIPPINES	50,000.00 FMX1
26700000000 1	FIRST METRO SECURITIES BROKERAGE CORP Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1226	Settlement 759-4133/34	Tax Identification Number 003-458-062-000	Foreign PHILIPPINES	30,000.00 FMX1
26700000000 6	FIRST METRO SECURITIES BROKERAGE CORP Unit 1515, 15/F Ayala Tower One Ayala Triangle, Ayala Ave. cor Paseo de Roxas Makati City Metropolitan Manila 1226	Settlement 759-4133/34	Tax Identification Number 003-458-062-000	Domestic PHILIPPINES	9,892,935.00 NWT
26900000000 1	WEALTH SECURITIES, INC. 2103 PSE Centre, Exchange Road Ortigas Centre, Pas City Metropolitan Manila 1600	Omnibus Without Client 634-5038	Tax Identification Number 000-330-678	Foreign PHILIPPINES	700,000.00 FMX1
26900000000 5	WEALTH SECURITIES, INC. 2103 PSE Centre, Exchange Road Ortigas Centre, Pas City Metropolitan Manila 1600	Omnibus Without Client 634-5038	Tax Identification Number 000-330-678	Domestic PHILIPPINES	8,397,450.00 PH10
26900000000 7	WEALTH SECURITIES, INC. 2103 PSE Centre, Exchange Road Ortigas Centre, Pas City Metropolitan Manila 1600	Own 634-5038	Tax Identification Number 000-330-678	Domestic PHILIPPINES	5,750.00 NWT

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27000000000 1	WESTLINK GLOBAL EQUITIES, INC. 6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Omnibus Without Client 848-6231	Tax Identification Number 000-334-828	Foreign PHILIPPINES	3,090,000.00 FMX1
27000000000 5	WESTLINK GLOBAL EQUITIES, INC. 6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Omnibus Without Client 848-6231	Tax Identification Number 000-334-828	Domestic PHILIPPINES	125,212,540.00 PH10
27000000000 6	WESTLINK GLOBAL EQUITIES, INC. 6/F Philippine Stock Exchange Plaza Ayala Avenue, Makati City Metropolitan Manila 1200	Settlement 848-6231	Tax Identification Number 000-334-828	Domestic PHILIPPINES	13,328,000.00 NWT
27200000000 1	BERNAD SECURITIES, INC. 3/F 1033 M.H. del Pilar St. Ermita, Manila Metropolitan Manila 1000	Omnibus Without Client 5245186	Tax Identification Number 002-919-761	Foreign PHILIPPINES	3,000.00 FMX1
27200000000 5	BERNAD SECURITIES, INC. 3/F 1033 M.H. del Pilar St. Ermita, Manila Metropolitan Manila 1000	Omnibus Without Client 5245186	Tax Identification Number 002-919-761	Domestic PHILIPPINES	307,100.00 PH10
27200000000 6	BERNAD SECURITIES, INC. 3/F 1033 M.H. del Pilar St. Ermita, Manila Metropolitan Manila 1000	Settlement 5245186	Tax Identification Number 002-919-761	Domestic PHILIPPINES	397,000.00 NWT
27300000000 5	WONG SECURITIES CORPORATION 1402-B A. Mabini St., cor. Sta. Monica St., Ermita, Manila Metropolitan Manila 1000	Omnibus Without Client 5217794	Tax Identification Number 000-350-895-000	Domestic PHILIPPINES	44,000.00 PH10
27300000000 5	YAO & ZIALCITA, INC. Yao & Zialcita, Inc., 5G Vernida I Condominium, 12C Amorsolo St., Legaspi Village, Makati City Metropolitan Manila	Omnibus Without Client 5274019 to 21	Tax Identification Number 170	Domestic PHILIPPINES	2,875,500.00 PH10

BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
27800000000 5	YU & COMPANY, INC. Unit E 1606-B Tektite Tower I Exchange Road, Ortiga Center Pasig City Metropolitan Manila 1600	Omnibus Without Client 634-6248	Tax Identification Number 000-324-373-000	Domestic PHILIPPINES	6,531,000.00 PH10
27900000000 5	BDO SECURITIES CORPORATION 27/F Tower I & Exchange Plaza Ayala Ave., Makati City Metropolitan Manila 1226	Omnibus Without Client 759-41-44	Tax Identification Number 004-814-885-000	Domestic PHILIPPINES	4,023,000.00 PH10
27900000000 6	BDO SECURITIES CORPORATION 27/F Tower I & Exchange Plaza Ayala Ave., Makati City Metropolitan Manila 1226	Settlement 759-41-44	Tax Identification Number 004-814-885-000	Domestic PHILIPPINES	340,000.00 NWT
28200000000 6	PCCI SECURITIES BROKERS CORP. 3/F PCCI Corporate Centre 118 Alfaro St, Salcedo Village Makati City Metropolitan Manila 1227	Settlement 893-3920	Tax Identification Number 177	Domestic PHILIPPINES	5,457,500.00 NWT
28300000000 5	EAGLE EQUITIES, INC. 179 Kaimito St. Valle Verde II, Pasig City Metropolitan Manila 1600	Omnibus Without Client 6363637 to 39	Tax Identification Number 178	Domestic PHILIPPINES	1,053,800.00 PH10
28300000000 7	EAGLE EQUITIES, INC. 179 Kaimito St. Valle Verde II, Pasig City Metropolitan Manila 1600	Own 6363637 to 39	Tax Identification Number 178	Domestic PHILIPPINES	100,000.00 NWT
28500000000 5	GOLDEN TOWER SECURITIES & HOLDINGS, INC. 4-B Vermida I Condominium, 120 Amorsolo St., Legaspi Village, Makati City Metropolitan Manila 1229	Omnibus Without Client 8132839	Tax Identification Number 179	Domestic PHILIPPINES	1,732,576.00 PH10
28600000000 5	SOLAR SECURITIES, INC. Unit 3002-A East Tower, Phil. Stock Exchange Centre Exchange Road, Ortigas Complex, Pasig City Metropolitan Manila 1605	Omnibus Without Client 6366301	Tax Identification Number 001-949-768-000	Domestic PHILIPPINES	3,317,600.00 PH10

BP ID ACCOUNT NO.	BP NAME ADDRESS	ACCOUNT TYPE TELEPHONE NUMBER	ID TYPE ID NUMBER	INVESTOR TYPE COUNTRY	HOLDINGS TAXCODE
28800000000 5	G.D. TAN & COMPANY, INC. Unit 2203-A East Tower, PSE Center Exchange Road Ortigas Center, Pasig City Metropolitan Manila 1600	Omnibus Without Client 6339989	Tax Identification Number 000-121-113-000	Domestic PHILIPPINES	522,800.00 PH10
28800000000 7	G.D. TAN & COMPANY, INC. Unit 2203-A East Tower, PSE Center Exchange Road Ortigas Center, Pasig City Metropolitan Manila 1600	Own 6339989	Tax Identification Number 000-121-113-000	Domestic PHILIPPINES	500.00 NWT
33800000000 5	DW CAPITAL INC. UNIT 1610-1611 TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY 1226 Metropolitan Manila 0	Omnibus Without Client 8369633	Tax Identification Number 200-262-862-000	Domestic PHILIPPINES	737,000.00 PH10
33800000000 8	PHILIPPINE EQUITY PARTNERS, INC. Unit 19C Citibank Tower Citibank Plaza 8741 Pasco c Roxas Makati City Metropolitan Manila 1226	Settlement 8145788	Tax Identification Number 213-130-068-000	Domestic PHILIPPINES	500.00 NWT
34500000000 5	UNICAPITAL SECURITIES INC. 4F Majalco Bldg Benavidez cor Trasierra Sts Legaspi Vill., Makati City Metropolitan Manila 1200	Omnibus Without Client 750-2030	Tax Identification Number 005-294-264-000	Domestic PHILIPPINES	773,000.00 PH10
38800000000 5	ARMSTRONG SECURITIES, INC. Unit 2205-A, 22/F PSE Centre Exchange Road, Ortigi Centre, Pasig City Metropolitan Manila 1600	Omnibus Without Client 6346337 to 39	Tax Identification Number 191	Domestic PHILIPPINES	8,600.00 PH10
38800000000 5	KING'S POWER SECURITIES, INC. RM 1602 FEDERAL TOWER DASMARINAS ST., BINONDO, MANILA Metropolitan Manila 0	Omnibus Without Client	Tax Identification Number 205-495-236	Domestic PHILIPPINES	1,222,000.00 PH10

BP ID	BP NAME	ACCOUNT TYPE	ID TYPE	INVESTOR TYPE	HOLDINGS
ACCOUNT NO.	ADDRESS	TELEPHONE NUMBER	ID NUMBER	COUNTRY	TAXCODE
CITI1000000 I	CITIBANK N.A. 11/F Citibank Tower Villar corner Valero Sts. Makati City, MM Metropolitan Manila 1200	Own 8947841	Tax Identification Number 946	Foreign PHILIPPINES	300,000.00 FMX1
DEUB1000000 I	DEUTSCHE BANK MANILA-CLIENTS A/C 26/F Ayala Tower One Ayala Triangle, Makati City Metropolitan Manila 1226	Own 8946970	Tax Identification Number DEUB1	Foreign PHILIPPINES	11,000.00 FMX1
HSBC1000000 I	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT. HSBC Securities Services 12th Floor, The Enterprise Center, Tower I 6766 Ayala Avenue corner Pasco de Roxas Makati City Metropolitan Manila 1200	Own 8145200	Tax Identification Number 951	Foreign PHILIPPINES	64,900.00 FMX1
SCBK1000000 I	STANDARD CHARTERED BANK 6756 Ayala Avenue Makati City Metropolitan Manila 1200	Own 878-2879	Tax Identification Number 957	Foreign PHILIPPINES	810,000.00 FMX1
Total Holdings				:	610,135,174.00

**WATERFRONT PHILIPPINES, INCORPORATED  
AND SUBSIDIARIES**

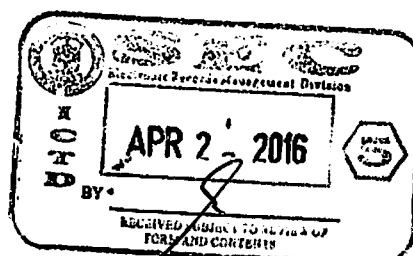
**CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**December 31**

	<i>Note</i>	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	P173,168,220	P139,690,211
Receivables - net	5	213,701,952	199,961,007
Inventories	6	29,298,181	27,815,901
Due from related parties - current	8	1,610,210,794	1,984,101,530
Prepaid expenses and other current assets	7	76,982,206	57,493,746
<b>Total Current Assets</b>		<b>2,103,361,353</b>	<b>2,409,062,395</b>
<b>Noncurrent Assets</b>			
Available-for-sale investment	8	18,209,100	22,978,150
Due from related parties - net of current portion	8	332,797,180	-
Property and equipment - net	9	5,925,632,028	6,234,272,156
Deferred tax assets	19	124,045,012	200,865,522
Other noncurrent assets	10	40,688,723	66,691,141
<b>Total Noncurrent Assets</b>		<b>6,441,372,043</b>	<b>6,524,806,969</b>
		<b>P8,544,733,396</b>	<b>P8,933,869,364</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	11	P1,372,580,534	P1,308,453,420
Loans payable - current portion	13	496,030,050	574,168,300
Provisions	24	-	45,575,012
Income tax payable		38,062,223	25,032,556
Other current liabilities	12	536,680,671	68,067,808
<b>Total Current Liabilities</b>		<b>2,443,353,478</b>	<b>2,021,297,096</b>
<b>Noncurrent Liabilities</b>			
Loans payable - noncurrent portion	13	-	273,638,142
Deferred tax liabilities	19	1,109,968,314	1,175,389,157
Retirement benefits liability	18	117,435,509	117,085,634
Other noncurrent liabilities	14	11,347,103	659,898,805
<b>Total Noncurrent Liabilities</b>		<b>1,238,750,926</b>	<b>2,226,011,738</b>
		<b>3,682,104,404</b>	<b>4,247,308,834</b>

*Forward*





		<b>December 31</b>	
	<i>Note</i>	<b>2015</b>	<b>2014</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	16	P2,498,991,753	P2,498,991,753
Additional paid-in capital		706,364,357	706,364,357
Revaluation surplus on property and equipment	9	1,841,118,443	1,935,665,721
Deficit		(1,097,460,906)	(1,319,219,643)
Fair value reserve		3,456,005	6,222,054
Retirement benefits reserve		101,280,259	89,250,289
Foreign currency translation adjustment		32,442,969	24,170,439
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>		<b>4,086,192,880</b>	<b>3,941,444,970</b>
<b>Noncontrolling Interest</b>	16	<b>776,436,112</b>	<b>745,115,560</b>
<b>Total Equity</b>		<b>4,862,628,992</b>	<b>4,686,560,530</b>
		<b>P8,544,733,396</b>	<b>P8,933,869,364</b>

*See Notes to the Consolidated Financial Statements.*

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<i>Note</i>	<b>Years Ended December 31</b>		
		<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>				
Rent and related income	21	P827,620,396	P815,518,233	P882,792,575
Rooms		606,473,995	565,506,075	548,215,581
Food and beverage		585,764,307	544,843,807	499,754,900
Others		81,049,092	47,411,970	48,328,659
		<b>2,100,907,790</b>	<b>1,973,280,085</b>	<b>1,979,091,715</b>
<b>COSTS AND EXPENSES</b>				
<b>OTHER THAN INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE</b>				
Personnel costs	18	354,949,699	380,947,175	278,095,839
Energy costs		333,238,825	301,243,276	296,767,547
Food and beverage		173,788,840	164,299,395	235,091,283
Repairs and maintenance	6	75,627,236	101,442,125	113,041,568
Rent	22	66,778,509	86,738,501	99,060,952
Rooms		48,926,506	55,007,035	90,189,437
Others	17	351,064,421	320,553,122	349,244,215
		<b>1,404,374,036</b>	<b>1,410,230,629</b>	<b>1,461,490,841</b>
<b>INCOME BEFORE INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE</b>				
		<b>696,533,754</b>	<b>563,049,456</b>	<b>517,600,874</b>
<b>DEPRECIATION AND AMORTIZATION, INTEREST AND IMPAIRMENT LOSSES</b>				
Depreciation and amortization	9	333,683,900	398,822,715	349,652,722
Interest expense	* 8, 13, 21, 22	136,933,256	132,547,184	163,830,581
Foreign exchange losses - net		18,318,204	6,036,591	12,851,818
Impairment losses, bad debts written off and provisions	5, 6	2,587,635	4,250,708	33,316,701
Casualty losses	9	-	-	44,511,664
Interest income	4, 8	(33,711,906)	(33,679,503)	(33,621,918)
Others - net		3,207,862	(1,965,226)	8,438,711
		<b>461,018,951</b>	<b>506,012,469</b>	<b>578,980,279</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>				
		<b>235,514,803</b>	<b>57,036,987</b>	<b>(61,379,405)</b>
<b>INCOME TAX EXPENSE</b>	19	<b>76,807,708</b>	<b>28,021,818</b>	<b>3,952,111</b>
<b>NET INCOME (LOSS)</b>		<b>158,707,095</b>	<b>29,015,169</b>	<b>(65,331,516)</b>

Forward

<b>Years Ended December 31</b>				
	<i>Note</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Actuarial gains on defined benefit plan	18	P19,796,982	P76,446,443	P72,086,443
Appraisal increase on property and equipment	9	-	-	353,000,906
Write-off of revaluation surplus resulting from casualty loss	9	-	-	(21,024,771)
Deferred tax effect	19	(5,939,095)	(22,933,932)	(120,863,334)
		13,857,887	53,512,511	283,199,244
<b>Items that may be reclassified subsequently to profit or loss</b>				
Net change in fair value of available-for-sale investments	8	(4,769,050)	6,069,700	(9,104,550)
Foreign currency translation differences for foreign operations		8,272,530	127,685	(11,758,501)
		3,503,480	6,197,385	(20,863,051)
		17,361,367	59,709,896	262,336,193
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P176,068,462</b>	<b>P88,725,065</b>	<b>P197,004,677</b>
<b>Net income (loss) attributable to:</b>				
Equity holders of the Parent Company		P127,211,459	P9,713,620	(P69,813,828)
Noncontrolling interest		31,495,636	19,301,549	4,482,312
		P158,707,095	P29,015,169	(P65,331,516)
<b>Other comprehensive income attributable to:</b>				
Equity holders of the Parent Company		P144,747,910	P68,578,731	P150,353,573
Noncontrolling interest		31,320,552	20,146,334	46,651,104
		P176,068,462	P88,725,065	P197,004,677
<b>EARNINGS (LOSS) PER SHARE - Basic and Diluted</b>	20	<b>P0.051</b>	<b>P0.004</b>	<b>(P0.028)</b>

*See Notes to the Consolidated Financial Statements.*

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**Year Ended December 31**

	Equity Attributable to Equity Holders of the Parent Company							Total	Non controlling Interests (Note 16)	Total Equity
	Capital Stock (Note 16)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Deficit	Fair Value Reserve (Note 8)	Retirement Benefits Reserve (Note 18)	Foreign Currency Translation Adjustment			
<b>As at January 1, 2015</b>	<b>P2,498,991,753</b>	<b>P706,364,357</b>	<b>P1,935,665,721</b>	<b>(P1,319,219,643)</b>	<b>P6,222,054</b>	<b>P89,250,289</b>	<b>P24,170,439</b>	<b>P3,941,444,970</b>	<b>P745,115,560</b>	<b>P4,686,560,530</b>
<b>Total Comprehensive Income for the Year</b>										
Net income for the year	-	-	-	127,211,459	-	-	-	127,211,459	31,495,636	158,707,095
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(94,547,278)	94,547,278	-	-	-	-	-	-
Other comprehensive income - net of tax effect	-	-	-	-	(2,766,049)	12,029,970	8,272,530	17,536,451	(175,084)	17,361,367
	-	-	(94,547,278)	221,758,737	(2,766,049)	12,029,970	8,272,530	144,747,910	31,320,552	176,068,462
<b>As at December 31, 2015</b>	<b>P2,498,991,753</b>	<b>P706,364,357</b>	<b>P1,841,118,443*</b>	<b>(P1,097,460,906)</b>	<b>P3,456,005</b>	<b>P101,280,259</b>	<b>P32,442,969</b>	<b>P4,086,192,880</b>	<b>P776,436,112</b>	<b>P4,862,628,992</b>

*See Notes to the Consolidated Financial Statements.*

Year Ended December 31

	Equity Attributable to Equity Holders of the Parent Company							Total	Non controlling Interests (Note 16)	Total Equity
	Capital Stock (Note 16)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Deficit	Fair Value Reserve (Note 8)	Retirement Benefits Reserve (Note 18)	Foreign Currency Translation Adjustment			
As at January 1, 2014	P2,498,991,753	P706,364,357	P2,072,860,019	(P1,469,509,833)	P2,701,628	P37,415,561	P24,042,754	P3,872,866,239	P724,969,226	P4,597,835,465
Total Comprehensive Income for the Year	-	-	-	9,713,620	-	-	-	9,713,620	19,301,549	29,015,169
Net income for the year	-	-	-	9,713,620	-	-	-	9,713,620	19,301,549	29,015,169
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(137,194,298)	137,194,298	-	-	-	-	-	-
Derecognition of retirement benefits reserve	-	-	-	3,382,272	-	(3,382,272)	-	-	-	-
Other comprehensive income - net of tax effect	-	-	-	-	3,520,426	55,217,000	127,685	58,865,111	844,785	59,709,896
	-	-	(137,194,298)	150,290,190	3,520,426	51,834,728	127,685	68,578,731	20,146,334	88,725,065
As at December 31, 2014	P2,498,991,753	P706,364,357	P1,935,665,721	(P1,319,219,643)	P6,222,054	P89,250,289	P24,170,439	P3,941,444,970	P745,115,560	P4,686,560,530

See Notes to the Consolidated Financial Statements.

Year Ended December 31

	Equity Attributable to Equity Holders of the Parent Company							Total	Non controlling Interests (Note 16)	Total Equity
	Capital Stock (Note 16)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Deficit	Fair Value Reserve (Note 8)	Retirement Benefits Reserve (Note 18)	Foreign Currency Translation Adjustment			
As at January 1, 2013	P2,498,991,753	P706,364,357	P1,982,306,440	(P1,504,517,591)	P7,982,267	(P4,415,815)	P35,801,255	P3,722,512,666	P678,318,122	P4,400,830,788
Total Comprehensive Income for the Year	-	-	-	(69,813,828)	-	-	-	(69,813,828)	4,482,312	(65,331,516)
Net loss for the year	-	-	-	(69,813,828)	-	-	-	(69,813,828)	4,482,312	(65,331,516)
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(104,821,586)	104,821,586	-	-	-	-	-	-
Other comprehensive income - net of tax effect	-	-	195,375,165	-	(5,280,639)	41,831,376	(11,758,501)	220,167,401	42,168,792	262,336,193
	-	-	90,553,579	35,007,758	(5,280,639)	41,831,376	(11,758,501)	150,353,573	46,651,104	197,004,677
As at December 31, 2013	P2,498,991,753	P706,364,357	P2,072,860,019	(P1,469,509,833)	P2,701,628	P37,415,561	P24,042,754	P3,872,866,239	P724,969,226	P4,597,835,465

See Notes to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31

	<i>Note</i>	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		P235,514,803	P57,036,987	(P61,379,405)
Adjustments for:				
Depreciation and amortization	9	333,683,900	398,822,715	349,652,722
Interest expense	8, 13, 21, 22	136,933,256	132,547,184	163,830,581
Net retirement benefits cost	18	40,342,055	32,167,172	36,478,197
Unrealized foreign exchange loss - net		8,272,530	127,685	12,756,646
Provisions	24	(45,575,012)	-	33,316,701
Impairment losses	5, 6	2,587,635	1,255,683	-
Loss on disposal of property and equipment		-	344,940	-
Casualty losses		-	-	44,511,664
Interest income	4, 8	(33,711,906)	(33,679,503)	(33,621,918)
		678,047,261	588,622,863	545,545,188
Changes in:				
Receivables		(16,328,580)	3,309,089	(39,216,160)
Inventories		(1,482,280)	(2,229,680)	3,148,990
Prepaid expenses and other current assets		(26,858,888)	(2,085,898)	(31,005,197)
Accounts payable and accrued expenses		64,127,114	59,410,377	(21,119,781)
Other current liabilities		468,612,863	2,861,776	(7,819,639)
		1,166,117,490	649,888,527	449,533,401
Interest received		3,456,946	2,017,555	123,427
Retirement contributions paid	18	(11,250,000)	(4,000,000)	(11,000,000)
Benefits paid	18	(8,945,198)	(20,286,657)	(3,875,658)
Income taxes paid		(50,947,041)	(73,373,176)	(49,681,341)
Interest paid		(96,477,022)	(132,547,184)	(149,873,765)
Net cash provided by operating activities		1,001,955,175	421,699,065	235,226,064
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Changes in:				
Due from related parties		30,892,282	49,188,758	208,241,182
Other noncurrent assets		26,002,418	7,981,953	55,748,740
Acquisitions of property and equipment	9	(25,043,772)	(128,692,825)	(103,654,721)
Net cash provided by (used in) investing activities		31,850,928	(71,522,114)	160,335,201

*Forward*

	<b>Years Ended December 31</b>		
<i>Note</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Changes in:			
Loans payable	(P351,776,392)	(P250,675,196)	(P313,098,843)
Other noncurrent liabilities	(648,551,702)	(31,619,494)	(87,377,652)
Net cash used in financing activities	(1,000,328,094)	(282,294,690)	(400,476,495)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	33,478,009	67,882,261	(4,915,230)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	139,690,211	71,807,950	76,723,180
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
4	P173,168,220	P139,690,211	P71,807,950

*See Notes to the Consolidated Financial Statements.*



**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Reporting Entity**

Waterfront Philippines, Incorporated (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. The Parent Company is 46%-owned by The Wellex Group, Inc. (TWGI), an entity registered and domiciled in the Philippines, which is listed in the Philippine Stock Exchange (PSE). The Parent Company holds equity interests in hotels and resorts, a fitness gym, entities engaged in the international marketing and promotion of casinos, manufacturing of pastries, and hotel management and operations.

The Parent Company and the following subsidiaries (collectively referred to as the Group) were incorporated in the Philippines, except for Waterfront Promotion Ltd. (WPL) and Club Waterfront International Limited (CWIL), which were registered in the Cayman Islands.

	Percentage of Ownership	
	Direct	Indirect
<b>Hotels and Resorts</b>		
Waterfront Cebu City Casino Hotel, Incorporated (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Incorporated (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Phils.) Hotel Corporation (APHC)	58	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
<b>Real Estate</b>		
CIMA Realty Phil., Inc. (CIMAR)	-	58*
<b>Fitness Gym</b>		
Waterfront Wellness Group, Inc. (WWGI)	100	-
<b>International Marketing and Promotion of Casinos</b>		
WPL	100	-
Mayo Bonanza, Inc. (MBI)	100	-
CWIL (through direct ownership in WPL)	-	100
Waterfront Entertainment Corporation (WEC)	100	-
<b>Pastries Manufacturing</b>		
Waterfront Food Concepts Inc. (WFC)	100	-
<b>Hotel Management and Operation</b>		
Waterfront Hotel Management Corp. (WHMC)	100	-

\*Through direct ownership in APHC.

The Parent Company's percentages of ownership for the above subsidiaries are the same in 2015, 2014 and 2013.

Management decided to temporarily cease the operations of WHMC, WPL, CWIL and GIRDI in 2014, 2003, 2001, 2000, respectively, due to unfavorable economic conditions.

**Office Address**

The registered office of the Parent Company is located at IPT Building, Pre-Departure Area, Mactan Cebu International Airport, Lapu-Lapu City, Cebu.

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## 2. Basis of Preparation

### Statement of Compliance

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

The accompanying consolidated financial statements of the Group were approved and authorized for issue by the Board of Directors (BOD) on March 21, 2016.

### Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting, except for the following items which are measured on an alternative basis at each reporting date:

<u>Items</u>	<u>Measurement Basis</u>
Hotel buildings and improvements, transportation equipment, land improvements, and furniture, fixtures and equipment	Revalued amount less accumulated depreciation and impairment losses
Available-for-sale (AFS) investment	Fair value
Retirement benefits liability	Net of fair value of plan asset (FVPA) and present value of defined benefits obligation (DBO)

### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise stated. The functional currency of WPL and subsidiary is the United States (U.S.) dollar.

### Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are discussed in Note 3 to the consolidated financial statements.

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### 3. Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with PFRSs requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and related disclosures. The 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 Group's consolidated financial statements. These estimates and judgments are detailed below:

#### Judgments

##### *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 sale of goods and services and the costs of these goods and services.

##### *Operating Lease Commitments - Group as Lessor*

The Group has leased out its commercial spaces to third parties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these commercial spaces and accounts for the contracts as operating leases (see Note 22).

##### *Finance Leases Commitments - Group as Lessee*

The Group leased equipment from Edward Marcos Philippines, Inc. (EMPI). At the end of the 10-year lease, EMPI shall transfer to the Hotel, free from any lien or encumbrance created by EMPI and without any payment of any compensation, all its rights, title and interest in and to the equipment. Based on the economic substance and financial reality of the lease agreement, the resulting lease has been determined to be a finance lease (see Note 22).

##### *Fair Value Measurement*

The fair value of AFS investment is based on its closing market prices as at the end of the reporting period. The fair value of property and equipment was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's property and equipment.

The fair value of the Group's AFS investment is based on Level 1. The fair value measurement for property and equipment has been categorized as Level 3 in the fair value hierarchy based on the inputs of the valuation technique used.

##### *Tax Assessments and Legal Claims*

The Group has received assessments from the Bureau of Internal Revenue (BIR) for deficiency taxes and is also a defendant in various legal cases which are still pending resolutions. The Group's management and legal counsel have made a judgment that the positions of the Group are sustainable and, accordingly, believe that the Group does not have a present obligation (legal or constructive) with respect to such assessments and claims (see Note 24).

#### *Transactions with Philippine Amusement and Gaming Operations (PAGCOR)*

The Group has significant transactions with PAGCOR. Under Presidential Decree (PD) No. 1869, otherwise known as the PAGCOR Charter, PAGCOR is exempted from payment of any form of taxes other than the 5% franchise tax imposed on the gross revenue or earnings derived by PAGCOR from its operations under the franchise. The amended Revenue Regulations (RR) No. 16-2005 which became effective in 2006, however, provides that gross receipts of PAGCOR shall be subject to the 12% value-added tax (VAT). In February 2007, the Philippine Congress amended PD No. 1869 to extend the franchise term of PAGCOR for another 25 years but did not include any revocation of PAGCOR's tax exemption privileges as previously provided for in PD No. 1869. In accounting for the Group's transactions with PAGCOR, the Group's management and its legal counsel have made a judgment that the amended PD No. 1869 prevails over the amended RR No. 16-2005 (see Note 21).

#### *Distinguishing Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group has classified its properties as owner-occupied.

#### *Resolution of Tax Case Involving Tax Assessment from the Treasurer of the City of Manila*

In consultation with legal counsels, management believes that the compromise agreement executed on December 8, 2015 between APHC and the City of Manila to resolve the tax deficiency assessment filed by the latter against the APHC is an adjusting event as at December 31, 2015 as the legal counsels and management have no reasons to believe that the City Council of Manila will not ratify the compromise agreement. Accordingly, APHC recognized the gain on the reversal of the provision it previously setup on its probable liability for the case amounting to P39.73 million (see Notes 24c and 25a).

#### *Classifying Financial Instruments*

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

#### *Classifying Receivables from Related Parties*

The Group exercises judgment in classifying the receivables from related parties as under current assets or noncurrent assets based on the expected realization of the receivables. The Group takes into account the credit rating and other financial information about the related parties to assess their ability to settle the Group's outstanding receivables. Related party receivables that are expected to be realized within twelve months after the reporting period or within the Group's normal operating cycle are considered current assets.

## Estimates

### *Allowance for Impairment Losses on Receivables and Due from Related Parties*

The Group maintains an allowance for impairment losses on receivables, at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the related accounts. These factors include, but are not limited to, the length of the Group's relationship with its customers or debtor, their 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.

For the advances to a related party, the Group uses judgment, based on the available facts and circumstances, including but not limited to, assessment of the related party's operating activities, business viability and overall capacity to pay, in providing an allowance against the recorded receivable amount.

Allowance for impairment losses on receivables and due from related parties as at December 31, 2015 and 2014 amounted to P79.64 million and P94.54 million, respectively. The total carrying amount of the receivables and due from related parties, net of valuation allowance, amounted to P2.16 billion and P2.18 billion as at December 31, 2015 and 2014, respectively (see Notes 5 and 8).

### *Provisions and Contingencies*

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

### *Impairment Loss on AFS investments*

The Group classifies certain assets as AFS investments and recognizes movements in their fair value in equity. AFS investments are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

As at the reporting date, based on the assessment of the Group, there is no indication of impairment on AFS investments with carrying value as at December 31, 2015 and 2014 amounting to P18.21 million and P22.98 million, respectively (see Note 8c).

### *NRV of Inventories*

The Group carries its inventories at NRV whenever such becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Estimates of NRV are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuation of prices or costs directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date. The NRV is reviewed periodically to reflect the accurate valuation in the financial records.

The Group's inventories as at December 31, 2015 and 2014 amounted to P29.30 million and P27.82 million, respectively (see Note 6).

*Estimating Useful Lives of Property and Equipment*

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above.

*Impairment of Nonfinancial Assets*

The Group's policy on estimating the impairment of nonfinancial assets is discussed in Note 26. The Group assesses at each reporting date whether there is an indication that the carrying amount of nonfinancial assets may be impaired or that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

The factors that the Group considers important which could trigger an impairment review include the following:

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

As at December 31, 2015 and 2014, no indication of impairment exists for the Group's nonfinancial assets.

*Realizability of Deferred Tax Assets*

The Group reviews the carrying amounts of deferred tax assets (DTA) at each reporting date and reduces DTAs to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DTAs to be utilized. Significant management judgment is required to determine the amount of DTAs that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies.

The Group recognized DTAs amounting to P124.05 million and P200.87 million as at December 31, 2015 and 2014, respectively. The Group has unrecognized DTAs amounting to P51.31 million and P68.78 million as at December 31, 2015 and 2014, respectively (see Note 19).

#### *Retirement Benefit Liability and Cost*

The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by the actuaries in calculating such amounts. 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 liability in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement cost and retirement liability.

As at December 31, 2015 and 2014, the retirement liability amounted to P117.44 million and P117.09 million, respectively. Net retirement benefits cost in 2015, 2014 and 2013 amounted to P40.34 million, P32.17 million and P36.48 million, respectively (see Note 18).

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#### **4. Cash and Cash Equivalents**

This account consists of:

	2015	2014
Cash on hand and in banks	P154,089,386	P124,147,622
Short-term placements	19,078,834	15,542,589
	<b>P173,168,220</b>	<b>P139,690,211</b>

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

Short-term placements earn interest at annual average of 0.10% to 2.88% in 2015 and 2014 and have average maturities ranging from 30 to 35 days for both years.

Related interest income recognized in profit or loss amounted to P1.98 million, P2.02 million and P1.62 million in 2015, 2014 and 2013, respectively.

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#### **5. Receivables**

This account consists of:

	2015	2014
Trade	P220,585,472	P199,919,086
Advances to employees	12,633,611	11,417,422
Others	507,209	6,061,204
	<b>233,726,292</b>	<b>217,397,712</b>
Less allowance for impairment losses on trade receivables	<b>20,024,340</b>	<b>17,436,705</b>
	<b>P213,701,952</b>	<b>P199,961,007</b>

Trade receivables are noninterest-bearing and are generally on a 30-day term.

Movements in the allowance for impairment losses on trade receivables are as follows:

	2015	2014
Beginning balance	P17,436,705	P22,553,897
Impairment loss during the year	2,587,635	3,375,366
Write-off during the year	-	(4,604,843)
Reversal during the year	-	(3,887,715)
Ending balance	P20,024,340	P17,436,705

The reversal in 2014 was due to the decrease in the allowance for impairment losses on trade receivables of DIHCI.

## 6. Inventories

This account consists of the following:

	2015	2014
At cost:		
Food and beverage	P16,372,606	P14,786,819
Operating supplies	10,212,945	10,083,363
Engineering and maintenance supplies	2,712,630	2,945,719
At NRV:		
Food and beverage - WHMC	-	-
Operating supplies - WHMC	-	-
	P29,298,181	P27,815,901

The cost of food and beverage, and operating supplies valued at NRV amounted to P562,797 and P542,563, respectively, as at December 31, 2014. The same inventories were written-off in 2015.

The costs of food and beverage charged to profit or loss amounted to P173.79 million, P164.30 million and P235.09 million in 2015, 2014 and 2013, respectively, and is presented as "Food and beverage" account in profit or loss.

The Group recognized expenses for operating supplies amounting to P41.30 million, P37.65 million and P31.62 million in 2015, 2014 and 2013, respectively, and are presented as "Supplies", which is part of expenses under "Others" account in profit or loss while the expenses for engineering and maintenance supplies amounted to P75.63 million, P101.44 million and P113.04 million in 2015, 2014 and 2013, respectively, and are included under "Repairs and maintenance" account in profit or loss.



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**7. Prepaid Expenses and Other Current Assets**

This account consists of:

	2015	2014
Input VAT	P47,233,169	P43,043,610
Prepaid taxes	15,799,970	2,421,779
Advances to suppliers	9,090,093	3,518,082
Prepaid expenses	4,245,872	6,375,901
Others	613,102	2,992,385
	<b>76,982,206</b>	<b>58,351,757</b>
Less allowance for impairment losses on prepaid expenses	-	858,011
	<b>P76,982,206</b>	<b>P57,493,746</b>

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The allowance for impairment losses on prepaid expenses in 2014 pertains to the write-down of prepaid taxes of WHMC due to the cessation of operations.

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**8. Related Party Transactions****Identity of Related Parties**

In the normal course of business, the Group transacts with companies who are considered related parties under PAS 24, *Related Party Disclosures*. The table below shows the relationships among related parties:

Related Party	Relationship with the Group
TWGI	Ultimate Parent
Pacific Rehouse Corp. (PRC)	Stockholder
Metro Alliance Holdings and Equities Corp. (MAHEC)	Stockholder
Philippine Estate (PHES)	Stockholder
Crisanta Realty Development Corp. (Crisanta Realty)	Stockholder
Wellex Industries, Inc. (WII)	Under common control

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### Balances and Transactions with Related Parties

Balances and transactions with related parties are presented below in thousands ('000s):

Category/Transaction	Year	Note	Amount of the Transaction	Outstanding Balance		Terms and Conditions
				Due from Related Parties		
<b>Stockholders</b>						
▪ TWGI (advances, interest and settlement)	2015	8a	(P13,245)	P945,471		Secured; interest-bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment
	2014		(33,257)	958,716		
▪ PRC (advances, interest and settlement)	2015	8a	10,211	520,743		Secured; interest-bearing; subject to re-pricing; due in one year subject to renewal
	2014		10,010	510,532		
▪ MAHEC (advances and interest)	2015	8a	(365,933)	-		Secured; interest-bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment
	2014		7,175	365,933		
▪ Crisanta Realty (advances)	2015	8a	332,797	332,797		Unsecured; interest-bearing; subject to re-pricing; due in five years
▪ PHES (advances)	2015	8b	(5,700)	92,054		Unsecured; noninterest-bearing; subject to re-pricing; due on demand
	2014		3,700	97,754		
▪ Others (advances and interest)	2015	8b	776	51,943		Unsecured; noninterest-bearing; subject to re-pricing; due on demand
	2014		(5,154)	51,167		
<b>KMP</b>						
▪ Short-term employee benefits	2015		31,901	-		-
	2014		31,569	-		-
	2013		35,562	-		-
▪ Post employment benefits	2015		1,001	-		-
	2014		1,154	-		-
	2013		1,319	-		-
<b>TOTAL</b>	<b>2015</b>			<b>P1,943,008</b>		
<b>TOTAL</b>	<b>2014</b>			<b>P1,984,102</b>		

#### a. Interest-bearing Advances to Related Parties

The Group granted interest-bearing advances to TWGI, PRC, MAHEC and Crisanta Realty.

The advances granted to TWGI and PRC are substantially used to finance the acquisition or development of real properties for the Group. TWGI paid P108.6 million in 2015 and P252.3 in 2014 while PRC paid nil in 2015 and 2014.

Interest charged to TWGI and PRC in 2015 and 2014 was 2%. Interest receivable from TWGI amounted to P112.31 million and P98.11 million as at December 31, 2015 and 2014, respectively while interest receivable from PRC amounted to P45.23 million and P35.02 million as at December 31, 2015 and 2014, respectively. Allowance for impairment loss on receivables from TWGI amounted to P59.62 million as at December 31, 2015 and 2014.

The advances amounting to P221.2 million granted to MAHEC in 2004 by the Group bore 4% interest. The advances were used as an additional fund infusion in acquiring the petrochemical plant of Bataan Polyethylene Corporation, through Polymax Worldwide Limited (Polymax), MAHEC's wholly owned subsidiary, and NPC Alliance Corp., a special purpose entity created by Polymax.

The increase in the advances to MAHEC was due to the yearly accrual of interest. Allowance for impairment loss on receivables from MAHEC amounted to nil and P17.48 million as at December 31, 2015 and 2014, respectively. Interest charged to MAHEC in 2015 and 2014 was 2%. Interest receivable from MAHEC amounted to P48.00 million and nil as at December 31, 2015 and 2014, respectively.

On February 5, 2015, the Parent Company, APHC, TWGI, PRC and MAHEC entered into a Memorandum of Understanding (MOU) whereby the parties agreed that the outstanding balance of the advances from TWGI, PRC and MAHEC will be settled using parcels of land owned by PRC. Subject to the other specific terms of the MOU, the settlement shall be effective upon completion of titling of the subject property by PRC, which is currently ongoing, will be completed by PRC. The advances to MAHEC was fully paid through cash settlement as at December 31, 2015 (see Note 25d).

On December 21, 2015, the Parent granted advances to Crisanta Realty for an interest of 2% and maturity on December 21, 2020. It was agreed that Crisanta Realty has the option to pay the balance before maturity date without payment of penalty fees and in case the latter refuses or fails to pay the principal and interest within the time agreed upon, the same shall be due and demandable. Accretion Expense of P40.46 million was recognized and recorded as part of "Interest expense" account in profit or loss to show the effect of the time value of money of the said advances.

**b. Noninterest-bearing Advances to Related Parties**

The Group has noninterest-bearing, collateral free advances to PHES and other stockholders with no fixed term of repayment. The said advances are due and demandable at anytime.

The collectability of the aforementioned due from related parties is unconditionally recognized and guaranteed by a stockholder of the Group, representing the majority stockholders.

- c. In July and August 2005, the BOD approved the conversion of APHC's net receivables from related parties amounting to P43.30 million into 86.71 million shares of stock of WII which are listed in the PSE. The conversion resulted to a loss on exchange of assets of P31.10 million for APHC. The fair market value of the shares based on closing market price as at December 31, 2015 and 2014 amounted to P18.21 million and P22.98 million, respectively, and are presented as "Available-for-sale investment" in the statement of financial position resulting in a valuation loss of P4.77 million in 2015, a valuation gain of P6.07 million in 2014 and a valuation loss of P9.10 million in 2013.**

All related party balances, other than those included in the MOU in Note 8a, are expected to be settled in cash. Total interest income on the abovementioned advances amounted to P31.73 million, P31.66 million and P32.00 million in 2015, 2014 and 2013, respectively.

## 9. Property and Equipment

Movements in this account are as follows:

<i>Measurement Basis:</i>	For the Year Ended December 31, 2015								
	Land	Land	Leasehold	Hotel	Furniture,	Operating	Transportation	Construction-	Total
	<i>Revalued</i>	<i>Revalued</i>	<i>At Cost</i>	<i>Buildings and Improvements Revalued</i>	<i>Fixtures and Equipment Revalued</i>	<i>Equipment At Cost</i>	<i>Equipment Revalued</i>	<i>in-Progress At Cost</i>	
<b>Cost</b>									
Beginning balance	P1,033,652,000	P16,945,425	P63,573,014	P8,197,656,439	P1,021,837,614	P258,087,026	P11,910,643	P47,128,981	P10,650,791,142
Additions	-	-	1,489,002	295,396	13,994,674	2,579,567	-	6,685,133	25,043,772
Retirement	-	-	-	-	(56,250)	-	-	-	(56,250)
Reclassification	-	-	-	52,295,614	-	1,518,500	-	(53,814,114)	-
<b>Ending balance</b>	<b>1,033,652,000</b>	<b>16,945,425</b>	<b>65,062,016</b>	<b>8,250,247,449</b>	<b>1,035,776,038</b>	<b>262,185,093</b>	<b>11,910,643</b>	<b>-</b>	<b>10,675,778,664</b>
<b>Accumulated Depreciation and Amortization</b>									
Beginning balance	-	11,066,263	46,267,913	3,325,665,264	808,969,884	215,610,031	8,939,631	-	4,416,518,986
Depreciation and amortization	-	3,740,416	1,915,340	193,895,799	114,837,370	18,331,848	963,127	-	333,683,900
Retirement	-	-	-	-	(56,250)	-	-	-	(56,250)
<b>Ending balance</b>	<b>-</b>	<b>14,806,679</b>	<b>48,183,253</b>	<b>3,519,561,063</b>	<b>923,751,004</b>	<b>233,941,879</b>	<b>9,902,758</b>	<b>-</b>	<b>4,750,146,636</b>
<b>Carrying Amount</b>	<b>P1,033,652,000</b>	<b>P2,138,746</b>	<b>P16,878,763</b>	<b>P4,730,686,386</b>	<b>P112,025,034</b>	<b>P28,243,214</b>	<b>P2,007,885</b>	<b>P -</b>	<b>P5,925,632,028</b>

For the Year Ended December 31, 2014

<i>Measurement Basis:</i>	Land	Land	Leasehold	Hotel	Furniture,	Operating	Transportation	Construction-	Total
	<i>Revalued</i>	<i>Revalued</i>	<i>At Cost</i>	<i>Buildings and Improvements Revalued</i>	<i>Fixtures and Equipment Revalued</i>	<i>Equipment At Cost</i>	<i>Equipment Revalued</i>	<i>in-Progress At Cost</i>	
<b>Cost</b>									
Beginning balance	P1,033,652,000	P16,945,425	P63,561,406	P8,152,138,282	P988,844,876	P261,142,941	P11,857,964	P4,063,645	P10,532,206,539
Additions	-	-	11,608	17,540,826	14,006,761	2,409,815	52,679	94,671,136	128,692,825
Disposals	-	-	-	(318,777)	(1,142,337)	(8,516,172)	-	-	(9,977,286)
Retirement	-	-	-	(130,936)	-	-	-	-	(130,936)
Reclassification	-	-	-	28,427,044	20,128,314	3,050,442	-	(51,605,800)	-
<b>Ending balance</b>	<b>1,033,652,000</b>	<b>16,945,425</b>	<b>63,573,014</b>	<b>8,197,656,439</b>	<b>1,021,837,614</b>	<b>258,087,026</b>	<b>11,910,643</b>	<b>47,128,981</b>	<b>10,650,791,142</b>
<b>Accumulated Depreciation and Amortization</b>									
Beginning balance	-	10,812,425	40,423,688	3,130,780,915	642,300,079	195,378,860	7,100,914	-	4,026,796,881
Depreciation and amortization	-	253,838	5,844,225	195,102,231	167,206,745	28,576,959	1,838,717	-	398,822,715
Impairment loss	-	-	-	-	518,016	144,656	-	-	662,672
Disposals	-	-	-	(175,327)	(1,054,956)	(8,490,444)	-	-	(9,720,727)
Retirement	-	-	-	(42,555)	-	-	-	-	(42,555)
<b>Ending balance</b>	<b>-</b>	<b>11,066,263</b>	<b>46,267,913</b>	<b>3,325,665,264</b>	<b>808,969,884</b>	<b>215,610,031</b>	<b>8,939,631</b>	<b>-</b>	<b>4,416,518,986</b>
<b>Carrying Amount</b>	<b>P1,033,652,000</b>	<b>P5,879,162</b>	<b>P17,305,101</b>	<b>P4,871,991,175</b>	<b>P212,867,730</b>	<b>P42,476,995</b>	<b>P2,971,012</b>	<b>P47,128,981</b>	<b>P6,234,272,156</b>

The carrying amount of property and equipment held under finance lease of WCCCHI and DIHCI as at December 31, 2015 and 2014 amounted to nil and P6.41 million, respectively (see Note 22).

Some of the property and equipment of the four (4) hotel properties, WCCCHI, APHC, WMCHI, and DIHCI are carried at revalued amounts as at December 31, 2015 and 2014. The last revaluation was on December 31, 2013 which resulted to the increase in the gross carrying amount of property and equipment amounting to P353.00 million.

The Group engaged an independent firm of appraisers to determine the fair value of certain classes of its property and equipment, specifically hotel buildings and improvements, furniture, fixtures and equipment, land improvements and transportation equipment, which are carried at revalued amounts. Fair value was determined by reference to market-based evidence, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In determining fair value, an estimate was made in accordance with the prevailing prices for materials, equipment, labor, and contractor's overhead and all other costs associated with its acquisition while taking into account the depreciation resulting from physical deterioration, functional and economic obsolescence.

Had the following classes of property and equipment been carried at cost less accumulated depreciation, their carrying amounts would have been as follows:

	2015	2014
Hotel buildings and improvements	P3,841,297,975	P3,790,746,396
Furniture, fixtures and equipment	1,022,492,114	995,321,028
Land improvements	11,398,504	11,398,504
Transportation equipment	10,503,478	10,556,157
	4,885,692,071	4,808,022,085
Less accumulated depreciation and amortization	1,769,264,600	2,531,651,513
	3,116,427,471	2,276,370,572
Land	650,515,909	650,515,909
	P3,766,943,380	P2,926,886,481

On October 15, 2013, the Group suffered damages on property and equipment due to a 7.2 magnitude earthquake. Casualty losses on cost and a write-off of revaluation surplus recognized in other comprehensive income arising from the said calamity amounted to P44.51 million and P21.02 million, respectively.

As discussed in Note 13 to the consolidated financial statements, the hotel buildings and equipment and furniture, fixtures and equipment of APHC with a total carrying amount of P1.81 billion and P1.86 billion as at December 31, 2015 and 2014, respectively, were used as collateral for APHC's loan with Industrial Commercial Bank of China Singapore Branch (ICBC).

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**10. Other Noncurrent Assets**

This account consists of:

	<i>Note</i>	2015	2014
Refundable deposits		<b>P23,743,549</b>	P26,032,997
Rent receivable	21	<b>10,522,583</b>	24,962,012
Special project deposits		<b>196,742</b>	419,901
Others		<b>6,225,849</b>	15,276,231
		<b>P40,688,723</b>	P66,691,141

Refundable deposits refer to security deposits on utilities, electricity, rental, returnable containers and others.

Special project deposits pertain to deposits granted to contractors in connection with the renovation work of WCCCHI and APHC.

Others represent deposits to service providers such as security and janitorial services.

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**11. Accounts Payable and Accrued Expenses**

This account consists of:

	<i>Note</i>	2015	2014
Trade payables		<b>P382,778,887</b>	P406,168,686
Accrued:			
Interest and penalties	13	<b>806,552,522</b>	747,545,879
Salaries, wages and employee benefits		<b>13,460,693</b>	11,752,912
Utilities		<b>11,029,506</b>	6,536,929
Rent		<b>7,846,575</b>	24,695,882
Other accruals		<b>56,433,516</b>	6,376,937
Local taxes and output VAT		<b>34,716,014</b>	47,172,165
Deferred income		<b>5,871,088</b>	3,706,435
Service charges		<b>5,466,693</b>	1,309,401
Withholding taxes payable		<b>4,274,541</b>	2,818,543
Due to contractors		<b>2,793,657</b>	2,793,657
Guest deposits		<b>2,131,210</b>	3,935,825
Service charges withheld		<b>1,562,793</b>	5,712,720
Unclaimed wages		<b>627,971</b>	1,317,273
Other payables		<b>37,034,868</b>	36,610,176
		<b>P1,372,580,534</b>	P1,308,453,420

Trade payables are noninterest-bearing and are normally on 30-day terms.

Other payables include commissions, sponsorships, gift certificates issued and sundry payables.

## 12. Other Current Liabilities

This account consists of:

	<i>Note</i>	2015	2014
Current portion of advance rental	21	P136,544,377	P61,889,587
Concessionaires' and other deposits		399,136,294	3,979,625
Current portion of obligations under finance lease	22	-	1,198,596
Others		1,000,000	1,000,000
		<b>P536,680,671</b>	<b>P68,067,808</b>

Others represent an unsecured short-term loan obtained from a local bank in 1996 with interest at prevailing market rate. The proceeds of the loan were used for the working capital requirements of GIRDI. GIRDI is a defendant in a collection case filed by a local bank involving an unsecured short-term loan obtained. While the case is currently inactive and the latest assessment made by the legal counsel is favorable to GIRDI, the payable is still retained until the case is completely dismissed. Management believes that the carrying value of the liability retained in the books as at December 31, 2015 and 2014 sufficiently represents the amount of possible liability that GIRDI may settle in the event that this case will ultimately be activated and decided against GIRDI.

## 13. Loans Payable

This account consists of liabilities to the following:

	2015	2014
<b>Current Portion:</b>		
Social Security System (SSS)	P375,000,000	P375,000,000
ICBC	74,735,932	149,376,633
Philippine Business Bank (PBB)	46,294,118	49,791,667
	<b>P496,030,050</b>	<b>P574,168,300</b>
<b>Noncurrent Portion:</b>		
ICBC	P -	P70,696,966
PBB	-	202,941,176
	<b>P -</b>	<b>P273,638,142</b>

### ICBC Loan

On March 27, 1995, APHC entered in to a Facility Agreement with ICBC for a US\$15.00 million loan which was restructured several times, the latest of which was on November 12, 2013 after APHC made a partial payment of US\$700,000. The outstanding principal balance of the restructured loan as at December 31, 2015 and 2014 amounted to P75,272,219 (US\$1,595,900) and P221,652,794 (US\$4,967,900), respectively, with details as follows:

2015	Principal	Unamortized Restructuring Fee	Net Carrying Value
Current	P75,272,219	P536,287	P74,735,932



2014	Principal	Unamortized Restructuring Fee	Net Carrying Value
Current	P150,448,524	(P1,071,891)	P149,376,633
Noncurrent	71,204,270	(507,304)	70,696,966
	P221,652,794	(P1,579,195)	P220,073,599

The significant terms and conditions of the restructured loan include the following:

- Payment of restructuring fee of \$50,000 upon receipt of restructured loan documents;
- Annual interest shall be at 3% above SIBOR;
- The Parent Company shall be a corporate guarantor, and shall maintain at least 51% shareholding of APHC throughout the loan tenor;
- The loan is covered by a first legal mortgage over the parcel of land owned by CIMAR where the hotel is situated, the hotel building and equipment, and the furniture, fixtures and all other items thereon which belong to APHC (see Note 9); and
- The loan will be considered in default if no repayment of principal plus interest for two (2) consecutive months.

As at December 31, 2015 and 2014, APHC is compliant with the terms and conditions of the restructuring agreement. The restructured loan will mature in June 2016.

#### SSS Loan

On October 28, 1999, the Parent Company obtained a five-year term loan from SSS amounting to P375.00 million originally due on October 29, 2004. The SSS loan bears interest at the prevailing market rate plus 3% or 14.5% per annum, whichever is higher. Interest is repriced annually and is payable semi-annually. Initial interest payments are due 180 days from the date of the release of the proceeds of the loan. The repayment of the principal shall be based on eight (8) semi-annual payments, after a one-year grace period.

The SSS loan was availed to finance the completion of the facilities of WCCCHI. It was secured by a first mortgage over parcels of land owned by WII and by the assignment of 200 million common shares of the Parent Company owned by TWGI. The common shares assigned were placed in escrow in the possession of an independent custodian mutually agreed upon by both parties.

On August 7, 2003, when the total loan obligation to SSS, including penalties and interest, amounted to P605.00 million, the Parent Company was considered in default with the payments of the loan obligations, thus, on the same date, SSS executed a foreclosure proceeding on the mortgaged parcels of land. The SSS's winning bid on the foreclosure sale amounting to P198.00 million was applied to penalties and interest amounting to P74.00 million and P124.00 million, respectively. In addition, the Parent Company accrued penalties charged by SSS amounting to P30.50 million covering the month of August until December 2003, and unpaid interest expense of P32.00 million.

The Parent Company, WII and TWGI were given the right to redeem the foreclosed property within one (1) year from October 17, 2003, the date of registration of the certificate of sale. The Parent Company recognized the proceeds of the foreclosure sale as its liability to WII and TWGI. The Parent Company, however, agreed with TWGI to offset this directly against its receivable from the latter. In August 2004, the redemption period for the Parent Company, WII and TWGI expired.

The remaining balance of the SSS loan is secured by the shares of stock of the Parent Company owned by TWGI and shares of stock of WII numbering 235 million and 80 million shares, respectively.

On May 13, 2004, SSS filed a civil suit against the Parent Company for the collection of the total outstanding loan obligation before the Regional Trial Court (RTC) of Quezon City. SSS likewise asked the RTC of Quezon City for the issuance of a writ of preliminary attachment on the collateral property.

On June 18, 2004, the RTC of Quezon City issued its first order granting SSS's request and the issuance of a writ of preliminary attachment based on the condition that SSS shall post an attachment bond in the amount of P452.8 million. After the lapse of three (3) months from the issuance of RTC order, no attachment bond has been posted. Thus on September 16, 2004 and September 17, 2004, the Parent Company filed a Motion to Set Aside Order of Attachment and Amended Motion to Set Aside Order of Attachment, respectively.

On January 10, 2005, the RTC of Quezon City issued its second order denying the Parent Company's petition after finding no compelling grounds to reverse or reconsider its initial findings dated June 18, 2004. In addition, since no writ of preliminary attachment was actually issued for failure of SSS to file a bond on the specified date, the RTC granted SSS an extension of fifteen (15) days from receipt of its second order to post the required attachment bond.

On February 10, 2005, SSS filed a Motion for Partial Reconsideration of the Order dated January 10, 2005 requesting that it be allowed to post a real property bond in lieu of a cash/surety bond and asking for another extension of thirty (30) days within which to post the said property bond. On March 7, 2005, the Parent Company filed its opposition to the said Motion.

On July 18, 2005, the RTC of Quezon City issued its third order denying the Parent Company's petition and granted SSS the thirty (30) day extension to post the said attachment bond. Accordingly, on August 25, 2005, the Parent Company filed a Motion for Reconsideration.

On September 12, 2005, the RTC of Quezon City issued its fourth order approving SSS's property bond in the total amount of P452.80 million. Accordingly, the RTC ordered the corresponding issuance of the writ of preliminary attachment. On November 3, 2005, the Parent Company submitted a Petition for Certiorari before the Court of Appeals (CA) seeking the nullification of the orders of the RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005.

In a Resolution dated February 22, 2006, the CA granted the Parent Company's petition for the issuance of the Temporary Restraining Order to enjoin the implementation of the orders of the RTC of Quezon City specifically on the issuance of the writ of preliminary attachment.

On March 28, 2006, the CA granted the Parent Company's petition for the issuance of a writ of preliminary injunction prohibiting the RTC of Quezon City from implementing the questioned orders.

On August 24, 2006, the CA issued a decision granting the Petition for Certiorari filed by the Parent Company on November 3, 2005 and nullifying the orders of the RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005 and consequently making the writ of preliminary injunction permanent.

Accordingly, SSS filed a Petition for Review on Certiorari on the CA's decision before the Supreme Court (SC).

On November 15, 2006, the First Division of the SC issued a Resolution denying SSS's petition for failure of SSS to sufficiently show that the CA committed any reversible error in its decision which would warrant the exercise of the SC's discretionary appellate jurisdiction.

The Parent Company, at various instances, initiated negotiations with the SSS for restructuring of the loan but was not able to conclude a formal restructuring agreement.

In the absence of a formal restructuring agreement, the entire outstanding loan balance amounted to P375.00 million based on principal amount plus accrued interest and penalties amounted to P806.31 million and P746.44 million as at December 31, 2015 and 2014, respectively, presented as part of "Accrued interest and penalties" account under "Accounts payable and accrued expenses" (see Note 11).

On January 13, 2015, the RTC of Quezon City issued a decision declaring null and void the contract of loan and the related mortgages entered into by the Parent Company with SSS on the ground that the officers and the SSS are not authorized to enter the subject loan agreement. In the decision, the RTC of Quezon City directed the Company to return to SSS the principal amount of loan amounting to P375.00 million and directed the SSS to return to the Company and to its related parties titles and documents held by SSS as collaterals.

As at December 31, 2015, SSS has not yet appealed or filed a motion for reconsideration (see Note 25c).

#### PBB Loan

On December 19, 2011, WMCHI entered into a term loan agreement with PBB amounting to P300 million with interest from the date hereof fixed at 12% per annum to be repriced every month and payable in arrears. The loan is contractually payable in lump sum in January 2015. WMCHI, however, is allowed to fully or partially pre-terminate the loan. The loan is secured by: a) the assignment of rental receivable from PAGCOR on the leases of the hotel; b) hotel building and other improvements; and c) a real estate property of PRC. The proceeds of the loan shall be used exclusively to repay the remaining loans of TWGI with Cameron Granville Asset Management, Inc.

In 2012, WCCCHI entered into a term loan agreement with PBB amounting to P250 million. The loan matures in three years and shall bear an interest rate of 10% per annum to be repriced every month and payable in arrears. WCCCHI, however, is allowed to fully or partially pre-terminate the loan. In 2013, WCCCHI made a partial pre-termination of the loan amounting to P368.75 million. In 2014, WCCCHI fully paid the remaining outstanding loans payable amounting to P106.25 million.

On January 9, 2013, WMCHI entered into another term loan agreement with PBB amounting to P300 million. The loan had been released in four (4) installments starting on January 9, 2013 for P80 million, on February 4, 2013 for P120 million, on March 11, 2013 for P50 million and on April 4, 2013 for P50 million with a stated interest rate fixed at 10% per annum from the date the loan was released to be repriced every month and payable in arrears. The loan matured in 2015 and was not secured by any assets or properties. The proceeds of the loan shall be used exclusively for the Phase II renovation costs of APHC.

On March 19, 2014, WMCHI entered into a term loan agreement with PBB amounting to P100.00 million with a stated interest rate fixed at 8% per annum to be repriced every month and payable in arrears. The loan will mature in two (2) years and is not secured by any assets or properties. WMCHI, however, is allowed to fully or partially pre-terminate the loan. The proceeds of the loan shall be used exclusively for the renovation and refurbishment of the Group's hotels in Cebu and Manila.

On April 8, 2014, WMCHI entered into another term loan agreement with PBB amounting to P150.00 million with a stated interest rate fixed at 8% per annum to be repriced every month and payable in arrears. The loan will mature in two (2) years and is not secured by any assets or properties. WMCHI, however, is allowed to fully or partially pre-terminate the loan. The proceeds of the loan shall be used exclusively for the renovation and refurbishment of the Group's hotels in Cebu and Manila, and for the acquisition of a 3,400 square meters commercial property in Iloilo Business Park.

In 2015, 2014 and 2013, interest expense incurred from the ICBC, SSS and PBB loans amounted to P76.16 million, P113.42 million and P145.81 million, respectively, and recorded as part of "Interest expense" account in profit or loss.

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#### 14. Other Noncurrent Liabilities

The account is broken down as follows:

	<i>Note</i>	<b>2015</b>	<b>2014</b>
Advance rental	21	<b>P6,153,370</b>	<b>P357,685,773</b>
PAGCOR and concessionaires' deposits	21, 22	-	<b>296,411,179</b>
Others		<b>5,193,733</b>	<b>5,801,853</b>
		<b>P11,347,103</b>	<b>P659,898,805</b>

## 15. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit - the Hotel operations and the Marketing operations. The Corporate and Others segment includes general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 26 to the consolidated financial statements.

The following table presents the revenue and profit information regarding industry segments for the years ended December 31, 2015 and 2014 and certain asset and liability information regarding industry segments as at December 31, 2015, 2014 and 2013 (in millions):

	Hotel Operations			Marketing Operations			Corporate and Other Operations			Eliminations			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
<b>TOTAL REVENUES</b>															
External sales	P2,023	P1,880	P1,866	P -	P -	P -	P89	P93	P113	(P11)	P -	P -	P2,101	P1,973	P1,979
<b>RESULTS</b>															
Segment results	P132	P147	P69	(P1)	(P1)	P -	(P24)	(P41)	(P81)	P254	P55	P44	P361	P160	P32
<b>OTHER INCOME (LOSS)</b>															
Interest expense	(97)	(128)	(164)	-	(5)	-	(40)	-	-	-	-	-	(137)	(133)	(164)
Interest income	1	1	-	-	-	-	33	33	34	-	-	-	34	34	34
Benefit from (provision for) income taxes	(72)	(25)	1	-	-	-	(5)	(3)	(5)	-	-	-	(77)	(28)	(4)
Others	(10)	-	28	(10)	(4)	9	(2)	-	-	-	-	-	(22)	(4)	37
<b>Total Other Income (Loss)</b>	<b>(178)</b>	<b>(152)</b>	<b>(135)</b>	<b>(10)</b>	<b>(9)</b>	<b>9</b>	<b>(14)</b>	<b>30</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(202)</b>	<b>(131)</b>	<b>(97)</b>
<b>Net Income (Loss)</b>	<b>(P46)</b>	<b>(P5)</b>	<b>(P66)</b>	<b>(11)</b>	<b>(P10)</b>	<b>P9</b>	<b>(P38)</b>	<b>(P11)</b>	<b>(P52)</b>	<b>P254</b>	<b>P55</b>	<b>P44</b>	<b>P159</b>	<b>P29</b>	<b>(P65)</b>
<b>OTHER INFORMATION</b>															
Segment assets	P7,032	P7,737	P7,790	P220	P220	P196	P4,929	P5,256	P5,500	(P3,760)	(P4,480)	(P4,530)	P8,421	P8,733	P8,956
Deferred tax assets	120	197	244	-	-	-	4	4	4	-	-	-	124	201	248
<b>Consolidated Total Assets</b>	<b>P7,152</b>	<b>P7,934</b>	<b>P8,034</b>	<b>P220</b>	<b>P220</b>	<b>P196</b>	<b>P4,933</b>	<b>P5,260</b>	<b>P5,504</b>	<b>(P3,760)</b>	<b>(P4,480)</b>	<b>(P4,530)</b>	<b>P8,545</b>	<b>P8,934</b>	<b>P9,204</b>
Segment liabilities	P2,942	P3,776	P4,004	P62	P60	P26	P2,336	P2,465	P2,552	(P2,768)	(P3,229)	(P3,229)	P2,572	P3,072	P3,353
Deferred liabilities	1,110	1,175	1,253	-	-	-	-	-	-	-	-	-	1,110	1,175	1,253
<b>Consolidated Total Liabilities</b>	<b>P4,052</b>	<b>P4,951</b>	<b>P5,257</b>	<b>P62</b>	<b>P60</b>	<b>P26</b>	<b>P2,336</b>	<b>P2,465</b>	<b>P2,552</b>	<b>(P2,768)</b>	<b>(P3,229)</b>	<b>(P3,229)</b>	<b>P3,682</b>	<b>P4,247</b>	<b>P4,606</b>
<b>Other Segment Information</b>															
Capital expenditures	P22	P128	P103	P -	P -	P -	P3	P1	P1	P -	P -	P -	P25	P129	P104
Depreciation and amortization	327	391	341	-	-	-	7	8	8	-	-	-	334	399	349

## 16. Capital Stock and Noncontrolling Interest

### Capital Stock

Details of capital stock at December 31, 2015 and 2014 are as follows:

	Number of Shares	
	2015	2014
Authorized:		
Common shares at P1 par value	5,000,000,000	5,000,000,000
Issued and outstanding	2,498,991,753	2,498,991,753

On July 20, 2007, the BOD resolved to increase the authorized capital stock of the Parent Company to P10 billion with 10 billion shares at par value of P1.00 per share. It was further resolved that the Articles of Incorporation be subsequently amended to reflect the increase in authorized capital. This resolution was ratified by the Parent Company's stockholders owning at least two-thirds of the outstanding capital stock during the annual stockholders' meeting held on August 25, 2007.

In 2009, the BOD passed a resolution temporarily suspending the implementation of the above proposed increase in the authorized capital stock of the Parent Company in abeyance. As at December 31, 2015 and 2014, there is no update on the status of the proposed increase in the authorized capital stock of the Parent Company.

### Noncontrolling Interest (NCI)

The details of the Group's material NCIs are as follows (amount in thousands):

	December 31, 2015		December 31, 2014	
	APHC	GIRDI	APHC	GIRDI
Percentage of NCI	42%	46%	42%	46%
Carrying amount of NCI	P568,965	P198,654	P537,789	P198,629
Net income attributable to NCI	P31,323	P24	P17,550	P35
Other comprehensive income (loss) attributable to NCI	(P148)	P -	P821	P -

The following are the audited condensed financial information of investments in subsidiaries with material NCIs (amounts in thousands):

	December 31, 2015		December 31, 2014	
	APHC	GIRDI	APHC	GIRDI
Total assets	P2,331,982	P471,520	P2,466,812	P471,778
Total liabilities	(977,304)	(39,660)	(1,186,361)	(39,975)
Net assets	P1,354,678	P431,860	P1,280,451	P431,803
Revenue	P625,647	P1,477	P567,560	P1,485
Net income	P74,579	P58	P45,878	P76
Other comprehensive income	(352)	-	1,955	-
	P74,227	P58	P47,833	P76
Cash flows provided by operating activities	P113,405	P -	P104,842	P -
Cash flows provided by (used in) investing activities	49,550	-	(10,754)	-
Cash flows used in financing activities	(160,264)	-	(96,179)	-
NET INCREASE (DECREASE) IN CASH	P2,691	P -	(P2,091)	P -

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**17. Other Costs and Expenses**

This account consists of:

	2015	2014	2013
Other services	P79,973,865	P31,348,157	P17,112,966
Supplies	41,296,252	37,649,015	31,620,097
Taxes and licenses	37,706,467	50,723,091	41,395,085
Security and other services	32,841,759	34,675,944	47,133,435
Corporate expenses	26,250,954	23,541,281	37,056,091
Insurance	21,543,413	15,477,416	15,218,799
Advertising	17,958,548	11,978,871	30,746,927
Transportation and travel	13,180,135	15,861,257	16,733,529
Data processing	11,685,323	18,936,199	15,424,244
Commissions	11,227,322	9,884,201	10,430,524
Fuel and oil	10,899,829	13,934,675	9,699,388
Professional fees	10,642,820	8,430,457	12,163,764
Communications	7,080,404	6,200,659	12,781,834
Representation and entertainment	6,671,351	22,880,146	19,931,526
Guest amenities	3,478,861	1,248,694	3,710,362
Uniforms	1,994,748	397,768	396,060
Guest and laundry valet	1,249,281	1,072,501	2,050,030
Meeting expenses	193,801	219,325	2,648,993
Trainings and seminars	30,420	206,810	1,219,166
Medical expenses	-	-	4,402,429
Reservation	-	-	4,311,148
Membership dues	-	-	931,834
Recruitment	-	-	892,425
Fines and penalties	-	-	126,571
Miscellaneous	15,158,868	15,886,655	11,106,988
	<b>P351,064,421</b>	<b>P320,553,122</b>	<b>P349,244,215</b>

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**18. Retirement Benefits Cost**

Certain subsidiaries have noncontributory, defined benefit plan covering substantially all of its regular employees with at least five years of continuous service. The benefits are based on percentage of the employee's final monthly salary for every year of continuous service depending on the length of stay. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Net retirement benefits cost recognized in profit or loss for the years ended December 31, 2015, 2014 and 2013 amounted to P40.34 million, P32.17 million and P36.48 million, respectively, and is presented as part of "Personnel costs" account in profit or loss.

The latest independent actuarial valuation of the plan was as at December 31, 2015, which was prepared using the projected unit credit method in accordance with PAS 19 (Revised), *Employee Benefits*. The plan is administered by independent trustees with assets held consolidated from those of the Group.

The plan is registered with the BIR as a tax-qualified plan under Republic Act No. 4917, as amended.

The reconciliation of the retirement benefits liability account in the consolidated statement of financial position is shown below:

2015	Defined Benefit Obligation	Fair Value of Plan Assets	Asset Ceiling Adjustment	Retirement Benefits Liability
Balance, January 1, 2015	P203,796,658	(P89,517,698)	P2,806,674	P117,085,634
<b>Included in Profit or Loss</b>				
Current service cost	35,013,384	-	-	35,013,384
Net interest income (cost)	9,796,622	(4,604,075)	136,124	5,328,671
	44,810,006	(4,604,075)	136,124	40,342,055
<b>Included in Other Comprehensive Income</b>				
Remeasurement gains (losses) of plan assets:				
1. Actuarial gains (losses) arising from:				
▪ Changes in financial assumptions	(17,044,911)	-	-	(17,044,911)
▪ Changes in demographic assumptions	5,358,214	-	-	5,358,214
▪ Experience adjustments	(17,663,468)	-	-	(17,663,468)
2. Return on plan assets excluding interest income	-	4,195,071	-	4,195,071
3. Effect of asset ceiling	-	-	5,358,112	5,358,112
	(29,350,165)	4,195,071	5,358,112	(19,796,982)
<b>Others</b>				
Contributions paid by the employer	-	(11,250,000)	-	(11,250,000)
Benefits paid from:				
Book reserves	(9,305,910)	360,712	-	(8,945,198)
Plan assets	-	-	-	-
	(9,305,910)	(10,889,288)	-	(20,195,198)
<b>Balance, December 31, 2015</b>	<b>P209,950,589</b>	<b>(P100,815,990)</b>	<b>P8,300,910</b>	<b>P117,435,509</b>



2014	Defined Benefit Obligation	Fair Value of Plan Assets	Asset Ceiling Adjustment	Retirement Benefits Liability
Balance, January 1, 2014	P271,867,374	(P88,158,521)	P1,942,709	P185,651,562
Included in Profit or Loss				
Current service cost	23,402,784	-	-	23,402,784
Net interest income (cost)	12,918,717	(4,246,413)	92,084	8,764,388
	36,321,501	(4,246,413)	92,084	32,167,172
Included in Other Comprehensive Income				
Remeasurement gains (losses) of plan assets:				
1. Actuarial gains (losses) arising from:				
▪ Changes in financial assumptions	(65,951,920)	-	-	(65,951,920)
▪ Changes in demographic assumptions	2,278,778	-	-	2,278,778
▪ Experience adjustments	(14,082,607)	-	-	(14,082,607)
2. Return on plan assets excluding interest income	-	537,425	-	537,425
3. Effect of asset ceiling	-	-	771,881	771,881
	(77,755,749)	537,425	771,881	(76,446,443)
Others				
Contributions paid by the employer	-	(4,000,000)	-	(4,000,000)
Benefits paid from:				
Book reserves	(20,286,657)	-	-	(20,286,657)
Plan assets	(6,349,811)	6,349,811	-	-
	(26,636,468)	2,349,811	-	(24,286,657)
Balance, December 31, 2014	P203,796,658	(P89,517,698)	P2,806,674	P117,085,634

Personnel costs comprise the following:

	2015	2014	2013
Salaries and wages	P294,365,171	P329,324,290	P231,416,185
Retirement benefits expense	40,342,055	32,167,172	36,478,197
Other employee benefits	20,242,473	19,455,713	10,201,457
	P354,949,699	P380,947,175	P278,095,839

The Group's plan assets consist of the following:

	2015	2014
Investment in government securities	P77,195,903	P67,059,287
Deposit in banks	10,258,780	10,435,978
Investment in other securities and debt instruments	2,259,759	1,999,554
Cash and cash equivalents	1,046,020	896,118
Debt instruments - government bonds	1,216,952	863,193
Debt instruments - other bonds	316,707	306,853
Equity instruments	228,253	251,524
Other receivables	8,293,616	7,705,191
	P100,815,990	P89,517,698

The Hotel does not expect to contribute to the plan in 2016 as the balance of the plan assets is sufficient to cover the expected retirement payments.

The principal actuarial assumptions at reporting date are as follows:

	2015	2014
Discount rate	5.0% - 5.42%	4.5% - 4.9%
Salary increase rate	3.0% - 10.0%	5.0% - 10.0%

Assumptions regarding the mortality and disability rates are based on the 2001 CSO Table - Generational (Scale AA, Society of Actuaries) and the Disability Study, Period 2, Benefit 5 (Society of Actuaries), respectively.

The weighted-average duration of the defined benefit obligation is 17.1 years and 19.7 years as at December 31, 2015 and 2014, respectively.

Maturity analysis of the benefit payments as at December 31 follows:

	2015	2014
Carrying amount	P209,950,589	P203,796,658
Within 1 year	P7,957,161	P7,215,437
Within 1-5 years	133,246,265	132,696,034
Contractual cash flows	P141,203,426	P139,911,471

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2015	+1%	-1%
Discount rate	(P246,622)	P2,291,892
Salary increase rate	2,244,476	(91,876)
2014	+1%	-1%
Discount rate	P167,260	(P24,078)
Salary increase rate	2,533,667	(2,211,345)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

These defined benefit plans expose the Group to actuarial risks such as longevity risk, interest rate risk, and market (investment) risk.

#### Asset-liability Matching

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

#### Funding Policy

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will be paid by the Group directly to the employee-retiree.

## 19. Income Taxes

The components of the Group's income tax expense (benefit) are as follows:

	2015	2014	2013
<b>Recognized in Profit or Loss</b>			
Current	P71,347,136	P81,521,865	P53,338,161
Deferred	5,460,572	(53,500,047)	(49,386,050)
	<b>P76,807,708</b>	<b>P28,021,818</b>	<b>P3,952,111</b>
<b>Recognized in OCI</b>			
Deferred	<b>P5,939,095</b>	<b>P22,933,932</b>	<b>P120,863,334</b>

The reconciliation of the income tax amounts computed at the statutory tax rate to the actual income tax expense shown in profit or loss is as follows:

	2015	2014	2013
Income (loss) before income tax	<b>P235,514,803</b>	<b>P57,036,987</b>	<b>(P61,379,405)</b>
Income tax expense (benefit) at 30%	<b>P70,654,441</b>	<b>P17,111,096</b>	<b>(P18,413,822)</b>
Additions to (reductions in) income tax resulting from the tax effects of:			
Changes in unrecognized DTAs	2,067,312	5,643,264	13,620,874
Nondeductible expenses	13,430,934	9,035,802	11,708,416
Loss (income) not subjected to income tax	(9,344,979)	1,191,361	(2,963,244)
Realization of previously unrecognized deferred tax on Net operating loss carryover (NOLCO)	-	(4,959,705)	(113)
	<b>P76,807,708</b>	<b>P28,021,818</b>	<b>P3,952,111</b>

The movements for the deferred tax assets and liabilities are as follows:

December 31, 2015	Balance January 1, 2015	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2015
<b>Deferred tax liabilities:</b>				
Revaluation surplus on property and equipment	P1,141,152,565	(P47,495,562)	P -	P1,093,657,003
Rental receivable	22,905,602	(11,846,000)	-	11,059,602
Unamortized premium on security deposits	11,330,990	(6,079,281)	-	5,251,709
	<b>1,175,389,157</b>	<b>(65,420,843)</b>	<b>-</b>	<b>1,109,968,314</b>
<b>Deferred tax assets:</b>				
Rent received in advance	125,872,608	(61,747,152)	-	64,125,456
Retirement liability	35,125,689	6,044,059	(5,939,095)	35,230,653
Unrealized foreign exchange loss	28,184,611	(16,434,806)	-	11,749,805
Allowance for impairment losses on receivables	4,982,181	776,291	-	5,758,472
Unamortized past service cost	2,856,910	319,921	-	3,176,831
NOLCO	1,571,840	777,890	-	2,349,730
Accrued rent expense	1,232,134	(529,059)	-	703,075
Minimum Corporate Income Tax (MCIT)	365,786	152,105	-	517,891
Unearned revenues	673,763	(240,664)	-	433,099
	<b>200,865,522</b>	<b>(70,881,415)</b>	<b>(5,939,095)</b>	<b>124,045,012</b>
	<b>P974,523,635</b>	<b>P5,460,572</b>	<b>P5,939,095</b>	<b>P985,923,302</b>
<b>December 31, 2014</b>				
	Balance January 1, 2014	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2014
<b>Deferred tax liabilities:</b>				
Revaluation surplus on property and equipment	P1,206,954,138	(P65,801,573)	P -	P1,141,152,565
Rental receivable	28,644,483	(5,738,881)	-	22,905,602
Unamortized premium on security deposits	17,016,811	(5,685,821)	-	11,330,990
	<b>1,252,615,432</b>	<b>(77,226,275)</b>	<b>-</b>	<b>1,175,389,157</b>
<b>Deferred tax assets:</b>				
Rent received in advance	136,117,643	(10,245,035)	-	125,872,608
Retirement liability	55,695,467	2,364,154	(22,933,932)	35,125,689
Unrealized foreign exchange loss	38,650,300	(10,465,689)	-	28,184,611
Allowance for impairment losses on receivables	6,766,167	(1,783,986)	-	4,982,181
Unamortized past service cost	3,289,177	(432,267)	-	2,856,910
NOLCO	670,612	901,228	-	1,571,840
Accrued rent expense	1,492,618	(260,484)	-	1,232,134
MCIT	2,013,820	(1,648,034)	-	365,786
Unearned revenues	2,820,264	(2,146,501)	-	673,763
Accrued restructuring cost on loan	9,614	(9,614)	-	-
	<b>247,525,682</b>	<b>(23,726,228)</b>	<b>(22,933,932)</b>	<b>200,865,522</b>
	<b>P1,005,089,750</b>	<b>(P53,500,047)</b>	<b>P22,933,932</b>	<b>P974,523,635</b>

Deferred tax assets have not been recognized by certain subsidiaries in respect of the following items in the table below because it is not probable that future taxable profits will be available against which the subsidiaries can utilize the benefits thereon prior to their expiration or reversal.

	2015		2014	
	Tax Base	Tax Effect	Tax Base	Tax Effect
NOLCO	P49,647,678	P14,894,303	P67,067,592	P20,120,278
Allowance for impairment losses	829,432	248,830	829,432	248,830
Accrued rent expense	556,050	166,815	580,097	174,029
MCIT	277,966	277,966	307,381	307,381
	<b>P51,311,126</b>	<b>P15,587,914</b>	<b>P68,784,502</b>	<b>P20,850,518</b>

Details of NOLCO are as follows:

Year Incurred	Expiry Date	NOLCO	Applied		Expired Amount	Remaining Amount
			Prior Years	Current Year		
2015	December 31, 2018	P9,238,501	P -	P -	P -	P9,238,501
2014	December 31, 2017	23,141,865	-	-	-	23,141,865
2013	December 31, 2016	25,099,745	-	-	-	25,099,745
2012	December 31, 2015	23,467,809	-	-	(23,467,809)	-
		<b>P80,947,920</b>	<b>P -</b>	<b>P -</b>	<b>(P23,467,809)</b>	<b>P57,480,111</b>

Certain subsidiaries were required to pay MCIT under existing tax regulations. The MCIT payments and the applicable years that these will be deductible from future RCIT payable are shown below:

Year Incurred	Expiry Date	MCIT	Applied		Expired Amount	Remaining Amount
			Prior Years	Current Year		
2015	December 31, 2018	P232,970	P -	P -	P -	P232,970
2014	December 31, 2017	247,938	-	-	-	247,938
2013	December 31, 2016	6,331,491	(6,016,542)	-	-	314,949
2012	December 31, 2015	846,792	(736,512)	-	(110,280)	-
		<b>P7,659,191</b>	<b>(P6,753,054)</b>	<b>P -</b>	<b>(P110,280)</b>	<b>P795,857</b>

## 20. Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing the net income for the year by the weighted average number of outstanding shares of common stock during the year.

	2015	2014	2013
Net income (loss) attributable to equity holders of the Parent	<b>P127,211,459</b>	<b>P9,713,620</b>	<b>(P69,813,828)</b>
Weighted number of shares outstanding	<b>2,498,991,753</b>	<b>2,498,991,753</b>	<b>2,498,991,753</b>
Earnings (loss) per share - basic and diluted	<b>P0.051</b>	<b>P0.004</b>	<b>(P0.028)</b>

There are no potentially dilutive shares as at December 31, 2015, 2014 and 2013. Accordingly, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

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## 21. Lease Agreements with PAGCOR

In compliance with the decision of the Board of Arbitrators rendered on January 28, 2003, PAGCOR and the Parent Company (together with WCCCHI and WMCHI) executed an Amended Contract of Lease (ACL) on January 31, 2003, which entirely superseded the Original Contract of Lease (OCL) of September 13, 1995, and revoked the exclusive right of the Parent Company (together with WCCCHI and WMCHI) to provide the sole venue for land-based casinos of PAGCOR in the Province of Cebu under a memorandum of agreement. The new lease period retroacts to January 1, 2001, and shall remain in force until December 31, 2008, unless sooner shortened or renewed, upon mutual agreement of the parties.

The ACL mandated for a straight rental of P1,200 per square meter of floor area, subject to a 5% cumulative increase computed on an annual basis commencing on the fourth year. This provision completely replaced the marketing incentive fee as stipulated in the OCL. In addition, the ACL provided for the immediate payment of PAGCOR of its lease rentals from January 1, 2001 to December 31, 2002 based on the new rate, net of amounts already paid. Likewise, PAGCOR agreed to pay refundable deposits starting in 2003, which amount shall be maintained at all times. Furthermore, PAGCOR will pay a sum equal to the total rental payments previously made for the years 2001, 2002 and 2003 under the OCL, which sum shall be considered as cash advances.

PAGCOR also agreed to pay WCCCHI and WMCHI security deposits equivalent to one year rental based on monthly rentals, which amount shall be maintained at all times. The security deposits are recorded as part of "PAGCOR and concessionaires' deposits" account under "Other noncurrent liabilities" in the consolidated statement of financial position (see Note 14).

The lease agreement with WCCCHI is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreements underwent various amendments and renewals. The latest renewal contract was executed by WMCHI and PAGCOR on March 21, 2011 for the Main Area, Slot Machine Expansion Area, Mezzanine and 5<sup>th</sup> Floor Junket Area. The lease period for the Main Area and Slot Machine Expansion Area shall be for five (5) years and five (months) and five (5) years and four (4) months, respectively. The leases shall commence on March 3, 2011 and March 16, 2011, for the Main Area and Slot Machine Expansion Area, respectively. Both leases shall end on August 2, 2016. The lease for the Mezzanine shall commence within ten (10) months after the execution of this contract, or simultaneously with the commencement of commercial gaming operations in the said Area. The lease for the 5<sup>th</sup> Floor Junket Area shall commence upon the execution of this lease contract for an initial period of one (1) year and within the said period, the lessee shall inform the lessor in writing whether the lessee will continue the lease over the said area or terminate the same.

The lease agreement with WMCHI is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreements underwent various renewals. The latest renewal contract executed by WMCHI and PAGCOR was on March 21, 2011. The lease commenced on March 3, 2011 until August 2, 2016 or an extended period of five (5) years and five (5) months. Monthly rental is at P1,772.96 per square meter for the total area of 4,076.24 square meters of the main area and P1,688.53 per square meter for the total area of 1,076 square meters of the chip washing area, all subject to a 5% escalation rate starting on January 3, 2013 and every year thereafter. In addition, PAGCOR shall pay six (6) months advance rental for the main casino area and six (6) months advance rental payment, for the chip washing area, upon execution of the lease contract. The advance rental payments shall be applied respectively to the rent due on the main casino area and chip washing area for the first six (6) months of the last year of the lease.

APHC also has a lease agreement with PAGCOR which is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreement underwent various renewals. The latest renewal contract, known as the Omnibus Amended Lease Contract (OALC), was executed by APHC and PAGCOR on December 1, 2010.

The OALC covers the Main Area (7,093.05 sq. m.), Expansion Area A (2,130.36 sq. m.), Expansion Area B (3,069.92 sq. m.) and Air Handling Unit (AHU) Area (402.84 sq. m.) for a total lease area of 12,696.17 square meters. The lease period for the Main Area, Expansion Area A and AHU Area shall commence upon the signing of the lease agreement until December 16, 2016. While Expansion Area B commences ten (10) months after the turnover of the Expansion Area B to the lessee or the commencement of commercial gaming operations in the Expansion Area B, whichever comes earlier, and shall terminate on December 31, 2016. The OALC may be renewed at the option of the lessee under such terms and conditions as may be agreed upon by the parties. Annual escalation rate of 5% shall be applied on the third and fourth year of the lease.

Upon the execution of the OALC, PAGCOR shall pay six (6) months advance rental or P127.54 million for the Main Area and Expansion Area A, which shall be applied to the rent due on the first six months of the last year of the lease term. Further, PAGCOR shall pay advance rental on Expansion Area B amounting to P58.94 million or equivalent to one (1) year rent.

Relative to the renewal of the contracts, the existing security deposits received by WCCCHI, WMCHI and APHC upon execution of the prior contracts were retained by the aforementioned entities. The amortized cost of the refundable security deposits were determined by calculating the present value of the cash flows anticipated until the end of the lease term using the respective interest rates. The change in the present value and the amortization of the discount is recognized as part of "Interest expense" account in profit or loss and amounted to P20.26 million, P18.95 million and P17.73 million in 2015, 2014 and 2013, respectively. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rates of comparable financial instruments.

On October 16, 2014, PAGCOR requested WCCCHI, WMCHI and APHC to apply the outstanding advanced rentals and the security deposits held against its rental payments up to December 31, 2016, the end of the lease contracts.

As at December 31, 2015, negotiations between PAGCOR, WCCCHI, WMCHI and APHC for the renewal or extension of the leases are still on-going.

Future rental receivables arising from non-cancellable operating lease agreements with PAGCOR by WCCCHI, WMCHI and APHC are as follows:

	2015	2014
Less than one year	P526,829,243	P683,449,980
Between one and five years	-	527,585,201
	<b>P526,829,243</b>	<b>P1,211,035,181</b>

Total rent revenue recognized in profit or loss in 2015, 2014 and 2013, amounted to P827.62 million, P815.52 million and P882.79 million, respectively and are presented as "Rent and related income" in profit or loss.

## 22. Other Lease Agreements

### Land under Operating Lease

On September 15, 1994, Waterfront Hotel and Resort Sdn. Bhd. (WHR), a former related party, executed a lease contract with Mactan Cebu International Airport Authority (MCIAA) for the lease of certain parcels of land where the hotels were constructed. On October 14, 1994, WHR assigned its rights and obligations under the MCIAA contracts to WCCCHI and WMCHI.

WCCCHI and WMCHI shall pay MCIAA fixed rentals per month plus a 2% variable rent based on the annual gross revenues of WCCCHI and WMCHI, as defined in the agreements. The leases are for a period of 50 years, subject to automatic renewal for another 25 years, depending on the provisions of the applicable Philippine laws at the time of renewal.

Fixed and non-cancellable operating lease rentals are payable to MCIAA as follows:

	2015	2014
Less than one year	P39,501,609	P13,793,443
Between one and five years	164,552,853	61,573,265
More than five years	174,490,144	317,081,534
	<b>P378,544,606</b>	<b>P392,448,242</b>

### Equipment under Finance Lease

DIHCI leased equipment for a monthly fee of P125,000 starting November 2005 for 10 years from EMPI. At the end of the 10-year lease period, EMPI shall transfer to DIHCI, free from any lien or encumbrance created by EMPI and without any payment of any compensation, all its rights, title and interest in and to the equipment.

At the inception of the lease, DIHCI capitalized the equipment and recognized the related lease liability equivalent to the present value of the total expected lease payments. Depreciation expense recognized in profit or loss related to the leased equipment amounted to P0.81 million in 2015 and P0.98 million in 2014 and 2013.



Reconciliations between the total of future minimum lease payments and their present value as of December 31, 2014 are as follows:

	December 31, 2014		
	Future Minimum Lease Payments	Imputed Finance Charges	Present Value of Future Minimum Lease Payments
Less than one year	<i>Note 12</i> P1,250,000	P51,404	P1,198,596

The carrying value of the leased asset amounted to nil and P0.81 million as at December 31, 2015 and 2014, respectively (see Note 9).

On August 22, 2006, WCCCHI executed a lease-to-own contract with Philippine Long Distance Telephone Company (PLDT) for a PABX Nortel Option 81C for its telecommunications requirements with initial configuration of 50 trunks with 1022 local lines. WCCCHI made a down payment of P1.4 million in January 2007 upon acceptance of the PABX equipment and shall pay the remaining balance in a fixed minimum monthly lease payments of P370,000 for a period of 80 months. Upon full payment of the pre-termination penalty and all amounts due owing to PLDT under the executed contract, PLDT shall transfer ownership over the PABX Equipment and issue the documents necessary for ownership transfer to WCCCHI at the end of the term of lease agreement.

In 2013, the Hotel has fully paid the finance lease liabilities to PLDT. The net carrying amount of PABX equipment as at December 31, 2015 and 2014 is nil and P5.60 million, respectively (see Note 9).

#### Lease Agreements with Concessionaires

WCCCHI, WMCHI, DIHCI and APHC have lease agreements with concessionaires of the commercial spaces available in hotels. These agreements typically run for a period of less than one year, renewable upon the mutual agreement of the parties (see Note 21).

#### Lease Agreements Entered into by MBI

##### a. *Lease of Office Spaces*

In May 2006, MBI entered into a contract of lease with TT&T Development, Inc. for the lease of the ground and second floors of its commercial building located at Rizal Avenue, Sta. Cruz, Manila. The covering lease agreement requires MBI to pay a monthly fixed rental of P368,000 with 5% annual increase starting on the second year of the lease term. The lease is for ten (10) years, subject to renewal upon such terms and conditions mutually acceptable to both parties.

Future minimum lease payments of the non-cancellable operating lease follows:

	2015	2014
Less than one year	P5,443,997	P6,741,925
Between one and five years	-	2,283,555
	<b>P5,443,997</b>	<b>P9,025,480</b>

b. *Lease of Slot Machines to PAGCOR*

On January 31, 2007, Dynamo Atlantic Limited (Dynamo), a foreign corporation duly organized, existing and registered at the British Virgin Islands (represented by the Company), as lessor, entered into a contract of lease with PAGCOR, as lessee, for the lease of the slot machine VIP Club at the Universal Park Mall Building in Sta. Cruz, Manila. Subsequently, Dynamo executed a deed of assignment in favor of MBI for the full authority and rights over the contract.

The lease was renewed several times, the latest of which was on June 30, 2014. The lease retroactively commenced on May 26, 2014 until June 30, 2016 and may be renewed upon mutual agreement by both parties. The lease agreement requires the lessee to pay the lessor a variable monthly rent equivalent to 35% of the slot machines' gross revenues after deducting the player's winnings/prizes and all applicable taxes. The contract specifies that the rental revenues earned from the lease are considered zero-rated transactions and therefore not subject to output VAT.

c. *Lease of Slot Gaming Machines*

On November 13, 2007, Dynamo, represented by MBI, entered into a Memorandum of Agreement (MOA) with Entertainment Gaming (Philippines), Inc. (EGP), for the 10-year lease of electronic gaming machines for installation and operation in Universal Park Mall Building located at Rizal Avenue, Sta. Cruz, Manila. The MOA requires Dynamo to pay rent amounting to 25% of monthly net winnings after 5% franchise tax for the first 36 months and 23% of monthly net winnings after 5% franchise tax for the succeeding months. Subsequently, Dynamo executed a deed of assignment in favor of MBI for the full authority and rights over the contract.

On October 27, 2014, the MOA was renewed by both parties. The lease retroactively commenced on February 18, 2013 until June 30, 2016 and may be renewed for up to five (5) years upon mutual agreement by both parties. The MOA requires MBI to pay rent amounting to 18% of the first P15.00 million, 20% for any amount in excess of P15.00 million but up to P20.00 million, and 23.75% for any amount in excess of P20.00 million. The amended MOA also requires the payment of 9% interest on past due accounts.

Total rent expense for the aforementioned leases amounted to P66.78 million, P86.74 million and P99.06 million in 2015, 2014 and 2013, respectively and are presented as "Rent" in profit or loss.

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## 23. Financial Risk and Capital Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investment, accounts payable and accrued expenses (except for local taxes and output VAT, withholding taxes and deferred income), other current liabilities, loans payable, and other noncurrent liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and market risk. There has been no change to the Group's exposure to risks or the manner in which it manages and measures the risks in prior financial year. The Group's management reviews and approves policies for managing each of these risks and they are summarized as follows:

#### Credit Risk

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 trade and nontrade receivables.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk from other financial assets of the Group, which mainly comprise of due from related parties, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no other significant concentration of credit risk in the Group.

The aging analyses of the Group's financial assets (in thousands) as at December 31, 2015 and 2014 are as follows:

December 31, 2015	Total	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired
			<30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	
Receivables	P233,726	P151,284	P27,479	P12,188	P8,222	P6,105	P8,424	P20,024
Due from related parties	2,002,627	1,943,008	-	-	-	-	-	59,619
<b>Total</b>	<b>P2,236,353</b>	<b>P2,094,292</b>	<b>P27,479</b>	<b>P12,188</b>	<b>P8,222</b>	<b>P6,105</b>	<b>P8,424</b>	<b>P79,643</b>

December 31, 2014	Total	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired
			<30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	
Receivables	P217,398	P152,548	P17,081	P16,430	P6,427	P980	P6,495	P17,437
Due from related parties	2,061,203	1,618,169	-	-	-	-	365,933	77,101
<b>Total</b>	<b>P2,278,601</b>	<b>P1,770,717</b>	<b>P17,081</b>	<b>P16,430</b>	<b>P6,427</b>	<b>P980</b>	<b>P372,428</b>	<b>P94,538</b>

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

Information on the Group's receivables and due from related parties that are impaired as of December 31, 2015 and 2014 and the movement of the allowance used to record the impairment losses are disclosed in Notes 5 and 8 to the consolidated financial statements.

#### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary.

Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is sufficient working capital inflows to match repayments of short-term debt.

The following table summarizes the maturity profile of the Group's financial liabilities (in thousands) as at December 31, 2015 and 2014 based on contractual undiscounted payments:

December 31, 2015	Total Carrying Amount	Contractual Undiscounted Payments			
		Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	P1,327,719	P1,327,719	P457,219	P854,065	P16,435
Loans payable	496,030	503,317	375,000	128,317	-
Other current liabilities	535,681	545,022	145,290	399,732	-
Other noncurrent liabilities	11,347	11,347	-	-	11,347
	<b>P2,370,777</b>	<b>P2,387,405</b>	<b>P977,509</b>	<b>P1,382,114</b>	<b>P27,782</b>

\*Excludes local taxes and output VAT, withholding taxes and deferred income

December 31, 2014	Total Carrying Amount	Contractual Undiscounted Payments			
		Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	P1,254,756	P1,254,756	P1,173,908	P67,652	P13,196
Loans payable	847,806	897,054	375,000	243,821	278,233
Other current liabilities	67,608	75,619	3,980	71,639	-
Other noncurrent liabilities	659,899	659,899	-	-	659,899
	<b>P2,830,069</b>	<b>P2,887,328</b>	<b>P1,552,888</b>	<b>P383,112</b>	<b>P951,328</b>

\*Excludes local taxes and output VAT, withholding taxes and deferred income

#### Market Risk

Market risk is the risk that the fair value or cash flows of a financial instrument of the Group will fluctuate due to change in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

#### Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flow of the financial instruments will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to the risk changes in market interest rates relates primarily to the interest-bearing loans from PBB, SSS and ICBC. The annual fixed interest rates of these loans are as follows:

	Annual Interest Rate
SSS	14.5% per annum
PBB	10% and 12% per annum
ICBC	3% above SIBOR

The other financial instruments of the Group are either short-term or noninterest-bearing and are therefore not subject to interest rate risk.

Cash flow interest rate risk exposure is managed within parameters approved by management. If the exposure exceeds the parameters, the Group enters into hedging transactions.

Cash Flow Interest Rate Risk

The following table illustrates the sensitivity of net income and equity for 2015 and 2014 to a reasonably possible change in interest rates based on the historical volatility of SIBOR rates in the immediately preceding 12-month period. These changes are considered to be reasonably possible based on observation of current market conditions.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax by P523,152 and P1,540,515 in 2015 and 2014, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

The other financial instruments of the Group are noninterest-bearing and are therefore not subject to interest rate risk.

Fair Value Interest Rate Risk

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of  $\pm 50$  basis points in 2015 and 2014. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's loan payable held at the reporting date. All other variables are held constant (in thousands).

Increase (Decrease) Change in interest rates (in basis points)	Income after Income Tax	
	2015	2014
+50	(P3,404)	(P3,139)
-50	3,404	3,139

There is no other impact on the Group's equity other than those already affecting profit or loss in 2015 and 2014.

Foreign Currency Risk

Currency risk arises when transactions are denominated in foreign currencies.

As a result of the loan payable from ICBC which is denominated in U.S. Dollar, the Group's consolidated statement of financial position can be affected by movements in this currency. Other than that, the Group does not have any material transactions denominated in foreign currencies as its revenues and costs are substantially denominated in Philippine peso.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in U.S. Dollar. The Group manages its foreign currency risk by measuring the mismatch of the foreign currency sensitivity gap of assets and liabilities.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2015	
	U.S. Dollar	Philippine Peso
Cash	\$9,423	P443,427
Loan payable	(1,595,900)	(75,272,219)
Net foreign currency-denominated liability	(\$1,586,477)	(P74,828,792)

	2014	
	U.S. Dollar	Philippine Peso
Cash	\$7,411	P330,646
Loan payable	(4,967,900)	(221,652,794)
Net foreign currency-denominated liability	(\$4,960,489)	(P221,322,148)

The following are the significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2015	2014	2015	2014
U.S. dollar	P47.12	P44.39	P47.06	P44.69

The Group recognized an unrealized foreign currency exchange loss amounting to P8.16 million, P1.53 million and P22.55 million in 2015, 2014 and 2013, respectively, arising from the translation of these foreign currency-denominated financial instruments.

The following table demonstrates the sensitivity of the net income for the periods reported to a reasonably possible change in U.S. dollar exchange rate based on past rates and macroeconomic forecasts for 2015 and 2014, with all other variables held constant, of the Group's 2015 and 2014 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items.

The analysis assumes a 10% strengthening and weakening as at December 31, 2015 and 2014, respectively of the Philippine peso against the US dollar exchange rate:

	Strengthening		Weakening	
	10% 2015	10% 2014	-10% 2015	-10% 2014
Net income	P5,226,174	P15,492,550	(P5,226,174)	(P15,492,551)

There is no other impact on the Group's equity other than those already affecting profit or loss.

#### *Equity Price Risk*

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risk because of its investment in shares of stock of WII which are listed in the PSE totaling to 86,710,000 shares as at December 31, 2015 and 2014.

The Group monitors the changes in the price of the shares of stock of WII. In managing its price risk, the Group disposes of existing or acquires additional shares based on the economic conditions.

The following table illustrates the sensitivity of the Group's equity to a reasonably possible change in equity price. These changes are considered to be reasonably possible based on past equity price performance of the Group's AFS investment and macroeconomic forecast for 2015 and 2014. This analysis assumes an increase of 10% for 2015 and 2014 and a decrease of 10% for 2015 and 2014 of the equity price of the Group's AFS investment. All other variables are held constant:

	Increase		Decrease	
	10%	10%	-10%	-10%
	2015	2014	2015	2014
Equity	(P1,274,637)	P1,608,471	(P1,274,637)	(P1,608,471)

#### Fair Value of Financial Assets and Liabilities

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term maturity of these instruments.

The fair value of interest-bearing due from related parties - noncurrent and loans payable is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of the reporting date, thus, the carrying amount approximates fair value.

The fair value of AFS investments was determined using the closing market price of the investment listed on the PSE as of December 31, 2015 and 2014.

The fair value of other noncurrent liabilities was calculated by discounting expected future cash flows at prevailing market rates.

#### Risk Management Structure

##### *Board of Directors*

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

##### *Risk Management Committee*

Risk management committee is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits set by the BOD.

#### Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Group's overall strategy remains unchanged from 2015 and 2014.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2015 and 2014. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statement of changes in equity.

The Group is not subject to externally-imposed capital requirements.

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## **24. Commitments and Contingencies**

The following are the significant commitments and contingencies involving the Group:

- a. On November 10, 2008, the Parent Company received a preliminary assessment notice from the BIR for deficiency taxes for the taxable year 2006. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment. On February 18, 2009, the Regional Office of the BIR sent a letter to the Parent Company informing the latter that the docket was returned to Revenue District Office for reinvestigation and further verification.

On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.3 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

In its decision promulgated on November 13, 2012, the CTA upheld the expanded withholding tax (EWT) assessment and cancelled the VAT and compromise penalty assessments. WPI decided not to contest the EWT assessment. The BIR filed its motion for reconsideration (MR) on December 4, 2012 and on April 24, 2013, the Court issued its amended decision reinstating the VAT assessment. The Parent Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

The Parent Company appealed the case to the CTA sitting En Banc on October 21, 2013. The CTA En Banc decision promulgated on December 4, 2014 affirmed the VAT and EWT assessments. The EWT assessment was paid on March 3, 2013.

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2015, the Parent Company is still awaiting SC's decision.

Management and its legal counsel believe that the position of the Parent Company is sustainable, and accordingly, believe that the Parent Company does not anymore have a present obligation (legal or constructive) with respect to the assessment.

- b. APHC has outstanding tax assessments from the BIR for taxable years 2014, 2009 and 2006. On March 7, 2014, APHC received a formal assessment notice from BIR for taxable year 2010 amounting to P78.59 million covering deficiency income tax, VAT and EWT. The formal protest was filed by APHC on April 4, 2013 and the assessment is pending evaluation by the BIR.



APHC has an outstanding assessment with BIR for taxable year 2009 for a disputed assessment on VAT amounting to P42.00 million. A motion for reconsideration and a supplemental memorandum were filed with BIR on April 15, 2014 and April 16, 2014, respectively. The assessment is pending evaluation by the BIR.

APHC also has an outstanding tax assessment from the BIR for taxable year 2006. On May 18, 2011, the BIR sent a follow up letter to APHC for various verbal requests for the submission of related schedules and documents. On February 23, 2012, APHC filed a letter of protest and explanation. As of report date, APHC is still contesting the assessment and is awaiting BIR's action.

c. *Tax Case Involving Tax Assessment from the Treasurer of the City of Manila*

The case arose from the notice of assessment issued by the Manila City treasurer's office on July 13, 2007 demanding APHC to pay for deficiency business tax for the years 2004 to 2006 totaling P45.58 million (including interest and penalties), arising principally from nondeclaration for local tax purposes of revenues derived from services in connection with the operation of PAGCOR in APHC's hotel.

After filing of protest letters, petitions and appeals, the case was subsequently decided against APHC on January 9, 2014 by the CTA En Banc who ordered the dismissal of the petition for review filed by APHC and ordered APHC to pay the Manila City treasurer's office for P45.58 million. Accordingly, APHC recognized a provision for the same amount in its books.

On December 8, 2015, APHC executed a compromise agreement with the Manila City treasurer's office wherein both parties agreed to the following terms: (1) APHC will pay the recomputed tax liability amounting to P5.84 million; and (2) upon ratification of the compromise agreement by the City Council of Manila, APHC shall cause the withdrawal of the its case pending before the SC (see Note 25a).

The recomputed tax liability was paid by APHC on December 10, 2015. The provision set up for the amounting to P45.58 million was subsequently reversed in the consolidated statement of financial position and a gain on the reversal of provision amounting to P39.73 million was recognized as part of revenues under "Others" account in profit or loss.

- d. WMCHI has a tax case involving VAT assessment for the taxable year 2006. The case was elevated to the CTA in 2011. In 2012, WMCHI offered its formal evidence to the court. In its decision promulgated on May 31, 2013, the CTA cancelled the VAT assessment in its entirety. The BIR filed a motion for reconsideration that was denied by the CTA in its resolution promulgated on August 16, 2013. The BIR appealed the case to the CTA sitting En Banc on September 20, 2013 where it is awaiting decision by the CTA.

In January 2015, WMCHI received a Letter of Authority from the BIR for the examination of books of accounts and other accounting records for all internal revenue taxes for the period from January 1, 2013 to December 31, 2013. WMCHI has provided the BIR with the required documents and the latter has yet to give its findings (see Note 25b).

- e. WCCCHI has a tax case involving tax deficiency assessment for the taxable year 2006. The case was elevated by WCCCHI to the CTA. The CTA en banc in its decision promulgated on January 30, 2014 affirmed the CTA Second Division decision that cancelled the income tax assessment. The BIR appealed to the SC, and its petition was denied on October 17, 2014. The BIR filed its motion for reconsideration on October 30, 2014; it is still pending decision by the SC as at December 31, 2015.

On October 31, 2014, WCCCHI received and paid an assessment from BIR for tax deficiency taxes for the taxable year 2010 amounting to P5.54 million.

On November 26, 2015, WCCCHI received a formal letter of demand from BIR involving tax deficiency assessment for the taxable year 2012. WCCCHI filed a request for reinvestigation to the BIR.

- f. *Acesite (Phils.) Hotel Corporation versus PAGCOR, et al.*

The case involved a Petition for Prohibition and Mandamus, with application for the issuance of a Temporary Restraining Order (TRO) and writ of preliminary injunction filed by APHC against PAGCOR and Vanderwood Management Corp. (VMC). APHC filed this case to assail PAGCOR's award of VMC of a procurement project entitled "Lease Space for a Casino Gaming Facility in Manila for a Period of Fifteen (15) Years" under ITB No. 09-16-2014 for being violative of the laws and rules on government procurement.

In a resolution dated June 18, 2015, the Regional Trial Court of Manila, Branch 36, (the Court) denied APHC's application for TRO. APHC thereafter filed a "Motion for Reconsideration" on July 6, 2015. The said motion for reconsideration is still pending resolution.

PAGCOR and VMC filed their respective comments/answers to APHC's petition. Subsequently, VMC filed its "Motion to Admit Attached Supplemental Comment/Answer with Compulsory Counterclaim" (the Motion to Admit) on August 10, 2015. APHC filed an opposition to VMC's Motion to Admit. The Court has yet to resolve VMC's Motion to Admit as at December 31, 2015.

- g. In the normal course of business, the Group enters into commitments and encounters certain contingencies, which include a case against a contractor of one of its hotels for specific performance. Management believes that the losses, if any, that may arise from these commitments and contingencies would not be material to warrant additional adjustment or disclosure to the consolidated financial statements.

The Group is defendant in other legal cases which are still pending resolution. Management and legal counsel believe that the outcome of these cases will not have any material effect on the Group's financial position and financial performance.

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## 25. Events After the Reporting Period

- a. The City Council of Manila passed a resolution on January 12, 2016 ratifying the compromise agreement between the City of Manila and APHC (see Note 24c).
- b. A preliminary assessment notice dated January 15, 2016 was received by WMCHI from the BIR for deficiency income tax, improperly accumulated earning tax, documentary stamp tax, VAT and EWT for the taxable year 2013 (see Note 24d).

- c. On February 11, 2016, the RTC case filed by SSS was appealed to the Court of Appeals by SSS, assailing the RTC decision in favor of WPI, et al. SSS filed its Appellant's Brief and WPI is to file its Appellees' Brief by April 2016 (see Note 13).
- d. On February 19, 2016, the Parent Company, TWGI, PRC and MAHEC made amendments to the previously issued MOU for the settlement of all outstanding liabilities of TWGI and MAHEC to the Parent Company. The amended MOU states that MAHEC shall no longer be a party to the said MOU, and all references to any obligation or rights that MAHEC shall have under said MOU shall no longer be in force. All other terms and conditions shall remain unchanged (see Note 8a).

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## 26. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

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

The Group has adopted the following amendments to standards and Interpretations starting January 1, 2015, and accordingly, changed its accounting policies. The adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles -* Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:
  - *Disclosures on the aggregation of operating segments (Amendment to PFRS 8).* PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- *Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38).* The amendments clarify the requirements of the revaluation model in PAS 16 and PAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. PAS 16 and PAS 38 have been amended to clarify that, at the date of revaluation: the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset - e.g. restated in proportion to the change in the carrying amount or by reference to observable market data; and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.
- *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company, as well as those of its subsidiaries enumerated in Note 1 to the consolidated financial statements.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company and are included in the consolidated financial statements from the date when control commences until the date when control ceases.

The accounting policies of subsidiaries are being aligned with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

#### *Accounting for NCI*

NCI represents the portion of profit or loss, OCI and the net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Acquisitions of NCI are accounted for as transaction with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to NCI, if any, are based on a proportionate amount of the net assets of the subsidiary.

#### *Loss of Control*

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

#### *Transactions Eliminated on Consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's BOD, the chief operating decision maker of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment.

The Group's businesses are operated and organized according to the nature of business provided, with each segment representing a strategic business unit, namely, the Hotel operations, Marketing operations and Corporate and Other Operations segments.

The Group's only reportable geographical segment is the Philippines.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income is measured at the fair value of the consideration received, net of trade discounts, rebates, and other sales taxes or duties. The following specific criteria must also be met before revenue is recognized:

#### *Rooms*

Room revenue is recognized based on actual occupancy.

### *Food and Beverage*

Food and beverage revenue is recognized when orders are served and billed.

### *Rent and Related income*

Rent and related income on leased areas of the Group's properties is accounted for on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at amount collected or collectible based on the contract provision.

### *Other Revenues*

Other revenues are recognized upon execution of service or as contracted.

### *Interest Income*

Interest income is recognized as it accrues using the effective interest method.

### Cost and Expense Recognition

Costs and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. Interest expense is recognized in profit or loss in the period in which they are incurred using the effective interest method.

### Financial Instruments

#### *Financial Assets*

The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss (FVPL), (b) loans and receivables, (c) held-to-maturity (HTM) investments, and (d) AFS financial assets. The Group's classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group only holds financial assets classified as AFS financial assets and loans and receivables.

#### (a) Classification

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the financial reporting date, in which case, these are classified as noncurrent assets. The Group's cash and cash equivalents, receivables, due from related parties and refundable deposits (presented under "Other noncurrent assets" account in the consolidated statement of financial position) are classified as loans and receivables as at December 31, 2015 and 2014.

Cash, which includes cash on hand and in banks, is stated at fair value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less which are subject to insignificant risk of change in value.

AFS investment is designated as such or does not qualify to be classified as financial asset at FVPL, HTM investments or loans and receivables. This investment which is purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. It includes equity investments, money market papers and other debt instruments.

## (b) Initial Recognition and Derecognition

Regular purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulations or convention in the marketplace. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Financial assets are derecognized when:

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

When the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial assets nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

## (c) Subsequent Measurement

Loans and receivables are carried at amortized cost using the effective interest method, less impairment losses, if any.

AFS investment is subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS investments are recognized in OCI and are presented as "Fair value reserve" in the equity section of the consolidated statement of financial position.

## (d) Determination of Fair Value

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable input and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group's AFS investment as at December 31, 2015 and 2014 is based on Level 1. Further information about the assumption made in measuring the recurring fair value of AFS investment is included in Note 8c to the consolidated financial statements.

(e) Impairment

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired.

Impairment of trade and other receivables financial assets is described in Note 3 to the consolidated financial statements. For those carried at amortized cost, individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognized in profit or loss and the carrying amount is reduced through the use of allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Impairment loss on AFS financial asset is recognized by reclassifying the loss accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired AFS debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise it is reversed through OCI.



## *Financial Liabilities*

### (a) Classification

The Group classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The Group's financial liabilities are classified as other financial liabilities.

#### *Other Financial Liabilities*

These include liabilities that are not classified or designated at FVPL and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash.

The Group's financial liabilities categorized under other financial liabilities include interest-bearing loan with ICBC, SSS, PBB, accounts payable and accrued expenses, refundable security deposits, obligations under finance leases and related accrued interest.

### (b) Initial Recognition and Derecognition

Financial liabilities are initially recognized at fair value, less any directly attributable transaction cost.

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

### (c) Subsequent Measurement

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

#### Offsetting Financial Assets and Liabilities

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

#### Inventories

Inventories are stated at the lower of cost and NRV. Cost incurred in bringing the inventories to their present location and condition is calculated using the weighted average method.

NRV for food and beverage represents the estimated selling price in the ordinary course of business less the estimated costs to sell. NRV of operating supplies and engineering and maintenance supplies is the estimated current replacement cost. Inventories are periodically reviewed and evaluated for obsolescence. Obsolete inventories are scrapped or disposed of and the related costs are charged to operations.

#### Prepaid Expenses

Prepaid expenses represent expenses not yet incurred but are already paid. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequent to initial recognition, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the consolidated statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets.

#### Property and Equipment

##### *Measurement at Initial Recognition*

Upon initial recognition, items of property and equipment are measured at cost which comprises the purchase price and all directly attributable costs of bringing the asset to the location and condition for its intended use.

##### *Measurement Subsequent to Initial Recognition*

Property and equipment, except for leasehold improvements, operating equipment and construction in progress which are stated at cost, are carried at revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and amortization and impairment losses, if any. Fair values are determined through appraisal by an independent firm of appraisers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The net appraisal surplus resulting from the revaluation is credited to "Revaluation surplus on property and equipment" account (net of corresponding deferred income tax effects) shown under the consolidated statement of changes in equity. Any increase in the revaluation amount is credited to the "Revaluation surplus on property and equipment" account unless it offsets a previous decrease in the value of the same asset recognized in profit or loss. A decrease in value is recognized in profit or loss where it exceeds the increase previously recognized in the "Revaluation surplus on property and equipment." Upon disposal, any related revaluation surplus is transferred to "Deficit" account and is not taken into account in arriving at the gain or loss on disposal. Also, the amount of revaluation surplus absorbed through depreciation is being transferred to "Deficit" account, net of deferred tax effect.

All costs, including borrowing costs, which were directly and clearly associated with the construction of the hotels, were capitalized.

Construction-in-progress, included in property and equipment, represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Operating equipment consisting of chinaware, glassware, silverware and linen are stated at cost less accumulated amortization and adjustments based on periodic inventory method. Under this method, the recorded costs of operating equipment are amortized using various rates and adjusted based on periodic inventory count. Adjustments include the effects of any breakages and damages. The amortization and adjustments are recognized in profit or loss.

*Subsequent Costs*

Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

*Fair Value Measurement*

The Group's property and equipment as at December 31, 2015 and 2014 is based on level 2. Further information about the assumption made in measuring fair value of property and equipment is included in Note 9 to the consolidated financial statements.

*Depreciation and Amortization*

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

The estimated useful lives are as follows:

	Number of Years
Land improvements	5 - 10
Leasehold improvements	10 or term of lease whichever is shorter
Hotel buildings and improvements	15 - 50
Furniture, fixtures and equipment	3
Operating equipment	3
Transportation equipment	3

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

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use, no further charges for depreciation and amortization are made in respect of those assets.

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

Impairment of Nonfinancial Assets

The carrying amount of the Group's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the impaired asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in profit or loss, unless the asset is carried at revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use (VIU). Fair value less cost of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset being evaluated. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairments are recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

After such reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### Borrowing Costs

Borrowing costs are generally recognized as expense in the period in which these costs are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

#### Employee Benefits

##### *Short-term Employee Benefits*

Short-term employee benefit obligations, such as those for salaries and wages, social security contributions, short-term compensated absences, bonuses and nonmonetary benefits, among others, are measured on an undiscounted basis and are expensed as the related service is provided.

##### *Defined Benefit Plan*

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of DBO is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### Related Parties

A related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its KMP, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### Operating Leases - Group as Lessor

Leases in which a significant portion of the risks and rewards of ownership is retained by the Group are classified as operating leases. Initial direct costs incurred in negotiating operating lease are added to the carrying amount of the leased asset and recognized over the leased term on the same basis as rental income. Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at the amount collected or collectible based on the contract provision.

#### Finance Leases - Group as Lessee

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

#### Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the rates of exchange prevailing at the reporting date.

During the translation of the financial statement accounts of the foreign subsidiaries wherein accounts are being maintained in U.S. dollar, the differences between the reporting currency and the functional currency are recorded under the "Foreign currency translation differences for foreign operations" account in OCI.

The results and financial position of the foreign subsidiaries are translated into Philippine peso using the following procedures:

- assets and liabilities are translated at the closing rate at reporting date;
- income and expenses are translated at exchange rates at the date of the transaction; and
- all resulting exchange differences are recognized as a separate component in equity.

#### Income Taxes

Income tax, which comprises current and deferred taxes, is recognized in profit or loss except to the extent that it relates to items recognized directly in equity and in OCI.

Current tax is the expected tax payable for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years, if any.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A DTA is recognized only to the extent that it is probable that future taxable profits will be available against which the DTA can be utilized. DTA is reduced to the extent that it is no longer probable that the related tax benefit will be realized. The items comprising the DTA are reviewed at each reporting date and adjustments are made, if appropriate.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or either tax assets and liabilities will be realized simultaneously.

#### VAT

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- 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 "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" accounts in the consolidated statement of financial position.

#### Equity

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock, if any, are recognized as a deduction from equity, net of any tax effects, if this can be absorbed by the excess of issue cost over par value. Otherwise, these are recognized in profit or loss.

Deficit includes accumulated results of operations as reported in the consolidated statement of comprehensive income.

#### Earnings (Loss) Per Share

Basic earnings (loss) per share (EPS) is determined by dividing net income or loss for the year by the weighted average number of common shares subscribed and issued during the year, after retroactive adjustment for any stock dividend and stock splits declared during the year. Diluted EPS is computed in the same manner as the aforementioned, except that all outstanding convertible preferred shares were further assumed to have been converted to common stock at the beginning of the period or at the time of issuance during the year.

#### Provisions and Contingencies

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

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when the inflow of economic benefits is probable.

#### Events After the Reporting Date

The Group identifies post yearend events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Any post yearend events that provide additional information about the Group's financial position or performance at the end of a reporting period (adjusting events) are recognized in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

### New or Revised Standards and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. The Group is still assessing the potential impact on its consolidated financial statements.

#### *To be Adopted January 1, 2016*

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*. The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset – e.g. changes in sales volumes and prices.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

#### *To be Adopted January 1, 2018*

- *IFRS 9 Financial Instruments (2014)*. IFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of IFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). IFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. IFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.



*To be Adopted January 1, 2019*

- *PFRS 16 Leases* supersedes *PAS 17 Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

*Pending approval of local adoption of PFRS 15 Revenue from Contracts with Customers*

- *PFRS 15 Revenue from Contracts with Customers* replaces *PAS 11 Construction Contracts*, *PAS 18 Revenue*, *IFRIC 13 Customer Loyalty Programmes*, *IFRIC 18 Transfer of Assets from Customers* and *SIC-31 Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry.



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**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH  
THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders  
Waterfront Philippines, Incorporated and Subsidiaries  
IPT Building, Pre-Departure Area  
Mactan Cebu International Airport  
Lapu-Lapu City, Cebu

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Waterfront Philippines, Incorporated and Subsidiaries (the Group) as at and for the year ended December 31, 2015, included in this Form 17-A, on which we have rendered our report dated March 21, 2016.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management.

1. Schedule of Philippine Financial Reporting Standards and Interpretations (*Annex A*)
2. Map of Conglomerate (*Annex B*)
3. Supplementary Schedules of Annex 68-E (*Annex C*)

These supplementary information are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and are not required parts of the Group's consolidated financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audit of the Group consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the consolidated financial statements of the Group taken as a whole.

**R.G. MANABAT & CO.**

TIRESO RANDY F. LAPIDEZ

Partner

CPA License No. 0092183

SEC Accreditation No. 1472-A, Group A, valid until March 30, 2018

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-34-2014

Issued October 15, 2014; valid until October 14, 2017

PTR No. 5320750MD

Issued January 4, 2016 at Makati City

March 21, 2016  
Makati City, Metro Manila

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES  
SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68,  
AS AMENDED (2011)**

**Schedule of Philippine Financial Reporting Standards (PFRSs)**

**Effective as at December 31, 2015**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
	Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	<b>PFRS 2</b>	Share-based Payment		
Amendments to PFRS 2: Vesting Conditions and Cancellations				✓
Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions				✓
Annual Improvements to PFRSs 2010 – 2012 Cycle: Meaning of 'vesting condition'				✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments	✓		
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Associate or Joint Venture			
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: 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 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
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	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 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			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of	✓		



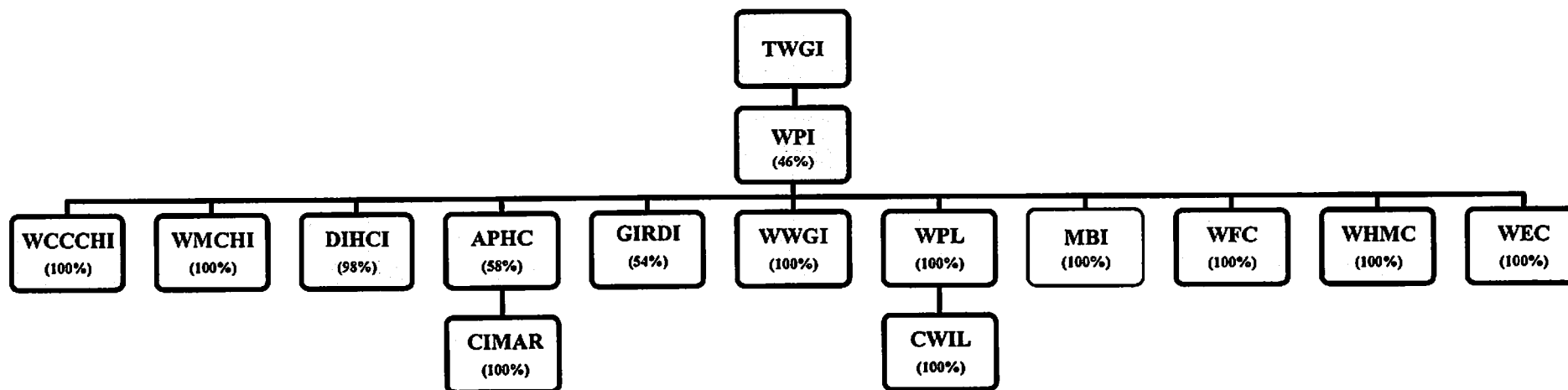
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Financial Assets			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
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 and PAS 39: 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			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Mine			
IFRIC 21	Levies			✓
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			✓
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01- Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	loan			
PIC Q&A 2011-01	PAS 1.10(f) – Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES  
 SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68, AS AMENDED  
 Map of Conglomerate  
 December 31, 2015**



**LEGEND:**

- TWGI - The Wellex Group, Inc.
- WPI - Waterfront Philippines, Incorporated
- WCCCHI - Waterfront Cebu City Casino Hotel, Incorporated
- WMCHI - Waterfront Mactan Casino Hotel, Incorporated
- DIHCI - Davao Insular Hotel Company, Inc.
- APHC - Acesite (Phil.) Hotel Corporation
- CIMAR - CIMA Realty Philippines, Inc.
- GIRDI - Grand Ilocandia Resort and Development, Inc.
- WWGI - Waterfront Wellness Group, Inc. (formerly W Citigyms & Wellness, Inc.)
- WPL - Waterfront Promotions Limited
- CWIL - Club Waterfront International Limited
- MBI - Mayo Bonanza, Inc.
- WFC - Waterfront Food Concepts
- WHMC - Waterfront Hotel Management Corp. (formerly Waterfront Management Corporation)
- WEC - Waterfront Entertainment Corporation

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**

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Required Under SRC Rule 68, As Amended (2011)  
December 31, 2015**

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B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).	<u>3</u>
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>4</u>
D. Intangible Assets - Other Assets - <i>(nothing to report)</i>	<u>5</u>
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**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2015**  
(Amounts in thousands)

Name of Issuing Entity/Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2015	Income Received and Accrued
<b>Loans and receivables</b>				
Due from The Wellex Group, Inc.	P -	P945,471	P945,471	P14,202
Due from Pacific Rehouse Corp.	-	520,743	520,743	10,211
Due from Metro Alliance Holdings and Equities Corp.	-	-	-	7,319
Due from Crisanta Realty Development Corp.	-	332,797	332,797	-
Due from Philippine Estate Corp.	-	92,054	92,054	-
Due from Others	-	51,943	51,943	-
Various Banks	-	173,168	173,168	1,980
Various Customers	-	213,702	213,702	-
<b>Available-for-sale investment</b>	<u>86,710</u>	<u>18,209</u>	<u>18,209</u>	<u>-</u>
	<u>P86,710</u>	<u>P2,329,878</u>	<u>P2,329,878</u>	<u>P33,712</u>

See Notes 4, 5 and 8 to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS**  
**EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)**  
**DECEMBER 31, 2015**  
**(Amounts in thousands)**

Name and Designation of Debtor	Balance at beginning of the period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of the period
The Wellex Group, Inc.	P958,716	P80,372	P93,617	P-	P945,471	P-	P945,471
Pacific Rehouse Corp.	510,532	10,211	-	-	520,743	-	520,743
Metro Alliance Holdings and Equities Corp.	365,933	-	365,933	-	-	-	-
Crisanta Realty Development Corp.	-	332,797	-	-	-	332,797	332,797
Philippine Estate Corp.	97,754	-	5,700	-	92,054	-	92,054

See Note 8 to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

Name and Designation of Debtor	Balance at beginning of the period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of the period
Waterfront Cebu City Casino Hotel, Incorporated	P1,695,577,677	P -	P135,052,622	P -	P1,560,525,056	P -	P1,560,525,056
Mayo Bonanza, Inc.	45,241,545	3,000,300	-	-	48,241,845	-	48,241,845
Waterfront Wellness Group, Inc.	13,316,035	13,462,491	13,316,035	-	13,462,491	-	13,462,491
Waterfront Food Concepts, Inc.	5,910,161	6,056,617	5,910,161	-	6,056,617	-	6,056,617
Waterfront Hotel Management Corp.	99,941,654	-	11,330,468	-	88,611,186	-	88,611,186
Waterfront Entertainment Corporation	6,699,803	6,773,031	6,699,803	-	-	-	6,773,031

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS**  
**DECEMBER 31, 2015**

<u>Description</u>	<u>Beginning balance</u>	<u>Additions at cost</u>	<u>Charged to cost and expenses</u>	<u>Charged to other accounts</u>	<u>Other charges, additions (deductions)</u>	<u>Ending Balance</u>
	P-	P-	P-	P-	P-	P-
	-	-	-	-	-	-
	P-	P-	P-	P-	P-	P-

**Nothing to report**



**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE E - LONG-TERM DEBT**  
**DECEMBER 31, 2015**

Title of Issue and Type of Obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Industrial Commercial Bank of China Singapore Branch Loans Payable	P220,073,599	P74,735,932	P -
Social Security System Loans Payable	P375,000,000	P375,000,000	P -
Philippine Business Bank Loans Payable	P252,732,843	P46,294,118	P -

See Note 13 to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES**  
**DECEMBER 31, 2015**

<u>Name of Affiliates</u>	<u>Balance at beginning of period</u>	<u>Balance at end of period</u>
	P-	P-
	-	-
	P-	P-

**Nothing to report**

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**DECEMBER 31, 2015**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		P-	P-	
		-	-	
		P-	P-	

**Nothing to report**

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE H - CAPITAL STOCK**  
**DECEMBER 31, 2015**

<u>Description</u>	<u>Number of Shares authorized</u>	<u>Number of shares issued and outstanding</u>	<u>Treasury Shares</u>	<u>Number of shares held by affiliates</u>	<u>Directors, officers and employees</u>	<u>Others</u>
<u>Common shares</u>	<u>5,000,000,000</u>	<u>2,498,991,753</u>	<u>-</u>	<u>-</u>	<u>40,361,630</u>	<u>2,458,630,123</u>

See Note 16 to the Consolidated Financial Statements.



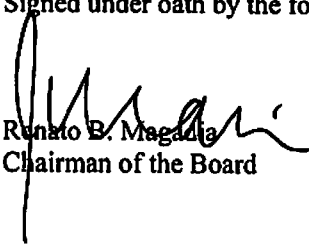
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

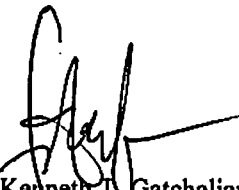
The management of Waterfront Philippines, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

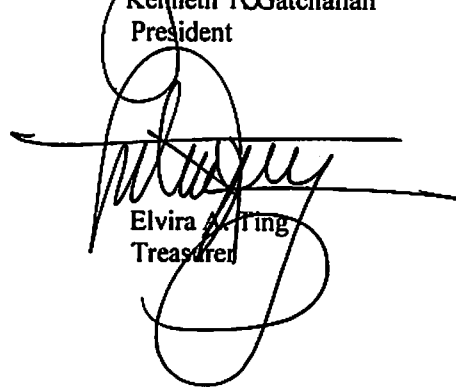
The Board of Directors reviews and approves the financial statements and submits the same to the Stockholders of the Company.

R.G. Manabat & Co., the independent auditor and appointed by the Stockholders, has audited the financial statements of the Company in accordance with Philippines Standards on Auditing and in its reports to the Stockholders of the Company, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

  
Renato B. Magadia  
Chairman of the Board

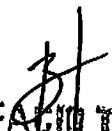
  
Kenneth T. Gatchalian  
President

  
Elvira A. Ting  
Treasurer

  
Precilla O. Toriano  
Corporate Finance Director

Signed this 04 APR 2016  
Signed this \_\_\_th day of \_\_\_\_\_ 2016

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BOOK NO. 21  
SERIES OF 2016

  
ATTY. BONIFACIO T. DEGAMO JR.  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2016  
IBP NO. 16034-1/5/16  
PTR NO. 8631897-1/5/16  
BAR OF ATTORNEYS NO. 013  
MCLEERT. OF COMPLIANCE # 077  
NOTARIAL COMMISSION NO. 68-15  
MNL # 008-006-557-000

**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

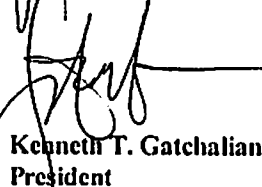
The Management of **Waterfront Philippines Inc.** the "Company" is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

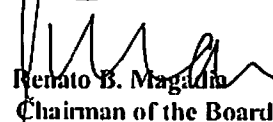
- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

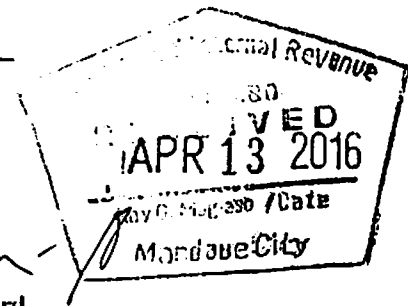
Signed under oath by the following:

  
**Precilla O. Toriano**  
Corporate Finance Director

  
**Kenneth T. Gatchalian**  
President

  
**Elvira A. Ting**  
Treasurer

  
**Renato B. Magadia**  
Chairman of the Board





R.G. Manabat & Co.  
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Branches: Subic · Cebu · Bacolod · Iloilo

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE  
BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders  
Waterfront Philippines, Incorporated  
IPT Building, Pre-Departure Area  
Mactan Cebu International Airport  
Lapu-Lapu City, Cebu

We have audited the accompanying separate financial statements of Waterfront Philippines, Incorporated (the Company) as at and for the year ended December 31, 2015, on which we have rendered our report dated March 21, 2016.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

**R.G. MANABAT & CO.**

*Tireso Randy F. Lapidez*

**TIRESO RANDY F. LAPIDEZ**

Partner

CPA License No. 0092183

SEC Accreditation No. 1472-A, Group A, valid until March 30, 2018

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-34-2014

Issued October 15, 2014; valid until October 14, 2017

PTR No. 5320750MD

Issued January 4, 2016 at Makati City

March 21, 2016  
Makati City, Metro Manila





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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Waterfront Philippines, Incorporated  
IPT Building, Pre-Departure Area  
Mactan Cebu International Airport  
Lapu-Lapu City, Cebu

### Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Waterfront Philippines, Incorporated (the Company), which comprise the separate statements of financial position as at December 31, 2015 and 2014, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for each of the three years in the period ended December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Separate Financial Statements*

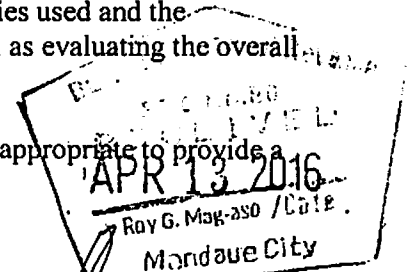
Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are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

#### *Auditors' Responsibility*

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

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

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



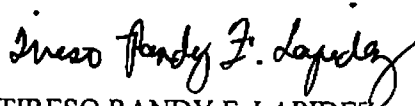
*Opinion*

In our opinion, the separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2015 and 2014, and its unconsolidated financial performance and its unconsolidated cash flows for each of the three years in the period ended December 31, 2015, in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required Under Revenue Regulations  
No. 15-2010 of the Bureau of Internal Revenue**

Our audits were conducted for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information in Note 17 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

**R.G. MANABAT & CO.**



TIRESO RANDY F. LAPIDEZ

Partner

CPA License No. 0092183

SEC Accreditation No. 1472-A, Group A, valid until March 30, 2018

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-34-2014

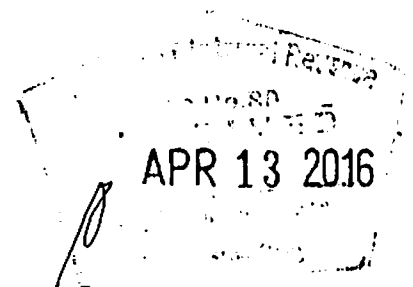
Issued October 15, 2014; valid until October 14, 2017

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Issued January 4, 2016 at Makati City

March 21, 2016

Makati City, Metro Manila



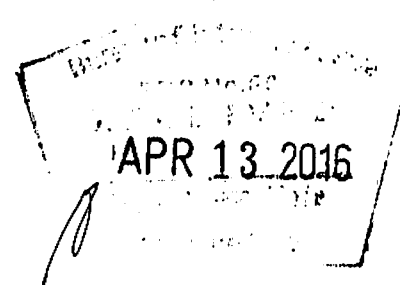
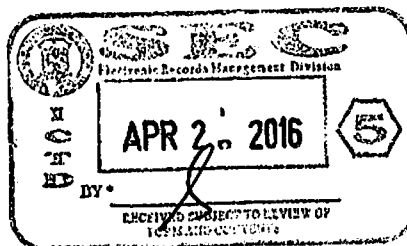
**WATERFRONT PHILIPPINES, INCORPORATED**

**SEPARATE FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**WATERFRONT PHILIPPINES, INCORPORATED**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**

		December 31	
	<i>Note</i>	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		P72,050	P590,924
Due from related parties - net	5	1,339,056,384	1,714,462,520
<b>Total Current Assets</b>		<b>1,339,128,434</b>	<b>1,715,053,444</b>
<b>Noncurrent Assets</b>			
Due from related parties - net of current portion	5	332,797,180	-
Investments and advances to subsidiaries	4	2,727,149,479	3,112,502,212
Property and equipment - net	6	1,332,070	1,644,463
Other noncurrent assets		2,539,000	2,539,000
<b>Total Noncurrent Assets</b>		<b>3,063,817,729</b>	<b>3,116,685,675</b>
		<b>P4,402,946,163</b>	<b>P4,831,739,119</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accrued expenses and other payables	7	P806,857,885	P746,909,938
Due to related parties	5	964,641,529	1,169,097,401
Loan payable	8	375,000,000	375,000,000
Income tax payable		4,435,160	4,258,224
<b>Total Current Liabilities</b>		<b>2,150,934,574</b>	<b>2,295,265,563</b>
<b>Equity</b>			
Capital stock	12	2,498,991,753	2,498,991,753
Additional paid-in capital		706,364,357	706,364,357
Deficit		(953,344,521)	(668,882,554)
<b>Total Equity</b>		<b>2,252,011,589</b>	<b>2,536,473,556</b>
		<b>P4,402,946,163</b>	<b>P4,831,739,119</b>

*See Notes to the Separate Financial Statements.*



**WATERFRONT PHILIPPINES, INCORPORATED**  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**

	<i>Note</i>	Years Ended December 31		
		2015	2014	2013
<b>REVENUES</b>				
Interest income	5	P31,731,471	P31,661,948	P31,962,597
Other income		610,761	-	-
		<b>32,342,232</b>	<b>31,661,948</b>	<b>31,962,597</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Impairment losses	4	253,666,551	55,304,334	44,762,320
Accretion expense	5	40,456,234	-	-
Transportation and travel		9,103,852	9,660,619	8,444,824
Supplies		1,945,270	1,749,847	2,023,371
Representation and entertainment		1,615,962	8,315,434	2,122,156
Professional fees		1,547,800	1,756,100	2,529,097
Data processing expenses		973,059	849,998	783,998
Annual meeting expenses		187,687	185,365	2,388,596
Taxes and licenses		183,750	494,333	960,262
Others	9	2,688,874	2,454,986	2,978,690
		<b>312,369,039</b>	<b>80,771,016</b>	<b>66,993,314</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>(280,026,807)</b>	<b>(49,109,068)</b>	<b>(35,030,717)</b>
<b>INCOME TAX EXPENSE</b>	10	<b>4,435,160</b>	<b>4,258,224</b>	<b>3,487,363</b>
<b>NET INCOME (LOSS)</b>		<b>(P284,461,967)</b>	<b>(P53,367,292)</b>	<b>(P38,518,080)</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(P284,461,967)</b>	<b>(P53,367,292)</b>	<b>(P38,518,080)</b>

*See Notes to the Separate Financial Statements.*

APR 13 2016  
 Ray G. Magaso / Date  
 Mandau City

**WATERFRONT PHILIPPINES, INCORPORATED**  
**SEPARATE STATEMENTS OF CHANGES IN EQUITY**

	<i>Note</i>	Years Ended December 31		
		2015	2014	2013
<b>CAPITAL STOCK</b>	<i>12</i>	P2,498,991,753	P2,498,991,753	P2,498,991,753
<b>ADDITIONAL PAID-IN CAPITAL</b>		706,364,357	706,364,357	706,364,357
<b>DEFICIT</b>				
Balance at beginning of year		(668,882,554)	(615,515,262)	(576,997,182)
Net income (loss) for the year		(284,461,967)	(53,367,292)	(38,518,080)
Balance at end of year		(953,344,521)	(668,882,554)	(615,515,262)
		P2,252,011,589	P2,536,473,556	P2,589,840,848

*See Notes to the Separate Financial Statements.*

**WATERFRONT PHILIPPINES, INCORPORATED**  
**SEPARATE STATEMENTS OF CASH FLOWS**

		<b>Years Ended December 31</b>		
	<i>Note</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		(P280,026,807)	(P49,109,068)	(P35,030,717)
Adjustments for:				
Impairment losses	4	253,666,551	55,304,334	44,762,320
Accretion expense	5	40,456,234	-	-
Depreciation	6	312,393	312,393	312,393
Interest income	5	(31,731,471)	(31,661,948)	(31,962,597)
		(17,323,100)	(25,154,289)	(21,918,601)
Changes in:				
Other noncurrent assets		-	-	22,550
Accrued expenses and other payables		59,947,947	55,623,732	60,330,771
		42,624,847	30,469,443	38,434,720
Interest received		-	-	-
Income tax paid		(4,258,224)	(3,487,363)	(4,756,400)
Net cash provided by operating activities		38,366,623	26,982,080	33,678,320
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>				
Net advances to related parties	4, 5	(38,885,497)	(27,338,213)	(33,315,444)
<b>NET INCREASE (DECREASE) IN CASH</b>		(518,874)	(356,133)	362,876
<b>CASH AT BEGINNING OF YEAR</b>		590,924	947,057	584,181
<b>CASH AT END OF YEAR</b>		P72,050	P590,924	P947,057

*See Notes to the Separate Financial Statements.*

**WATERFRONT PHILIPPINES, INCORPORATED**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**1. Reporting Entity**

Waterfront Philippines, Incorporated (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. The Company is 46%-owned by The Wellex Group, Inc. (TWGI), an entity registered and domiciled in the Philippines, which is listed in the Philippine Stock Exchange (PSE). It holds equity interests in hotels and resorts, a fitness gym, entities engaged in the international marketing and promotion of casinos, manufacturing of pastries, and hotel management and operations.

The Company and the following subsidiaries (collectively referred to as the Group) were incorporated in the Philippines, except for Waterfront Promotion Ltd. (WPL) and Club Waterfront International Limited (CWIL), which were registered in the Cayman Islands.

	Percentage of Ownership	
	Direct	Indirect
<b>Hotels and Resorts</b>		
Waterfront Cebu City Casino Hotel, Incorporated (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Incorporated (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Phils.) Hotel Corporation (APHC)	58	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
<b>Real Estate</b>		
CIMA Realty Phil., Inc. (CIMAR)	-	58*
<b>Fitness Gym</b>		
Waterfront Wellness Group, Inc. (WWGI)	100	-
<b>International Marketing and Promotion of Casinos</b>		
WPL	100	-
Mayo Bonanza, Inc. (MBI)	100	-
CWIL (through direct ownership in WPL)	-	100
<b>Pastries Manufacturing</b>		
Waterfront Food Concepts, Inc. (WFC)	100	-
<b>Hotel Management and Operation</b>		
Waterfront Hotel Management Corporation (WHMC)	100	-
Waterfront Entertainment Corporation (WEC)	100	-

\*Through direct ownership in APHC.

The Company's percentages of ownership for the above subsidiaries are the same in 2015, 2014 and 2013.

**Office Address**

The registered office of the Company is located at IPT Building, Pre-Departure Area, Mactan Cebu International Airport, Lapu-Lapu City, Cebu.



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## 2. Basis of Preparation

### Statement of Compliance

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

In full compliance with PAS 27, *Consolidated and Separate Financial Statements*, the Company has prepared consolidated financial statements for the same periods in which it consolidates all investments in subsidiaries in accordance with the said standard. Such consolidated financial statements provide information about the economic activities of the group of which the Company is the parent.

Users of these separate financial statements should read them together with the consolidated financial statements as of and for the year ended December 31, 2015 in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company and its subsidiary as a whole. The consolidated financial statements can be obtained from the SEC and from the website of the PSE ([www.pse.com.ph](http://www.pse.com.ph)).

The separate financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on March 21, 2016.

### Basis of Measurement

The separate financial statements have been prepared on the historical cost basis of accounting.

### Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

### Use of Estimates and Judgments

The preparation of separate financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the separate financial statements are described in Note 3 to the separate financial statements.

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### 3. Accounting Estimates and Judgments

The preparation of the separate financial statements in accordance with PFRSs requires management to make estimates and assumptions that affect amounts reported in the separate financial statements and related disclosures. The estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's separate financial statements. These estimates and judgments are detailed below:

#### Judgments

##### *Tax Assessments and Legal Claims*

The Company has received assessments from the Bureau of Internal Revenue (BIR) for deficiency taxes which is still pending resolution. The Company's management and legal counsel have made a judgment that the position of the Company is sustainable and, accordingly, believe that the Company does not have a present obligation (legal or constructive) with respect to such assessment (see Note 14).

##### *Classifying Receivables from Related Parties*

The Company exercises judgment in classifying the receivables from related parties as under current assets or noncurrent assets based on the expected realization of the receivables. The Company takes into account the credit rating and other financial information about the related parties to assess their ability to settle the Company's outstanding receivables. Related party receivables that are expected to be realized within twelve months after the reporting period or within the Company's normal operating cycle are considered current assets.

#### Estimates

##### *Allowance for Impairment Losses on Advances to and Due from Related Parties*

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible accounts. The level of this allowance is evaluated by the Company on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with its debtors, their payment behavior and known market factors. The Company reviews the age and status of advances and due from related parties, 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 Company made different judgment or utilized different estimates.

Allowance for impairment losses on advances to and due from related parties amounted to P88.61 million and P59.62 million as at December 31, 2015, respectively, and P99.94 and P77.10 million as at December 31, 2014, respectively (see Notes 4 and 5).

##### *Estimating Useful Lives of Property and Equipment*

The Company estimates useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above.

*Impairment of Nonfinancial Assets*

The Company's policy on estimating the impairment of nonfinancial assets is discussed in Note 16. The Company assesses at each reporting date whether there is an indication that the carrying amount of nonfinancial assets may be impaired or that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

The factors that the Company considers important which could trigger an impairment review include the following:

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

Allowance for impairment losses on investment in subsidiaries as at December 31, 2015 amounted to P253.79 million and P0.13 million as at December 31, 2014 (see Note 4).

#### 4. Investments and Advances to Subsidiaries

Investments and advances to subsidiaries consists of the following (amounts in thousands):

	2015				2014			
	Acquisition Cost	Advances (Note 5d)	Deposit to Subsidiaries	Total	Acquisition Cost	Advances (Note 5d)	Deposit to Subsidiaries	Total
WCCCHI	P13,800	P560,525	P1,000,000	P1,574,325	P13,800	P695,578	P1,000,000	P1,709,378
DIHCI	584,363	-	-	584,363	584,363	-	-	584,363
APHC	479,228	-	-	479,228	479,228	-	-	479,228
GIRDI	253,667	-	-	253,667	253,667	-	-	253,667
WHMC	125	88,611	-	88,736	125	99,640	-	99,765
MBI	25	13,241	35,000	48,266	25	10,242	35,000	45,267
WWGI	625	462	13,000	14,087	625	316	13,000	13,941
WMCHI	13,800	-	-	13,800	13,800	-	-	13,800
WEC	125	6,773	-	6,898	125	6,700	-	6,825
WFC	125	57	6,000	6,182	125	210	6,000	6,335
	1,345,883	669,669	1,054,000	3,069,552	1,345,883	812,686	1,054,000	3,212,569
Less allowance for impairment losses:								
WHMC	125	88,611	-	88,736	125	99,942	-	100,067
GIRDI	253,667	-	-	253,667	-	-	-	-
	P1,092,091	P581,058	P1,054,000	P2,727,149	P1,345,758	P712,744	P1,054,000	P3,112,502

#### Deposits to Subsidiaries

As part of the Company's continuing commitment and guarantee for the subsidiaries to continue as going concern entities, the Company and subsidiaries agreed to set aside portion of the Company's outstanding advances to the subsidiaries as deposits for future stock subscriptions. The amounts set aside will be used as subscription payments by the Company once the planned increase in the authorized capital stock of the subsidiaries materialized.

### Advances to Subsidiaries

Advances to subsidiaries mainly represent funds provided to support subsidiaries' daily operations and to finance the construction and completion of certain hotel projects. As discussed in Note 9 to the separate financial statements, these include interest charges incurred on loans obtained from the Social Security System (SSS).

The advances to subsidiaries in 2015 are renegotiated and repriced based on the agreement entered by the Company and subsidiaries in 2014.

Discussed below are the descriptions and the financial information of each subsidiary.

### WCCCHI

WCCCHI was registered with the SEC on September 23, 1994, primarily to own and operate hotels and other related businesses. The facilities of WCCCHI includes an international convention center, an international casino building and a 561-room deluxe hotel (Cebu City Hotel Project) at the former Lahug Airport, Cebu City. WCCCHI started operations in 1998.

The significant information on the financial statements of WCCCHI follows (in thousands):

	2015	2014
Total current assets	P200,796	P179,897
Total assets	2,915,096	3,053,286
Total current liabilities	949,441	897,678
Total liabilities	2,285,426	2,496,948
Revenue	892,979	828,223
Net income (loss)	64,317	(2,096)

### DIHCI

DIHCI was incorporated in the Philippines on July 3, 1959 to engage primarily in the operation of hotel and hotel-related businesses.

The significant information on the financial statements of DIHCI follows (in thousands):

	2015	2014
Total current assets	P104,991	P76,212
Total assets	631,596	617,357
Total current liabilities	52,319	41,332
Total liabilities	190,831	182,520
Revenue	176,529	166,306
Net income (loss)	7,289	(114)

### APHC

APHC was registered with the SEC on October 10, 1952 primarily to engage in the business of operating a hotel, or other accommodations, for the general public and to construct such facilities as may be reasonably necessary or useful in connection with the same.

The significant information on the consolidated financial statements of APHC follows (in thousands):

	2015	2014
Total current assets	P476,045	P493,565
Total assets	2,331,983	2,466,812
Total current liabilities	487,384	382,730
Total liabilities	977,305	1,186,361
Revenue	625,647	567,560
Net income	74,579	45,878

#### GIRDI

GIRDI was incorporated in the Philippines on December 18, 1990 to engage in the hotel and resort business. Its registered office is located at No. 37 Calayab, Laoag City, Ilocos Norte.

In 2000, management decided to temporarily stop the commercial operations of GIRDI.

The significant information on the financial statements of GIRDI follows (in thousands):

	2015	2014
Total assets	P471,520	P471,778
Total liabilities	39,660	39,975
Revenue	1,477	1,485
Net income	58	76

#### MBI

MBI was registered with the SEC on November 24, 1995. Its primary purpose is to establish, operate, and manage the business of amusement, entertainment, and recreation facilities for the use of the paying public. MBI entered into an agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) whereby the latter shall operate the former's slot machines outside of casinos in line with PAGCOR's slot machine arcade project.

The significant information on the financial statements of MBI follows (in thousands):

	2015	2014
Total current assets	P10,604	P12,599
Total assets	27,049	31,958
Total current liabilities	31,755	34,198
Total liabilities	67,508	69,778
Revenue	62,449	66,438
Net loss	(2,639)	(4,653)

#### WMCHI

WMCHI was registered with the SEC on September 23, 1994, primarily to own and operate hotels and other related businesses. The facilities of WMCHI include an international casino and a 167-room deluxe hotel (Airport Hotel Project) at the Mactan Cebu International Airport. WMCHI started commercial operations in 1996.

The significant information on the financial statements of WMCHI follows (in thousands):

	2015	2014
Total current assets	P288,879	P437,841
Total assets	1,166,889	1,348,487
Total current liabilities	203,605	117,350
Total liabilities	370,708	614,783
Revenue	328,219	297,144
Net income	60,954	20,209

#### WWGI

WWGI, formerly W Citigyms & Wellness, Inc., was incorporated and registered with the SEC on January 26, 2006, to engage in, conduct and carry on the general business of sporting and other recreational activities. The facilities of WWGI, which commenced commercial operations on May 1, 2006, include a fitness gym with top-of-the line equipment and amenities. WWGI also offers in-house massage for guests staying in WCCCHI, a fellow subsidiary.

The significant information on the financial statements of WWGI follows (in thousands):

	2015	2014
Total current assets	P2,990	P2,873
Total assets	10,879	11,028
Total current liabilities	14,850	13,447
Total liabilities	30,102	28,826
Revenue	13,808	12,926
Net loss	(1,560)	(2,375)

#### WFC

WFC was incorporated and registered with the SEC on January 26, 2004 to engage in the operation of restaurants and food outlets and to manufacture baked and unbaked desserts, breads and pastries supplied to in-store bakeries, coffee shops and food service channels.

The significant information on the financial statements of WFC follows (in thousands):

	2015	2014
Total current assets	P6,016	P7,400
Total assets	6,156	7,462
Total liabilities	40,113	36,918
Revenue	3,822	4,833
Net loss	4,502	(6,159)

#### WHMC

WHMC was incorporated and registered with the SEC on March 31, 2003, to engage in the management and operation of hotels, except management of funds, portfolios, securities and other similar assets of the managed entity.

In 2013, due to accumulated losses which resulted to a capital deficiency of P106.89 million, the Company have provided an allowance for impairment losses on its investment in and advances to WHMC in the amount of P0.13 million and P44.64 million, respectively.

The significant information on the financial statements of WHMC follows (in thousands):

	2015	2014
Total current assets	P1,041	P3,204
Total assets	1,041	9,255
Total current liabilities	122,475	130,557
Total liabilities	122,475	130,557
Revenue	-	24,935
Net loss	(132)	(14,409)

#### WEC

WEC was incorporated under the laws of the Republic of the Philippines and registered with the SEC on August 13, 2003. WEC's primary purpose is to engage in the business of producing and co-producing of concerts and shows.

The significant information on the financial statements of WEC follows (in thousands):

	2015	2014
Total current assets	P14,801	P13,807
Total assets	15,095	14,137
Total current liabilities	7,876	8,678
Total liabilities	8,194	9,077
Revenue	8,802	8,802
Net income	1,772	666

#### WPL

WPL and its wholly-owned subsidiary, CWIL, were incorporated in the Cayman Islands on March 6, 1995 and June 11, 1996, respectively.

WPL and CWIL's primary business purpose is to invite and organize groups of foreign casino players to play in Philippine casinos pursuant to certain agreements entered into with the PAGCOR under the latter's Foreign High-Roller Marketing Program (the Program). WPL and its subsidiary's participation with PAGCOR's Program, however, has been terminated in 2003 due to unfavorable economic conditions.

To support the Program, WPL and CWIL entered into several agreements with various junket operators to market and promote the Philippine casinos to foreign casino players. In consideration for marketing and promoting of the Philippine casinos, these operators receive certain incentives such as free hotel accommodations, free airfares, and rolling commissions from the Group. Due to the termination of the WPL and CWIL's participation with PAGCOR's Program, agreements with the junket operators were also terminated.

The significant information on the consolidated financial statements of WPL follows (in thousands of U.S. dollar):

	2015	2014
Total assets	\$4,665	\$4,929
Total liabilities	1,313	1,352
Net loss	(224)	(509)



## 5. Related Party Transactions

### Identity of Related Parties

Aside for the Company's subsidiaries as enumerated in Notes 1 and 4, the table below shows the relationships with other related parties:

Related Party	Relationship with the Company
TWGI	Ultimate Parent
Pacific Rehouse Corp. (PRC)	Stockholder
Metro Alliance Holdings and Equities Corp. (MAHEC)	Stockholder
Philippine Estates (PHES)	Stockholder
Crisanta Realty Development Corp. (Crisanta Realty)	Stockholder

### Balances and Transactions with Related Parties

Balances and transactions with Related Parties are presented below in thousands ('000s):

Category/Transaction	Year	Note	Amount of the Transaction	Outstanding Balance			Terms and Conditions
				Due from Related Parties	Due to Related Parties	Investments and Advances to Subsidiaries	
<b>Stockholders</b>							
• TWGI							
- Advances, interest and settlement	2015 2014	<i>3a</i>	(P13,984) (32,519)	P724,310 738,294	P - -	P - -	Secured; interest-bearing; due in one year subject to renewal; subject to re-pricing; net of allowance for impairment
• PRC							
- Advances, interest and settlement	2015 2014	<i>3a</i>	10,211 10,010	520,743 510,532	- -	- -	Secured; interest-bearing; due in one year subject to renewal; subject to re-pricing
• MAHEC							
- Advances and interest	2015 2014	<i>3a</i>	(365,933) 7,175	- 365,933	- -	- -	Secured; interest-bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment
• Crisanta Realty							
- Advances	2015 2014	<i>3a</i>	332,797 -	332,797 -	- -	- -	Unsecured; interest-bearing; subject to re-pricing; due in five years
• PHES							
- Advances	2015 2014	<i>3b</i>	(5,700) 3,700	92,054 97,754	- -	- -	Unsecured; noninterest-bearing; due on demand; subject to re-pricing
• Others							
- Advances and interest	2015 2014	<i>3b</i>	- -	1,949 1,949	- -	- -	Unsecured; noninterest-bearing; subject to re-pricing; due on demand
<b>Subsidiaries</b>							
• WCCCHI							
- Advances and settlement	2015 2014	<i>3d</i>	(135,053) (66,674)	- -	- -	560,525 695,578	Unsecured; noninterest-bearing; due on demand
- Deposit	2015 2014	<i>3e</i>	- -	- -	- -	1,000,000 1,000,000	Unsecured; noninterest-bearing

Forward



The advances amounting to P221.2 million granted to MAHEC in 2004 by the Company bore 4% interest. The advances were used as an additional fund infusion in acquiring the petrochemical plant of Bataan Polyethylene Corporation, through Polymax Worldwide Limited (Polymax), MAHEC's wholly owned subsidiary, and NPC Alliance Corp., a special purpose entity created by Polymax.

The increase in the advances to MAHEC was due to the yearly accrual of interest. Allowance for impairment loss on receivables from MAHEC amounted to nil and P17.48 million as at December 31, 2015 and 2014, respectively. Interest charged to MAHEC in 2015 and 2014 was 2%. Interest receivable from MAHEC amounted to P48.00 million and nil as at December 31, 2015 and 2014, respectively.

On February 5, 2015, the Company, APHC, TWGI, PRC and MAHEC entered into a Memorandum of Understanding (MOU) whereby the parties agreed that the outstanding balance of the advances from TWGI, PRC and MAHEC will be settled using parcels of land owned by PRC. Subject to the other specific terms of the MOU, the settlement shall be effective upon completion of titling of the subject property, which is currently ongoing, will be completed by PRC. The advances to MAHEC was fully paid through cash settlement as at December 31, 2015 (see Note 15b).

On December 21, 2015, the Company granted advances to Crisanta Realty for an interest of 2% and maturity on December 21, 2020. It was agreed that Crisanta Realty has the option to pay the balance before maturity date without payment of penalty fees and in case the latter refuses or fails to pay the principal and interest within the time agreed upon, the same shall be due and demandable. Accretion expense of P40.46 million was recognized and recorded to show the effect of the time value of money of the said advances.

b. Non Interest-bearing Advances to Related Parties

The Company has non-interest bearing, collateral free advances to PHES and other stockholders with no fixed term of repayment. The said advances are due and demandable at anytime.

The collectability of the aforementioned due from related parties is unconditionally recognized and guaranteed by a stockholder of the Company, representing the majority shareholders.

c. In the ordinary course of business, the Company obtains noninterest-bearing, collateral-free cash and non-cash advances from related parties for working capital purposes, as well as to finance the construction of its hotel projects. The above advances are due and demandable at anytime.

d. Advances to Subsidiaries (see Note 4)

These mainly represent funds provided to support subsidiaries' daily operations and to finance the construction and completion of certain hotel projects. These include interest charges on loans (see Note 8).

e. Deposits to Subsidiaries (see Note 4)

These represent amounts set aside that will be used as subscription payments by the Company once the planned increase in the authorized capital stock of the subsidiaries materialized.

All related party balances, other than those included in the MOU in Note 5a, are expected to be settled in cash.

Total interest income on the abovementioned advances amounted to P31.73 million, P31.66 million and P31.96 million in 2015, 2014 and 2013, respectively.

## 6. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2015		
	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
<b>Cost</b>			
Beginning balance	P4,815,980	P1,767,795	P6,583,775
Additions	-	-	-
<b>Ending balance</b>	<b>4,815,980</b>	<b>1,767,795</b>	<b>6,583,775</b>
<b>Accumulated Depreciation</b>			
Beginning balance	3,382,151	1,557,161	4,939,312
Depreciation	212,419	99,974	312,393
<b>Ending balance</b>	<b>3,594,570</b>	<b>1,657,135</b>	<b>5,251,705</b>
<b>Carrying Amount</b>	<b>P1,221,410</b>	<b>P110,660</b>	<b>P1,332,070</b>

	For the Year Ended December 31, 2014		
	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
<b>Cost</b>			
Beginning balance	P4,815,980	P1,767,795	P6,583,775
Additions	-	-	-
<b>Ending balance</b>	<b>4,815,980</b>	<b>1,767,795</b>	<b>6,583,775</b>
<b>Accumulated Depreciation</b>			
Beginning balance	3,169,732	1,457,187	4,626,919
Depreciation	212,419	99,974	312,393
<b>Ending balance</b>	<b>3,382,151</b>	<b>1,557,161</b>	<b>4,939,312</b>
<b>Carrying Amount</b>	<b>P1,433,829</b>	<b>P210,634</b>	<b>P1,644,463</b>

## 7. Accrued Expenses and Other Payables

This account is broken down as follows:

	Note	2015	2014
Accrued interest and penalties - SSS loan	8	P806,313,585	P746,435,530
Others		544,300	474,408
		<b>P806,857,885</b>	<b>P746,909,938</b>

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## 8. Loan Payable

### SSS Loan

On October 28, 1999, the Company obtained a five-year term loan from SSS amounting to P375.00 million originally due on October 29, 2004. The SSS loan bears interest at the prevailing market rate plus 3% or 14.5% per annum, whichever is higher. Interest is repriced annually and is payable semi-annually. Initial interest payments are due 180 days from the date of the release of the proceeds of the loan. The repayment of the principal shall be based on eight (8) semi-annual payments, after a one-year grace period.

The SSS loan was availed to finance the completion of the facilities of WCCCHI. It was secured by a first mortgage over parcels of land owned by Wellex Industries, Inc. (WII), a related party and by the assignment of 200 million common shares of the Company owned by TWGI. The common shares assigned were placed in escrow in the possession of an independent custodian mutually agreed upon by both parties.

On August 7, 2003, when the total loan obligation to SSS, including penalties and interest, amounted to P605.00 million, the Company was considered in default with the payments of the loan obligations, thus, on the same date, SSS executed a foreclosure proceeding on the mortgaged parcels of land. The SSS's winning bid on the foreclosure sale amounting to P198.00 million was applied to penalties and interest amounting to P74.00 million and P124.00 million, respectively. In addition, the Company accrued penalties charged by SSS amounting to P30.50 million covering the month of August until December 2003, and unpaid interest expense of P32.00 million.

The Company, WII and TWGI were given the right to redeem the foreclosed property within one (1) year from October 17, 2003, the date of registration of the certificate of sale. The Company recognized the proceeds of the foreclosure sale as its liability to WII and TWGI. The Company, however, agreed with TWGI to offset this directly against its receivable from the latter. In August 2004, the redemption period for the Company, WII and TWGI expired.

The remaining balance of the SSS loan is secured by the shares of stock of the Company owned by TWGI and shares of stock of WII numbering 235 million and 80 million shares, respectively.

On May 13, 2004, SSS filed a civil suit against the Company for the collection of the total outstanding loan obligation before the Regional Trial Court (RTC) of Quezon City. SSS likewise asked the RTC of Quezon City for the issuance of a writ of preliminary attachment on the collateral property.

On June 18, 2004, the RTC of Quezon City issued its first order granting SSS's request and the issuance of a writ of preliminary attachment based on the condition that SSS shall post an attachment bond in the amount of P452.8 million. After the lapse of three (3) months from the issuance of RTC order, no attachment bond has been posted. Thus on September 16, 2004 and September 17, 2004, the Company filed a Motion to Set Aside Order of Attachment and Amended Motion to Set Aside Order of Attachment, respectively.

On January 10, 2005, the RTC of Quezon City issued its second order denying the Company's petition after finding no compelling grounds to reverse or reconsider its initial findings dated June 18, 2004. In addition, since no writ of preliminary attachment was actually issued for failure of SSS to file a bond on the specified date, the RTC granted SSS an extension of fifteen (15) days from receipt of its second order to post the required attachment bond.

On February 10, 2005, SSS filed a Motion for Partial Reconsideration of the Order dated January 10, 2005 requesting that it be allowed to post a real property bond in lieu of a cash/surety bond and asking for another extension of thirty (30) days within which to post the said property bond. On March 7, 2005, the Company filed its opposition to the said Motion.

On July 18, 2005, the RTC of Quezon City issued its third order denying the Company's petition and granted SSS the thirty (30) day extension to post the said attachment bond. Accordingly, on August 25, 2005, the Company filed a Motion for Reconsideration.

On September 12, 2005, the RTC of Quezon City issued its fourth order approving SSS's property bond in the total amount of P452.80 million. Accordingly, the RTC ordered the corresponding issuance of the writ of preliminary attachment. On November 3, 2005, the Company submitted a Petition for Certiorari before the Court of Appeals (CA) seeking the nullification of the orders of the RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005.

In a Resolution dated February 22, 2006, the CA granted the Company's petition for the issuance of the Temporary Restraining Order to enjoin the implementation of the orders of the RTC of Quezon City specifically on the issuance of the writ of preliminary attachment.

On March 28, 2006, the CA granted the Company's petition for the issuance of a writ of preliminary injunction prohibiting the RTC of Quezon City from implementing the questioned orders.

On August 24, 2006, the CA issued a decision granting the Petition for Certiorari filed by the Company on November 3, 2005 and nullifying the orders of the RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005 and consequently making the writ of preliminary injunction permanent.

Accordingly, SSS filed a Petition for Review on Certiorari on the CA's decision before the Supreme Court (SC).

On November 15, 2006, the First Division of the SC issued a Resolution denying SSS's petition for failure of SSS to sufficiently show that the CA committed any reversible error in its decision which would warrant the exercise of the SC's discretionary appellate jurisdiction.

Starting 2006, the Company is charging WCCCHI on the related interests and penalties on the contention that the latter benefited from the proceeds of the SSS loan. Penalties are inclusive of legal fees and other related expenses relative to the filing of the deficiency claim against the Company by SSS. The proceeds of the loan were substantially used in the expansion and improvement of WCCCHI's operations.

The Company, at various instances, initiated negotiations with the SSS for restructuring of the loan but was not able to conclude a formal restructuring agreement.

In the absence of a formal restructuring agreement, the entire outstanding loan balance amounted to P375.00 million based on principal amount plus accrued interest and penalties amounted to P806.31 million and P746.44 million as at December 31, 2015 and 2014, respectively, presented as "Accrued interest and penalties - SSS loan" under "Accrued expenses and other payables" (see Note 7).

On January 13, 2015, the RTC of Quezon City issued a decision declaring null and void the contract of loan and the related mortgages entered into by the Company with SSS on the ground that the officers and the SSS are not authorized to enter the subject loan agreement. In the decision, the RTC of Quezon City directed the Company to return to SSS the principal amount of loan amounting to P375.00 million and directed the SSS to return to the Company and to its related parties titles and documents held by SSS as collaterals.

As at December 31, 2015, SSS has not yet appealed or filed a motion for reconsideration (see Note 15a).

## 9. Other General and Administrative Expenses

This account is broken down as follows:

	<i>Note</i>	2015	2014	2013
Utilities		P1,371,129	P1,248,694	P1,063,837
Depreciation	6	312,393	312,393	312,393
Directors' fees		200,000	300,000	200,000
Security		45,040	345,315	473,350
Fines and penalties		-	-	126,571
Others		760,312	248,584	802,539
		P2,688,874	P2,454,986	P2,978,690

## 10. Income Taxes

The Company's current income tax expense in 2015, 2014 and 2013 represents regular corporate income tax (RCIT) being the higher amount compared to minimum corporate income tax (MCIT). The MCIT is computed at 2% of gross taxable income as defined under the income tax regulations.

The reconciliation of the expected provision for income tax computed at the statutory tax rate to the actual income tax expense shown in the separate statement of comprehensive income is as follows:

	2015	2014	2013
Income (loss) before income tax	(P280,026,807)	(P49,109,068)	(P35,030,717)
Provision for (benefit from) income tax	(P84,008,042)	(P14,732,720)	(P10,509,215)
Tax effects of:			
Nondeductible expenses	88,443,202	18,990,944	13,996,578
	P4,435,160	P4,258,224	P3,487,363

## 11. Right to Provide Venue for Land-based Casinos

PAGCOR has granted the Company the right to provide venue for land-based casinos. By virtue of this right, the Company's subsidiaries, namely WCCCHI, WMCHI and APHC, have existing lease agreements with PAGCOR.

The agreements involve lease by PAGCOR of certain hotel spaces to be used as venue for PAGCOR's casino operations. The agreements are usually for a period of five years and are renewable upon the agreement of all concerned parties.

## 12. Equity

### Capital Stock

Details of capital stock as at December 31, 2015 and 2014 are as follows:

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
Authorized capital stock:				
Common shares at P1 par value each	5,000,000,000	P5,000,000,000	5,000,000,000	P5,000,000,000
Issued and outstanding	2,498,991,753	P2,498,991,753	2,498,991,753	P2,498,991,753

On July 20, 2007, the BOD resolved to increase the authorized capital stock of the Company to P10 billion with 10 billion shares at par value of P1.00 per share. It was further resolved that the Articles of Incorporation be subsequently amended to reflect the increase in authorized capital. This resolution was ratified by the Company's stockholders owning at least two-thirds of the outstanding capital stock during the annual stockholders' meeting held on August 25, 2007.

In 2009, the BOD passed a resolution temporarily suspending the implementation of the above proposed increase in the authorized capital stock of the Company in abeyance. As at December 31, 2015 and 2014, there is no update on the status of the proposed increase in the authorized capital stock of the Company.

### Capital Management

The Company's capital consists of capital stock (common stock), additional paid-in capital and deficit as shown in the separate statement of changes in equity.

The primary objective of the Company's capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Company's overall strategy remains unchanged for 2015, 2014 and 2013.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2015, 2014 and 2013.

The Company is not subject to externally-imposed capital requirements.



### 13. Financial Risk and Capital Management Objectives and Policies

#### Risk Management Structure

##### BOD

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. It also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

##### Risk Management Committee

Risk management committee is responsible for the comprehensive monitoring, evaluation and analysis of the Company's risks in line with the policies and limits set by the BOD.

#### Financial Risk Management Objectives and Policies

The Company's financial instruments comprise of cash, due from and to related parties, advances to subsidiaries, accrued expenses and other payables, and loan payable. The main purpose of these financial instruments is to raise finances for the Company's operations.

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. The Company's management reviews and approves policies for managing each of these risks. These are summarized below.

##### Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and receivables category of financial assets. There has been no change to the Company's exposure to credit risks or the manner in which it manages and measures the risk since prior financial year.

The Company's credit risk is primarily attributable to its cash, due from related parties, and advances to subsidiaries. Exposure to credit risk arises from defaulting third parties, with a maximum exposure equal to carrying amount of the financial assets. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk.

As at December 31, the Company's maximum exposure to credit risk, without considering the effects of any collateral, credit enhancements and other credit risk mitigation techniques are as follows:

	<i>Note</i>	2015	2014
Cash		P72,050	P590,924
Advances to subsidiaries - net	4	581,059,039	712,745,221
Deposits for future stock subscription	4	1,054,000,000	1,054,000,000
Due from related parties - net	5	1,671,853,564	1,714,462,520
		<b>P3,306,984,653</b>	<b>P3,481,798,665</b>

Except for the impaired due from related parties amounting to P59.62 million which is fully covered by allowance for impairment and its advances to WHMC which is covered by allowance for impairment losses amounting to P88.61 million, management believes that all its financial assets are of standard grade and of good credit quality. Standard grade financial assets are those past due but not impaired receivables and with fair collection status. This category includes credit grades 4-5. The standard grade category includes those for which collections are probable due to the reputation and the financial ability to pay of the counterparty but have been outstanding for a considerable length of time.

As at December 31, the aging analyses of the Company's financial assets are as follows (in thousands):

2015	Total	Neither Past Due nor Impaired	Past Due but not Impaired				
			<30 Days	31-60 Days	61-90 Days	>90 Days	Impaired
Cash	P72	P72	P -	P -	P -	P -	P -
Advances to subsidiaries	669,669	581,058	-	-	-	-	88,611
Deposits for future stock subscription	1,054,000	1,054,000	-	-	-	-	-
Due from related parties	1,671,853	430,718	-	-	-	1,181,516	59,619
	P3,395,594	P2,065,848	P -	P -	P -	P1,181,516	P148,230

2014	Total	Neither Past Due nor Impaired	Past Due but not Impaired				
			<30 Days	31-60 Days	61-90 Days	>90 Days	Impaired
Cash	P591	P591	P -	P -	P -	P -	P -
Advances to subsidiaries	812,686	712,744	-	-	-	-	99,942
Deposits for future stock subscription	1,054,000	1,054,000	-	-	-	-	-
Due from related parties	1,714,462	73,507	-	-	-	1,563,853	77,102
	P3,581,739	P1,840,842	P -	P -	P -	P1,563,853	P177,044

The credit quality of the Company's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

Information on the Company's due from related parties that are impaired as at December 31, 2015 and 2014 is disclosed in Note 5 to the separate financial statements.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table summarizes the maturity profile of the Company's financial liabilities (in thousands) as at December 31, 2015 and 2014, based on contractual undiscounted payments:

2015	Total Carrying Amount	Contractual Undiscounted Payments				
		Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Accrued expenses and other payables	P806,858	P806,858	P806,858	P -	P -	P -
Loan payable	375,000	375,000	375,000	-	-	-
Due to related parties	964,642	964,642	964,642	-	-	-
	<b>P2,146,500</b>	<b>P2,146,500</b>	<b>P2,146,500</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>

2014	Total Carrying Amount	Contractual Undiscounted Payments				
		Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Accrued expenses and other payables	P746,910	P746,910	P746,910	P -	P -	P -
Loan payable	375,000	375,000	375,000	-	-	-
Due to related parties	1,169,097	1,169,097	1,169,097	-	-	-
	<b>P2,291,007</b>	<b>P2,291,007</b>	<b>P2,291,007</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>

#### Fair Value of Financial Instruments

The following tables summarize the carrying amounts and fair values of the Company's financial assets and liabilities as at December 31, 2015 and 2014 (in thousands):

	2015		2014	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Assets</b>				
Loans and receivables:				
Cash	P72	P72	P591	P591
Advances to subsidiaries - net	581,058	581,058	712,744	712,744
Deposits for future stock subscription	1,054,000	1,054,000	1,054,000	1,054,000
Due from related parties - net	1,671,853	1,671,853	1,714,462	1,714,462
	<b>P3,306,983</b>	<b>P3,306,983</b>	<b>P3,481,797</b>	<b>P3,481,797</b>

	2015		2014	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Liabilities</b>				
Other financial liabilities:				
Accrued expenses and other payables	P806,858	P806,858	P746,910	P746,910
Loan payable	375,000	375,000	375,000	375,000
Due to related parties	964,642	964,642	1,169,097	1,169,097
	<b>P2,146,500</b>	<b>P2,146,500</b>	<b>P2,291,007</b>	<b>P2,291,007</b>

The valuation techniques used to measure fair value are based upon observable and unobservable inputs. PFRS 13 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of measurement date. The three levels are defined as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying amount of cash, due from related parties, advances to subsidiaries, guarantee deposits, accrued expenses and other payables, loans payable and due to related parties approximate their fair values due to relatively short term maturities of the financial instruments.

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#### **14. Bureau of Internal Revenue Assessment**

On November 10, 2008, the Company received a preliminary assessment notice from the BIR for deficiency taxes for the taxable year 2006. On February 9, 2009, the Company sent a protest letter to BIR contesting the said assessment. On February 18, 2009, the Regional Office of the BIR sent a letter to the Company informing the latter that the docket was returned to Revenue District Office for reinvestigation and further verification.

On December 8, 2009, the Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.30 million. However, on January 15, 2010, the Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

In its decision promulgated on November 13, 2012, the CTA upheld the expanded withholding tax (EWT) assessment and cancelled the value-added tax (VAT) and compromise penalty assessments. The Company decided not to contest the EWT assessment. The BIR filed its motion for reconsideration (MR) on December 4, 2012 and on April 24, 2013, the Court issued its amended decision reinstating the VAT assessment. The Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

The Company appealed the case to the CTA sitting En Banc on October 21, 2013. The CTA En Banc decision promulgated on December 4, 2014 affirmed the VAT and EWT assessments. The EWT assessment was paid on March 3, 2013.

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2015, the Company is still awaiting SC's decision.

Management and its legal counsel believe that the position of the Company is sustainable, and accordingly, believe that the Company does not anymore have a present obligation (legal or constructive) with respect to the assessment.

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#### 15. Events After the Reporting Period

- a. On February 11, 2016, the RTC case filed by SSS was appealed to the Court of Appeals by SSS, assailing the RTC decision in favor of the Company, et al. SSS filed its Appellant's Brief and the Company is to file its Appellees' Brief by April 2016 (see Note 8).
- b. On February 19, 2016, the Company, TWGI, PRC and MAHEC made amendments to the previously issued MOU for the settlement of all outstanding liabilities of TWGI and MAHEC to the Company. The amended MOU states that MAHEC shall no longer be a party to the said MOU, and all references to any obligation or rights that MAHEC shall have under said MOU shall no longer be in force. All other terms and conditions shall remain unchanged (see Note 5a).

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#### 16. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

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

The Company has adopted the following amendments to standards and Interpretations starting January 1, 2015, and accordingly, changed its accounting policies. The adoption of these amendments to standards did not have any significant impact on the Company's separate financial statements.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the separate financial statements of the Company:
  - *Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)*. The amendments clarify the requirements of the revaluation model in PAS 16 and PAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. PAS 16 and PAS 38 have been amended to clarify that, at the date of revaluation: the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset - e.g. restated in proportion to the change in the carrying amount or by reference to observable market data; and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

#### *Interest Income*

Interest income is recognized as it accrues using the effective interest method.

#### *Other Income*

Other Income is recognized when earned.

#### Expense Recognition

Expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred.

#### Financial Instruments

##### *Financial Assets*

The Company classifies its financial assets in the following categories: (a) at fair value through profit or loss (FVPL), (b) loans and receivables, (c) held-to-maturity (HTM) investments, and (d) Available-for-sale (AFS) financial assets. The Company's classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company only holds financial assets classified as loans and receivables.

##### (a) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the financial reporting date, in which case, these are classified as noncurrent assets. The Company's cash, due from related parties and advances to subsidiaries are classified as loans and receivables as at December 31, 2015 and 2014.

Cash includes cash in banks and is stated at face value.

· (b) Initial Recognition and Derecognition

Regular purchases and sales of financial assets are recognized on trade date - the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulations or convention in the marketplace. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Financial assets are derecognized when:

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

When the Company has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial assets nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

(c) Subsequent Measurement

Loans and receivables are carried at amortized cost using the effective interest method, less impairment losses, if any.

(d) Determination of Fair Value

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable input and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### (e) Impairment

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired.

Impairment of advances to and due from related parties financial assets is described in Note 4 and 5 to the separate financial statements. For those carried at amortized cost, individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognized in profit or loss and the carrying amount is reduced through the use of allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Impairment losses on AFS financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired AFS debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise it is reversed through other comprehensive income.

#### *Financial Liabilities*

##### (a) Classification

The Company classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The Company's financial liabilities are classified as other financial liabilities.



Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash.

This classification includes the Company's loan payable, accrued expenses and other payables and due to related parties.

(b) Initial Recognition and Derecognition

Financial liabilities are initially recognized at fair value, less any directly attributable transaction cost.

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

(c) Subsequent Measurement

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Offsetting Financial Assets and Liabilities

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

Investments in Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity if, and only if, the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Company carries its investments in shares of stock of its subsidiaries under the cost method of accounting for investments. Under this method, investments are carried at cost less impairment losses. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of the acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization, as well as impairment losses.

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

Depreciation is computed using the straight-line method over the estimated useful lives of furniture, fixtures and equipment ranging from 5 to 10 years. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

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

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use, no further charges for depreciation and amortization are made in respect of those assets.

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

#### Borrowing Costs

Borrowing costs are generally recognized as expense in the period in which these costs are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

#### Impairment of Nonfinancial Assets

The carrying amount of the Company's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the impaired asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in profit or loss, unless the asset is carried at revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. Fair value less cost of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset being evaluated. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairments are recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

After such reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### Related Parties

A related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its KMP, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### Income Taxes

Income tax, which comprises current and deferred taxes, is recognized in profit or loss except to the extent that it relates to items recognized directly in equity and in OCI.

Current tax is the expected tax payable for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years, if any.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset (DTA) is recognized only to the extent that it is probable that future taxable profits will be available against which the DTA can be utilized. DTA is reduced to the extent that it is no longer probable that the related tax benefit will be realized. The items comprising the DTA are reviewed at each reporting date and adjustments are made, if appropriate.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or either tax assets and liabilities will be realized simultaneously.

#### Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock and share options are recognized as deduction from equity, net of any tax effects.

#### Deficit

Deficit includes accumulated results of operations as reported in the separate statement of comprehensive income less any dividends declared. Dividends are recorded in the period in which the dividends are approved by the BOD.

#### Provisions and Contingencies

A provision is a liability of uncertain timing or amount. It is recognized when the Company has a legal or constructive obligation as a result of a past event; when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The amount to be recognized as provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognized in the separate financial statements but are disclosed when the inflow of economic benefits is virtually certain.

#### Events After the End of the Reporting Date

The Company identifies post yearend events as events that occurred after the reporting date but before the date when the separate financial statements were authorized for issue. Any post yearend events that provide additional information about the Company's financial position or performance at the end of a reporting period (adjusting events) are recognized in the separate financial statements. Events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

### New or Revised Standards and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Company has not applied the following new or amended standards in preparing these separate financial statements. The Company is still assessing the potential impact on its separate financial statements.

#### *To be Adopted January 1, 2016*

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*. The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27)*. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.
- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

*To be Adopted January 1, 2018*

- *PFRS 9, Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

*To be Adopted January 1, 2019*

- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry.

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**17. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the BIR**

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following are the tax information required for the taxable year ended December 31, 2015:

**A. Withholding Taxes**

During the year, the Company withheld expanded withholding tax amounting to P94,000.

**B. All Other Taxes (Local and National)**

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<i>Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses</i>	
License and other fees	<b>P183,750</b>

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**C. Deficiency Tax Assessments**

As at December 31, 2015, the Company is still awaiting SC's decision on its appeal related to the VAT assessment.



108112016004056



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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### Company Information

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SEC Registration No. AS94008678  
Company Name WATERFRONT PHILS. INC.  
Industry Classification  
Company Type Stock Corporation

### Document Information

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Document ID 108112016004056  
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)  
Document Code 17-Q  
Period Covered June 30, 2016  
No. of Days Late 0  
Department CFD  
Remarks

  
ROSEHELLE V. TAMPUSAO



# COVER SHEET

A S 0 9 4 - 8 6 7 8  
 SEC Registration Number

W A T E R F R O N T P H I L I P P I N E S , I N C .

(Company's Full Name)

N O . 1 W A T E R F R O N T D R I V E  
 O F F S A L I N A S D R I V E L A H U G  
 C E B U C I T Y

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

MS. IRISH CHARA LAWAS  
 Contact Person

(02) 559-0130  
 Company Telephone Number

1 2

3 1

SEC 17-Q2

0 9

2 4

Month Day

FORM TYPE

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

464

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**  
**FORM 17-Q**

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

1. For the quarterly period ended

June 30, 2016

2. SEC Identification Number

AS0948678

3. BIR Tax Identification No.

D80003978254NV

4. Exact name of issuer as specified in its charter

WATERFRONT PHILIPPINES, INC.

5. Province, country or other jurisdiction of incorporation or organization

PHILIPPINES

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

NO. 1 WATERFRONT DRIVE, OFF SALINAS DRIVE, LAHUG, CEBU  
CITY Postal Code 6000

8. Issuer's telephone number, including area code

032-2326888

9. Former name or former address, and former fiscal year, if changed since last report

NOT APPLICABLE

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES - P1.00 PAR VALUE	2,498,991,753

11. Are any or all of registrant's securities listed on a Stock Exchange?

- Yes  
 No

If yes, state the name of such stock exchange and the classes of securities listed therein:

THE PHILIPPINE STOCK EXCHANGE

12. Indicate by check mark whether the registrant:

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

Yes

No

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

Yes

No

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*

## Waterfront Philippines, Incorporated WPI

PSE Disclosure Form 17-2 - Quarterly Report References: SRC Rule 17  
and  
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	June 30, 2016
Currency (indicate units, if applicable)	PESO

### Balance Sheet

	Period Ended	Calendar Year Ended (Audited)
	June, 2016	Dec 31, 2015
Current Assets	2,306,942,051	2,103,361,353
Total Assets	8,548,562,286	8,544,733,396

<b>Current Liabilities</b>	2,301,926,699	2,443,353,478
<b>Total Liabilities</b>	3,434,404,253	3,682,104,404
<b>Retained Earnings/(Deficit)</b>	-864,496,065	-1,097,460,906
<b>Stockholders' Equity</b>	5,114,158,033	4,862,628,992
<b>Stockholders' Equity - Parent</b>	4,319,157,721	4,086,192,880
<b>Book Value per Share</b>	1.73	1.64

#### Income Statement

	<b>Current Year (3 Months)</b>	<b>Previous Year (3 Months)</b>	<b>Current Year-To-Date</b>	<b>Previous Year-To-Date</b>
<b>Operating Revenue</b>	515,103,624	496,569,941	1,042,871,429	1,018,310,322
<b>Other Revenue</b>	13,637,214	7,236,520	20,267,116	14,958,480
<b>Gross Revenue</b>	528,740,838	503,806,461	1,063,138,545	1,033,268,802
<b>Operating Expense</b>	312,617,627	345,349,461	640,724,559	699,136,963
<b>Other Expense</b>	84,409,133	100,380,308	168,929,634	208,136,789
<b>Gross Expense</b>	397,026,760	445,729,769	809,654,193	907,273,752
<b>Net Income/(Loss) Before Tax</b>	131,714,078	58,076,692	253,484,352	125,995,050
<b>Income Tax Expense</b>	0.00	0.00	0.00	0.00
<b>Net Income/(Loss) After Tax</b>	131,714,078	58,076,692	253,484,352	125,995,050
<b>Net Income Attributable to Parent Equity Holder</b>	121,038,047	52,540,039	232,964,841	114,952,221
<b>Earnings/(Loss) Per Share (Basic)</b>	0.048	0.023	0.093	0.046

Earnings/(Loss) Per Share (Diluted)	0.048	0.023	0.093	0.046
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Other Relevant Information

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Please refer to Annex A.

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

Please refer to Annex B.

**PART II—OTHER INFORMATION**

**NONE**

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: Waterfront Philippines, Inc.  
Issuer Atty. Arthur R. Ponsaran

Signature and Title

  
\_\_\_\_\_  
*Corporate Secretary*

Date

08/11/16

Principal Financial/Accounting Officer/Controller Precilla O. Toriano

Signature and Title

  
\_\_\_\_\_  
**Compliance/Officer/Director for Finance**

Date

08/11/16

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	June 30, 2016	June 30, 2015	December 31, 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	148,663,632	200,363,953	173,168,220
Trade and Other Receivables-Net	777,296,980	182,535,595	213,701,952
Inventories	27,465,540	28,194,734	29,298,181
Due from related parties - current portion	1,343,122,420	1,719,819,603	1,610,210,794
Prepaid expenses and other current assets	10,393,479	57,979,936	76,982,206
<b>Total Current Assets</b>	<b>2,306,942,051</b>	<b>2,188,893,821</b>	<b>2,103,361,353</b>
<b>Noncurrent Assets</b>			
Due from related parties - noncurrent portion	332,797,180	-	332,797,180
Property and equipment - net	5,804,095,635	6,093,869,761	5,925,632,028
Available-for-sale (AFS) investments	18,209,100	22,978,150	18,209,100
Deferred tax assets	19,533,869	30,717,960	124,045,012
Other noncurrent assets	66,984,451	71,578,101	40,688,723
<b>Total Noncurrent Assets</b>	<b>6,241,620,235</b>	<b>6,219,143,972</b>	<b>6,441,372,043</b>
<b>Total Assets</b>	<b>8,548,562,286</b>	<b>8,408,037,793</b>	<b>8,544,733,396</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	1,360,160,085	1,285,506,443	1,372,580,534
Loans payable - current portion	375,000,000	375,000,000	496,030,050
Income tax payable	-	-	38,062,223
Provisions	72,924,406	-	-
Other current liabilities	493,842,208	283,478,415	536,680,671
<b>Total Current Liabilities</b>	<b>2,301,926,699</b>	<b>1,943,984,858</b>	<b>2,443,353,478</b>
<b>Noncurrent Liabilities</b>			
Loans payable - noncurrent portion	-	144,954,761	-
Deferred tax liabilities	1,005,546,556	819,724,753	1,109,968,314
Retirement benefits liability	119,171,438	-	117,435,509
Other noncurrent liabilities	7,759,560	930,169,324	11,347,103
<b>Total Noncurrent Liabilities</b>	<b>1,132,477,554</b>	<b>1,894,848,838</b>	<b>1,238,750,926</b>
<b>Total Liabilities</b>	<b>3,434,404,253</b>	<b>3,838,833,696</b>	<b>3,682,104,404</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	2,498,991,753	2,498,991,753	2,498,991,753
Additional paid-in capital	706,364,357	706,364,357	706,364,357
Revaluation surplus in property and equipment	1,841,118,443	1,935,665,721	1,841,118,443
Unrealized valuation gain (loss) on AFS investments	-	6,222,054	-
Foreign currency translation adjustment	32,442,969	24,170,439	32,442,969
Fair value reserve	3,456,005	-	3,456,005
Retirement benefits reserve	101,280,259	37,375,754	101,280,259
Deficit:			
Appropriated	-	-	-
Unappropriated	(864,496,065)	(1,395,744,370)	(1,097,460,906)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>4,319,157,721</b>	<b>3,813,045,708</b>	<b>4,086,192,880</b>
<b>Non-controlling Interest</b>	<b>795,000,312</b>	<b>756,158,389</b>	<b>776,436,112</b>
	<b>8,548,562,286</b>	<b>8,408,037,793</b>	<b>8,544,733,396</b>

See Notes to the Consolidated Financial Statements.



	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	April-June 2016	April-June 2015	December 31, 2015
<b>REVENUES</b>			
Hotel	506,238,890	485,042,893.00	2,019,858,698.00
Nonhotel	8,864,733	11,527,048.00	49,317,621.00
Interest and other income	13,637,214	7,236,520.00	31,731,471.00
	528,740,838	503,806,461.00	2,100,907,790
<b>COSTS AND EXPENSES</b>			
Hotel	303,559,341	328,466,189	1,053,309,615
Nonhotel	9,058,286	16,883,272	351,064,421
	312,617,627	345,349,461	1,404,374,036
<b>INCOME BEFORE FIXED, FINANCIAL AND OTHER CHARGES</b>	<b>216,123,211</b>	<b>158,457,000</b>	<b>696,533,754</b>
<b>FIXED, FINANCIAL AND OTHER CHARGES</b>			
Depreciation and amortization	66,073,231	84,500,011	333,683,900
Interest expense	15,040,576	15,880,297	136,933,256
Penalties and other charges	-	-	-
Provision for impairment losses on receivables	-	-	2,587,635
Loss on sale on Acesite shares	-	-	-
Interest income	-	-	(33,711,906)
Foreign exchange losses (gains) - net	3,295,326	-	18,318,204
Others - net	-	-	3,207,862
	84,409,133	100,380,308	461,018,951
<b>INCOME(LOSS) BEFORE INCOME TAX</b>	<b>131,714,078</b>	<b>58,076,692</b>	<b>235,514,803</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>-</b>	<b>-</b>	<b>76,807,708</b>
<b>NET INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST</b>	<b>131,714,078</b>	<b>58,076,692</b>	<b>158,707,095</b>
Share of Minority Interest	10,676,031	5,536,653	31,495,636
<b>NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>121,038,047</b>	<b>52,540,039</b>	<b>127,211,459</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign currency translation differences for foreign operations	-	-	8,272,530
Actuarial gains on defined benefit plan	-	-	19,796,982
Net change in fair value of AFS financial assets	-	-	(4,769,050)
Reduction of deferred tax liability relating to revaluation surplus	-	-	-
Deferred tax effect	-	-	(5,939,095)
	-	-	17,361,367
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>131,714,078</b>	<b>58,076,692</b>	<b>176,068,462</b>
<b>EARNINGS PER SHARE - Basic and Diluted</b>	<b>0.048</b>	<b>0.021</b>	<b>0.051</b>

\*There are no dilutive potential shares as of June 30, 2016 and 2015.

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	January-June 2016	January-June 2015	December 31, 2015
<b>REVENUES</b>			
Hotel	1,014,578,112	978,255,669.00	2,019,858,698.00
Nonhotel	28,293,317	40,054,653.00	49,317,621.00
Interest and other income	20,267,116	14,958,480.00	31,731,471.00
	<b>1,063,138,545</b>	<b>1,033,268,802.00</b>	<b>2,100,907,790</b>
<b>COSTS AND EXPENSES</b>			
Hotel	613,396,701	651,707,506	1,053,309,615
Nonhotel	27,327,859	47,429,457	351,064,421
	<b>640,724,559</b>	<b>699,136,963</b>	<b>1,404,374,036</b>
<b>INCOME BEFORE FIXED, FINANCIAL AND OTHER CHARGES</b>	<b>422,413,986</b>	<b>334,131,839</b>	<b>696,533,754</b>
<b>FIXED, FINANCIAL AND OTHER CHARGES</b>			
Depreciation and amortization	135,241,355	170,376,294	333,683,900
Interest expense	31,466,473	37,760,495	136,933,256
Penalties and other charges	-	-	-
Provision for impairment losses on receivables	-	-	2,587,635
Loss on sale on Acesite shares	-	-	-
Interest income	-	-	(33,711,906)
Foreign exchange losses (gains) - net	2,193,806	-	18,318,204
Others - net	28,000	-	3,207,862
	<b>168,929,634</b>	<b>208,136,789</b>	<b>461,018,951</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>253,484,352</b>	<b>125,995,050</b>	<b>235,514,803</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>-</b>	<b>-</b>	<b>76,807,708</b>
<b>NET INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST</b>	<b>253,484,352</b>	<b>125,995,050</b>	<b>158,707,095</b>
Share of Minority Interest	20,519,511	11,042,829	31,495,636
<b>NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>232,964,841</b>	<b>114,952,221</b>	<b>127,211,459</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign currency translation differences for foreign operations	-	-	8,272,530
Actuarial gains on defined benefit plan	-	-	19,796,982
Net change in fair value of AFS financial assets	-	-	(4,769,050)
Reduction of deferred tax liability relating to revaluation surplus	-	-	-
Deferred tax effect	-	-	(5,939,095)
	<b>-</b>	<b>-</b>	<b>17,361,367</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>253,484,352</b>	<b>125,995,050</b>	<b>176,068,462</b>
<b>EARNINGS PER SHARE - Basic and Diluted</b>	<b>0.093</b>	<b>0.046</b>	<b>0.051</b>

\*There are no dilutive potential shares as of June 30, 2016 and 2015.

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	January-June 2016	January-June 2015	December 31, 2015
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Capital stock - P1 par value per share	2,498,991,753	2,498,991,753	2,498,991,753
Additional Paid-in Capital	706,364,357	706,364,357	706,364,357
<b>Revaluation Surplus in Property and Equipment</b>			
Balance at beginning of year	1,841,118,443	1,935,665,721	1,935,665,721
Appraisal increase for the year - net of income tax effect	-	-	-
Derecognition of land held under finance lease due to acquisition of a subsidiary	-	-	-
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	-	-	(94,547,278)
Balance at end of year	1,841,118,443	1,935,665,721	1,841,118,443
<b>Unrealized Valuation Gain (Loss) on AFS Investments</b>			
Balance at beginning of year	-	6,222,054	-
Valuation loss taken into equity during the year	-	-	-
Change in equity ownership of non-controlling interest in a subsidiary	-	-	-
Balance at end of year	-	6,222,054	-
<b>Foreign Currency Translation Adjustment</b>			
Balance at beginning of year	32,442,969	24,170,439	24,170,439
Translation adjustment during the year	-	-	8,272,530
Balance at end of year	32,442,969	24,170,439	32,442,969
<b>Deficit</b>			
Reversal of appropriated retained earnings	-	140,000,000	-
<b>Unappropriated</b>			
Balance at beginning of year	(1,097,460,906)	(1,319,219,643)	(1,319,219,643)
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	-	-	94,547,278
Recognition of retirement benefits reserve	-	-	-
loss for the year	232,964,841	(216,524,727)	127,211,459
Balance at end of year	(864,496,065)	(1,395,744,370)	(1,097,460,906)
Total deficit	4,214,421,457	3,775,669,954	3,981,456,616
Fair value reserve, beginning of the year	3,456,005	-	6,222,054
Other comprehensive income-net tax effect	-	-	(2,766,049)
Total fair value reserve	3,456,005	-	3,456,005
Retirement benefits reserve, beginning of the year	101,280,259	37,375,754	89,250,289
Other comprehensive income-net tax effect	-	-	12,029,970
Total retirement benefits reserve	101,280,259	37,375,754	101,280,259
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>4,319,157,721</b>	<b>3,813,045,708</b>	<b>4,086,192,880</b>

See Notes to the Consolidated Financial Statements.

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	January-June 2016	January-June 2015	December 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	253,484,352	125,995,050	235,514,803
Adjustments for:			
Depreciation and amortization	135,241,355	170,376,294	333,683,900
Interest expense	31,466,473	37,760,495	136,933,256
Loss on sale on acesite shares	-	-	-
Retirement benefit costs	1,735,929	(51,874,535)	40,342,055
Provisions	(72,924,406)	-	(45,575,012)
Unrealized foreign exchange loss (gain)	2,193,806	-	8,272,530
Penalties and other charges	-	-	-
Loss on sale on acesite shares	-	-	-
Impairment losses	-	-	2,587,635
Interest income	(20,267,116)	(6,624,389)	(33,711,906)
Operating income before working capital changes	330,930,393	275,632,915	678,047,261
Decrease (increase) in:			
Receivables	(563,595,028)	6,007,990	(16,328,580)
Inventories	1,832,641	(378,833)	(1,482,280)
Prepaid expenses and other current assets	66,588,727	10,931,232	(26,858,888)
Increase (decrease) in:			
Accounts payable and accrued expenses	10,226,643	(22,946,977)	64,127,114
Other current liabilities	42,838,463	215,410,607	468,612,863
Cash generated from operations	(111,178,161)	484,656,934	1,166,117,490
Interest received	20,267,116	6,624,389	3,456,946
Income taxes paid	(38,062,223)	(25,032,556)	(50,947,041)
Retirement plan contributions paid	-	-	(11,250,000)
Benefits paid	-	(45,575,012)	(8,945,198)
Interest paid	(31,466,473)	(37,760,495)	(96,477,022)
Net cash provided by operating activities	(160,439,741)	382,913,260	1,001,955,175
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment	(13,704,962)	(29,973,899)	(25,043,772)
Investment in a subsidiary	-	-	-
Due from related parties	-	264,281,927	-
Proceeds from sale of an equity interest in subsidiary	-	-	-
Proceeds from sale of property and equipment	-	-	-
Increase in other noncurrent assets	78,215,415	165,260,601	26,002,418
Net cash used in investing activities	64,510,453	399,568,629	958,646
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Increase)Decrease in loans payable	121,030,050	(327,851,681)	(351,776,392)
(Increase) Decrease in due from related parties	267,088,374	-	30,892,282
Increase (decrease) in other noncurrent liabilities	(316,693,724)	(393,956,466)	(648,551,702)
Payment of obligation under finance lease	-	-	-
Net cash provided by (used in) financing activities	71,424,700	(721,808,147)	(969,435,812)
<b>INCREASE (DECREASE) IN TRANSLATION ADJUSTMENT FOR THE YEAR</b>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(24,504,588)</b>	<b>60,673,742</b>	<b>33,478,009</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>173,168,220</b>	<b>139,690,211</b>	<b>139,690,211</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>148,663,632</b>	<b>200,363,953</b>	<b>173,168,220</b>

See Notes to the Consolidated Financial Statements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Organization and Status of the Business**

*Corporate Information*

Waterfront Philippines, Incorporated (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. The Parent Company is 46%-owned by The Wellex Group, Inc. (TWGI), an entity registered and domiciled in the Philippines, which is listed in the Philippine Stock Exchange (PSE). The Parent Company holds equity interests in hotels and resorts, a fitness gym, entities engaged in the international marketing and promotion of casinos, manufacturing of pastries, and hotel management and operations.

The Parent Company and the following subsidiaries (collectively referred to as the Group) were incorporated in the Philippines, except for Waterfront Promotion Ltd. (WPL) and Club Waterfront International Limited (CWIL), which were registered in the Cayman Islands.

	<u>Percentage of Ownership</u>	
	<u>Direct</u>	<u>Indirect</u>
<b>Hotels and Resorts</b>		
Waterfront Cebu City Casino Hotel, Incorporated (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Incorporated (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Phils.) Hotel Corporation (APHC)	58	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
<b>Real Estate</b>		
CIMA Realty Phil., Inc. (CIMAR)	-	58*
<b>Fitness Gym</b>		
Waterfront Wellness Group, Inc. (WWGI)	100	-
<b>International Marketing and Promotion of Casinos</b>		
WPL	100	-
Mayo Bonanza, Inc. (MBI)	100	-
CWIL (through direct ownership in WPL)	-	100
Waterfront Entertainment Corporation (WEC)	100	-
<b>Pastries Manufacturing</b>		
Waterfront Food Concepts Inc. (WFC)	100	-
<b>Hotel Management and Operation</b>		
Waterfront Hotel Management Corp. (WHMC)	100	-

**Hotels**

**Waterfront Cebu City Casino Hotel, Inc.**

WCCCHI was incorporated on September 23, 1994 to manage and undertake operations of Waterfront Cebu City Hotel and Casino (WCCHC). WCCCHI achieved a milestone during the year by opening the doors of WCCHC on January 5, 1998, with 158 guest-rooms which has already grown to 561 by the last quarter of 1999, six-storey convention center known as the Waterfront Convention Center, previously known as Cebu International Convention Center and six-storey Entertainment Block. Located in this Entertainment Block is a 1,000-square meter 5-star restaurant, which completes

the Company's restaurants row. On February 5, 1998, PAGCOR commenced operations at the new purposely-built casino at the Entertainment Block.

**- Waterfront Convention Center-(WCC)**

Waterfront Convention Center previously known as Cebu International Convention Center is a six-storey building, especially-designed to adapt to any event size and purpose, with a total gross area of 40,587 square meters, and has been in operation since January 5, 1998. Major amenities of the center include ten (11) function rooms and two (2) Grand Ballrooms with a seating capacity of 4,000. WCC is the only convention and exhibition center of international standard in Cebu City.

**- Entertainment Block**

The Entertainment block is a six-storey building with a total gross area of 34,938 square meters. It is comprised of eleven (9) Food and Beverage entertainment outlets, an 11,000 square meters of public and international gaming area that includes the "Casino Filipino", and 62 hotel rooms and suites

**- Hotel Tower Block**

The Hotel Tower block is a 22-storey building with a total gross area of 44,334 square meters. It consists of a podium, containing the lobby, a food and beverage outlet, a reception, a shopping arcade, three (3) press function rooms, and a high rise block of 498 hotel rooms and suites.

The Hotel, with its fairytale-inspired façade, is conveniently located in the center of Cebu City and is within easy reach from key business, commercial and shopping districts and is just 30 minutes away from the Mactan International Airport.

Waterfront Cebu City Hotel & Casino has elegantly designed and well-appointed guest rooms and suites. The 18th Floor is the Waterfront Ambassador Club with a two floor Club Lounge exclusive for Ambassador Floor guests. Waterfront Ambassador Club guests enjoy butler service, complimentary business services and a business boardroom fit for a group of up to 8 people, equipped with a built-in LCD projector, a roll-up screen, PA and recording system, a local area network (LAN) and a poly communication system. The 2nd floor lounge is outfitted with 3 computer stations, where guests can avail of complimentary WIFI access, flat-screen television entertainment, an array of lifestyle and business magazines as well as newspapers and board games. The hotel offers a 10,000-square meter convention center, which is the largest convention center in the Visayas and Mindanao, and is designed to adapt to multiple types of events. The convention center is equipped with 10 function rooms, 2 executive board rooms, and 2 Grand Ballrooms, each seating 4,000 people. It has played host to a myriad of national as well as regional events, conventions and conferences.

Waterfront Cebu City Hotel and Casino operates 9 F&B outlets, including a hotel coffees shop, a Japanese restaurant, an Italian restaurant and a poolside snack bar. The hotel has a fully functional business center paired with flat-screen computers, internet access and private boardrooms. The newly renovated lobby was inspired based on two main objectives; first, to transform the existing single dimension grand lobby into a multi-dimensional lifestyle-concept space that will enhance the guests' experience when dining and lounging in the lobby; and second, to improve traffic patterns, through the construction of larger check-in areas and through maximizing the Lobby's three entrances. Waterfront Cebu City Hotel and Casino's massive, high-ceilinged lobby has always been its principal attraction in fact it is touted as the largest hotel lobby in Visayas-Mindanao area. Spanning 22 meters wide, 96 meters in long and 35 meters high and crisscrossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance. Apart from improvements to the general structure of the lobby, the Lobby Lounge itself will offer an all-new dining and lounging experience, with newly-installed glass panels, semi-closing each side of the lounge. Fully-equipped bar areas have also been installed in the middle of each of the lounge's two sections, ensuring diners of more efficient and prompt service. To enhance the overall guest experience, the hotel has put together additional features such as nightly entertainment from the city's top performers, and soulful afternoon music by soloists. Among the hotel's newest pride comes in the form of delectable treats, introducing Lobby Lounge's new service concepts.

**Afternoon.Tea**

Guests can now relive the splendor and grace of the old English days with the Lobby Lounge's

Afternoon Tea offering. It is a tea and dessert concept created to give guests a whole new tea experience by giving emphasis on unique ways to enjoy a cup of tea. Guests can expect an array of snack choices to complement their tea selection. The Afternoon Tea comes with a choice of Traditional Afternoon Tea with a Local Twist or Chocolate Temptations. For each selection, guests may opt for tea, coffee or hot chocolate. Each selection also comes with a variety of snack options to go along with their choice of beverage.

#### Wine

#### Dispenser

Guests can now take a sip of Lobby Lounge's extensive selection of wine. The wine dispenser is an innovative addition to the wining and dining experience at the hotel. It serves the purpose of allowing guests to select among an array of bottles, through tasting by the glass. This concept intends to give guests an opportunity to sample different wines in small amounts before deciding to order a full glass or bottle. Guests may test wines from the dispenser in three different amounts. This way, guests can choose the perfect wine fit for their palate. To enjoy the wine dispenser service, guests must avail of the Wine Card which comes in prepaid or postpaid.

To complement the Hotel's main lobby, a group check-in counter is constructed, dedicated solely to corporate and travel groups; a larger Duty Free shopping is also provided; and an additional Casino Filipino gaming space of 2,350 square meters is launched together with it. This will not only enhance the current lobby, but will also increase operational efficiency and add more exciting features for the hotel's customers.

#### Waterfront Mactan Casino Hotel, Inc.

Waterfront Mactan was incorporated on September 23, 1994 to manage and undertake operations of Waterfront Mactan Island Hotel and Casino (WMIHC). WMCHI has completed Phase I of Waterfront Mactan Island Hotel and Casino (WMIHC). It is located right across Mactan-Cebu International Airport, on a land area of approximately 3.2 hectares. The hotel features 164 rooms and suites, 6 food-and-beverage and entertainment outlets, with a total built-up area of 38,000 square meters. Equipped with one of the largest casinos in the Philippines, WMIHC has made Cebu the only city in Southeast Asia that offers casino facilities to transients while waiting for their flights. For future development is Phase II, consisting of 200-guest rooms, which will be built depending on the demands of the market. It has recently improved its rooms by installing fax machines and Internet connections to cater to the needs of its guests. Additionally, the company has acquired the newest hospitality software in the industry, the OPERA Property Management System, which is designed to help run the hotel operations at a greater level of productivity and profitability. This was installed last January 14, 2003.

The hotel is conveniently located in front of the Mactan International and Domestic Airport, just a three-minute drive to the Industrial Zone, a fifteen-minute drive to the beaches of Mactan Island and just thirty minutes away from Cebu City's shopping and financial district.

#### Davao Insular Hotel Company, Inc. or Waterfront Insular Hotel Davao, Inc.

Davao Insular Hotel Company Inc. was incorporated in the Philippines on July 3, 1959 to engage in the operation of hotel and related hotel businesses. The hotel is a 98% owned subsidiary of Waterfront Philippines, Incorporated and is operating under its trading name Waterfront Insular Hotel Davao. Waterfront Insular Hotel, the prestigious business hotel in a sprawling garden resort setting, is only five to ten minutes to the downtown area. Nestled along the picturesque Davao Gulf, its open air corridors provide a refreshing view of the hotel's beautifully landscaped tropical garden and the sea.

With a greater area than any other hotel facility in the city, it is unmatched in servicing large business meetings, conventions, and exhibit groups. The hotel consists of four low-rise buildings of 159 guest rooms and suites, 5 function rooms and 6 F&B outlets. Every room opens to a lanai overlooking a lush garden the blue waters of the Davao Gulf or a scenic coconut grove. Features included in the newly re-opened hotel are the 5 Gazebos located along the beach area. The hotel is every guest's gateway to the diverse, colorful and rich cultural heritage of Davao City.

Discover the rich cultural heritage of Davao which stems from the different groups and tribes that

populated the area throughout its history and be astonished of artworks in the hotel lobby where it showcases pieces of artifacts featuring the various object d'art from the different tribes and historical.

On 2015, the property re-opens its gym with 48 square meters to continuously serve its guests and to ensure guests satisfaction

#### **Acesite (Phils.) Hotel Corporation**

The principal property of the Company is a 22-storey building known as the Manila Pavilion Hotel located at the corner of United Nations Avenue and Maria Y. Orosa Street in Ermita, Manila. The Hotel has 337 guestrooms and suites that have individually controlled central air conditioning, private bathroom with bathtub and shower, multi-channel radio, color TV with cable channels and telecommunications facilities. It has 3 function rooms and one of this is Alcuaz which can accommodate 250-300 guests. The hotel has approximately 2,200 sq. meters of meeting/banquet/conference facilities, and also houses several restaurants, such as Seasons Café (coffee shop), the Rotisserie (grill room), the Peony Garden (Chinese restaurant), the Boulvar (bar & lounge) and the Patisserie (bakeshop and deli items). Other guest services and facilities include a chapel, swimming pool, gym, business center and a valet-service basement car park. Concessionaires and tenants include beauty salon, foot spa, photography services, transportation services, travel agency, flower shop and boutiques. In addition, Casino Filipino - Pavilion, owned and operated by PAGCOR, occupies part of the first, second, third, fourth and fifth floors (a total of 12,696.17 sq. m.) of the building.

The Company acquired 100% interest of CIMAR, a former subsidiary of Acesite Limited (BVI) or ALB, in October 2011. In July 2011, The Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settle all pending cases and controversies between the two parties. In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agreed to sign, sell, transfer and convey all existing shares of stocks of CIMAR to the Company.

Year 2015, Alcuaz function that can accommodate 250-300 guests was renovated and 111 rooms under superior room category were opened.

#### **Waterfront Hotel Management Corporation (previously Waterfront Management Corp.)**

G-Hotel by Waterfront located in 2090 Roxas Boulevard, Malate Manila on November of 2006 is being managed by Waterfront Management Corporation. It is a seven-story building with 10 deluxe suites, 20 deluxe king and 20 deluxe twin rooms which offers a personalized butler service. A boutique hotel boasting with its trendy Café Noir, pool bar Mirage and an elegant ballroom, Promenade, added to the list of must-go places in the busy district of Manila. The black and white concept of its lobby is distinctly G-Hotel.

On October 01, 2014, the BOD approved the cessation of the Company's business operations. Consequently, the Company's activities were confined mainly to the collection of receivables, settlement of liabilities, and other administrative matters, while maintaining its status as non-operating entity seeking for other business opportunities.

#### **Mayo Bonanza, Inc.**

Mayo Bonanza, Incorporated (MBI), a 100% owned subsidiary of WPI was incorporated on November 24, 1995 in the Philippines with principal activities in the operation and management of amusement, entertainment, and recreation businesses. MBI is to extend the gaming business of the Company. Its primary purpose is to establish, operate, and manage the business of amusement entertainment, and recreation facilities for the use of the paying public. The Company entered into an agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) whereby the latter shall operate the former's slot machine outside of casinos in line with PAGCOR's slot machine arcade project.



### **Waterfront Entertainment Corporation**

WPI has successfully established the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, 7 days a week Central Reservation Office. This service ranges from systems and solutions specializing in the operations hotel framework. It offers specialize hotel consultancy services to hotel owners, operators, brands, developers, lenders and investors with the support of hand-picked networks of experts covering all elements of the hotel or hospitality business within a global perspective.

### **Waterfront Food Concepts, Inc.**

Waterfront Food Concepts, Inc. is a pastry business, catering to pastry requirements of Waterfront Cebu, Waterfront Mactan and other established coffee shops and food service channels outside the hotels. The property is located in the lobby level of Waterfront Cebu City Casino Hotel. It has started its operation on May of 2006. Its pastry products include cakes, cookies and sandwiches. The subsidiary has already catered most of the renowned coffee shops in the city of Cebu and even in places outside the city like Tagbilaran, Tacloban, Butuan and Pagadian.

### **Waterfront Wellness Group, Inc.**

This new subsidiary is located in the Ground Level of Waterfront Cebu City Casino Hotel occupying 617.53 square meters. W Citigyms and Wellness, Inc. is a fully equipped gym with specialized trainers and state of the art equipments. The gym offers variety of services from aerobic instructions to belly dancing, boxing, yoga classes and a lot more. It also has its own nutritionist/dietician. Its highly trained therapists perform massage and spa services to guests within the hotel.

Citigym entices the public in 2015 by opening the newly renovated room-The Citigym Hit Zone. This is Citigym's "Do It Right" and smart solution to Cebu's growing interest in high intensity workout routines.

### **Grand Ilocandia Resort and Development, Inc.**

As of March 31, 2000, the Company carried its investments in GIRDI at cost since it intended to dispose such investment in the near future. In November 2000, GIRDI sold all of its property and equipment, inclusive of the hotel facilities and related operating assets and the investment in marketable securities.

### **Waterfront Promotions Limited/Club Waterfront International Limited**

Waterfront Promotion Ltd. was incorporated on March 6, 1995, under and by virtue of the laws of Cayman Islands to act as the marketing arm for the international marketing and promotion of hotels and casinos under the trade name of Club Waterfront International Limited (CWIL). It is a wholly owned subsidiary of Waterfront Philippines, Inc., a domestic company. Under the agreement with PAGCOR, WPL has been granted the privilege to bring in foreign players under the program in Waterfront Cebu City Hotel and Grand Ilocandia Resort Development Corp. On the other hand, CWIL is allowed to bring in foreign players in Waterfront Mactan Hotel. In connection to this, the company markets and organizes groups of foreign players as participants to the Philippine Amusement and Gaming Corporation's (PAGCOR) Foreign Highroller Marketing Program. The company also entered into agreements with various junket operators to market the casinos for foreign customers. Under these agreements, the company grants incentive programs to junket operators such as free hotel expenses, free airfares and rolling commissions.

The company participated in a joint venture with Jin Lin Management Corporation, its sole marketing agent and co-venturer on September 24, 2001. This joint venture was terminated on April 15, 2002.

The operations for Waterfront Promotions Limited, and likewise for Club Waterfront International Limited, had ceased for the year 2003 in March due to the bleak market.

#### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company, as well as those of its subsidiaries enumerated in Note 1 to the consolidated financial statements.

#### **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company and are included in the consolidated financial statements from the date when control commences until the date when control ceases.

The accounting policies of subsidiaries are being aligned with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

#### **Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's BOD, the chief operating decision maker of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment.

The Group's businesses are operated and organized according to the nature of business provided, with each segment representing a strategic business unit, namely, the Hotel operations, Marketing operations and Corporate and Other Operations segments.

The Group's only reportable geographical segment is the Philippines.

#### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income is measured at the fair value of the consideration received, net of trade discounts, rebates, and other sales taxes or duties. The following specific criteria must also be met before revenue is recognized.

#### **Rooms**

Room revenue is recognized based on actual occupancy.

#### **Food and Beverage**

Food and beverage revenue is recognized when orders are served and billed.

#### **Rent and Related income**

Rent and related income on leased areas of the Group's properties is accounted for on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at amount collected or collectible based on the contract provision.

**Other Revenues**

Other revenues are recognized upon execution of service or as contracted.

**Interest Income**

Interest income is recognized as it accrues using the effective interest method.

**1. Cash and Cash Equivalents**

Included in cash and cash equivalents as of March 31, 2016 are composed mainly of cash deposited in various banks and short-term placements that earn an annual interest of 2% with an average maturity date of 30 days.

**2. Receivables**

This account consists:

	June 2016	June 2015
Trade	250,436,647	108,449,011
Others	546,884,673	91,523,289
	<b>797,321,320</b>	<b>199,972,300</b>
Less allowance for doubtful accounts	-20,024,340	-17,436,705
<b>Total</b>	<b>777,296,980</b>	<b>182,535,595</b>

**3. Inventories**

This account consists of:

	June 2016	June 2015
Food and Beverage	17,324,172	14,396,374
Operating Supplies	9,226,211	11,811,149
Others	915,157	1,987,211
<b>Total</b>	<b>27,465,540</b>	<b>28,194,734</b>

**4. Related Party Transactions**

In 2015, the Parent Company extended interest-bearing, collateral free advances to TWGI, PRC and Crisanta Realty at a rate of two percent (2%) per annum. This also includes PHES which is due and demandable.

**5. Accounts Payable and Accrued Expenses**

This account consists of:

	June 2016	June 2015
Trade	260,796,759	199,396,012
Accrued Expenses	501,472,759	489,873,276
Others	597,890,567	596,237,155
<b>Total</b>	<b>1,360,160,085</b>	<b>1,285,506,443</b>

**6. Loans Payable**

This account consists of:

**SSS Loan**

SSS vs WPI. Et al civil case no. Q-04-52629 at regional trial court, Quezon City. On October 28, 1999, the Parent Company obtained a five-year term loan from SSS amounting to P375.00 million originally

due on October 29, 2004. The SSS loan bears interest at the prevailing market rate plus 3% or 14.5% per annum, whichever is higher. Interest is repriced annually and is payable semi-annually. Initial interest payments are due 180 days from the date of the release of the proceeds of the loan. The repayment of the principal shall be based on eight (8) semi-annual payments, after a one-year grace period.

The SSS loan was availed to finance the completion of the facilities of WCCCHI. It was secured by a first mortgage over parcels of land owned by WII and by the assignment of 200 million common shares of the Parent Company owned by TWGI. The common shares assigned were placed in escrow in the possession of an independent custodian mutually agreed upon by both parties.

On August 7, 2003, when the total loan obligation to SSS, including penalties and interest, amounted to P605.00 million, the Parent Company was considered in default with the payments of the loan obligations, thus, on the same date, SSS executed a foreclosure proceeding on the mortgaged parcels of land. The SSS's winning bid on the foreclosure sale amounting to P198.00 million was applied to penalties and interest amounting to P74.00 million and P124.00 million, respectively. In addition, the Parent Company accrued penalties charged by SSS amounting to P30.50 million covering the month of August until December 2003, and unpaid interest expense of P32.00 million.

The Parent Company, WII and TWGI were given the right to redeem the foreclosed property within one (1) year from October 17, 2003, the date of registration of the certificate of sale. The Parent Company recognized the proceeds of the foreclosure sale as its liability to WII and TWGI. The Parent Company, however, agreed with TWGI to offset this directly against its receivable from the latter. In August 2004, the redemption period for the Parent Company, WII and TWGI expired.

The remaining balance of the SSS loan is secured by the shares of stock of the Parent Company owned by TWGI and shares of stock of WII numbering 235 million and 80 million shares, respectively.

The Parent Company, at various instances, initiated negotiations with the SSS for restructuring of the loan but was not able to conclude a formal restructuring agreement.

In the absence of a formal restructuring agreement, the entire outstanding loan balance amounted to P375.00 million based on principal amount plus accrued interest and penalties amounted to P806.31 million and P746.44 million as at December 31, 2015 and 2014, respectively, presented as part of "Accrued interest and penalties" account under "Accounts payable and accrued expenses" (see Note 11).

On January 13, 2015, the RTC of Quezon City issued a decision declaring null and void the contract of loan and the related mortgages entered into by the Parent Company with SSS on the ground that the officers and the SSS are not authorized to enter the subject loan agreement. In the decision, the RTC of Quezon City directed the Company to return to SSS the principal amount of loan amounting to P375.00 million and directed the SSS to return to the Company and to its related parties titles and documents held by SSS as collaterals.

As at December 31, 2015, SSS has not yet appealed or filed a motion for reconsideration (see Note 25c).

#### ICBC Loan

The Company had committed an event of default with respect to the payment of its US\$15 million loan with the ICBC - Singapore Branch, which matured on 31 March 1998. On 03 June 2003, the loan was restructured by ICBC which stipulated six semi-annual installments payment of principal and interest until April 2006. In July 2004, the new management of the Company requested for a reprieve on loan principal payments due for the period, which the Company suggested to be placed at the end of the term of the Amended Agreement.

On the 1<sup>st</sup> quarter of 2016, the Company fully settled its loan obligation.

**PBB**

On June 10, 2011 and December 19, 2011, WCCCHI and WMCHI, respectively entered into a loan agreement with PBB amounting to Php300 million each with interest fixed at 12% per annum.

As of June 2016, the Company has no more loan obligations to PBB.

**7. The earnings (loss) per share is computed as follows:**

	June 2016	June 2015
Net Income (Loss)	232,964,841	114,952,221
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	0.093	0.046

There are no dilutive potential shares as of March 31, 2016 and 2015

**8. Lease Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR")**

In compliance with the decision of the Board of Arbitrators rendered on January 28, 2003, PAGCOR and the Parent Company (together with WCCCHI and WMCHI) executed an Amended Contract of Lease (ACL) on January 31, 2003, which entirely superseded the Original Contract of Lease (OCL) of September 13, 1995, and revoked the exclusive right of the Parent Company (together with WCCCHI and WMCHI) to provide the sole venue for land-based casinos of PAGCOR in the Province of Cebu under a memorandum of agreement. The new lease period retroacts to January 1, 2001, and shall remain in force until December 31, 2008, unless sooner shortened or renewed, upon mutual agreement of the parties.

The ACL mandated for a straight rental of P1,200 per square meter of floor area, subject to a 5% cumulative increase computed on an annual basis commencing on the fourth year. This provision completely replaced the marketing incentive fee as stipulated in the OCL. In addition, the ACL provided for the immediate payment of PAGCOR of its lease rentals from January 1, 2001 to December 31, 2002 based on the new rate, net of amounts already paid. Likewise, PAGCOR agreed to pay refundable deposits starting in 2003, which amount shall be maintained at all times. Furthermore, PAGCOR will pay a sum equal to the total rental payments previously made for the years 2001, 2002 and 2003 under the OCL, which sum shall be considered as cash advances.

PAGCOR also agreed to pay WCCCHI and WMCHI security deposits equivalent to one year rental based on monthly rentals, which amount shall be maintained at all times.

The lease agreement with WCCCHI is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreements underwent various amendments and renewals. The latest renewal contract was executed by WMCHI and PAGCOR on March 21, 2011 for the Main Area, Slot Machine Expansion Area, Mezzanine and 5th Floor Junket Area. The lease period for the Main Area and Slot Machine Expansion Area shall be for five (5) years and five (months) and five (5) years and four (4) months, respectively. The leases shall commence on March 3, 2011 and March 16, 2011, for the Main Area and Slot Machine Expansion Area, respectively. Both leases shall end on August 2, 2016. The lease for the Mezzanine shall commence within ten (10) months after the execution of this contract, or simultaneously with the commencement of commercial gaming operations in the said Area. The lease for the 5th Floor Junket Area shall commence upon the execution of this lease contract for an initial period of one (1) year and within the said period, the lessee shall inform the lessor in writing whether the lessee will continue the lease over the said area or terminate the same.

The lease agreement with WMCHI is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreements underwent various renewals. The latest renewal contract executed by WMCHI and PAGCOR was on March 21, 2011. The lease commenced on March 3, 2011 until August 2, 2016 or an extended period of five (5) years and five (5) months. Monthly rental is at P1,772.96 per square meter for the total area of 4,076.24 square meters of the main area and P1,688.53 per square meter for the total area of 1,076 square meters of the chip washing area, all subject to a 5%

escalation rate starting on January 3, 2013 and every year thereafter. In addition, PAGCOR shall pay six (6) months advance rental for the main casino area and six (6) months advance rental payment, for the chip washing area, upon execution of the lease contract. The advance rental payments shall be applied respectively to the rent due on the main casino area and chip washing area for the first six (6) months of the last year of the lease.

APHC also has a lease agreement with PAGCOR which is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreement underwent various renewals. The latest renewal contract, known as the Omnibus Amended Lease Contract (OALC), was executed by APHC and PAGCOR on December 1, 2010.

The OALC covers the Main Area (7,093.05 sq. m.), Expansion Area A (2,130.36 sq. m.), Expansion Area B (3,069.92 sq. m.) and Air Handling Unit (AHU) Area (402.84 sq. m.) for a total lease area of 12,696.17 square meters. The lease period for the Main Area, Expansion Area A and AHU Area shall commence upon the signing of the lease agreement until December 16, 2016. While Expansion Area B commences ten (10) months after the turnover of the Expansion Area B to the lessee or the commencement of commercial gaming operations in the Expansion Area B, whichever comes earlier, and shall terminate on December 31, 2016. The OALC may be renewed at the option of the lessee under such terms and conditions as may be agreed upon by the parties. Annual escalation rate of 5% shall be applied on the third and fourth year of the lease.

Upon the execution of the OALC, PAGCOR shall pay six (6) months advance rental or P127.54 million for the Main Area and Expansion Area A, which shall be applied to the rent due on the first six months of the last year of the lease term. Further, PAGCOR shall pay advance rental on Expansion Area B amounting to P58.94 million or equivalent to one (1) year rent.

Relative to the renewal of the contracts, the existing security deposits received by WCCCHI, WMCHI and APHC upon execution of the prior contracts were retained by the aforementioned entities. The amortized cost of the refundable security deposits were determined by calculating the present value of the cash flows anticipated until the end of the lease term using the respective interest rates. The change in the present value and the amortization of the discount is recognized as part of "Interest expense" account in profit or loss and amounted to P20.26 million, P18.95 million and P17.73 million in 2015, 2014 and 2013, respectively. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rates of comparable financial instruments.

On October 16, 2014, PAGCOR requested WCCCHI, WMCHI and APHC to apply the outstanding advanced rentals and the security deposits held against its rental payments up to December 31, 2016, the end of the lease contracts.

As at December 31, 2015, negotiations between PAGCOR, WCCCHI, WMCHI and APHC for the renewal or extension of the leases are still on-going.

## **9. Other Lease Agreements**

### **Land under Operating Lease**

On September 15, 1994, Waterfront Hotel and Resort Sdn. Bhd. (WHR), a former related party, executed a lease contract with Mactan Cebu International Airport Authority (MCIAA) for the lease of certain parcels of land where the hotels were constructed. On October 14, 1994, WHR assigned its rights and obligations under the MCIAA contracts to WCCCHI and WMCHI.

WCCCHI and WMCHI shall pay MCIAA fixed rentals per month plus a 2% variable rent based on the annual gross revenues of WCCCHI and WMCHI, as defined in the agreements. The leases are for a period of 50 years, subject to automatic renewal for another 25 years, depending on the provisions of the applicable Philippine laws at the time of renewal.

### **Equipment under Finance Lease**

DIHCI leased equipment for a monthly fee of P125,000 starting November 2005 for 10 years from EMPI. At the end of the 10-year lease period, EMPI shall transfer to DIHCI, free from any lien or

encumbrance created by EMPI and without any payment of any compensation, all its rights, title and interest in and to the equipment.

At the inception of the lease, DIHCI capitalized the equipment and recognized the related lease liability equivalent to the present value of the total expected lease payments. Depreciation expense recognized in profit or loss related to the leased equipment amounted to P0.81 million in 2015 and P0.98 million in 2014 and 2013.

#### Lease Agreements with Concessionaires

WCCCHI, WMCHI, DIHCI and APHC have lease agreements with concessionaires of the commercial spaces available in hotels. These agreements typically run for a period of less than one year, renewable upon the mutual agreement of the parties (see Note 21).

#### Lease Agreements Entered into by MBI

##### a. Lease of Office Spaces

In May 2006, MBI entered into a contract of lease with TT&T Development, Inc. for the lease of the ground and second floors of its commercial building located at Rizal Avenue, Sta. Cruz, Manila. The covering lease agreement requires MBI to pay a monthly fixed rental of P368,000 with 5% annual increase starting on the second year of the lease term. The lease is for ten (10) years, subject to renewal upon such terms and conditions mutually acceptable to both parties.

##### b. Lease of Slot Machines to PAGCOR

On January 31, 2007, Dynamo Atlantic Limited (Dynamo), a foreign corporation duly organized, existing and registered at the British Virgin Islands (represented by the Company), as lessor, entered into a contract of lease with PAGCOR, as lessee, for the lease of the slot machine VIP Club at the Universal Park Mall Building in Sta. Cruz, Manila. Subsequently, Dynamo executed a deed of assignment in favor of MBI for the full authority and rights over the contract.

The lease was renewed several times, the latest of which was on June 30, 2014. The lease retroactively commenced on May 26, 2014 until June 30, 2016 and may be renewed upon mutual agreement by both parties. The lease agreement requires the lessee to pay the lessor a variable monthly rent equivalent to 35% of the slot machines' gross revenues after deducting the player's winnings/prizes and all applicable taxes. The contract specifies that the rental revenues earned from the lease are considered zero-rated transactions and therefore not subject to output VAT.

##### c. Lease of Slot Gaming Machines

On November 13, 2007, Dynamo, represented by MBI, entered into a Memorandum of Agreement (MOA) with Entertainment Gaming (Philippines), Inc. (EGP), for the 10-year lease of electronic gaming machines for installation and operation in Universal Park Mall Building located at Rizal Avenue, Sta. Cruz, Manila. The MOA requires Dynamo to pay rent amounting to 25% of monthly net winnings after 5% franchise tax for the first 36 months and 23% of monthly net winnings after 5% franchise tax for the succeeding months. Subsequently, Dynamo executed a deed of assignment in favor of MBI for the full authority and rights over the contract.

On October 27, 2014, the MOA was renewed by both parties. The lease retroactively commenced on February 18, 2013 until June 30, 2016 and may be renewed for up to five (5) years upon mutual agreement by both parties. The MOA requires MBI to pay rent amounting to 18% of the first P15.00 million, 20% for any amount in excess of P15.00 million but up to P20.00 million, and 23.75% for any amount in excess of P20.00 million. The amended MOA also requires the payment of 9% interest on past due accounts

## 10. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Group:

On November 10, 2008, the Parent Company received a preliminary assessment notice from the BIR for deficiency taxes for the taxable year 2006. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment. On February 18, 2009, the Regional Office of the BIR sent a letter to the Parent Company informing the latter that the docket was returned to Revenue District Office for reinvestigation and further verification.

On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.3 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

In its decision promulgated on November 13, 2012, the CTA upheld the expanded withholding tax (EWT) assessment and cancelled the VAT and compromise penalty assessments. WPI decided not to contest the EWT assessment. The BIR filed its motion for reconsideration (MR) on December 4, 2012 and on April 24, 2013, the Court issued its amended decision reinstating the VAT assessment. The Parent Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

The Parent Company appealed the case to the CTA sitting En Banc on October 21, 2013. The CTA En Banc decision promulgated on December 4, 2014 affirmed the VAT and EWT assessments. The EWT assessment was paid on March 3, 2013.

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2015, the Parent Company is still awaiting SC's decision.

Management and its legal counsel believe that the position of the Parent Company is sustainable, and accordingly, believe that the Parent Company does not anymore have a present obligation (legal or constructive) with respect to the assessment.



**MANAGEMENT DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

Below are the results of operations of the Parent Company and its subsidiaries, for the period ending June 30, 2016 and 2015 together with its financial conditions as of the same period.

**RESULTS OF OPERATIONS**

	June 2016	June 2015
Revenues	1,063,138,545	1,033,268,802
Less: Costs and Expenses	640,724,559	699,136,963
Net Income (Loss) Before Fixed Financial and Other Charges	422,413,986	334,131,839
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	168,929,634	208,136,789
Income (Loss) before Income Tax	253,484,352	125,995,050
Income Tax Expense (Benefit)	0.00	0.00
Income (Loss) before Share in Minority Interest	253,484,352	125,995,050
Share of Minority Interest	20,519,511	11,042,829
Net Income (Loss)	232,964,841	114,952,221
Earnings (loss) Per share	0.093	0.046

**FINANCIAL CONDITION**

	June 2016	June 2015
<b>Assets</b>		
Current assets	2,306,942,051	2,188,893,821
Non-current Assets	6,241,620,235	6,219,143,972
<b>Total Assets</b>	<b>8,548,562,286</b>	<b>8,408,037,793</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities	2,301,926,699	1,943,984,858
Non-current Liabilities	1,132,477,554	1,894,848,838
Total Stockholders' Equity	4,319,157,721	3,813,045,708
Minority Interest	795,000,312	756,158,389
<b>Total Liabilities and Stockholders' Equity</b>	<b>8,548,562,286</b>	<b>8,408,037,793</b>

**RESULTS OF OPERATIONS**

Period ended June 30, 2016 compared to Period Ended June 30, 2015

**Income Statement**

Hotels and other subsidiaries gross revenues for the 2nd quarter of 2016 and 2015 are 1.06 billion and 1.03 billion respectively, a slight increase of 3%. Effective cost control was demonstrated yet again as consolidated cost and expenses for all properties decreased by 8%, from PhP 699.14 million in 2015 to PhP 640.72 million in 2016. These figures indicate the blanket effect of comprehensive institutional measures that have been implemented across all our properties, resulting in company-wide gains and strong overall performance.

**Seasonality or Cyclicity of Interim Operations****1<sup>ST</sup> QUARTER**

The occupancy for the two (2) hotels, WCCCHI and WMCHI, are high during the months of January and February because of the celebration of the Feast of Sto. Niño better, renowned as the "Sinulog" as well as the celebration of the Chinese New Year. Many visitors come to Cebu during this time just to witness and participate in the festivities. Sinulog is one of the city's main pull for tourists as well as other locals. The celebration of the Chinese New Year also added to the Company's revenues. As we all know, the country is full of Chinese nationalities and businessmen and celebrating their New Year would really be an advantage to the hotels in terms of revenues. The month of March tends to be a slow one for all the hotels. The occupancy percentage depends on the bookings of rooms and functions scheduled by convention organizers, government agencies and tour-group bookings.

The company and the management itself continue to navigate to a position of incontestable strength and market leadership. To go beyond outside traditional markets and develop new revenue streams. And further enhance measures to decrease its operating cost without sacrificing the need and satisfaction of its guest/clients.

**2<sup>ND</sup> QUARTER**

The MICE market has been a particularly strong driving force in the year. Our ability to reach out to our existing client base to facilitate further business and enhance brand loyalty has been highly rewarding, with MICE-generated banquet and functions contributing significantly to overall growth in sales.

Overall, reflects a keen interest by both local and international markets, with the local market as a uniquely consistent driving force in our hotels—showing that the Waterfront brand has gained significant loyalty among local customers and provides an important revenue stream that can be harnessed further as it creates resilience in the business. The increase in foreign bookings among different demographics indicates the overall upward trend in global travel, yet also demonstrates our ability to capture different markets through effective distribution across our selected channels.

**TOP FIVE (5) PERFORMANCE INDICATORS**

	Jan-June 2016	Jan-June 2015
Occupancy Percentage	67%	63%
Average Room Rates	2,379	2,262
Food Covers	166,389	134,769
Average Food Checks	366	347
Average Food Costs	30	33%

#### **Occupancy Percentage**

The occupancy percentage increased by 4% as compared to 2nd quarter of last year. Occupancy percentage is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

#### **Average Room Rate**

Average room rate is 5% higher compared to 2nd quarter of last year. This is one of the alternative strategies of the marketing operations to bend the room rate to take advantage after a global economic recovery. Average room rate is computed by dividing the net rooms revenue over the total number of rooms sold.

#### **Food Covers**

Food covers this quarter increased by 23% compared to the 2nd quarter of last year. This is mainly because there were fewer functions and conventions this time. Food covers pertains to the number of guests that availed of the restaurants services.

#### **Average Food Check**

The average food check or average consumption per guest this quarter increased by 5% compared to 1st quarter of last year. Average Food Check is derived by dividing the total food and beverage revenue by total food covers.

#### **Average Food Cost**

The average food cost decreased by 3% from previous year of the same quarter. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

#### **Revenues and Earnings per Share**

Revenues increased by 3% or 1.06 billion for the 2nd quarter of 2016 as compared to previous year of the same quarter while operating expenses decreased by 8%. Such increased in revenues and decreased in operating expenses resulted to a net income of 422.41 million, which is 26% higher compared to last year same quarter.

Earnings per share this quarter is a P0.093 while same quarter last year was P0.046.

#### **Fixed Financial and Other Charges**

Total fixed financial and other charges for this quarter is 19% lower compared to same quarter last year. This account includes the depreciation and interest expense from bank loans.

Interest Expense this quarter is lower by 17% compared to the 2nd quarter last year.

### **FINANCIAL CONDITION**

#### **Cash and Cash Equivalents**

Cash and cash equivalents as of the 2nd quarter of this year is Php149.66 million compared to 2nd quarter of Php200.36 million; a decreased of 26%.

#### **Receivables**

Receivables for the period increased by 326% from Php182.54 million 2nd quarter last year to P777.30 million 2nd quarter this year. The increased was attributable to GIRDI's receivables from related parties.

#### **Inventories**

Inventory for this quarter is lower than that of last year's—Php28.19 million this year while last year was Php27.47 million. Best effort was exerted to maintain the inventories on a very reasonable level. The company was nimble enough to react quickly to changes in customer demand and do it with little inventory to prevent a long lead times in-order to minimize cost.

**Due from related parties-current portion**

This account has decreased by 22% from last year's first quarter. This also represents interest bearing advances with TWGI and PRC at a rate of two percent (2%) per annum and PHES which is due on demand.

**Property, Plant and Equipment**

There is a decrease of 5% on this account. This is mainly due to depreciation.

**Accounts Payable and Accrued Expenses**

This account has increased by 6% from Php1.29 billion from last year to 1.36 billion of this year.

**Loans Payable**

There is a decreased of Php144.95 million on this account. For this 2nd quarter 2016, the company had settled its full obligations to ICBC and PBB.

**Key Variable and Other Qualitative and Quantitative Factors:**

- a. Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE
- b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- c. There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- d. There are no material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.
- e. From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.
- f. There are no significant elements of income or loss that did not arise from the issuer's continuing operations other than those already affecting profit or loss.

**Financial Risk and Capital Management Objectives and Policies**

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investment, accounts payable and accrued expenses (except for local taxes and output VAT, withholding taxes and deferred income), other current liabilities, loans payable, and other noncurrent liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and market risk. There has been no change to the Group's exposure to risks or the manner in which it manages and measures the risks in prior financial year. The Group's management reviews and approves policies for managing each of these risks and they are summarized as follows:

**Credit Risk**

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 trade and nontrade receivables.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk from other financial assets of the Group, which mainly comprise of due from related parties, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no other significant concentration of credit risk in the Group.

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

Information on the Group's receivables and due from related parties that are impaired as of December 31, 2015 and 2014 and the movement of the allowance used to record the impairment losses are disclosed in Notes 5 and 8 to the consolidated financial statements.

#### **Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors and maintains a level of cash deemed adequate by the management to finance

the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary.

Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is sufficient working capital inflows to match repayments of short-term debt.

#### **Market Risk**

Market risk is the risk that the fair value or cash flows of a financial instrument of the Group will fluctuate due to change in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

#### **Interest Rate Risk**

Cash flow interest rate risk is the risk that the future cash flow of the financial instruments will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The other financial instruments of the Group are either short-term or noninterest-bearing and are therefore not subject to interest rate risk.

Cash flow interest rate risk exposure is managed within parameters approved by management. If the exposure exceeds the parameters, the Group enters into hedging transactions.

#### **Cash Flow Interest Rate Risk**

The following table illustrates the sensitivity of net income and equity for 2015 and 2014 to a reasonably possible change in interest rates based on the historical volatility of SIBOR rates in the immediately preceding 12-month period. These changes are considered to be reasonably possible based on observation of current market conditions.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax by P523,152 and P1,540,515 in 2015 and 2014, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

The other financial instruments of the Group are noninterest-bearing and are therefore not subject to interest rate risk.

#### **Fair Value Interest Rate Risk**

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of  $\pm 50$  basis points in 2015 and 2014. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based

on the Group's loan payable held at the reporting date. All other variables are held constant (in thousands).

Increase (Decrease) Change in interest rates (in basis points)	Income after Income Tax	
	2015	2014
+50	(P3,404)	(P3,139)
-50	3,404	3,139

There is no other impact on the Group's equity other than those already affecting profit or loss in 2015 and 2014.

#### Foreign Currency Risk

Currency risk arises when transactions are denominated in foreign currencies.

As a result of the loan payable from ICBC which is denominated in U.S. Dollar, the Group's consolidated statement of financial position can be affected by movements in this currency. Other than that, the Group does not have any material transactions denominated in foreign currencies as its revenues and costs are substantially denominated in Philippine peso.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in U.S. Dollar. The Group manages its foreign currency risk by measuring the mismatch of the foreign currency sensitivity gap of assets and liabilities.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2015	
	U.S. Dollar	Philippine Peso
Cash	\$9,423	P443,427
Loan payable	(1,595,900)	(75,272,219)
Net foreign currency-denominated liability	(\$1,586,477)	(P74,828,792)

	2014	
	U.S. Dollar	Philippine Peso
Cash	\$7,411	P330,646
Loan payable	(4,967,900)	(221,652,794)
Net foreign currency-denominated liability	(\$4,960,489)	(P221,322,148)

The following are the significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2015	2014	2015	2014
U.S. dollar	P47.12	P44.39	P47.06	P44.69

The Group recognized an unrealized foreign currency exchange loss amounting to P8.16 million, P1.53 million and P22.55 million in 2015, 2014 and 2013, respectively, arising from the translation of these foreign currency-denominated financial instruments.

The following table demonstrates the sensitivity of the net income for the periods reported to a reasonably possible change in U.S. dollar exchange rate based on past rates and macroeconomic forecasts for 2015 and 2014, with all other variables held constant, of the Group's 2015 and 2014 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items.

The analysis assumes a 10% strengthening and weakening as at December 31, 2015 and 2014, respectively of the Philippine peso against the US dollar exchange rate:

	Strengthening		Weakening	
	10%	10%	-10%	-10%
	2015	2014	2015	2014
Net income	P5,226,174	P15,492,550	(P5,226,174)	(P15,492,551)

There is no other impact on the Group's equity other than those already affecting profit or loss.

#### Equity Price Risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risk because of its investment in shares of stock of WII which are listed in the PSE totaling to 86,710,000 shares as at December 31, 2015 and 2014.

The Group monitors the changes in the price of the shares of stock of WII. In managing its price risk, the Group disposes of existing or acquires additional shares based on the economic conditions.

The following table illustrates the sensitivity of the Group's equity to a reasonably possible change in equity price. These changes are considered to be reasonably possible based on past equity price performance of the Group's AFS investment and macroeconomic forecast for 2015 and 2014. This analysis assumes an increase of 10% for 2015 and 2014 and a decrease of 10% for 2015 and 2014 of the equity price of the Group's AFS investment. All other variables are held constant:

	Increase		Decrease	
	10%	10%	-10%	-10%
	2015	2014	2015	2014
Equity	(P1,274,637)	P1,608,471	(P1,274,637)	(P1,608,471)

#### Fair Value of Financial Assets and Liabilities

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term maturity of these instruments.

The fair value of interest-bearing due from related parties - noncurrent and loans payable is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of the reporting date, thus, the carrying amount approximates fair value.

The fair value of AFS investments was determined using the closing market price of the investment listed on the PSE.

The fair value of other noncurrent liabilities was calculated by discounting expected future cash flows at prevailing market rates.

## **Risk Management Structure**

### **Board of Directors**

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

### **Risk Management Committee**

Risk management committee is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits set by the BOD.

### **Capital Management**

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Group's overall strategy remains unchanged from 2016 and 2015.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statement of changes in equity.

The Group is not subject to externally-imposed capital requirements.



**Financial Ratios**

	Formula	Calendar Year Ended June 30, 2016	Previous Calendar Year June 30, 2015
<b>Liquidity Analysis Ratios:</b>			
<b>Current Ratio or Working Capital Ratio</b>	<b>Current Assets / Current Liabilities</b>	1.00	1.13
<b>Quick Ratio</b>	<b>(Current Assets - Inventory - Prepayments) / Current Liabilities</b>	0.99	1.08
<b>Solvency Ratio</b>	<b>Total Assets / Total Liabilities</b>		
<b>Financial Leverage Ratios</b>			
<b>Debt Ratio</b>	<b>Total Debt / Total Assets</b>	0.40	0.46
<b>Debt-to-Equity Ratio</b>	<b>Total Debt / Total Stockholders' Equity</b>	0.67	0.84
<b>Interest Coverage</b>	<b>Earnings Before Interest and Taxes (EBIT) / Interest Charges</b>	7.06	2.34
<b>Asset to Equity Ratio</b>	<b>Total Assets / Total Stockholders' Equity</b>	1.67	1.84
<b>Profitability Ratios</b>			
<b>Gross Profit Margin</b>	<b>Sales - Cost of Goods Sold or Cost of service / Sales</b>	0.40	0.32
<b>Net Profit Margin</b>	<b>Net Profit / Sales</b>	0.24	0.12
<b>Return on Assets</b>	<b>Net Income / Total Assets</b>	0.03	0.01
<b>Return on Equity</b>	<b>Net Income / Total Stockholders' Equity</b>	0.05	0.03
<b>Price / Earnings Ratio</b>	<b>Price Per Share / Earnings Per Common Share</b>	0.093	0.046

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING**  
**As of June 30, 2016**

<b>Trade Receivables</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-120 days</b>	<b>121 days over</b>	<b>Total</b>
Waterfront Cebu City Casino Hotel Inc.	27,411,230.66	7,162,348.13	4,332,850.26	4,989,569.11	21,834,208.49	65,730,206.65
Waterfront Airport Hotel and Casino	15,865,847.85	362,877.25	25,658.42	30,120.30	529,784.48	16,814,288.30
Waterfront Insular Hotel Davao	13,276,435.46	73,664.78	16,283.33	269,508.94	1,664,190.92	15,300,083.45
M Pavilion Hotel	9,783,401.74	1,872,094.45	362,387.14	178,984.93	14,151,237.25	26,348,105.51
<b>Total</b>	<b>66,336,915.73</b>	<b>9,470,984.61</b>	<b>4,737,179.15</b>	<b>5,468,183.28</b>	<b>38,179,421.14</b>	<b>124,192,683.91</b>

COVER SHEET

AS094-8678  
SEC Registration Number

WATERFRONT PHILIPPINES, INC.

(Company's Full Name)

NO. 1 WATERFRONT DRIVE  
OFF SALINAS DRIVE LAHUG  
CEBU CITY

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

MS. IRISH CHARA LAWAS  
Contact Person

(02) 559-0130  
Company Telephone Number

1 2 3 1

Month Day

SEC 17-Q1

FORM TYPE

0 9 1 2

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

468

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

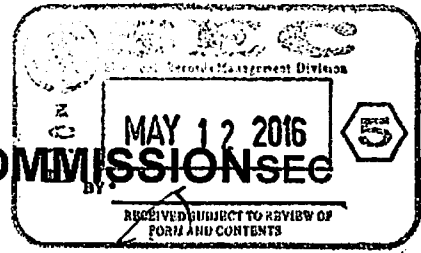
Cashier

STAMPS

12/16  
ROSEHELLE V. TAMPUCAO

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**  
**FORM 17-Q**



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

1. For the quarterly period ended

Mar 31, 2016

2. SEC Identification Number

AS0948678

3. BIR Tax Identification No.

D80003978254NV

4. Exact name of issuer as specified in its charter

WATERFRONT PHILIPPINES, INC.

5. Province, country or other jurisdiction of incorporation or organization

PHILIPPINES

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

NO. 1 WATERFRONT DRIVE, OFF SALINAS DRIVE, LAHUG, CEBU  
CITY Postal Code 6000

8. Issuer's telephone number, including area code

032-2326888

9. Former name or former address, and former fiscal year, if changed since last report

NOT APPLICABLE

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES - P1.00 PAR VALUE	2,498,991,753

11. Are any or all of registrant's securities listed on a Stock Exchange?

- Yes  
 No

If yes, state the name of such stock exchange and the classes of securities listed therein:

THE PHILIPPINE STOCK EXCHANGE

12. Indicate by check mark whether the registrant:

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

Yes

No

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

Yes

No

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*

## Waterfront Philippines, Incorporated WPI

PSE Disclosure Form 17-2 - Quarterly Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Mar 31, 2016
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Currency (indicate units, if applicable)	PESO
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### Balance Sheet

	Period Ended	Calendar Year Ended (Audited)
	Mar 31, 2016	Dec 31, 2015
<b>Current Assets</b>	1,953,650,581	2,103,361,353
<b>Total Assets</b>	8,372,083,058	8,544,733,396

<b>Current Liabilities</b>	2,042,116,237	2,443,353,478
<b>Total Liabilities</b>	3,389,639,103	3,682,104,404
<b>Retained Earnings/(Deficit)</b>	-985,534,112	-1,097,460,906
<b>Stockholders' Equity</b>	4,982,443,955	4,862,628,992
<b>Stockholders' Equity - Parent</b>	4,198,119,674	4,086,192,880
<b>Book Value per Share</b>	1.68	1.64

### Income Statement

	<b>Current Year (3 Months)</b>	<b>Previous Year (3 Months)</b>	<b>Current Year-To-Date</b>	<b>Previous Year-To-Date</b>
<b>Operating Revenue</b>	527,767,805	521,740,381	527,767,805	521,740,381
<b>Other Revenue</b>	6,629,902.00	7,721,960	6,629,902.00	7,721,960
<b>Gross Revenue</b>	534,397,707	529,462,341	534,397,707	529,462,341
<b>Operating Expense</b>	328,106,932	353,787,502	328,106,932	353,787,502
<b>Other Expense</b>	84,520,501	107,756,481	84,520,501	107,756,481
<b>Gross Expense</b>	412,627,433	461,543,983	412,627,433	461,543,983
<b>Net Income/(Loss) Before Tax</b>	121,770,274	67,918,358	121,770,274	67,918,358
<b>Income Tax Expense</b>	0	0	0	0
<b>Net Income/(Loss) After Tax</b>	121,770,274	67,918,358	121,770,274	67,918,358
<b>Net Income Attributable to Parent Equity Holder</b>	111,926,794	62,412,182	111,926,794	62,412,182
<b>Earnings/(Loss) Per Share (Basic)</b>	0.045	0.025	0.045	0.025

Earnings/(Loss) Per  
Share  
(Diluted)

0.045

0.025

0.045

0.025

Other Relevant Information

-



**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Please refer to Annex A.

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

Please refer to Annex B.

**PART II—OTHER INFORMATION**

**NONE.**

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: *Waterfront Philippines, Inc.*  
Issuer Atty. *Arthur R. Ponsaran*

Signature and Title

  
Corporate Secretary

Date

05/10/16

Principal Financial/Accounting Officer/Controller *Precilla O. Toriano*

Signature and Title

  
Compliance Officer/Director for Finance

Date

05/10/16

## Financial Ratios

	Formula	Calendar Year Ended	Previous Calendar Year
		March 31, 2016	March 31, 2015
<b>Liquidity Analysis Ratios:</b>			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	0.96	1.31
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.89	1.26
Solvency Ratio	Total Assets / Total Liabilities		
<b>Financial Leverage Ratios</b>			
Debt Ratio	Total Debt / Total Assets	0.40	0.45
Debt-to-Equity Ratio	Total Debt / Total Stockholders' Equity	0.68	0.81
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	6.41	2.10
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.68	1.81
<b>Profitability Ratios</b>			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of service / Sales	0.39	0.33
Net Profit Margin	Net Profit / Sales	0.23	0.13
Return on Assets	Net Income / Total Assets	0.01	0.01
Return on Equity	Net Income / Total Stockholders' Equity	0.02	0.01
Price / Earnings Ratio	Price Per Share / Earnings Per Common Share	0.045	0.025

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION-UNAUDITED**  
As of March 31, 2016

\*Annex-A\*

Page 1 of 4

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	March 31, 2016	March 31, 2015	December 31, 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents			
Receivables - net	209,133,077	189,402,542	173,168,220
Inventories	281,959,207	369,205,203	213,701,952
Due from related parties - current portion	27,250,809	27,456,461	29,298,181
Prepaid expenses and other current assets	1,329,485,206	1,713,195,214	1,610,210,794
<b>Total Current Assets</b>	<b>1,953,650,581</b>	<b>2,356,692,355</b>	<b>2,103,361,353</b>
<b>Noncurrent Assets</b>			
Due from related parties - noncurrent portion			
Property and equipment - net	332,797,180	-	332,797,180
Available-for-sale (AFS) investments	5,992,597,370	6,188,620,393	5,925,632,028
Deferred tax assets	18,209,100	22,978,150	18,209,100
Other noncurrent assets	19,533,869	29,720,045	124,045,012
Other noncurrent assets	55,294,958	72,401,758	40,688,723
<b>Total Noncurrent Assets</b>	<b>6,418,432,477</b>	<b>6,313,720,346</b>	<b>6,441,372,043</b>
<b>Total Assets</b>	<b>8,372,083,058</b>	<b>8,670,412,701</b>	<b>8,544,733,396</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses			
Loans payable - current portion	1,006,993,323	1,345,289,383	1,372,580,534
Income tax payable	375,000,000	375,000,000	496,030,050
Provisions	195,870	32,760	38,062,223
Other current liabilities	88,633,957	-	-
<b>Total Current Liabilities</b>	<b>571,293,087</b>	<b>83,722,531</b>	<b>536,680,671</b>
<b>Noncurrent Liabilities</b>			
Loans payable - noncurrent portion			
Deferred tax liabilities	5,705,882	351,160,626	-
Retirement benefits liability	1,197,748,152	1,051,178,232	1,109,968,314
Other noncurrent liabilities	125,000,514	-	117,435,509
Other noncurrent liabilities	19,068,318	661,366,453	11,347,103
<b>Total Noncurrent Liabilities</b>	<b>1,347,522,866</b>	<b>2,063,705,311</b>	<b>1,238,750,926</b>
<b>Total Liabilities</b>	<b>3,389,639,103</b>	<b>3,867,749,985</b>	<b>3,682,104,404</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock			
Additional paid-in capital	2,498,991,753	2,498,991,753	2,498,991,753
Revaluation surplus in property and equipment	706,364,357	706,364,357	706,364,357
Unrealized valuation gain (loss) on AFS investments	1,841,118,443	1,935,665,721	1,841,118,443
Foreign currency translation adjustment	-	6,222,054	-
Fair value reserve	32,442,969	24,170,439	32,442,969
Retirement benefits reserve	3,456,005	-	3,456,005
Deficit:	101,280,259	36,194,527	101,280,259
Appropriated			
Unappropriated	(985,534,112)	(1,155,567,871)	(1,097,460,906)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>4,198,119,674</b>	<b>4,052,040,980</b>	<b>4,086,192,880</b>
<b>Non-controlling Interest</b>	<b>784,324,281</b>	<b>750,621,736</b>	<b>776,436,112</b>
	<b>8,372,083,058</b>	<b>8,670,412,701</b>	<b>8,544,733,396</b>

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNAUDITED**  
As of March 31, 2016

"Annex-A"  
Page 2 of 4

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	Jan-Mar, 2016	Jan-Mar, 2015	December 31, 2015
<b>REVENUES</b>			
Hotel			
Nonhotel	508,339,222	493,212,776.00	2,019,858,698.00
Interest and other income	19,428,584	28,527,605.00	49,317,621.00
	6,629,902	7,721,960.00	31,731,471.00
<b>COSTS AND EXPENSES</b>	534,397,707	529,462,341.00	2,100,907,790
Hotel			
Nonhotel	328,106,932	323,241,317	1,053,309,615
	328,106,932	30,546,185	351,064,421
<b>INCOME BEFORE FIXED, FINANCIAL AND OTHER CHARGES</b>	206,290,775	175,674,839	696,533,754
<b>FIXED, FINANCIAL AND OTHER CHARGES</b>			
Depreciation and amortization	69,168,124	85,876,283	333,683,900
Interest expense	16,425,897	21,880,198	136,933,256
Penalties and other charges	-	-	-
Provision for impairment losses on receivables	-	-	2,587,635
Loss on sale on Acesite shares	-	-	-
Interest income	-	-	(33,711,906)
Foreign exchange losses (gains) - net	(1,101,520)	-	18,318,204
Others - net	28,000	-	3,207,862
	84,520,501	107,756,481	461,018,951
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	121,770,274	67,918,358	235,514,803
<b>INCOME TAX EXPENSE (BENEFIT)</b>	-	-	76,807,708
<b>NET INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST</b>	121,770,274	67,918,358	158,707,095
Share of Minority Interest	9,843,480	5,506,176	31,495,636
<b>NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	111,926,794	62,412,182	127,211,459
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign currency translation differences for foreign operations	-	-	8,272,530
Actuarial gains on defined benefit plan	-	-	19,796,982
Net change in fair value of AFS financial assets	-	-	(4,769,050)
Reduction of deferred tax liability relating to revaluation surplus	-	-	-
Deferred tax effect	-	-	(5,939,095)
	-	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	121,770,274	67,918,358	176,068,462
<b>EARNINGS PER SHARE - Basic and Diluted</b>	0.045	0.025	0.051

\*There are no dilutive potential shares as of March 31, 2016 and 2015.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
As of March 31, 2016

"Annex-A"  
Page 3 of 4

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	Jan-Mar 2016	Jan-Mar 2015	December 31, 2015
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Capital stock - P1 par value per share	2,498,991,753	2,498,991,753	2,498,991,753
Additional Paid-in Capital	706,364,357	706,364,357	706,364,357
Revaluation Surplus in Property and Equipment			
Balance at beginning of year	1,841,118,443	1,935,665,721	1,935,665,721
Appraisal increase for the year - net of income tax effect	-	-	-
Derecognition of land held under finance lease due to acquisition of a subsidiary	-	-	-
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	-	-	(94,547,278)
Balance at end of year	1,841,118,443	1,935,665,721	1,841,118,443
Unrealized Valuation Gain (Loss) on AFS Investments			
Balance at beginning of year	-	6,222,054	-
Valuation loss taken into equity during the year	-	-	-
Change in equity ownership of non-controlling interest in a subsidiary	-	-	-
Balance at end of year	-	6,222,054	-
Foreign Currency Translation Adjustment			
Balance at beginning of year	32,442,969	24,170,439	24,170,439
Translation adjustment during the year	-	-	8,272,530
Balance at end of year	32,442,969	24,170,439	32,442,969
Deficit			
Reversal of appropriated retained earnings	-	140,000,000	-
Unappropriated			
Balance at beginning of year	(1,097,460,906)	(1,319,219,643)	(1,319,219,643)
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	-	-	94,547,278
Derecognition of retirement benefits reserve	-	-	-
Net loss for the year	111,926,794	23,651,772	127,211,459
Balance at end of year	(985,534,112)	(1,155,567,871)	(1,097,460,906)
Total deficit	(985,534,112)	(1,155,567,871)	(1,097,460,906)
Fair value reserve, beginning of the year	4,093,383,410	4,015,846,453	3,981,456,616
Other comprehensive income-net tax effect	3,456,005	-	6,222,054
Total fair value reserve	3,456,005	-	(2,766,049)
Retirement benefits reserve, beginning of the year	101,280,259	36,194,527	89,250,289
Other comprehensive income-net tax effect	-	-	12,029,970
Total retirement benefits reserve	101,280,259	36,194,527	101,280,259
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>4,198,119,674</b>	<b>4,052,040,980</b>	<b>4,086,192,880</b>



**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Organization and Status of the Business**

*Corporate Information*

Waterfront Philippines, Incorporated (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. The Parent Company is 46%-owned by The Wellex Group, Inc. (TWGI), an entity registered and domiciled in the Philippines, which is listed in the Philippine Stock Exchange (PSE). The Parent Company holds equity interests in hotels and resorts, a fitness gym, entities engaged in the international marketing and promotion of casinos, manufacturing of pastries, and hotel management and operations.

The Parent Company and the following subsidiaries (collectively referred to as the Group) were incorporated in the Philippines, except for Waterfront Promotion Ltd. (WPL) and Club Waterfront International Limited (CWIL), which were registered in the Cayman Islands.

	<u>Percentage of Ownership</u>	
	<u>Direct</u>	<u>Indirect</u>
<b>Hotels and Resorts</b>		
Waterfront Cebu City Casino Hotel, Incorporated (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Incorporated (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Phils.) Hotel Corporation (APHC)	58	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
<b>Real Estate</b>		
CIMA Realty Phil., Inc. (CIMAR)	-	58*
<b>Fitness Gym</b>		
Waterfront Wellness Group, Inc. (WWGI)	100	-
<b>International Marketing and Promotion of Casinos</b>		
WPL	100	-
Mayo Bonanza, Inc. (MBI)	100	-
CWIL (through direct ownership in WPL)	-	100
Waterfront Entertainment Corporation (WEC)	100	-
<b>Pastries Manufacturing</b>		
Waterfront Food Concepts Inc. (WFC)	100	-
<b>Hotel Management and Operation</b>		
Waterfront Hotel Management Corp. (WHMC)	100	-

**Hotels**

**Waterfront Cebu City Casino Hotel, Inc.**

WCCCHI was incorporated on September 23, 1994 to manage and undertake operations of Waterfront Cebu City Hotel and Casino (WCCHC). WCCCHI achieved a milestone during the year by opening the doors of WCCHC on January 5, 1998, with 158 guest-rooms which has already grown to 561 by the last quarter of 1999, six-storey convention center known as the Waterfront Convention Center, previously known as Cebu International Convention Center and six-storey Entertainment Block. Located in this Entertainment Block is a 1,000-square meter 5-star restaurant, which completes

the Company's restaurants row. On February 5, 1998, PAGCOR commenced operations at the new purposely-built casino at the Entertainment Block.

**- Waterfront Convention Center-(WCC)**

Waterfront Convention Center previously known as Cebu International Convention Center is a six-storey building, especially-designed to adapt to any event size and purpose, with a total gross area of 40,587 square meters, and has been in operation since January 5, 1998. Major amenities of the center include ten (11) function rooms and two (2) Grand Ballrooms with a seating capacity of 4,000. WCC is the only convention and exhibition center of international standard in Cebu City.

**- Entertainment Block**

The Entertainment block is a six-storey building with a total gross area of 34,938 square meters. It is comprised of eleven (9) Food and Beverage entertainment outlets, an 11,000 square meters of public and international gaming area that includes the "Casino Filipino", and 62 hotel rooms and suites

**- Hotel Tower Block**

The Hotel Tower block is a 22-storey building with a total gross area of 44,334 square meters. It consists of a podium, containing the lobby, a food and beverage outlet, a reception, a shopping arcade, three (3) press function rooms, and a high rise block of 498 hotel rooms and suites.

The Hotel, with its fairytale-inspired façade, is conveniently located in the center of Cebu City and is within easy reach from key business, commercial and shopping districts and is just 30 minutes away from the Mactan International Airport.

Waterfront Cebu City Hotel & Casino has elegantly designed and well-appointed guest rooms and suites. The 18th Floor is the Waterfront Ambassador Club with a two floor Club Lounge exclusive for Ambassador Floor guests. Waterfront Ambassador Club guests enjoy butler service, complimentary business services and a business boardroom fit for a group of up to 8 people, equipped with a built-in LCD projector, a roll-up screen, PA and recording system, a local area network (LAN) and a poly communication system. The 2nd floor lounge is outfitted with 3 computer stations, where guests can avail of complimentary WIFI access, flat-screen television entertainment, an array of lifestyle and business magazines as well as newspapers and board games. The hotel offers a 10,000-square meter convention center, which is the largest convention center in the Visayas and Mindanao, and is designed to adapt to multiple types of events. The convention center is equipped with 10 function rooms, 2 executive board rooms, and 2 Grand Ballrooms, each seating 4,000 people. It has played host to a myriad of national as well as regional events, conventions and conferences.

Waterfront Cebu City Hotel and Casino operates 9 F&B outlets, including a hotel coffees shop, a Japanese restaurant, an Italian restaurant and a poolside snack bar. The hotel has a fully functional business center paired with flat-screen computers, internet access and private boardrooms. The newly renovated lobby was inspired based on two main objectives; first, to transform the existing single dimension grand lobby into a multi-dimensional lifestyle-concept space that will enhance the guests' experience when dining and lounging in the lobby; and second, to improve traffic patterns, through the construction of larger check-in areas and through maximizing the Lobby's three entrances. Waterfront Cebu City Hotel and Casino's massive, high-ceilinged lobby has always been its principal attraction in fact it is touted as the largest hotel lobby in Visayas-Mindanao area. Spanning 22 meters wide, 96 meters in long and 35 meters high and crisscrossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance. Apart from improvements to the general structure of the lobby, the Lobby Lounge itself will offer an all-new dining and lounging experience, with newly-installed glass panels, semi-closing each side of the lounge. Fully-equipped bar areas have also been installed in the middle of each of the lounge's two sections, ensuring diners of more efficient and prompt service. To enhance the overall guest experience, the hotel has put together additional features such as nightly entertainment from the city's top performers, and soulful afternoon music by soloists. Among the hotel's newest pride comes in the form of delectable treats, introducing Lobby Lounge's new service concepts.

**Afternoon Tea**

Guests can now relive the splendor and grace of the old English days with the Lobby Lounge's Afternoon Tea offering. It is a tea and dessert concept created to give guests a whole new tea



experience by giving emphasis on unique ways to enjoy a cup of tea. Guests can expect an array of snack choices to complement their tea selection. The Afternoon Tea comes with a choice of Traditional Afternoon Tea with a Local Twist or Chocolate Temptations. For each selection, guests may opt for tea, coffee or hot chocolate. Each selection also comes with a variety of snack options to go along with their choice of beverage.

#### Wine

#### Dispenser

Guests can now take a sip of Lobby Lounge's extensive selection of wine. The wine dispenser is an innovative addition to the wining and dining experience at the hotel. It serves the purpose of allowing guests to select among an array of bottles, through tasting by the glass. This concept intends to give guests an opportunity to sample different wines in small amounts before deciding to order a full glass or bottle. Guests may test wines from the dispenser in three different amounts. This way, guests can choose the perfect wine fit for their palate. To enjoy the wine dispenser service, guests must avail of the Wine Card which comes in prepaid or postpaid.

To complement the Hotel's main lobby, a group check-in counter is constructed, dedicated solely to corporate and travel groups; a larger Duty Free shopping is also provided; and an additional Casino Filipino gaming space of 2,350 square meters is launched together with it. This will not only enhance the current lobby, but will also increase operational efficiency and add more exciting features for the hotel's customers.

#### Waterfront Mactan Casino Hotel, Inc.

Waterfront Mactan was incorporated on September 23, 1994 to manage and undertake operations of Waterfront Mactan Island Hotel and Casino (WMIHC). WMCHI has completed Phase I of Waterfront Mactan Island Hotel and Casino (WMIHC). It is located right across Mactan-Cebu International Airport, on a land area of approximately 3.2 hectares. The hotel features 164 rooms and suites, 6 food-and-beverage and entertainment outlets, with a total built-up area of 38,000 square meters. Equipped with one of the largest casinos in the Philippines, WMIHC has made Cebu the only city in Southeast Asia that offers casino facilities to transients while waiting for their flights. For future development is Phase II, consisting of 200-guest rooms, which will be built depending on the demands of the market. It has recently improved its rooms by installing fax machines and Internet connections to cater to the needs of its guests. Additionally, the company has acquired the newest hospitality software in the industry, the OPERA Property Management System, which is designed to help run the hotel operations at a greater level of productivity and profitability. This was installed last January 14, 2003.

The hotel is conveniently located in front of the Mactan International and Domestic Airport, just a three-minute drive to the Industrial Zone, a fifteen-minute drive to the beaches of Mactan Island and just thirty minutes away from Cebu City's shopping and financial district.

#### Davao Insular Hotel Company, Inc. or Waterfront Insular Hotel Davao, Inc.

Davao Insular Hotel Company Inc. was incorporated in the Philippines on July 3, 1959 to engage in the operation of hotel and related hotel businesses. The hotel is a 98% owned subsidiary of Waterfront Philippines, Incorporated and is operating under its trading name Waterfront Insular Hotel Davao. Waterfront Insular Hotel, the prestigious business hotel in a sprawling garden resort setting, is only five to ten minutes to the downtown area. Nestled along the picturesque Davao Gulf, its open air corridors provide a refreshing view of the hotel's beautifully landscaped tropical garden and the sea.

With a greater area than any other hotel facility in the city, it is unmatched in servicing large business meetings, conventions, and exhibit groups. The hotel consists of four low-rise buildings of 159 guest rooms and suites, 5 function rooms and 6 F&B outlets. Every room opens to a lanai overlooking a lush garden the blue waters of the Davao Gulf or a scenic coconut grove. Features included in the newly re-opened hotel are the 5 Gazebos located along the beach area. The hotel is every guest's gateway to the diverse, colorful and rich cultural heritage of Davao City.

Discover the rich cultural heritage of Davao which stems from the different groups and tribes that populated the area throughout its history and be astonished of artworks in the hotel lobby where it showcases pieces of artifacts featuring the various object d'art from the different tribes and historical.

On 2015, the property re-opens its gym with 48 square meters to continuously serve its guests and to ensure guests satisfaction

#### **Acesite (Phils.) Hotel Corporation**

The principal property of the Company is a 22-storey building known as the Manila Pavilion Hotel located at the corner of United Nations Avenue and Maria Y. Orosa Street in Ermita, Manila. The Hotel has 337 guestrooms and suites that have individually controlled central air conditioning, private bathroom with bathtub and shower, multi-channel radio, color TV with cable channels and telecommunications facilities. It has 3 function rooms and one of this is Alcuaz which can accommodate 250-300 guests. The hotel has approximately 2,200 sq. meters of meeting/banquet/conference facilities, and also houses several restaurants, such as Seasons Café (coffee shop), the Rotisserie (grill room), the Peony Garden (Chinese restaurant), the Boulvar (bar & lounge) and the Patisserie (bakeshop and deli items). Other guest services and facilities include a chapel, swimming pool, gym, business center and a valet-service basement car park. Concessionaires and tenants include beauty salon, foot spa, photography services, transportation services, travel agency, flower shop and boutiques. In addition, Casino Filipino - Pavilion, owned and operated by PAGCOR, occupies part of the first, second, third, fourth and fifth floors (a total of 12,696.17 sq. m.) of the building.

The Company acquired 100% interest of CIMAR, a former subsidiary of Acesite Limited (BVI) or ALB, in October 2011. In July 2011, The Company and CIMAR executed a Memorandum of Agreement (MOA), which effectively settle all pending cases and controversies between the two parties. In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agreed to sign, sell, transfer and convey all existing shares of stocks of CIMAR to the Company.

Year 2015, Alcuaz function that can accommodate 250-300 guests was renovated and 111 rooms under superior room category were opened.

#### **Waterfront Hotel Management Corporation (previously Waterfront Management Corp.)**

G-Hotel by Waterfront located in 2090 Roxas Boulevard, Malate Manila on November of 2006 is being managed by Waterfront Management Corporation. It is a seven-story building with 10 deluxe suites, 20 deluxe king and 20 deluxe twin rooms which offers a personalized butler service. A boutique hotel boasting with its trendy Café Noir, pool bar Mirage and an elegant ballroom, Promenade, added to the list of must-go places in the busy district of Manila. The black and white concept of its lobby is distinctly G-Hotel.

On October 01, 2014, the BOD approved the cessation of the Company's business operations. Consequently, the Company's activities were confined mainly to the collection of receivables, settlement of liabilities, and other administrative matters, while maintaining its status as non-operating entity seeking for other business opportunities.

#### **Mayo Bonanza, Inc.**

Mayo Bonanza, Incorporated (MBI), a 100% owned subsidiary of WPI was incorporated on November 24, 1995 in the Philippines with principal activities in the operation and management of amusement, entertainment, and recreation businesses. MBI is to extend the gaming business of the Company. Its primary purpose is to establish, operate, and manage the business of amusement entertainment, and recreation facilities for the use of the paying public. The Company entered into an agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) whereby the latter shall operate the former's slot machine outside of casinos in line with PAGCOR's slot machine arcade project.

### **Waterfront Entertainment Corporation**

WPI has successfully established the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, 7 days a week Central Reservation Office. This service ranges from systems and solutions specializing in the operations hotel framework. It offers specialize hotel consultancy services to hotel owners, operators, brands, developers, lenders and investors with the support of hand-picked networks of experts covering all elements of the hotel or hospitality business within a global perspective.

### **Waterfront Food Concepts, Inc.**

Waterfront Food Concepts, Inc. is a pastry business, catering to pastry requirements of Waterfront Cebu, Waterfront Mactan and other established coffee shops and food service channels outside the hotels. The property is located in the lobby level of Waterfront Cebu City Casino Hotel. It has started its operation on May of 2006. Its pastry products include cakes, cookies and sandwiches. The subsidiary has already catered most of the renowned coffee shops in the city of Cebu and even in places outside the city like Tagbilaran, Tacloban, Butuan and Pagadian.

### **Waterfront Wellness Group, Inc.**

This new subsidiary is located in the Ground Level of Waterfront Cebu City Casino Hotel occupying 617.53 square meters. W Citigyms and Wellness, Inc. is a fully equipped gym with specialized trainers and state of the art equipments. The gym offers variety of services from aerobic instructions to belly dancing, boxing, yoga classes and a lot more. It also has its own nutritionist/dietician. Its highly trained therapists perform massage and spa services to guests within the hotel.

Citigym entices the public in 2015 by opening the newly renovated room-The Citigym Hit Zone. This is Citigym's "Do It Right" and smart solution to Cebu's growing interest in high intensity workout routines.

### **Grand Ilocandia Resort and Development, Inc.**

As of March 31, 2000, the Company carried its investments in GIRDI at cost since it intended to dispose such investment in the near future. In November 2000, GIRDI sold all of its property and equipment, inclusive of the hotel facilities and related operating assets and the investment in marketable securities.

### **Waterfront Promotions Limited/Club Waterfront International Limited**

Waterfront Promotion Ltd. was incorporated on March 6, 1995, under and by virtue of the laws of Cayman Islands to act as the marketing arm for the international marketing and promotion of hotels and casinos under the trade name of Club Waterfront International Limited (CWIL). It is a wholly owned subsidiary of Waterfront Philippines, Inc., a domestic company. Under the agreement with PAGCOR, WPL has been granted the privilege to bring in foreign players under the program in Waterfront Cebu City Hotel and Grand Ilocandia Resort Development Corp. On the other hand, CWIL is allowed to bring in foreign players in Waterfront Mactan Hotel. In connection to this, the company markets and organizes groups of foreign players as participants to the Philippine Amusement and Gaming Corporation's (PAGCOR) Foreign Highroller Marketing Program. The company also entered into agreements with various junket operators to market the casinos for foreign customers. Under these agreements, the company grants incentive programs to junket operators such as free hotel expenses, free airfares and rolling commissions.

The company participated in a joint venture with Jin Lin Management Corporation, its sole marketing agent and co-venturer on September 24, 2001. This joint venture was terminated on April 15, 2002.

The operations for Waterfront Promotions Limited, and likewise for Club Waterfront International Limited, had ceased for the year 2003 in March due to the bleak market.

### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company, as well as those of its subsidiaries enumerated in Note 1 to the consolidated financial statements.

### **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company and are included in the consolidated financial statements from the date when control commences until the date when control ceases.

The accounting policies of subsidiaries are being aligned with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

### **Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's BOD, the chief operating decision maker of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment.

The Group's businesses are operated and organized according to the nature of business provided, with each segment representing a strategic business unit, namely, the Hotel operations, Marketing operations and Corporate and Other Operations segments.

The Group's only reportable geographical segment is the Philippines.

### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income is measured at the fair value of the consideration received, net of trade discounts, rebates, and other sales taxes or duties. The following specific criteria must also be met before revenue is recognized.

#### **Rooms**

Room revenue is recognized based on actual occupancy.

#### **Food and Beverage**

Food and beverage revenue is recognized when orders are served and billed.

#### **Rent and Related income**

Rent and related income on leased areas of the Group's properties is accounted for on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at amount collected or collectible based on the contract provision.

**Other Revenues**

Other revenues are recognized upon execution of service or as contracted.

**Interest Income**

Interest income is recognized as it accrues using the effective interest method.

**1. Cash and Cash Equivalents**

Included in cash and cash equivalents as of March 31, 2016 are composed mainly of cash deposited in various banks and short-term placements that earn an annual interest of 2% with an average maturity date of 30 days.

**2. Receivables**

This account consists:

	March 2016	March 2015
Trade	120,584,314.40	119,159,293
Others	181,399,232.60	267,482,615
	<b>301,983,547.00</b>	<b>386,641,908</b>
Less allowance for doubtful accounts	-20,024,340.00	-17,436,705
<b>Total</b>	<b>281,959,207.00</b>	<b>369,205,203</b>

**3. Inventories**

This account consists of:

	March 2016	March 2015
Food and Beverage	8,964,222.99	10,696,319
Operating Supplies	16,679,407.76	13,359,984
Others	1,607,178.25	3,400,159
<b>Total</b>	<b>27,250,809.00</b>	<b>27,456,461</b>

**4. Related Party Transactions**

In 2015, the Parent Company extended interest-bearing, collateral free advances to TWGI, PRC and Crisanta Realty at a rate of two percent (2%) per annum. This also includes PHES which is due and demandable.

**5. Accounts Payable and Accrued Expenses**

This account consists of:

	March 2016	March 2015
Trade	435,751,154.94	536,711,687
Accrued Expenses	439,113,730.69	609,888,299
Others	132,128,437.37	198,689,397
<b>Total</b>	<b>1,006,993,323</b>	<b>1,345,289,383</b>

**6. Loans Payable**

This account consists of:

**SSS Loan**

SSS vs WPI. Et al civil case no. Q-04-52629 at regional trial court, Quezon City. On October 28, 1999, the Parent Company obtained a five-year term loan from SSS amounting to P375.00 million originally

due on October 29, 2004. The SSS loan bears interest at the prevailing market rate plus 3% or 14.5% per annum, whichever is higher. Interest is repriced annually and is payable semi-annually. Initial interest payments are due 180 days from the date of the release of the proceeds of the loan. The repayment of the principal shall be based on eight (8) semi-annual payments, after a one-year grace period.

The SSS loan was availed to finance the completion of the facilities of WCCCHI. It was secured by a first mortgage over parcels of land owned by WII and by the assignment of 200 million common shares of the Parent Company owned by TWGI. The common shares assigned were placed in escrow in the possession of an independent custodian mutually agreed upon by both parties.

On August 7, 2003, when the total loan obligation to SSS, including penalties and interest, amounted to P605.00 million, the Parent Company was considered in default with the payments of the loan obligations, thus, on the same date, SSS executed a foreclosure proceeding on the mortgaged parcels of land. The SSS's winning bid on the foreclosure sale amounting to P198.00 million was applied to penalties and interest amounting to P74.00 million and P124.00 million, respectively. In addition, the Parent Company accrued penalties charged by SSS amounting to P30.50 million covering the month of August until December 2003, and unpaid interest expense of P32.00 million.

The Parent Company, WII and TWGI were given the right to redeem the foreclosed property within one (1) year from October 17, 2003, the date of registration of the certificate of sale. The Parent Company recognized the proceeds of the foreclosure sale as its liability to WII and TWGI. The Parent Company, however, agreed with TWGI to offset this directly against its receivable from the latter. In August 2004, the redemption period for the Parent Company, WII and TWGI expired.

The remaining balance of the SSS loan is secured by the shares of stock of the Parent Company owned by TWGI and shares of stock of WII numbering 235 million and 80 million shares, respectively.

The Parent Company, at various instances, initiated negotiations with the SSS for restructuring of the loan but was not able to conclude a formal restructuring agreement.

In the absence of a formal restructuring agreement, the entire outstanding loan balance amounted to P375.00 million based on principal amount plus accrued interest and penalties amounted to P806.31 million and P746.44 million as at December 31, 2015 and 2014, respectively, presented as part of "Accrued interest and penalties" account under "Accounts payable and accrued expenses" (see Note 11).

On January 13, 2015, the RTC of Quezon City issued a decision declaring null and void the contract of loan and the related mortgages entered into by the Parent Company with SSS on the ground that the officers and the SSS are not authorized to enter the subject loan agreement. In the decision, the RTC of Quezon City directed the Company to return to SSS the principal amount of loan amounting to P375.00 million and directed the SSS to return to the Company and to its related parties titles and documents held by SSS as collaterals.

As at December 31, 2015, SSS has not yet appealed or filed a motion for reconsideration (see Note 25c).

#### **ICBC Loan**

The Company had committed an event of default with respect to the payment of its US\$15 million loan with the ICBC - Singapore Branch, which matured on 31 March 1998. On 03 June 2003, the loan was restructured by ICBC which stipulated six semi-annual installments payment of principal and interest until April 2006. In July 2004, the new management of the Company requested for a reprieve on loan principal payments due for the period, which the Company suggested to be placed at the end of the term of the Amended Agreement.

On the 1<sup>st</sup> quarter of 2016, the Company fully settled its loan obligation.

**PBB**

On June 10, 2011 and December 19, 2011, WCCCHI and WMCHI, respectively entered into a loan agreement with PBB amounting to Php300 million each with interest fixed at 12% per annum.

As of March 2016, outstanding balance is at P5.71 million.

**7. The earnings (loss) per share is computed as follows:**

	March 2016	March 2015
Net Income (Loss)	111,926,794	62,412,182
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	0.045	0.025

There are no dilutive potential shares as of March 31, 2016 and 2015

**8. Lease Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR")**

In compliance with the decision of the Board of Arbitrators rendered on January 28, 2003, PAGCOR and the Parent Company (together with WCCCHI and WMCHI) executed an Amended Contract of Lease (ACL) on January 31, 2003, which entirely superseded the Original Contract of Lease (OCL) of September 13, 1995, and revoked the exclusive right of the Parent Company (together with WCCCHI and WMCHI) to provide the sole venue for land-based casinos of PAGCOR in the Province of Cebu under a memorandum of agreement. The new lease period retroacts to January 1, 2001, and shall remain in force until December 31, 2008, unless sooner shortened or renewed, upon mutual agreement of the parties.

The ACL mandated for a straight rental of P1,200 per square meter of floor area, subject to a 5% cumulative increase computed on an annual basis commencing on the fourth year. This provision completely replaced the marketing incentive fee as stipulated in the OCL. In addition, the ACL provided for the immediate payment of PAGCOR of its lease rentals from January 1, 2001 to December 31, 2002 based on the new rate, net of amounts already paid. Likewise, PAGCOR agreed to pay refundable deposits starting in 2003, which amount shall be maintained at all times. Furthermore, PAGCOR will pay a sum equal to the total rental payments previously made for the years 2001, 2002 and 2003 under the OCL, which sum shall be considered as cash advances.

PAGCOR also agreed to pay WCCCHI and WMCHI security deposits equivalent to one year rental based on monthly rentals, which amount shall be maintained at all times.

The lease agreement with WCCCHI is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreements underwent various amendments and renewals. The latest renewal contract was executed by WMCHI and PAGCOR on March 21, 2011 for the Main Area, Slot Machine Expansion Area, Mezzanine and 5th Floor Junket Area. The lease period for the Main Area and Slot Machine Expansion Area shall be for five (5) years and five (months) and five (5) years and four (4) months, respectively. The leases shall commence on March 3, 2011 and March 16, 2011, for the Main Area and Slot Machine Expansion Area, respectively. Both leases shall end on August 2, 2016. The lease for the Mezzanine shall commence within ten (10) months after the execution of this contract, or simultaneously with the commencement of commercial gaming operations in the said Area. The lease for the 5th Floor Junket Area shall commence upon the execution of this lease contract for an initial period of one (1) year and within the said period, the lessee shall inform the lessor in writing whether the lessee will continue the lease over the said area or terminate the same.

The lease agreement with WMCHI is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreements underwent various renewals. The latest renewal contract executed by WMCHI and PAGCOR was on March 21, 2011. The lease commenced on March 3, 2011 until August 2, 2016 or an extended period of five (5) years and five (5) months. Monthly rental is at P1,772.96 per square meter for the total area of 4,076.24 square meters of the main area and P1,688.53 per square meter for the total area of 1,076 square meters of the chip washing area, all subject to a 5%

escalation rate starting on January 3, 2013 and every year thereafter. In addition, PAGCOR shall pay six (6) months advance rental for the main casino area and six (6) months advance rental payment, for the chip washing area, upon execution of the lease contract. The advance rental payments shall be applied respectively to the rent due on the main casino area and chip washing area for the first six (6) months of the last year of the lease.

APHC also has a lease agreement with PAGCOR which is long-term, noncancellable, renewable and is subject to rent escalation. The lease agreement underwent various renewals. The latest renewal contract, known as the Omnibus Amended Lease Contract (OALC), was executed by APHC and PAGCOR on December 1, 2010.

The OALC covers the Main Area (7,093.05 sq. m.), Expansion Area A (2,130.36 sq. m.), Expansion Area B (3,069.92 sq. m.) and Air Handling Unit (AHU) Area (402.84 sq. m.) for a total lease area of 12,696.17 square meters. The lease period for the Main Area, Expansion Area A and AHU Area shall commence upon the signing of the lease agreement until December 16, 2016. While Expansion Area B commences ten (10) months after the turnover of the Expansion Area B to the lessee or the commencement of commercial gaming operations in the Expansion Area B, whichever comes earlier, and shall terminate on December 31, 2016. The OALC may be renewed at the option of the lessee under such terms and conditions as may be agreed upon by the parties. Annual escalation rate of 5% shall be applied on the third and fourth year of the lease.

Upon the execution of the OALC, PAGCOR shall pay six (6) months advance rental or P127.54 million for the Main Area and Expansion Area A, which shall be applied to the rent due on the first six months of the last year of the lease term. Further, PAGCOR shall pay advance rental on Expansion Area B amounting to P58.94 million or equivalent to one (1) year rent.

Relative to the renewal of the contracts, the existing security deposits received by WCCCHI, WMCHI and APHC upon execution of the prior contracts were retained by the aforementioned entities. The amortized cost of the refundable security deposits were determined by calculating the present value of the cash flows anticipated until the end of the lease term using the respective interest rates. The change in the present value and the amortization of the discount is recognized as part of "Interest expense" account in profit or loss and amounted to P20.26 million, P18.95 million and P17.73 million in 2015, 2014 and 2013, respectively. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rates of comparable financial instruments.

On October 16, 2014, PAGCOR requested WCCCHI, WMCHI and APHC to apply the outstanding advanced rentals and the security deposits held against its rental payments up to December 31, 2016, the end of the lease contracts.

As at December 31, 2015, negotiations between PAGCOR, WCCCHI, WMCHI and APHC for the renewal or extension of the leases are still on-going.

## 9. Other Lease Agreements

### Land under Operating Lease

On September 15, 1994, Waterfront Hotel and Resort Sdn. Bhd. (WHR), a former related party, executed a lease contract with Mactan Cebu International Airport Authority (MCIAA) for the lease of certain parcels of land where the hotels were constructed. On October 14, 1994, WHR assigned its rights and obligations under the MCIAA contracts to WCCCHI and WMCHI.

WCCCHI and WMCHI shall pay MCIAA fixed rentals per month plus a 2% variable rent based on the annual gross revenues of WCCCHI and WMCHI, as defined in the agreements. The leases are for a period of 50 years, subject to automatic renewal for another 25 years, depending on the provisions of the applicable Philippine laws at the time of renewal.

### Equipment under Finance Lease

DIHCI leased equipment for a monthly fee of P125,000 starting November 2005 for 10 years from EMPI. At the end of the 10-year lease period, EMPI shall transfer to DIHCI, free from any lien or



encumbrance created by EMPI and without any payment of any compensation, all its rights, title and interest in and to the equipment.

At the inception of the lease, DIHCI capitalized the equipment and recognized the related lease liability equivalent to the present value of the total expected lease payments. Depreciation expense recognized in profit or loss related to the leased equipment amounted to P0.81 million in 2015 and P0.98 million in 2014 and 2013.

#### Lease Agreements with Concessionaires

WCCCHI, WMCHI, DIHCI and APHC have lease agreements with concessionaires of the commercial spaces available in hotels. These agreements typically run for a period of less than one year, renewable upon the mutual agreement of the parties (see Note 21).

#### Lease Agreements Entered into by MBI

##### a. Lease of Office Spaces

In May 2006, MBI entered into a contract of lease with TT&T Development, Inc. for the lease of the ground and second floors of its commercial building located at Rizal Avenue, Sta. Cruz, Manila. The covering lease agreement requires MBI to pay a monthly fixed rental of P368,000 with 5% annual increase starting on the second year of the lease term. The lease is for ten (10) years, subject to renewal upon such terms and conditions mutually acceptable to both parties.

##### b. Lease of Slot Machines to PAGCOR

On January 31, 2007, Dynamo Atlantic Limited (Dynamo), a foreign corporation duly organized, existing and registered at the British Virgin Islands (represented by the Company), as lessor, entered into a contract of lease with PAGCOR, as lessee, for the lease of the slot machine VIP Club at the Universal Park Mall Building in Sta. Cruz, Manila. Subsequently, Dynamo executed a deed of assignment in favor of MBI for the full authority and rights over the contract.

The lease was renewed several times, the latest of which was on June 30, 2014. The lease retroactively commenced on May 26, 2014 until June 30, 2016 and may be renewed upon mutual agreement by both parties. The lease agreement requires the lessee to pay the lessor a variable monthly rent equivalent to 35% of the slot machines' gross revenues after deducting the player's winnings/prizes and all applicable taxes. The contract specifies that the rental revenues earned from the lease are considered zero-rated transactions and therefore not subject to output VAT.

##### c. Lease of Slot Gaming Machines

On November 13, 2007, Dynamo, represented by MBI, entered into a Memorandum of Agreement (MOA) with Entertainment Gaming (Philippines), Inc. (EGP), for the 10-year lease of electronic gaming machines for installation and operation in Universal Park Mall Building located at Rizal Avenue, Sta. Cruz, Manila. The MOA requires Dynamo to pay rent amounting to 25% of monthly net winnings after 5% franchise tax for the first 36 months and 23% of monthly net winnings after 5% franchise tax for the succeeding months. Subsequently, Dynamo executed a deed of assignment in favor of MBI for the full authority and rights over the contract.

On October 27, 2014, the MOA was renewed by both parties. The lease retroactively commenced on February 18, 2013 until June 30, 2016 and may be renewed for up to five (5) years upon mutual agreement by both parties. The MOA requires MBI to pay rent amounting to 18% of the first P15.00 million, 20% for any amount in excess of P15.00 million but up to P20.00 million, and 23.75% for any amount in excess of P20.00 million. The amended MOA also requires the payment of 9% interest on past due accounts

## 10. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Group:

On November 10, 2008, the Parent Company received a preliminary assessment notice from the BIR for deficiency taxes for the taxable year 2006. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment. On February 18, 2009, the Regional Office of the BIR sent a letter to the Parent Company informing the latter that the docket was returned to Revenue District Office for reinvestigation and further verification.

On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.3 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

In its decision promulgated on November 13, 2012, the CTA upheld the expanded withholding tax (EWT) assessment and cancelled the VAT and compromise penalty assessments. WPI decided not to contest the EWT assessment. The BIR filed its motion for reconsideration (MR) on December 4, 2012 and on April 24, 2013, the Court issued its amended decision reinstating the VAT assessment. The Parent Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

The Parent Company appealed the case to the CTA sitting En Banc on October 21, 2013. The CTA En Banc decision promulgated on December 4, 2014 affirmed the VAT and EWT assessments. The EWT assessment was paid on March 3, 2013.

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2015, the Parent Company is still awaiting SC's decision.

Management and its legal counsel believe that the position of the Parent Company is sustainable, and accordingly, believe that the Parent Company does not anymore have a present obligation (legal or constructive) with respect to the assessment.

**MANAGEMENT DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

Below are the results of operations of the Parent Company and its subsidiaries, for the period ending March 31, 2016 and 2015 together with its financial conditions as of the same period.

**RESULTS OF OPERATIONS**

	March 2016	March 2015
<b>Revenues</b>	534,397,707	529,462,341
Less: Costs and Expenses	328,106,932	353,787,505
<b>Net Income (Loss) Before Fixed Financial and Other Charges</b>	206,290,775	175,674,839
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	84,520,501	107,756,481
<b>Income (Loss) before Income Tax</b>	121,770,274	67,918,358
Income Tax Expense (Benefit)	-	-
<b>Income (Loss) before Share in Minority Interest</b>	121,770,274	67,918,358
Share of Minority Interest	9,843,480	5,506,176
<b>Net Income (Loss)</b>	111,926,794	62,412,182
<b>Earnings (loss) Per share</b>	0.045	0.025

**FINANCIAL CONDITION**

	March 2016	March 2015
<b>Assets</b>		
Current assets	1,953,650,581	2,356,692,355
Non-current Assets	6,418,432,477	6,313,720,346
<b>Total Assets</b>	8,372,083,058	8,670,412,701
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities	2,042,116,237	1,804,044,674
Non-current Liabilities	1,347,522,866	2,063,705,311
<b>Total Stockholders' Equity</b>	4,198,119,674	4,052,040,980
Minority Interest	784,324,281	750,621,736
<b>Total Liabilities and Stockholders' Equity</b>	8,372,083,058	8,670,412,701

## RESULTS OF OPERATIONS

Period ended March 31, 2016 compared to Period Ended March 31, 2015

### Income Statement

Hotels and other subsidiaries gross revenues for the 1st quarter of 2016 and 2015 are 534 million and 529 million respectively, a slight increase of 0.95%. The decrease in the country's competitiveness as a tourism destination is also a factor that has affected us. Despite the unforeseen global events, our innovative efforts to counteract dwindling tourism figures and create interest in our markets—both existing and potential ones—have allowed us to stay afloat. Operating expenses increased by 17.43%; this is mainly due to the increase in utility costs such as electricity, fuel and water.

### Seasonality or Cyclicalities of Interim Operations

#### 1<sup>ST</sup> QUARTER

The occupancy for the two (2) hotels, WCCCHI and WMCHI, are high during the months of January and February because of the celebration of the Feast of Sto. Niño better, renowned as the "Sinulog" as well as the celebration of the Chinese New Year. Many visitors come to Cebu during this time just to witness and participate in the festivities. Sinulog is one of the city's main pull for tourists as well as other locals. The celebration of the Chinese New Year also added to the Company's revenues. As we all know, the country is full of Chinese nationalities and businessmen and celebrating their New Year would really be an advantage to the hotels in terms of revenues. The month of March tends to be a slow one for all the hotels. The occupancy percentage depends on the bookings of rooms and functions scheduled by convention organizers, government agencies and tour-group bookings.

The company and the management itself continue to navigate to a position of incontestable strength and market leadership. To go beyond outside traditional markets and develop new revenue streams. And further enhance measures to decrease its operating cost without sacrificing the need and satisfaction of its guest/clients.

#### TOP FIVE (5) PERFORMANCE INDICATORS

	Jan-Mar 2016	Jan-Mar 2015
Occupancy Percentage	67%	63%
Average Room Rates	2,380	2,317
Food Covers	75,660	76,986
Average Food Checks	356.59	371.86
Average Food Costs	36%	33%

#### Occupancy Percentage

The occupancy percentage increased by 4% as compared to 1st quarter of last year. Occupancy percentage is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

#### Average Room Rate

Average room rate is 2.72% higher compared to 1st quarter of last year. This is one of the alternative strategies of the marketing operations to bend the room rate to take advantage after a global economic recovery. Average room rate is computed by dividing the net rooms revenue over the total number of rooms sold.

**Food Covers**

Food covers this quarter decreased by 1.7% compared to the 1st quarter of last year. This is mainly because there were fewer functions and conventions this time. Food covers pertains to the number of guests that availed of the restaurants services.

**Average Food Check**

The average food check or average consumption per guest this quarter decreased by 4.11% compared to 1st quarter of last year. Average Food Check is derived by dividing the total food and beverage revenue by total food covers.

**Average Food Cost**

The average food cost increased by 3% from previous year of the same quarter. This is mainly due to the fewer functions and conventions this quarter compared to the same quarter last year. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

**Revenues and Earnings per Share**

Revenues increased by 1% or 4.9 million for the 1st quarter of 2016 as compared to previous year of the same quarter while operating expenses decreased by 7%. Such increased in revenues and decreased in operating expenses resulted to a net income of 121.77 million, which is 79% higher compared to last year same quarter.

Earnings per share this quarter is a P0.045 while same quarter last year was P0.025.

**Fixed Financial and Other Charges**

Total fixed financial and other charges for this quarter is 22% lower compared to same quarter last year. This account includes the depreciation and interest expense from bank loans.

Interest Expense this quarter is lower by 25% compared to the 1<sup>st</sup> quarter last year.

**FINANCIAL CONDITION**

**Cash and Cash Equivalents**

Cash and cash equivalents as of the 1st quarter of this year is Php209 million compared to 1st quarter of Php189 million; an increased of 10%.

**Receivables**

Receivables for the period decreased by 24% from Php369 million 1st quarter last year to P282 million 1st quarter this year. The decreased was attributable to the company's rigorous monitoring of credit sales and credit term policies.

**Inventories**

Inventory for this quarter is lower than that of last year's---Php25.25 million this year while last year was Php27.46 million. Best effort was exerted to maintain the inventories on a very reasonable level. The company was nimble enough to react quickly to changes in customer demand and do it with little inventory to prevent a long lead times in-order to minimize cost.

**Due from related parties-current portion**

This account has increased by 3% from last year's first quarter. This also represents interest bearing advances with TWGI, PRC and Crisanta Realty at a rate of two percent (2%) per annum.

**Property, Plant and Equipment**

There is a decrease of 3% on this account. This is mainly due to depreciation.

**Accounts Payable and Accrued Expenses**

This account has decreased by 25%. The reason for this is that the company has tried to avail of the prompt payment discount offered by some suppliers whenever there is an excess fund.

**Loans Payable**

There is a decreased of 48% million on this account. For this 1<sup>st</sup> quarter 2016, the company had settled

its loan obligations form ICBC and PBB.

**Key Variable and Other Qualitative and Quantitative Factors:**

- a. Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE
- b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- c. There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- d. There are no material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.
- e. From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.
- f. There are no significant elements of income or loss that did not arise from the issuer's continuing operations other than those already affecting profit or loss.

**Financial Risk and Capital Management Objectives and Policies**

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investment, accounts payable and accrued expenses (except for local taxes and output VAT, withholding taxes and deferred income), other current liabilities, loans payable, and other noncurrent liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and market risk. There has been no change to the Group's exposure to risks or the manner in which it manages and measures the risks in prior financial year. The Group's management reviews and approves policies for managing each of these risks and they are summarized as follows:

**Credit Risk**

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 trade and nontrade receivables.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk from other financial assets of the Group, which mainly comprise of due from related parties, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no other significant concentration of credit risk in the Group.

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

Information on the Group's receivables and due from related parties that are impaired as of December 31, 2015 and 2014 and the movement of the allowance used to record the impairment losses are disclosed in Notes 5 and 8 to the consolidated financial statements.

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors and maintains a level of cash deemed adequate by the management to finance

the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary.

Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is sufficient working capital inflows to match repayments of short-term debt.

#### Market Risk

Market risk is the risk that the fair value or cash flows of a financial instrument of the Group will fluctuate due to change in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

#### Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flow of the financial instruments will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The other financial instruments of the Group are either short-term or noninterest-bearing and are therefore not subject to interest rate risk.

Cash flow interest rate risk exposure is managed within parameters approved by management. If the exposure exceeds the parameters, the Group enters into hedging transactions.

#### Cash Flow Interest Rate Risk

The following table illustrates the sensitivity of net income and equity for 2015 and 2014 to a reasonably possible change in interest rates based on the historical volatility of SIBOR rates in the immediately preceding 12-month period. These changes are considered to be reasonably possible based on observation of current market conditions.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax by P523,152 and P1,540,515 in 2015 and 2014, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

The other financial instruments of the Group are noninterest-bearing and are therefore not subject to interest rate risk.

#### Fair Value Interest Rate Risk

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of  $\pm 50$  basis points in 2015 and 2014. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's loan payable held at the reporting date. All other variables are held constant (in thousands).

Increase (Decrease) Change in interest rates (in basis points)	Income after Income Tax	
	2015	2014
+50	(P3,404)	(P3,139)
-50	3,404	3,139

There is no other impact on the Group's equity other than those already affecting profit or loss in 2015 and 2014.

### Foreign Currency Risk

Currency risk arises when transactions are denominated in foreign currencies.

As a result of the loan payable from ICBC which is denominated in U.S. Dollar, the Group's consolidated statement of financial position can be affected by movements in this currency. Other than that, the Group does not have any material transactions denominated in foreign currencies as its revenues and costs are substantially denominated in Philippine peso.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in U.S. Dollar. The Group manages its foreign currency risk by measuring the mismatch of the foreign currency sensitivity gap of assets and liabilities.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2015	
	U.S. Dollar	Philippine Peso
Cash	\$9,423	P443,427
Loan payable	(1,595,900)	(75,272,219)
Net foreign currency-denominated liability	(\$1,586,477)	(P74,828,792)

	2014	
	U.S. Dollar	Philippine Peso
Cash	\$7,411	P330,646
Loan payable	(4,967,900)	(221,652,794)
Net foreign currency-denominated liability	(\$4,960,489)	(P221,322,148)

The following are the significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2015	2014	2015	2014
U.S. dollar	P47.12	P44.39	P47.06	P44.69

The Group recognized an unrealized foreign currency exchange loss amounting to P8.16 million, P1.53 million and P22.55 million in 2015, 2014 and 2013, respectively, arising from the translation of these foreign currency-denominated financial instruments.

The following table demonstrates the sensitivity of the net income for the periods reported to a reasonably possible change in U.S. dollar exchange rate based on past rates and macroeconomic forecasts for 2015 and 2014, with all other variables held constant, of the Group's 2015 and 2014 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items.

The analysis assumes a 10% strengthening and weakening as at December 31, 2015 and 2014, respectively of the Philippine peso against the US dollar exchange rate:

	Strengthening		Weakening	
	10%	10%	-10%	-10%
	2015	2014	2015	2014
Net income	P5,226,174	P15,492,550	(P5,226,174)	(P15,492,551)



There is no other impact on the Group's equity other than those already affecting profit or loss.

#### Equity Price Risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risk because of its investment in shares of stock of WII which are listed in the PSE totaling to 86,710,000 shares as at December 31, 2015 and 2014.

The Group monitors the changes in the price of the shares of stock of WII. In managing its price risk, the Group disposes of existing or acquires additional shares based on the economic conditions.

The following table illustrates the sensitivity of the Group's equity to a reasonably possible change in equity price. These changes are considered to be reasonably possible based on past equity price performance of the Group's AFS investment and macroeconomic forecast for 2015 and 2014. This analysis assumes an increase of 10% for 2015 and 2014 and a decrease of 10% for 2015 and 2014 of the equity price of the Group's AFS investment. All other variables are held constant:

	Increase		Decrease	
	10% 2015	10% 2014	-10% 2015	-10% 2014
Equity	(P1,274,637)	P1,608,471	(P1,274,637)	(P1,608,471)

#### Fair Value of Financial Assets and Liabilities

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term maturity of these instruments.

The fair value of interest-bearing due from related parties - noncurrent and loans payable is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of the reporting date, thus, the carrying amount approximates fair value.

The fair value of AFS investments was determined using the closing market price of the investment listed on the PSE as of December 31, 2015 and 2014.

The fair value of other noncurrent liabilities was calculated by discounting expected future cash flows at prevailing market rates.

#### Risk Management Structure

##### Board of Directors

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

##### Risk Management Committee

Risk management committee is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits set by the BOD.

##### Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Group's overall strategy remains

unchanged from 2015 and 2014.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2015 and 2014. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statement of changes in equity.

The Group is not subject to externally-imposed capital requirements.

**WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES**  
**SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING**  
**As of March 31, 2016**

<b>Trade Receivables</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-120 days</b>	<b>121 days over</b>	<b>Total</b>
Waterfront Cebu City Casino Hotel Inc.	23,855,741.14	5,108,256.11	4,020,434.15	4,521,280.02	15,658,153.52	53,163,864.94
Waterfront Airport Hotel and Casino	13,568,215.88	22,911.94	5,358.39	29,562.75	31,458.98	13,657,507.94
Waterfront Insular Hotel Davao	11,277,505.86	138,744.15	42,623.73	229,849.32	1,740,792.86	13,429,515.92
Manila Paviliom Hotel	8,607,597.55	4,325,346.70	1,290,691.00	673,877.53	13,482,881.55	28,380,394.33
<b>Total</b>	<b>57,309,060.43</b>	<b>9,595,258.90</b>	<b>5,359,107.27</b>	<b>5,454,569.62</b>	<b>30,913,286.91</b>	<b>108,631,283.13</b>