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	(02) 559-0130
Contact Person	Company Telephone Number

1 2	3 1	SEC 20IS PRELIMINARY	0 9	1 2
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

469		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

WATERFRONT
PHILIPPINES

August 19, 2015

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of WATERFRONT PHILIPPINES, INC. (the "Corporation"), will be held on Saturday, September 12, 2015 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 13, 2014
4. Report to Stockholders for the Year 2014
5. Ratification of Resolutions and Acts of the Board and Management for 2014
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 19, 2015. The stock and transfer book will be closed from August 20, 2015 to September 12, 2015.

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

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
   March 31, 2015
2. SEC Identification Number
   AS 094-8678
3. BIR Tax Identification No.
   D80-003-978-254-NV
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) 232- 6888
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- P 1.00 par value	Issued- 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:
Philippine Stock Exchange *Common*

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 12, 2015 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: August 22, 2015.

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 12, 2015.

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 12, 2015.

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, 2015. The record date for purposes of determining stockholders entitled to vote is August 19, 2015. 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, 2015)

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:

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class
Common	The Wellex Group, Inc. 35th Flr One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas *TWGI is the holding company and major stockholder of WPI.*	The Wellex Group, Inc. 35th 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 (*PCD Nominee is not related to WPI)*	Various Clients	Filipino	579,141,674	23.175%
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%

Security Ownership of Management
(As of June 30, 2015)

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	1direct	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
	Total Beneficial Ownership	70,361,630		2.814

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

<u>Nominees for Election as Members of the Board of Directors:</u>
(Final as Pre-screened by NOMELEC)

Name	Position	Age	Citizenship
Renato B. Magadia	Chairman of the Board	77	Filipino
Elvira A. Ting	Treasurer/Director	55	Filipino
Lamberto B. Mercado, Jr.	Director	51	Filipino
➢ Sergio R. Ortiz-Luis, Jr.	Independent Director	72	Filipino
➢ Ruben D. Torres	Independent Director	74	Filipino
Reno I. Magadia	Director	45	Filipino
➢ Arthur M. Lopez	Independent Director	69	Filipino
Kenneth T. Gatchalian	President/Director	39	Filipino
Dee Hua T. Gatchalian	Director	67	Filipino
Arthur R. Ponsaran	Corporate Secretary	72	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.

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	77	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, 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.
Director	Kenneth T. Gatchalian	39	Filipino	Director-Wellex Industries Inc.; President & CEO of Acesite (Phils.) Hotel 2007-present; President and Chief Excutive Officer of Philippine Estates Corporation 2010-2011; Director-Forum Pacific Inc.
Director	➢ Arthur M.Lopez	69	Filipino	Owner and Principal Consultant of AML Hotel Consultancy, Owner of Federal Land Marco Polo Cebu and Hyatt Projects. Director-Philippine Estates Corp. Independent Director & Chairman- Acesite Phils. Hotel Corp, Hotel Management Consultant of the B Hotel Manila, Bellevue Bohol Resort in Panglao and Bloomberry Casino Hotels & Resorts. Regional Director of Asia Pacific Top Management International Resources Corp. President of Phil. Hotel Federation Inc.
Director	Dee Hua T. Gatchalian	67	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	45	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.	51	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.	72	Filipino	Independent Director-Waterfront Philippines, Inc., President - Philippine Exporters Confederation, Inc. (PHILEXPORT); Honorary Chairman - Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines, Integrated Concepts and Solutions, Inc., 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 Affiliation: Vice-Chairman – Export Development Council; Director – Philippine International Training Corporation. 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	74	Filipino	Independent Director Waterfront Philippines, Inc., President –BPO Workers Association of the Phils..; Vice-President- Trade Union Congress of the Phils., Senior Partner –Torres Caparas Torres Law Offices; Board of Director – Manila Doctors Colleges.
Director and Treasurer	Elvira A. Ting	55	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	72	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	39	Filipino
Precilla O. Toriano	Corporate Finance Director	47	Filipino
Maria Socorro Cotelo	Corporate Planning Director	39	Filipino
Ma. Theresa S. Fernandez	Corporate Sales and Marketing Director	53	Filipino

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:

Renato B. Magadia	**Chairman of the Board**

A graduate of the University of the Philippines Diliman with a degree in Business Administration, 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 and is a CPA by profession. From 2006-2008 he is the Rotary Governor for district 3930.

Kenneth T. Gatchalian	**President**

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 38 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.

Arthur M. Lopez	**Director**

Arthur M. Lopez is the Principal Consultant of AML Hotel Consultants, 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 Advisor/Director Bellevue Hotel and the B Hotel and the Bellevue Bohol Resort in Panglao, 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 69 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 19th 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, he attended the basic course on Corporate Good Governance.

Dee Hua T. Gatchalian	**Director**

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.

Reno I. Magadia	Director

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.

Lamberto B. Mercado, Jr.	**Director**

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.

Sergio R. Ortiz-Luis, Jr.	**Director**

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 GS1. 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 63rd Annual Convention and lastly, Bringing the Buy Pinoy Campaign to the Next Level.

Ruben D. Torres	**Director**

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 74 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 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.

Elvira A. Ting	**Director and Treasurer**

Ms. Elvira A. Ting earned her Bachelor's Degree in Business Administration major in Management from the Philippine School of Business Administration. She's 54 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

Kenneth T. Gatchalian	**President**

(see above description)

Precilla O. Toriano	**Corporate Finance Director**

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.

Maria Socorro Cotelo	**Corporate Planning Director**

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.

Ma. Theresa S. Fernandez	Corporate Sales and Marketing Director

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.

All directors and executive officers attended the basic course on Corporate Good Governance on December 04, 2014 at the Manila Pavilion Hotel by Waterfront.

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, 2015 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	2014– P 958,716,000 2013 — P 991,973,000
Metro Alliance Holdings & Equities Corp. (MAHEC)	Stockholder	Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal	2014 – P 365,933,000 2013 – P 358,758,000
Forum Holdings Corp. (FHC)	Stockholder	Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal	2014 – P 51,167,000 2013 – P 56,321,000
Pacific Rehouse Corporation (PRC)	Stockholder	Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal	2014 – P 510,532,000 2013 – P 500,522,000

Philippine Estate (PHES)	Stockholder	Unsecured; non-interest bearing; due on demand	2014 – P 97,754,000 2013 – P 94,054,000

See notes 9 on Consolidated FS 2014

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 Four

Aggregate Compensation paid to the 3 highly compensated executive officers	Principal Position	Year	Salary (P)	Bonus (P)	Other annual compensation
Precilla O. Toriano Maria Socorro Cotelo Ma. Theresa S. Fernandez	Corporate Finance Director Corporate Planning Director Corporate Sales and Marketing Director	2014 2013 2012	P5,254,645.36 P8,687,926.90 P6,801,335.00	None None None	None None None

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 2014 and December 2013.

Item 7. Independent Public Accountants

The external auditor of Waterfront Philippines, Inc. (WPI) for the most recently completed calendar year ending December 2014 is KPMG RG Manabat and Co., previously KPMG Manabat Sanagustin and Co., under Mr. Virgilio L. Manguilimotan, 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.

In compliance with SRC Rule 68, Paragraph 3(b)(iv) which states that external auditors shall be rotated every after five (5) years of engagement, the signing partner of the company for the past 5 years Mr. Tomas G. Mahinay was then superseded by the current partner in-charge, Mr. Virgilio L. Manguilimotan.

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,	
	2014	*2013*
Aggregate Fees Billed for the external audit of the Company's financial statements	3,845,000.00	3,660,000.00

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 AMD EXCHANGE OF SECURITIES

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

As of June 30, 2015 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, 2014 the company has a net worth of P4.7 billion and is not planning to issue unsecured bond for 2014.

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	7th 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.

Motion for Reconsideration has not been resolved by the RTC.

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 docketed as CTA EB No. 1070 where it is awaiting decision by the CTA.

The group's management legal counsel have made a judgment that the position of the Group is sustainable and, accordingly, believe that the Group does not have present obligation (legal or constructive) with respect to such assessment and claims.

Item. 11. Financial and Other Information

The consolidated financial statements are filed as part of this FORM SEC 20IS, attached hereto and marked as "Annex A."

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

As of June 30, 2015, 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.

<u>D. Other Matters</u>

Item 15. Action with Respect to Reports

1. Annual report for the year ending December 31, 2014 will be presented to the stockholders for approval.

2. Minutes of the 2013 Annual Stockholders' Meeting will also be presented to the security holder for approval.

3. Interim Report as of June 30, 2015 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 12, 2015 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 2014 and during the meeting a copy of the 2nd quarterly report for 2014 will be furnished to the stockholders.

c. Election of the board of directors for the ensuing term

Chairman of the Board	- Mr. Renato B. Magadia
President	- Mr. Kenneth T. Gatchalian
Treasurer	- Ms. Elvira A. Ting
Corporate Secretary	- Mr. Arthur R. Ponsaran
Assistant Corporate Secretary	- Atty Arsenio A. Alfiler, Jr.
Compliance Officer	- Ms. Precilla O. Toriano
Corporate Affairs Officer	- Mr. Richard I. Ricardo

d. Appointment of External Auditors
The board will recommend KPMG R.G. Manabat & Co., previously KPMG Manabat Sanagustin and Co., as the Corporate External Auditor for the year 2015.

e. Appointment of External Counsel
For the year 2015 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 axe (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 ENTITLE 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 31st floor Antel Global Corporate Center # 03 Doña Julia Vargas, Ortigas Center Center Pasig City.

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 06, 2015.

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

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 07 2015 at CITY OF MANILA.

Arthur M. Lopez

Affiant

SUBSCRIBED AND SWORN to before me this _____ day of JUL 07 2015 at CITY OF MANILA affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 02407033 issued at Makati City, Metro Manila on January 5, 2015.

Doc. No. 132;
Page No. 27;
Book No. 17;
Series of 2015.

Tamayo

ATTY. [illegible] JOSE[illegible]ITO B. TAMAYO
NOTARY PUBLIC TIN NO. 231[illegible]744000 ROLL NO. 49687
PTR No. [illegible] Until 1-6-16 • MCLE No. IV-0021244 issued July 12 2013
IBP LIFE No. [illegible]236, Commission No. 2014-015 Until 12-31-16 MANILA
Office Addr: National Press Club Bldg., Magallanes Drive, Intramuros, Manila

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 Acesite Phils Hotel Corp.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
BPO Workers Association of the Phils. (BWAP)	President	Present
Trade Union Congress of the Philippines	VP- International Affairs	Present
Torres Clemencio Cabochan Torres Law Offices	Senior Partner	1998-present
Manila Doctors College	Member , Board of Advisers	2009-present
WATERFRONT PHILIPPINES INC.	Board of Director	2006-present
ACESITE PHILIPPINES HOTEL CORP.	Board of Director	present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Acesite Phils Hotel Corp 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 Acesite Philippines Hotel Corp. of any changes in the abovementioned information within five days from its occurrence.

Done this _____ day of JUL 02 2015 at CITY OF MANILA.

Affiant

SUBSCRIBED AND SWORN to before me this ____ day of JUL 02 2015 at CITY OF MANILA affiant personally appeared before me and exhibited to me his Tax Identification Number 135-071-068-000.

Doc. No. 254;
Page No. 51;
Book No. II;
Series of 2015

ATTY. ALYSSA GRACE M. ZOLUETA
NOTARY PUBLIC - MANILA
2432 ANDRADE ST., STA. CRUZ MANILA
COMM. NO. 2014 - 083 UNTIL 12/31/15
ROLL NO. 50520 MCLE IV - 0016832
IBP LIFETIME NO. 011 ... 3/19/12
PTR NO. 3837052-1/5/15-MLA.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **SERGIO ORTIZ-LUIS JR**, Filipino, of legal age, and a resident of 151 corner 3rd St., and 10th 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	PastPresident/Honorary Chairman	2010 – present
Philippine Estates Corporation	Director	present
International Chamber of Commerce of the Philippines	Founding Director	present
Manila Exposition Complex Inc (World Trade Center)	Director	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 31 2015 at QUEZON CITY.

Affiant

SUBSCRIBED AND SWORN to before me this ____ day of JUL 31 2015 at QUEZON CITY affiant personally appeared before me and exhibited to me his Tax Identification Number 107-846-762-000.

Doc. No. 95;
Page No. 19;
Book No. CVI;
Series of 2015.

ATTY. RAMON L. CAMPIO
NOTARY PUBLIC
MA 180 (2015-2016) Commission Expires December 31, 2016
Roll of Attorney's No. 22 92
IBP OR 978729; 12/12/14, Pasig City
PTR No. 0350443, 1/6/15, Pasig City
TIN 106-918-597
MCLE IV-Compliance No. 000630, 6/19/13
Rm. 526 Doña Consolacion Bldg. Cubao, Quezon City

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 1

Charting New Horizons

Crises are a time to rebuild, reinforce and evolve. After the somber picture in past years brought about by natural calamities, economic instability and diplomatic tensions between the Philippines and our main feeder markets, Waterfront is finally positioned for resurgence.

Through the difficult times, we refused to rest on our laurels as one of the country's leading Filipino hotel chains and prudently implemented measures to boost our competitiveness in the industry. Foresight has enabled us to embark on timely measures that addressed key areas of hotel operations, resulting in a strengthened organization.

These measures include expertly managing our major cost centers: streamlining our labor; addressing our energy expenditures and limiting cost of services.

To control our labor costs, we introduced the Early Retirement Program across our properties to ensure that we emerge with a more efficient and highly productive team. By offering attractive yet reasonable packages to those who wished to avail of the program, we reduced future costs and are now enjoying the returns of this judicious step as seen in the tapering budgets of our workforce without sacrificing service quality.

The highest chunk of our energy expenditure goes to our chillers; therefore, we needed to find a way to address efficiency in that area. Waterfront embarked on a partnership with Cofely Philippines, a third-party vendor, in order to implement upgrading and retrofitting of our chiller system. Through this partnership, we have seen energy efficiency in our cooling system increase by as much as 50%, therefore reducing wastage and maximizing the expenditure in that area. This partnership is seen to generate cost savings in the future.

Our cost management among different departments has only increased with the years, reflecting higher savings as we become more adept at identifying important cost centers. This year marks significant reduction in F&B costs, reflecting a remarkable 30% drop in expenses from PhP 235.09 million in 2013 to PhP 164.3 million in 2014. Repairs and maintenance costs have also decreased 10% from PhP 113.04 million in 2013 to PhP 101.44 million in 2014. Rent costs decreased by 12% from PhP 99.06 million the previous year to PhP 86.74 million this year. Rooms expenses dropped 39% from PhP 90.19 million in 2013 to PhP 55 million in 2014. Overall, we have managed to reduce our total operational expenses from PhP 1.461 billion in the past year to PhP 1.41 billion this year, a reduction of 4% reflecting an improvement in overall cost efficiency.

Having managed our costs well, we also look into improving our product. When it comes to product enhancement, we have made major investments as well as maintaining investments distributed among our different properties. For the major "hardware" investments, we have undergone another phase of extensive renovations to our Manila Pavilion property, spending a total of PhP 155.42 million on 117 newly-upgraded Deluxe Rooms and a new floor of function rooms dedicated to National Artist Frederico Aguilar-Alcuaz. At Waterfront Cebu City Hotel and Casino, we have invested in subtle renovations such as new RFID lock sets for rooms and new 32-inch flat screen TV's. At Waterfront Airport Hotel and Casino as well as Waterfront Insular Hotel Davao, we added finishing touches that improved the look and feel of our hotels and upgraded some of our facilities. The effort we put into the enhancement of our properties is conscientious and year-round.

In 2014, we have made significant strides in the improvement of our "software": our technology systems, service and people. Software is the lifeblood of our business--it provides a genuine connection with our customers through various touch points, conveys the Waterfront brand in a personal manner and introduces new sales-generating streams in step with today's growing online patronage.

We have further strengthened our online presence with the launch of our free mobile app for iOS and Android; the very first by a Filipino hotel chain to do so. In the first quarter of the year, we improved our e-newsletter with a software system upgrade. Our website sports a sleek, newly-revamped look with more features to allow easy booking and browsing of our properties. All three work synergistically to complete our user experience and add new avenues for accessing our brand. Our social media channels are also being managed full-time by a dedicated team, ensuring the seamless transfer of news and promotions updates in the most popular social media platforms for our clientele. Each presents a unique opportunity to touch base with our users in a platform of their preference, offering exciting deals and perks that pique their interest.

Online production this year contributed 27% to total room revenue, an increase of 5% from the 2013 contribution of 22%. There has been continued steady annual growth in this aspect of our business. Noting steady growth, we will continue to increase our efforts on innovation in order to harness the benefits of the digital marketing space. The online growth rate in terms of revenue is 28%. Growth rate in terms of online room nights production is 31%. These figures include G Hotel's numbers and still exhibited upward trends despite the fact that G hotel did not complete the year and halted operations in October 2014.

To stay on top of our game, we continue to expand our traditional offline distribution networks, which provide the bulk of our room revenue. This year our partnerships have grown with more negotiated contracts for both travel agents and corporate accounts. Through an effective and aggressive sales strategy in both online and offline segments, we maximize our sales potential.

As part of our "soft" product, Our Peers have achieved a Training Index of 124.24 hours per person this year, far exceeding the target of 70 hours. Notably, we have participated in the Tourism Industry Skills Training Support Scheme, a project of the Department of Tourism and Asian Development Bank. Our Peers from Waterfront Cebu City Hotel and Casino and Waterfront Insular hotel Davao benefited from this nearly PhP 2 million grant that improved global competitiveness by embarking on different training programs from different countries like Australia, Canada, US and Japan. The department heads and managers across all properties have been sent to regional, national and international conventions to keep them up-to-date with the latest trends in the industry. Overall Guest Satisfaction Index for our properties has surpassed our target of 4.0 with an overall average of 4.3 out of 5, reflecting consistent satisfaction with our personnel's service.

While we continue to make strides in our business, we bid a temporary goodbye to G Hotel, where significant noise and safety issues prevented us from continuing operations. We have reached an amicable settlement with the property owners and G Hotel closed its doors on October 1, 2014. We remain on the lookout for a new location, taking into account the lessons learned.

The aggregate of all our above-mentioned efforts in cost-cutting, streamlining, product enhancement, innovation, improvements in our labor force and distribution network has made us rise above the challenges of previous years.

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 1.973 billion in 2014 versus PhP 1.979 billion in 2013, posting only a slight decline of 0.29%. This slight decline is attributable to the unforeseen decrease in rental income in some of our properties, particularly Acesite and Waterfront Cebu City Hotel and Casino. Overall hotel operations are in a general upswing, however, as shown by the growth when we separate hotel operations from rental income. Gross revenue generated from the hotels amounted to PhP 1.16 billion, offsetting the unpredictable losses incurred by unforeseen developments among our rental properties. Per hotel, revenue in 2014 is generally robust for each property. Waterfront Cebu City Hotel made PhP 828.22 million, contributing 42% to total revenue; Manila Pavilion Hotel's revenue is at PhP 567.66 million, making up 29%; Waterfront Airport Hotel and Casino contributed PhP 297.14 million or 15%; Waterfront

Insular Hotel Davao contributed PhP 166.31 million or 8% and G Hotel comprised 1% of revenue at PhP 24.94 million.

Our group GOP increased by 9% overall at PhP 563.05 million versus the previous year's PHP 517.6 million largely owing to the efficient management of our cost centers. Our companies are better able to buffer uncertainties in the industry by staying efficient and well-run.

Total Room Revenue is up by 3%, from PhP 548.22 million in 2013 to PhP 565.51 in 2014. Total F&B revenue showed an increase of 9%, from PhP 499.75 million in 2013 to PhP 544.84 million in 2014, one of our best-performing departments this year. Rent and related income reflected -8% growth, decreasing from PhP 882.79 million in 2013 to PhP 815.52 million in 2014, hence affecting the gross revenue as stated above. NOP increased significantly by 144% this year, bouncing back from 2013's net loss of PhP 65.33 million to net income of PhP 29.02 million this year. The loss in 2013 was partly due to expenses on calamity insurance which needed to be availed of because of the damages from the typhoon and earthquake, yet credit goes to the group for quickly recovering from unforeseen circumstances with a robust performance, restoring our NOP to healthy numbers.

Decisiveness has made us emerge from turbulent times a strengthened and more determined company with all the necessary elements in place to take advantage of opportunities coming our way.

By decisively and strategically addressing key areas in our business, we have transformed into a company that is formidable and efficient across all areas of our operations--the hallmark of an institution that has stayed tried and true and is confidently moving towards a new horizon.

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 1.973 billion in 2014 versus PhP 1.979 billion in 2013, posting only a slight decline of 0.29%. Total Room Revenue is up by 3%, from PhP 548.22 million in 2013 to PhP 565.51 in 2014 ; F&B revenue showed an increase of 9%, from PhP 499.75 million in 2013 to PhP 544.84 million in 2014, one of our best-performing departments this year. NOP increased significantly by 144% this year, bouncing back from 2013's net loss of PhP 65.33 million to net income of PhP 29.02 million this year. RevPar was at P 1,339.00. Group average room rate was at P 2,444.00.

Below are the results of operations of the Parent Company and its subsidiaries, for the years ending December 31, 2014 and 2013 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS (Amounts in P)

	2014	**2013**
Revenues	1,973,280,085	1,979,091,715
Less: Costs and Expenses	1,410,230,629	1,461,490,841
Gross Income	**563,049,456**	**517,600,874**
Other Expenses (Income)	506,012,469	578,980,279
Net Income (Loss) Before Income Tax	**57,036,987**	**-61,379,405**
Income Tax Expense (Benefit)	28,021,818	3,952,111
NET INCOME (LOSS)	**29,015,169**	**-65,331,516**
Earnings (Loss) Per Share	**0.004**	**(0.028)**

FINANCIAL CONDITION (Amounts in P)

	2014	2013
ASSETS		
Current Assets	2,409,062,395	2,359,380,385
Non Current Assets	6,524,806,969	6,844,516,884
Total Assets	**8,933,869,364**	**9,203,897,269**
LIABILITIES		
Current Liabilities	2,021,297,096	2,224,979,328
Non-current Liabilities	2,226,011,738	2,381,082,476
Total Liabilities	**4,247,308,834**	**4,606,061,804**
Total Stockholders' Equity	**3,941,444,970**	**3,872,866,239**
Minority Interest	745,115,560	724,969,226
Total Liabilities & S/H Equity	**8,933,869,364**	**9,203,897,269**

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 economic strides, WPI showed resilience despite the challenges of the country. Total revenues for year ended Dec. 31, 2013 was slightly higher than the current year. In actual performance, revenues from hotel & 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, its gives the Group to edge out a greater net income by 144% as compared to last year's net loss of 65M.

  Earnings per share for 2014 are 0.004 compared to last year's (P0.028). There are no potentially dilutive shares as of December 31, 2014, 2013, 2012.

Cost and expenses other than depreciation and amortization

- Cost and expenses is lower 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 95% 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 P28 M and last year at P27M.

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.

Due from related parties-current portion – This account was decreased by P18M an amount equivalent to 0.9%. 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.

Property plant & equipment – This account reflected a decreased of P271M or 4% compared to 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 to last year's.

Current Liabilities – This 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.

Accounts payable & accrued expenses – This account is part of the "Current Liabilities". This includes trade payable to suppliers and accrued interest and penalties from SSS loan. There is an increased of 4% compared to last year.

Loans Payable – The total amount consist of current and long term has decreased by 23% or P250M compared to last year. This represents loan from Philippine Business Bank, Social Security System, and from 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.

Calendar Year ended December 31, 2013 as compared with Calendar Year ended December 31, 2012

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended December 31, 2013, was slightly lower than the previous year. Revenues from hotel operations for the year 2013, is P1.979B compared to 2012's P1.999B, decrease of 1.01%.

  Earnings per share for 2013 was (P0.028) compared to last year's of (P0.002).

Cost and expenses

- Cost and expenses decreased by P61.71M equivalent to 4.05% compared to last year. This is mainly due to the company-efficiency measures without sacrificing standards of the hotels.

FINANCIAL CONDITION

Cash and cash equivalents – This account decreased by P4.92M more or less 6.41% to its equivalent.

Receivables – receivables increased by 26.35% from P151.43M in 2012 to P191.34M in 2013. The receivables from PAGCOR leads to the increased of this account. In addition, the company still continues to counter the increased credit sales, at the same time increase the Manila accounts collection, generally on a 30 day term.

Inventories – decrease in inventories by roughly 10.55% from P29.84M to P26.69M.

Prepaid expenses and other current assets – There was an increased of P31.00M in this account approximately 84.01% from P36.90M in 2012 to P67.91M in 2013.

Due from related parties-current portion – This decreased by 174.74M or 8.03%. This represents interest bearing advances with MAHEC, TWGI, FHI and PRC at a rate of 2% per annum for this year. For this year, this account was being subject for re-pricing; due in one year subject to renewal. As for PHES, it will be due on demand.
This will be recorded as part of the current portion of the due from related parties.

Property plant & equipment – This increased by P42.50M or 0.66% compared to last year. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2005.

Available for sale (AFS) investments – This account reflected a decreased of P9.10M.
In July and August 2005, APHC's BOD approved the 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 at December 31, 2013 and 2012 are P16.9 million and P26.0 million, respectively, resulting in a valuation loss of P9.1 million in 2013 and valuation gain of P3.0 million and P16.8 million in 2012 and 2011, respectively.

Deferred tax assets – This account decreased by P33.62M, which is 11.96%.

Deferred tax liabilities – This account increased by P37.86M which is 3.12%.

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

December 31, 2013	**Balance January 1 2013**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance December 31 2013**
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P1,158,090,532	(P50,729,235)	P99,592,841	P1,206,954,138
Rental receivable	34,332,449	(5,687,966)	-	28,644,483
Unamortized premium on security deposit	22,334,928	(5,318,117)	-	17,016,811
	1,214,757,909	(61,735,318)	99,592,841	1,252,615,432
Deferred tax assets:				
Rent received in advance	146,902,224	(27,063,545)	-	119,838,679
Retirement liability	70,712,445	6,253,515	(21,270,493)	55,695,467
Unrealized foreign exchange loss	35,301,532	3,348,768	-	38,650,300

Allowance for impairment losses on receivables	6,084,950	681,217	-	6,766,167
NOLCO	1,383,305	(712,693)	-	670,612
Unamortized past service cost	1,670,225	1,618,953	-	3,289,178
MCIT	961,803	1,052,016	-	2,013,819
Accrued rent expense	1,594,587	(101,969)	-	1,492,618
Unearned revenues	16,534,372	2,564,856	-	19,099,228
Accrued restructuring cost on loan	-	9,614	-	9,614
	281,145,443	(12,349,268)	(21,270,493)	247,525,682
	P933,612,466	(P49,386,050)	P120,863,334	P1,005,089,750

December 31, 2012	Balance January 1 2012	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance December 31 2012
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P1,194,930,430	(P36,839,898)	P -	P1,158,090,532
Rental receivable	24,327,699	10,004,750	-	34,332,449
Unamortized premium on security deposit	27,309,400	(4,974,472)	-	22,334,928
	1,246,567,529	(31,809,620)	-	1,214,757,909
Deferred tax assets:				
Rent received in advance	150,066,813	(3,164,589)	-	146,902,224
Retirement liability	64,120,786	6,797,146	(205,487)	70,712,445
Unrealized foreign exchange loss	45,397,170	(10,095,638)	-	35,301,532
Allowance for impairment losses on receivables	6,810,664	(725,714)	-	6,084,950
NOLCO	1,936,888	(553,583)	-	1,383,305
Unamortized past service cost	2,351,578	(681,353)	-	1,670,225
MCIT	124,970	836,833	-	961,803
Accrued rent expense	1,579,098	15,489	-	1,594,587
Unearned revenues	16,502,490	31,882	-	16,534,372
	288,890,457	(7,539,527)	(205,487)	281,145,443
	P957,677,072	(P24,270,093)	P205,487	P933,612,466

Deferred tax assets have not been recognized by certain subsidiaries because of some items that are not probable that future taxable profits will be available against which the subsidiaries can utilize the benefits thereon prior to their expiration or reversal.

Other non-current assets – There was a decreased of P55.75M or 42.74%, from 130.42M in 2012 to P74.67M in 2013.

Current Liabilities – This account consists of trade payable, income tax payable, accruals and loans payable. This increased by 11.46% from last year, P1.99B of 2012 to P2.22B of 2013.

Loans Payable – This decreased by P290.65M equivalent to 20.92%. This consists of loan from Social Security System, Philippine Business Bank and from Industrial Commercial Bank of China – Singapore Branch.

Income tax payable – This account which comprises current and deferred taxes increased by P3.66M, which is 25.55% as compared to last year.

Other non-current liabities – The account showed a decreased of P182.85M or 17.25%. The decrease was caused by the non-contributory, defined benefit plan offered to employees and security deposits from leases with PAGCOR.

TOP 5 PERFORMANCE INDICATORS			
As of December 31, 2014, 2013 and 2012			
	December 2014	**December 2013**	**December 2012**
Occupancy percentage	56.00%	55.60%	56.60%
Average Room Rates	2,444.00	2,361.39	1,144.77
Average Food Covers	227,024.00	161,782.00	281,103.00
Average Food Checks	532.10	404.89	415.35
Average Food Costs	30%	30%	31%

Occupancy Percentage
The Company's occupancy percentage for 2014 was 56% as compared to last year's 55.60%. 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 increased by 3.50%, higher compared to last year's balance of 2,361.39. It is computed by dividing the total rooms revenue over total number of rooms sold.

Average Food Covers
Food covers increased by 40.33%. 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 31.42%. 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 remains static at 30%. 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 2014 – NONE

Interim Periods and Comparable Discussions to Assess Material Changes:

Discussion and analysis on the operating results for the 1st quarter of 2015 is briefly discussed on the attached SEC Form 17Q while for the 2nd quarter ended June 30, 2015 will be attached on or before the scheduled date of 2014 Annual Stockholders Meeting which is duly received by SEC before its deadline on August 14, 2014. Attached herewith in this report is a Letter of Undertaking which states the distribution of SEC Form 17-Q 2nd quarter of 2015 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**
2015		
January – March 2015	0.40	0.335
April- June 2015	0.37	0.315

Peso	**High**	**Low**
2014		
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

Peso	**High**	**Low**
2012		
January – March 2013	0.48	0.385
April- June 2013	0.42	0.315
July-September 2013	0.405	0.34
October-December 2013	0.395	0.33

The number of stockholders of record as of December 31, 2014 on the Register of Shareholders was 469but 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, 2014 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, 2015 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)	579,141,674	23.175
3	Silver Green Investments LTD	180,230,000	7.212
4.	Chesa Holdings, Inc.	175,924,000	7.040
5.	Tybalt Investment LTD	135,010,000	5.403
6.	Pacific Wide Realty Development Corp.	36,445,000	1.458
7.	PCD Nominee Corporation (Non-Filipino)	30,615,100	1.225
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 2015 and 2014 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.

WATERFRONT
PHILIPPINES

UNDERTAKING

Waterfront Philippines, Inc. hereby undertake to distribute a copy of SEC FORM 17-Q for the 2nd quarter of 2015 to WPI Stockholders during the Annual Meeting to be held on September 12, 2015.

KENNETH T. GATCHALIAN
President

WATERFRONT PHILIPPINES, INCORPORATED
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013 and 2012

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Waterfront Philippines, Inc.** is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2014 and 2013, 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

Precilla O. Toriano
Corporate Finance Director

Elvira A. Ting
Treasurer

Signed this 15th day of APR 2015

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BOOK NO. CII
SERIES OF 2015

HIPPOCRATES R. POCIN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
M.C. BRIONES ST. CEBU CITY
NOTARIAL COMMISSION NO. 19-0
PTR NO. CEB 402888
IBP NO. 937047
ISSUED ON 03 JANUARY 2014
ROLL NO. 40395

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Waterfront Philippines, Incorporated and Subsidiaries

We have audited the accompanying consolidated financial statements of Waterfront Philippines, Incorporated (the "Parent Company") and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the periods ended December 31, 2014, 2013 and 2012 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Waterfront Philippines, Incorporated and Subsidiaries as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for each of the three years in the periods ended December 31, 2014, 2013 and 2012 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 9a to the consolidated financial statements which stated that the Parent Company has advances to Metro Alliance Holdings and Equities Corp., a stockholder of the Parent Company, amounting to P365.9 million and P358.8 million as at December 31, 2014 and 2013, respectively, which has been the subject of collection efforts by the Parent Company's management. The ultimate amount and timing of collection of these advances are dependent on the outcome and realization of the settlement agreement as discussed in Note 28b to the consolidated financial statements. The consolidated financial statements do not include any adjustment that may be necessary to reflect the effects of the ultimate outcome of this uncertainty on the carrying amounts and classification of these receivables.

R.G. Manabat & Co.

March 30, 2015
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	5	**P139,690,211**	P71,807,950
Receivables - net	6	**188,543,585**	191,340,325
Inventories - net	7	**27,815,901**	26,691,581
Due from related parties	9	**1,984,101,530**	2,001,628,340
Prepaid expenses and other current assets	8	**68,911,168**	67,912,189
Total Current Assets		**2,409,062,395**	2,359,380,385
Noncurrent Assets			
Available-for-sale investment	9	**22,978,150**	16,908,450
Property and equipment - net	10, 14	**6,234,272,156**	6,505,409,658
Deferred tax assets	20	**200,865,522**	247,525,682
Other noncurrent assets	11	**66,691,141**	74,673,094
Total Noncurrent Assets		**6,524,806,969**	6,844,516,884
		P8,933,869,364	P9,203,897,269
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable - current portion	14	**P574,168,300**	P847,184,455
Accounts payable and accrued expenses	12	**1,308,453,420**	1,249,043,043
Provisions	26	**45,575,012**	45,575,012
Income tax payable		**25,032,556**	17,970,786
Other current liabilities	13	**68,067,808**	65,206,032
Total Current Liabilities		**2,021,297,096**	2,224,979,328
Noncurrent Liabilities			
Loans payable - noncurrent portion	14	**273,638,142**	251,297,183
Deferred tax liabilities	20	**1,175,389,157**	1,252,615,432
Other noncurrent liabilities	15	**776,984,439**	877,169,861
Total Noncurrent Liabilities		**2,226,011,738**	2,381,082,476
Total Liabilities		**4,247,308,834**	4,606,061,804
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	17	**2,498,991,753**	2,498,991,753
Additional paid-in capital		**706,364,357**	706,364,357
Deficit	27	**(1,319,219,643)**	(1,469,509,833)
Foreign currency translation adjustment		**24,170,439**	24,042,754
Revaluation surplus on property and equipment	10	**1,935,665,721**	2,072,860,019
Fair value reserve	9	**6,222,054**	2,701,628
Retirement benefits reserve		**89,250,289**	37,415,561
Total Equity Attributable to Equity Holders of the Parent Company		**3,941,444,970**	3,872,866,239
Non-controlling Interest	17	**745,115,560**	724,969,226
		4,686,560,530	4,597,835,465
		P8,933,869,364	P9,203,897,269

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2014**	2013	2012
REVENUES				
Rent and related income	*22, 23*	**P815,518,233**	P882,792,575	P777,980,444
Rooms		**565,506,075**	548,215,581	585,389,143
Food and beverages		**544,843,807**	499,754,900	588,290,692
Others	*29*	**47,411,970**	48,328,659	47,605,667
		1,973,280,085	1,979,091,715	1,999,265,946
COSTS AND EXPENSES OTHER THAN DEPRECIATION AND AMORTIZATION				
Energy costs		**301,243,276**	296,767,547	276,050,281
Personnel costs	*19*	**380,947,175**	278,095,839	288,700,711
Food and beverages		**164,299,395**	235,091,283	262,902,128
Repairs and maintenance	*7*	**101,442,125**	113,041,568	149,568,502
Rent	*22, 23*	**86,738,501**	99,060,952	102,698,604
Rooms		**55,007,035**	90,189,437	78,664,810
Others	*18, 29*	**320,553,122**	349,244,215	364,618,488
		1,410,230,629	1,461,490,841	1,523,203,524
INCOME BEFORE INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE		**563,049,456**	517,600,874	476,062,422
INTEREST, DEPRECIATION AND AMORTIZATION AND IMPAIRMENT LOSSES				
Depreciation and amortization	*10*	**398,822,715**	349,652,722	323,723,574
Interest expense	*14*	**132,547,184**	163,830,581	162,940,594
Foreign exchange losses (gains) - net		**6,036,591**	12,851,818	(34,942,933)
Impairment losses, bad debts written off and provisions	*6, 7, 10, 26*	**4,250,708**	33,316,701	796,995
Casualty losses	*10*	**-**	44,511,664	-
Loss on sale of an interest in a subsidiary	*24*	**-**	-	9,169,071
Interest income	*5, 9*	**(33,679,503)**	(33,621,918)	(41,274,304)
Others - net		**(1,965,226)**	8,438,711	7,893,679
		506,012,469	578,980,279	428,306,676
INCOME (LOSS) BEFORE INCOME TAX		**57,036,987**	(61,379,405)	47,755,746
INCOME TAX EXPENSE	*20*	**28,021,818**	3,952,111	38,746,192
NET INCOME (LOSS)		**29,015,169**	(65,331,516)	9,009,554

Forward

			Years Ended December 31	
	Note	**2014**	2013	2012
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Actuarial gains on defined benefit plan	*19*	**P76,446,443**	P72,086,443	P1,895,483
Appraisal increase on property and equipment	*10*	**-**	353,000,906	-
Write-off of revaluation surplus resulting from casualty loss	*10*	**-**	(21,024,771)	-
Deferred tax effect	*20*	**(22,933,932)**	(120,863,334)	(205,487)
		53,512,511	283,199,244	1,689,996
Items that are or may be reclassified to profit or loss				
Net change in fair value of available-for-sale investments	*9*	**6,069,700**	(9,104,550)	3,034,850
Foreign currency translation differences for foreign operations		**127,685**	(11,758,501)	10,965,714
		6,197,385	(20,863,051)	14,000,564
		59,709,896	262,336,193	15,690,560
TOTAL COMPREHENSIVE INCOME		**P88,725,065**	P197,004,677	P24,700,114
Net income (loss) attributable to:				
Equity holders of the Parent Company		**P9,713,620**	(P69,813,828)	(P5,922,606)
Non-controlling interest		**19,301,549**	4,482,312	14,932,160
		P29,015,169	(P65,331,516)	P9,009,554
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P68,578,731**	P150,353,573	P9,059,879
Non-controlling interest		**20,146,334**	46,651,104	15,640,235
		P88,725,065	P197,004,677	P24,700,114
EARNINGS (LOSS) PER SHARE - Basic and Diluted	*22*	**P0.004**	(P0.028)	(P0.002)

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

		Attributable to Equity Holders of the Parent Company									
	Note	**Capital Stock** (Note 17)	**Additional Paid-in Capital**	**Revaluation Surplus on Property and Equipment**	**Deficit** (Note 27)	**Fair Value Reserve** (Note 9)	**Retirement Benefits Reserve** (Note 19)	**Foreign Currency Translation Adjustment**	**Total**	**Non-controlling Interests** (Note 17)	**Total Equity**
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											
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	*10*	-	-	(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.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

		Attributable to Equity Holders of the Parent Company									
	Note	Capital Stock (Note 17)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Deficit (Note 27)	Fair Value Reserve (Note 9)	Retirement Benefits Reserve (Note 19)	Foreign Currency Translation Adjustment	Total	Non-controlling Interests (Note 17)	Total Equity
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											
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	*10*	-	-	(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 CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

		Attributable to Equity Holders of the Parent Company									
	Note	Capital Stock (Note 17)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Deficit (Note 27)	Fair Value Reserve (Note 9)	Retirement Benefits Reserve (Note 19)	Foreign Currency Translation Adjustment	Total	Non-Controlling Interests (Note 17)	Total Equity
As at January 1, 2012		P2,498,991,753	P706,364,357	P2,061,355,325	(P1,597,545,556)	P6,329,331	(P6,672,373)	P24,835,541	P3,693,658,378	P682,472,296	P4,376,130,674
Total comprehensive income for the year:											
Net income for the year		-	-	-	(5,922,606)	-	-	-	(5,922,606)	14,932,160	9,009,554
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect		-	-	(72,285,651)	72,285,651	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	1,760,213	2,256,558	10,965,714	14,982,485	708,075	15,690,560
		-	-	(72,285,651)	66,363,045	1,760,213	2,256,558	10,965,714	9,059,879	15,640,235	24,700,114
Transactions with owners of the Company:											
Change in ownership interests due to sale of shares in a subsidiary	*24*	-	-	(6,763,234)	26,664,920	(107,277)	-	-	19,794,409	(19,794,409)	-
As at December 31, 2012		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

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2014**	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P57,036,987**	(P61,379,405)	P47,755,746
Adjustments for:				
Depreciation and amortization	*10*	**398,822,715**	349,652,722	323,723,574
Interest expense	*14*	**132,547,184**	163,830,581	162,940,594
Net retirement benefits costs	*19*	**32,167,172**	36,478,197	42,805,710
Provisions	*6, 7, 10, 26*	**1,255,683**	33,316,701	796,995
Loss on disposal of property and equipment		**344,940**	-	88,605
Unrealized foreign exchange loss (gain)		**127,685**	12,756,646	(21,172,420)
Casualty losses	*10*	**-**	44,511,664	-
Loss on sale of an equity interest of a subsidiary	*24*	**-**	-	9,169,071
Interest income	*5, 9*	**(33,679,503)**	(33,621,918)	(41,274,304)
Operating income before working capital changes		**588,622,863**	545,545,188	524,833,571
Changes in:				
Receivables		**3,309,089**	(39,216,160)	8,999,462
Inventories		**(2,229,680)**	3,148,990	6,877,685
Prepaid expenses and other current assets		**(2,085,898)**	(31,005,197)	(20,718,883)
Accounts payable and accrued expenses		**59,410,377**	(21,119,781)	63,314,467
Other current liabilities		**2,861,776**	(7,819,639)	10,628,902
Cash generated from operations		**649,888,527**	449,533,401	593,935,204
Interest received		**2,017,555**	123,426	196,478
Retirement plan contributions paid	*19*	**(4,000,000)**	(11,000,000)	(13,800,000)
Benefits paid	*19*	**(20,286,657)**	(3,788,337)	(5,667,600)
Income taxes paid		**(73,373,176)**	(49,681,341)	(102,418,159)
Interest paid		**(132,547,184)**	(149,873,765)	(151,871,417)
Net cash provided by operating activities		**421,699,065**	235,313,384	320,374,506
CASH FLOWS FROM INVESTING ACTIVITIES				
Changes in:				
Due from related parties		**49,188,758**	208,241,182	(44,985,501)
Other noncurrent assets		**7,981,953**	55,748,740	67,210,101
Contract payable		**-**	-	(86,260,000)
Acquisition of property and equipment	*10*	**(128,692,825)**	(103,654,721)	(259,191,266)
Investment in a subsidiary		**-**	-	(22,819,071)
Proceeds from sale of an equity interest in a subsidiary		**-**	-	13,650,000
Proceeds from sale of property and equipment		**-**	-	135,200
Net cash provided by (used in) investing activities		**(71,522,114)**	160,335,201	(332,260,537)

Forward

		Years Ended December 31		
	Note	**2014**	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES				
Changes in:				
Loans payable		**(P250,675,196)**	(P313,098,843)	P30,976,955
Other noncurrent liabilities		**(31,619,494)**	(87,464,973)	(21,324,067)
Net cash provided by (used in) financing activities		**(282,294,690)**	(400,563,816)	9,652,888
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**67,882,261**	(4,915,230)	(2,233,143)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**71,807,950**	76,723,180	78,956,323
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P139,690,211**	P71,807,950	P76,723,180

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Waterfront Philippines, Incorporated (the "Parent Company" or "WPI") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission ("SEC") on September 23, 1994. WPI is 46%-owned by The Wellex Group, Inc. (the "Ultimate Parent Company" or "TWGI"), and is listed in the Philippine Stock Exchange ("PSE"). WPI 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 Ultimate Parent Company is also registered and domiciled in the Philippines.

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
Hotels and Resorts		
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	-
Real Estate		
CIMA Realty Phil., Inc. ("CIMAR")	-	58*
Fitness Gym		
Waterfront Wellness Group, Inc. ("WWGI")	100	-
International Marketing and Promotion of Casinos		
WPL	100	-
Mayo Bonanza, Inc. ("MBI")	100	-
CWIL (through direct ownership in WPL)	-	100
Waterfront Entertainment Corporation ("WEC")	100	-
Pastries Manufacturing		
Waterfront Food Concepts Inc. ("WFC")	100	-
Hotel Management and Operation		
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 for 2014, 2013 and 2012.

Management decided to temporarily cease the operations of WHMC, WPL, CWIL and GIRDI in 2014, 2003, 2001, 2000, respectively, due to unfavorable economic conditions. However, the Parent Company has given an undertaking to provide necessary support in order for WPL, CWIL and GIRDI to continue as a going concern.

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.

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 consolidated financial statements of the Group as at and for the year ended December 31, 2014 were approved and authorized for issue by the Board of Directors ("BOD") on March 30, 2015.

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:

Items	Measurement Basis
Hotel building and equipments and furniture and fixtures	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 Group's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise stated.

Use of Estimates and Judgments
The preparation of consolidated financial statements in accordance 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. 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 in 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 described in Note 4 to the consolidated financial statements.

3. 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 Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards and interpretations starting January 1, 2014, and accordingly, changed its accounting policies. The adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

- *Recoverable Amount Disclosures for Nonfinancial Assets (Amendments to PAS 36).* These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. 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, 2015

- *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. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. 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.

  - *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.

  - *Measurement of short-term receivables and payables* (*Amendment to PFRS 13*). The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  - *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.

- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

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.

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.

Certain comparative amounts in the consolidated statements of financial position and consolidated statements of comprehensive income have been reclassified to better reflect the nature of accounts as disclosed in Note 29 to the consolidated financial statements.

Principles 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 non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests ("NCI") to have a deficit balance.

Accounting for NCI

NCI represents the portion of profit or loss, other comprehensive income and the net assets not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements 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 non-controlling 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 income is recognized:

Rooms

Room revenue is recognized based on actual occupancy.

Food and Beverages

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

Rent 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.

Other Income

Other income is recognized when earned.

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 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 Group's cash and cash equivalents, receivables, due from related parties and refundable deposits (presented under "Other noncurrent assets" account in the consolidated statements of financial position) are classified as loans and receivables as at December 31, 2014 and 2013.

Cash includes cash on hand and in banks. 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 and that are subject to an insignificant risk of change in value.

Trade receivables arising from regular sales with credit term ranging from 30 to 45 days are recorded at invoice value less allowance for impairment losses.

AFS investments are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. These are investments which are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include 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 carried at FVPL are initially recognized at fair value and transaction costs are expensed in profit or loss

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.

AFS investments are 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 other comprehensive income and are presented as “Fair value reserve” in the equity section of the consolidated statements 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, 2014 and 2013 is based on Level 1. Further information about the assumption made in measuring the recurring fair value of AFS investment is included in Note 9c 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 4 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 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 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 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 Group's interest bearing loan with Industrial Commercial Bank of China Singapore Branch ("ICBC"), Social Security System ("SSS"), Philippine Business Bank ("PBB"), contract payable, 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 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 statements of financial position.

Inventories

Inventories, which represent food and beverage, operating supplies, and engineering and maintenance supplies, are stated at the lower of cost and net realizable value ("NRV").

Cost, which comprises all costs of purchase and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out 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 statements of financial position as current assets when the cost of goods or services related to the prepayment 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 statements 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 "Retained earnings" 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 "Retained earnings" account, net of deferred income tax effect.

All costs, including borrowing costs, that 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
When measuring the fair value of property and equipment, the Group uses market observable data as far as possible and is 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 in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- 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 a 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's property and equipment as at December 31, 2014 and 2013 is based on level 2. Further information about the assumption made in measuring fair value of property and equipment is included in Note 10 to the consolidated financial statements.

Depreciation
Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of the improvements or the 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 Non-financial 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 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 value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the 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 non-monetary 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 defined benefit obligation 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 other comprehensive income. 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 defined benefit obligation at the beginning of the annual period to the then 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 Party Relationship

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 key management personnel, 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

Leases in which a significant portion of the risks and rewards of ownership is retained by the Group (as lessor) are classified as operating leases. Lease 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

Finance leases, which transfers to the Group (as lessee) 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 other comprehensive income. 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 other comprehensive income.

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.

Value-added Tax ("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 statements 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.

Retained earnings (deficit) include accumulated results of operations as reported in the statements 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 year-end events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Any post year-end 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.

4. Accounting Estimates and Judgments

The preparation of the 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 on 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 (as Lessor)

The Group has leased out its commercial spaces to third parties. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the Group (see Notes 23 and 24).

Finance Leases Commitments (as Lessee)

Prior to the termination of the finance lease agreement in 2011, it is the Group's judgment, based on an evaluation of the terms and conditions of the arrangements, that it has substantially acquired all the significant risks and rewards incidental to ownership of the land. Accordingly, the Group accounted for this as a finance lease and capitalized the cost of the land and recognized the related finance lease obligation prior to 2012 (see Note 23). The land subject to the finance lease agreement had been the subject of the ejectment case filed by the lessor.

As disclosed in Note 23 to the consolidated financial statements, as part of the settlement of all cases, the finance lease was superseded by an operating lease following acquisition by the Group of CIMAR.

The Group leased a certain equipment from Edward Marcs 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 23).

Fair Value Measurement
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 (see Note 10).

The fair value measurement for property and equipment has been categorized as Level 2 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 resolution. The Group’s management and legal counsel have made a judgment that the position of the Group is sustainable and, accordingly, believe that the Group does not have a present obligation (legal or constructive) with respect to such assessment and claims (see Note 26).

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 exempt 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% 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 the revocation of PAGCOR’s tax exemption privileges as previously provided for in PD No. 1869. The Group’s management and its legal counsel have made a judgment that the amended PD No. 1869 prevails over RR No. 16-2005 (see Note 22).

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 properly 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.

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 statements 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.

As disclosed in Note 28b to the consolidated financial statements, the Parent Company, APHC and the related parties executed a Memorandum of Understanding ("MOU") which delineates a planned settlement of the concerned receivables from related parties. Management assessed that this planned settlement will most likely materialize in 2015 and it is appropriate to classify the receivables from related parties under current assets.

If for any reason, the planned settlement will not timely materialize resulting to the non-collection of the receivables within 2015, then this could have an impact on the presentation of these receivables under current assets.

Estimates
Allowance for Impairment Losses on Receivables and Due from Related Parties
The Group maintains an allowance for impairment losses on receivables and due from related parties 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 accounts. These factors include, but are not limited to, the length of the Group's relationship with its customers, their payment behavior and known market factors. The Group reviews the age and status of receivable and due from related parties, and identifies accounts that are to be provided with allowance on a regular basis.

The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates.

For due from related parties, the Group uses judgment based on the available facts and circumstances, including but not limited to, assessment of the related parties' operating activities, business viability and overall capacity to pay in providing reserve allowance against recorded receivable amounts.

Allowance for impairment losses on receivables and due from related parties as at December 31, 2014 and 2013 amounted to P96.3 million and P99.7 million, respectively. The total carrying amount of the receivables and due from related parties, net of valuation allowance, amounted to P2.3 billion and P2.2 billion as at December 31, 2014 and 2013, respectively (see Notes 6 and 9).

Impairment of 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 December 31, 2014 and 2013, based on the assessment of the Group, there is no indication of impairment of AFS investments. The carrying value of AFS investments as at December 31, 2014 and 2013 amounted to P23.0 million and P16.9 million, respectively (see Note 9c).

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.

All of the Group's inventories are carried at cost, which are lower than their net realizable values, as at December 31, 2014 and 2013 amounted to P27.8 million and P26.7 million, respectively (see Note 7).

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

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that the carrying amount of a nonfinancial asset may be impaired. If such indication exists, the Group makes an estimate of the asset's recoverable amount. At the reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

PAS 36, *Impairment of Assets*, requires that an impairment review be performed when certain impairment indicators are present.

Determining the value in use of property and equipment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, likewise requires the Group to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Group to conclude that property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the Group's consolidated financial position and financial performance.

The preparation of the estimated future cash flows involves significant judgments and estimates. While the Group believes that the assumptions are appropriate and reasonable, significant change in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

As at December 31, 2014 and 2013, based on the assessment of the Group, there is no indication of impairment on the Group's nonfinancial assets.

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

The Group recognized deferred tax assets amounting to P200.9 million and P247.5 million as at December 31, 2014 and 2013, respectively. The Group has unrecognized deferred tax assets amounting to P20.6 million and P22.2 million as at December 31, 2014 and 2013, respectively (see Note 20).

Retirement Benefit Liability and Cost
The determination of the Group's retirement liability and cost is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. In accordance with PAS 19, 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.

Net retirement benefits cost amounted to P32.2 million, P36.5 million and P42.8 million in 2014, 2013 and 2012, respectively. Retirement benefits liability amounted to P117.1 million and P187.6 million as at December 31, 2014 and 2013, respectively (see Note 19).

5. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks	**P124,147,622**	P66,782,565
Short-term placements	**15,542,589**	5,025,385
	P139,690,211	P71,807,950

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 2014 and 2013 and have average maturities ranging from 30 to 35 days in both years.

6. Receivables

This account consists of:

	2014	2013
Trade	**P184,780,809**	P182,531,643
Others	**21,199,481**	31,362,579
	205,980,290	213,894,222
Less allowance for impairment losses on trade receivables	**17,436,705**	22,553,897
	P188,543,585	P191,340,325

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

Other receivables include receivables from PAGCOR such as for rooms and food and beverage services.

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

	2014	2013
Beginning balance	**P22,553,897**	P20,283,168
Impairment loss during the year	**3,375,366**	7,969,649
Write-off during the year	**(4,604,843)**	(5,698,920)
Reversal during the year	**(3,887,715)**	-
Ending balance	**P17,436,705**	P22,553,897

7. Inventories

This account consists of the following inventories carried at cost:

	2014	2013
Food and beverage	**P15,329,382**	P12,819,147
Operating supplies	**10,646,160**	10,550,155
Engineering and maintenance supplies	**2,945,719**	3,322,279
	28,921,261	26,691,581
Less allowance for impairment losses	**1,105,360**	-
	P27,815,901	P26,691,581

The Group's inventories are carried at cost, which is lower than their NRV, as of December 31, 2014 and 2013.

The costs of food and beverage sold amounted to P164.3 million, P235.1 million and P262.9 million in 2014, 2013 and 2012, respectively, and is presented as "Food and beverage" account in the consolidated statements of comprehensive income.

The Group used operating supplies amounting to P37.6 million, P31.6 million and P28.0 million in 2014, 2013 and 2012, respectively, are presented under "Supplies" account in the consolidated statements of comprehensive income while engineering and maintenance supplies used amounted to P101.4 million, P113 million and P149.6 million in 2014, 2013 and 2012, respectively, are included under "Repairs and maintenance" account in the consolidated statements of comprehensive income.

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2013
Input VAT	**P42,185,598**	P32,888,429
Advances to employees and suppliers	**14,962,991**	13,290,039
Prepaid expenses	**4,877,640**	5,349,106
Prepaid taxes	**3,279,790**	13,087,124
Others	**4,463,160**	3,297,491
	69,769,179	67,912,189
Less allowance for impairment losses	**858,011**	-
	P68,911,168	P67,912,189

9. 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 with other related parties:

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

Balances and Transactions with Related Parties

Balances and transactions with Related Parties are presented below in thousands:

Category/Transaction	Year	*Note*	Amount of the Transaction	Outstanding Balance Due from Related Parties	Terms and Conditions
Stockholders					
▪ TWGI (advances, interest and settlement)	**2014**		**(P33,257)**	**P958,716**	**Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment**
	2013	*a*	(110,261)	991,973	
▪ PRC (advances, interest and settlement)	**2014**		**10,010**	**510,532**	**Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal**
	2013	*a*	(115,186)	500,522	
▪ MAHEC (advances and interest)	**2014**	*a, c*	**7,175**	**365,933**	**Unsecured; interest-bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment**
	2013		7,034	358,758	
▪ PHES (advances)	**2014**	*b*	**3,700**	**97,754**	**Unsecured; noninterest-bearing; and due on demand**
	2013		47,504	94,054	
▪ Others (advances, interest and settlement)	**2014**		**(5,154)**	**51,167**	**Unsecured; interest-bearing; subject to re-pricing; due on demand**
	2013		(3,834)	56,321	
Key Management Personnel					
▪ Short-term employee benefits	**2014**		**31,569**	-	-
	2013		35,562	-	-
	2012		40,729	-	-
▪ Post employment benefits	**2014**		**1,154**	-	-
	2013		1,319	-	-
	2012		642	-	-
TOTAL	**2014**			**P1,984,102**	
TOTAL	2013			P2,001,628	

a. Interest-bearing Advances to Related Parties

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

Nature and Purpose of the Advances
The advances granted to TWGI and PRC are substantially used by the said related parties to finance the acquisition or development of real properties for the Group. TWGI paid P252.3 million in 2014 and P164.5 million in 2013 while PRC paid nil in 2014 and P125.0 million in 2013.

Interest charged to TWGI in 2014 and 2013 was 2%, while interest charged to PRC was 2% in 2014 and 3% in 2013. Outstanding allowance for impairment loss on receivables from TWGI amounted to P59.6 million as at December 31, 2014 and 2013.

The advances amounting to P221.2 million granted to MAHEC in 2004 by the Group bear a 4% interest and collateral free. The advances were used as an additional fund infusion used by the former 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.

Subsequently, Polymax sold its 60% interest over the petrochemical plant to and entered into a joint venture agreement with two foreign entities for the operations and management of the petrochemical plant. However, disputes with the co-venturers ensued. Currently, however, a settlement agreement has been concluded.

The increase in the advances to MAHEC is due to the yearly accrual of interest. In 2009, the Group provided an allowance for impairment losses on these receivables amounting to P17.5 million. The interest charged to MAHEC in 2014, 2013 and 2012 was 2%.

The advances to MAHEC, which is due, has been the subject of collection efforts by the Group's management.

The collectibility of the receivables from MAHEC is unconditionally recognized and guaranteed by a stockholder of the Group, representing the majority shareholders.

Planned Settlement
As disclosed in Note 28b to the consolidated financial statements, subsequently, on February 5, 2015, the Parent Company, APHC, TWGI, PRC and MAHEC entered into a MOU whereby the parties had understanding that the outstanding balance of the advances from TWGI, PRC and MAHEC will be settled using parcels of land owned by PRC.

b. Non Interest-bearing Advances to Related Parties

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

c. In July and August 2005, APHC's BOD approved the conversion of APHC's net receivables from MAHEC and East Asia Oil Company 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 stock as an AFS investment. The aggregate fair market values of WII shares based on its closing market price as at December 31, 2014 and 2013 are P22.98 million and P16.91 million, respectively, resulting in a valuation gain of P6.07 million in 2014, valuation loss of P9.10 million in 2013 and valuation gain P3.03 million in 2013.

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

Total interest income on the abovementioned advances to stockholders of the Parent Company amounted to P31.7 million, P32.0 million and P39.4 million in 2014, 2013 and 2012, respectively.

10. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2014								
	Land	Land Improvements	Leasehold Improvements	Hotel Buildings and Improvements	Furniture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction In Progress	
Measurement Basis:	***Revalued***	***Revalued***	***At Cost***	***Revalued***	***Revalued***	***At Cost***	***Revalued***	***At Cost***	**Total**
Cost									
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)	-
Ending balance	**1,033,652,000**	**16,945,425**	**63,573,014**	**8,197,656,439**	**1,021,837,614**	**258,087,026**	**11,910,643**	**47,128,981**	**10,650,791,142**
Accumulated Depreciation and Amortization									
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)
Ending balance	**-**	**11,066,263**	**46,267,913**	**3,325,665,264**	**808,969,884**	**215,610,031**	**8,939,631**	**-**	**4,416,518,986**
Carrying Amount	**P1,033,652,000**	**P5,879,162**	**P17,305,101**	**P4,871,991,175**	**P212,867,730**	**P42,476,995**	**P2,971,012**	**P47,128,981**	**P6,234,272,156**

	For the Year Ended December 31, 2013								
	Land	Land Improvements	Leasehold Improvements	Hotel Buildings and Improvements	Furniture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction In Progress	
Measurement Basis:	*Revalued*	*Revalued*	*At Cost*	*Revalued*	*Revalued*	*At Cost*	*Revalued*	*At Cost*	Total
Cost									
Beginning balance	P991,024,000	P14,542,098	P63,561,406	P8,955,941,451	P1,323,901,180	P257,554,227	P29,401,254	P123,800,245	P11,759,725,861
Additions	-	133,091	-	7,744,502	25,436,848	6,337,192	4,143,168	59,859,920	103,654,721
Appraisal increase	42,628,000	4,576,926	-	228,357,731	77,528,046	-	(89,797)	-	353,000,906
Retirement	-	(2,306,690)	-	(1,111,162,023)	(435,987,647)	(11,990,670)	(20,828,025)	-	(1,582,275,055)
Reclassification	-	-	-	169,342,572	245,674	10,008,274	-	(179,596,520)	-
Disposals	-	-	-	(98,085,951)	(2,279,225)	(766,082)	(768,636)	-	(101,899,894)
Ending balance	1,033,652,000	16,945,425	63,561,406	8,152,138,282	988,844,876	261,142,941	11,857,964	4,063,645	10,532,206,539
Accumulated Depreciation and Amortization									
Beginning balance	-	2,258,571	34,456,250	4,082,418,331	970,384,738	179,043,876	28,253,790	-	5,296,815,556
Depreciation and amortization	-	260,684	5,967,438	186,581,023	127,175,609	28,911,455	756,513	-	349,652,722
Retirement	-	-	-	(1,095,691,489)	(453,452,143)	(11,990,670)	(21,140,753)	-	(1,582,275,055)
Reclassification	-	8,293,170	-	(8,293,170)	-	-	-	-	-
Disposals	-	-	-	(34,233,780)	(1,808,125)	(585,801)	(768,636)	-	(37,396,342)
Ending balance	-	10,812,425	40,423,688	3,130,780,915	642,300,079	195,378,860	7,100,914	-	4,026,796,881
Carrying Amount	P1,033,652,000	P6,133,000	P23,137,718	P5,021,357,367	P346,544,797	P65,764,081	P4,757,050	P4,063,645	P6,505,409,658

The carrying amount of property and equipment held under finance lease of WCCCHI and DIHCI as at December 31, 2014 and 2013 amounted to P6.4 million and P9.8 million, respectively (see Note 23).

Some of the property and equipment of the four (4) hotel properties, WCCCHI, APHC, WMCHI, and DIHCI are carried at revalued amounts as of December 31, 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 P353.0 million.

The Group engaged an independent firm of appraisers to determine the fair value of its property and equipment 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 the fair value, an estimate was made in accordance with the prevailing market 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 property and equipment been carried at cost less accumulated depreciation and amortization, as well as impairment losses, if any, their carrying amounts would have been as follows:

	2014	2013
Hotel buildings and improvements	**P3,790,746,396**	P3,773,205,570
Furniture, fixtures and equipment	**995,321,028**	981,314,267
Land improvements	**11,398,504**	11,398,504
Transportation equipment	**10,556,157**	10,503,478
	4,808,022,085	4,776,421,819
Less accumulated depreciation and amortization	**2,531,651,513**	2,363,241,836
	2,276,370,572	2,413,179,983
Land	**650,515,909**	650,515,909
	P2,926,886,481	P3,063,695,892

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 the consolidated statements of comprehensive income arising from the said calamity amounted to P44.5 million and P21.0 million, respectively.

As discussed in Note 14 to the consolidated financial statements, the hotel buildings and equipment and furniture, fixtures and equipment of APHC with a total carrying amount of P1.83 billion and P1.67 billion as of December 31, 2014 and 2013, respectively, were used as collateral for APHC's loan with ICBC.

11. Other Noncurrent Assets

This account consists of:

	Note	**2014**	2013
Refundable deposits		**P26,032,997**	P25,333,514
Rent receivable	*23*	**24,962,012**	35,127,421
Special project deposits		**419,901**	205,750
Others		**15,276,231**	14,006,409
		P66,691,141	P74,673,094

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

Others represent input VAT, advances to officers and employees, and deposits to service providers such as security and janitorial services.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2014**	2013
Trade payables		**P406,168,686**	P370,907,038
Local taxes and output VAT		**47,172,165**	41,915,552
Service charges withheld		**5,712,720**	2,888,827
Guest deposits		**3,935,825**	2,678,943
Deferred income		**3,706,435**	3,234,337
Withholding taxes payable		**2,818,543**	18,094,719
Due to contractors		**2,793,657**	2,793,657
Unclaimed wages		**1,317,273**	510,908
Service charges		**1,309,401**	2,982,050
Accrued:			
Interest and penalties	*14*	**747,545,879**	688,394,280
Rent	*23*	**24,695,882**	34,975,201
Salaries, wages and employee benefits		**11,752,912**	12,216,605
Utilities		**6,536,929**	10,395,652
Others		**42,987,113**	57,055,274
		P1,308,453,420	P1,249,043,043

Others include accruals for documentary stamp tax, repairs and maintenance, insurance, professional fees and advertising.

13. Other Current Liabilities

This account consists of:

	Note	**2014**	2013
Current portion of advance rental	*22, 23*	**P61,889,587**	P58,942,464
Concessionaires' and other deposits	*23*	**3,979,625**	3,941,604
Current portion of obligations under finance lease	*23*	**1,198,596**	1,321,964
Others		**1,000,000**	1,000,000
		P68,067,808	P65,206,032

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, 2014 and 2013 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.

The pending case mentioned above is not disclosed in detail so as not to prejudice both parties' position on the said dispute.

14. Loans Payable

This account consists of liabilities to the following:

	2014	2013
Current Portion:		
PBB	**P49,791,667**	P390,625,000
SSS	**375,000,000**	375,000,000
ICBC	**149,376,633**	81,559,455
	P574,168,300	P847,184,455
Noncurrent Portion:		
ICBC	**P70,696,966**	P223,380,516
PBB	**202,941,176**	27,916,667
	P273,638,142	P251,297,183

ICBC Loan
This represents the balance of the US$15 million loan obtained from ICBC under the terms and conditions of a Facility Agreement issued on March 27, 1995 which was amended on September 17, 1997 (collectively, the "Existing Facility Agreement"). The loan underwent several restructurings. The latest restructuring was approved by ICBC on November 12, 2013 after the Group made partial payment of US$700,000. Based on the approved restructured loan, the outstanding loan balance of US$4,967,900 as at December 31, 2014 is scheduled to be paid as follows:

Year	in US$
2015	**$3,372,000**
2016	**1,595,900**
	$4,967,900

Other significant teams and conditions of the restructured loan include the following:

- Payment of restructuring fee of US$50,000 upon receipt of restructured loan documents (this is not yet paid as of the end of reporting period pending the copy of the restructured loan documents);

- Annual interest shall be at 3% above SIBOR;

- WPI shall be a corporate guarantor, and shall maintain at least 51% shareholding of the Parent Company throughout the loan tenor;

- The loan is covered 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 the APHC (see Note 11); and

- The loan will be considered in default if no repayment of principal plus interest for two (2) consecutive months.

As at December 31, 2014 and 2013, the Group is compliant with the terms and conditions of the restructuring agreement. Also, the restructuring agreement does not require the Group to maintain a certain level of capital.

The reconciliation of the carrying amount of loan payable as at December 31 follows:

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**

2013	Principal	Unamortized Restructuring Fee	Net Carrying Value
Current	P82,136,300	(P576,845)	P81,559,455
Noncurrent	225,004,624	(1,624,108)	223,380,516
	P307,140,924	(P2,200,953)	P304,939,971

SSS Loan
On October 28, 1999, the Parent Company also obtained a five-year term loan from SSS amounting to P375 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, a related party, 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, the total loan obligation to SSS, including penalties and interest, amounted to P605 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 million was applied to penalties and interest amounting to P74 million and P124 million, respectively. In addition, the Parent Company accrued penalties charged by SSS amounting to P30.5 million covering the month of August until December 2003, and unpaid interest expense of P32 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 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 P452.8 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.

Starting 2006, the Parent 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 Parent Company by SSS. The proceeds of the loan were substantially used in the expansion and improvement of WCCCHI's operations.

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

In the absence of a formal restructuring agreement, the entire outstanding principal loan balance amounting P375.0 million and accrued interest and penalties amounting P746.4 million and P686.6 million as at December 31, 2014 and 2013, respectively, (presented as part of "Accrued interest and penalties" account under "Accounts payable and Accrued Expenses", see Note 12) in the consolidated statements of financial position.

As disclosed in Note 28a to the consolidated financial statements, subsequently, on January 13, 2015, the RTC of Quezon City rendered the loan agreement entered into by the Group and SSS null and void and ordered the Group to return to SSS the principal amount of the loan.

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 2014. 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, a related party. The proceeds of the loan shall be used exclusively to repay the remaining loans of TWGI with Cameron Granville Asset Management, Inc. ("CGAMI"). The loan proceeds were subsequently advanced to WPI who ultimately remitted to CGAMI on behalf of TWGI.

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 reprised every month and payable in arrears. WCCCHI, however, is allowed to fully or partially pre-terminate the loan. The loan is secured by the assignment of rental payments from PAGCOR on the leases of hotels, plus real estate mortgage on the hotel building and other improvements. This loan have been fully settled in 2014.

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 reprised every month and payable in arrears. The loan will mature in two (2) years and is not secured by any assets or properties. The proceeds of the loan shall be used exclusively for the Phase II renovation costs of APHC. The loan proceeds were subsequently advanced to WPI who ultimately advance the same to APHC.

In 2014, 2013 and 2012, interest expense incurred from the above PBB loans amounted to P37.23 million, P80.55 million and P77.4 million, respectively, and recorded as part of "Interest expense" account in the consolidated statements of comprehensive income.

15. Other Noncurrent Liabilities

The account is broken down as follows:

	Note	**2014**	2013
Advance rental	*22, 23*	**P357,685,773**	P403,332,530
PAGCOR and concessionaires' deposits	*22, 23*	**296,411,179**	277,458,446
Retirement benefits liability	*19*	**117,085,634**	187,616,788
Noncurrent portion of obligations under finance lease	*23*	**-**	1,198,596
Others		**5,801,853**	7,563,501
		P776,984,439	P877,169,861

Retirement benefits liability pertains to the following:

	2014	2013
APHC	**P120,490,625**	P121,972,067
WMCHI	**4,832,143**	14,681,081
WCCCHI	**3,820,654**	58,366,469
WWGI	**607,180**	1,448,082
MBI	**579,373**	529,680
WEC	**399,837**	1,624,286
WHMC	**-**	1,965,226
DIHCI	**(13,644,178)**	(12,970,103)
	P117,085,634	P187,616,788

16. 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 3 to the consolidated financial statements.

The following table presents the revenue and profit information regarding industry segments for the years ended December 31, 2014, 2013 and 2012 and certain asset and liability information regarding industry segments as of December 31, 2014, 2013 and 2012 (in millions):

	Hotel Operations			**Marketing Operations**			**Corporate and Other Operations**			**Eliminations**			**Consolidated**		
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
TOTAL REVENUES															
External sales	**P1,880**	P1,866	P1,879	**P -**	P -	P -	**P93**	P113	P120	**P -**	P -	P -	**P1,973**	P1,979	P1,999
RESULTS															
Segment results	**P147**	P69	P183	**(P1)**	P -	P -	**(P41)**	(P81)	(P32)	**P55**	P44	P -	**160**	P32	P151
OTHER INCOME (LOSS)															
Interest expense	**(128)**	(164)	(160)	**(5)**	-	(3)	**-**	-	-	**-**	-	-	**(133)**	(164)	(163)
Interest income	**1**	-	-	**-**	-	-	**33**	34	41	**-**	-	-	**34**	34	41
Benefit from (provision for) income taxes	**(25)**	1	14	**-**	-	13	**(3)**	(5)	(9)	**-**	-	-	**(28)**	(4)	18
Others	**-**	28	(31)	**(4)**	9	-	**-**	-	(7)	**-**	-	-	**(4)**	37	(38)
Total Other Income (Loss)	**(152)**	(135)	(177)	**(9)**	9	10	**30**	29	25	**-**	-	-	**(131)**	(97)	(142)
Net Income (Loss)	**(P5)**	(P66)	P6	**(P10)**	P9	P10	**(P11)**	(P52)	(P7)	**P55**	P44	P -	**P29**	(P65)	P9
OTHER INFORMATION															
Segment assets	**P7,737**	P7,790	P7,682	**P220**	P196	P196	**P5,256**	P5,500	P5,406	**(P4,480)**	(P4,530)	(P4,193)	**P8,733**	P8,956	P9,091
Deferred tax asset	**197**	244	278	**-**	-	-	**4**	4	3	**-**	-	-	**201**	248	281
Consolidated Total Assets	**P7,934**	P8,034	P7,960	**P220**	P196	P196	**P5,260**	P5,504	P5,409	**(P4,480)**	(P4,530)	(P4,193)	**P8,934**	P9,204	P9,372
Segment liabilities	**P3,776**	P4,004	P4,172	**P60**	P26	P24	**P2,465**	P2,552	P2,403	**(P3,229)**	(P3,229)	(P2,843)	**P3,072**	P3,353	P3,756
Deferred liability	**1,175**	1,253	1,215	**-**	-	-	**-**	-	-	**-**	-	-	**1,175**	1,253	1,215
Consolidated Total Liabilities	**P4,951**	P5,257	P5,387	**P60**	P26	P24	**P2,465**	P2,552	P2,403	**(P3,229)**	(P3,229)	(P2,843)	**P4,247**	P4,606	P4,971
Other Segment Information															
Capital expenditures	**P128**	P103	P258	**P -**	P -	P -	**P1**	P1	P1	**P -**	P -	P -	**P129**	P104	P259
Depreciation and amortization	**391**	341	316	**-**	-	-	**8**	8	8	**-**	-	-	**399**	349	324

17. Capital Stock and Non-controlling Interest

Capital Stock

Details of capital stock at December 31, 2014, 2013 and 2012 follow:

	Number of Shares		
	2014	2013	2012
Authorized: Common shares at P1 par value	5,000,000,000	5,000,000,000	5,000,000,000
Issued and outstanding	2,498,991,753	2,498,991,753	2,498,991,753

In 2007, the Parent Company entered into various share swap transactions wherein it issued 553 million of its common shares at par value of P1 per share in exchange for 45.8 million APHC shares at varying market prices (see Note 25).

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, 2014 and 2013, there is no update on the status of the proposed increase in the authorized capital stock of the Parent Company.

NCI

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

	December 31, 2014		December 31, 2013	
	APHC	**GIRDI**	APHC	GIRDI
Percentage of non-controlling interests	**42%**	**46%**	42%	46%
Carrying amount of non-controlling interests	**P537,789**	**198,629**	P517,700	P198,594
Net income attributable to non-controlling interests	**P17,550**	**P35**	P4,428	P53
Other comprehensive income (loss) attributable to non-controlling interests	**P821**	**P -**	P41,253	P -

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

	December 31, 2014		December 31, 2013	
	APHC	**GIRDI**	APHC	GIRDI
Total assets	**P2,466,812**	**P471,778**	P2,537,661	P472,050
Total liabilities	**(1,186,361)**	**(39,975)**	(1,305,042)	(40,324)
Net assets	**P1,280,451**	**P431,803**	P1,232,619	P431,726
Revenue	**P567,560**	**P1,485**	P575,451	P1,536
Net income	**P45,878**	**P76**	P10,542	P117
Other comprehensive income	**1,955**	-	98,222	-
	P47,833	**P76**	P108,764	P117
Cash flows provided by (used in) operating activities	**P104,842**	**P -**	(P3,275)	P -
Cash flows provided by (used in) investing activities	**(10,754)**	-	50,689	-
Cash flows used in financing activities	**(96,179)**	-	(43,232)	-
NET (DECREASE) INCREASE IN CASH	**(P2,091)**	**P -**	P4,182	P -

18. Other Costs and Expenses

This account consists of:

	2014	2013	2012
Taxes and licenses	**P50,723,091**	P41,395,085	P41,628,923
Supplies	**37,649,015**	31,620,097	27,972,540
Security and other services	**34,675,944**	47,133,435	37,303,731
Other services	**31,348,157**	17,112,966	19,689,399
Corporate expenses	**23,541,281**	37,056,091	36,439,066
Representation and entertainment	**22,880,146**	19,931,526	24,019,512
Data processing	**18,936,199**	15,424,244	11,559,905
Transportation and travel	**15,861,257**	16,733,529	19,359,166
Insurance	**15,477,416**	15,218,799	14,855,852
Fuel and oil	**13,934,675**	9,699,388	11,391,832
Advertising	**11,978,871**	30,746,927	36,552,612
Commissions	**9,884,201**	10,430,524	10,567,279
Professional fees	**8,430,457**	12,163,764	10,659,767
Communications	**6,200,659**	12,781,834	12,910,006
Guest amenities	**1,248,694**	3,710,362	2,955,323
Guest and laundry valet	**1,072,501**	2,050,030	3,084,691
Uniforms	**397,768**	396,060	896,648
Meeting expenses	**219,325**	2,648,993	2,086,103
Trainings and seminars	**206,810**	1,219,166	7,686,842
Banquet expenses	**116**	-	108,550
Medical expenses	**-**	4,402,429	5,330,966
Reservation	**-**	4,311,148	4,457,103
Membership dues	**-**	931,834	3,807,381
Recruitment	**-**	892,425	874,032
Fines and penalties	**-**	126,571	-
Decorations	**-**	-	515,252
Miscellaneous	**15,886,539**	11,106,988	17,906,007
	P320,553,122	P349,244,215	P364,618,488

19. Retirement Benefits Costs

Certain subsidiaries have non-contributory, 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 costs recognized in profit or loss for the years ended December 31, 2014, 2013 and 2012 amounted to P32.2 million, P36.5 million and P42.8 million, respectively, and is presented as part of "Personnel Cost" account in the consolidated statements of comprehensive income.

The latest independent actuarial valuation of the plan was as at December 31, 2014, which was prepared using the projected unit credit method in accordance with PAS 19, *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 included under "Other noncurrent liabilities" account in the consolidated statements of financial position is shown below:

2014	**DBO**	**FVPA**	**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**

2013	DBO	FVPA	Asset Ceiling Adjustment	Retirement Benefits Liability
Balance, January 1, 2013	P310,452,517	(P72,351,826)	P -	P238,100,691
Included in Profit or Loss				
Current service (cost)	23,098,060	-	-	23,098,060
Net interest income (cost)	17,830,643	(4,450,506)	-	13,380,137
	40,928,703	(4,450,506)	-	36,478,197
Included in Other Comprehensive Income				
Remeasurement gains (losses) of plan assets:				
1. Actuarial gains (losses) arising from:				
▪ Changes in financial assumptions	24,920,682	-	-	24,920,682
▪ Changes in demographic assumptions	(46,401,327)	-	-	(46,401,327)
▪ Experience adjustments	(49,574,409)	-	-	(49,574,409)
2. Return on plan assets excluding interest income	-	(2,974,098)	-	(2,974,098)
3. Effect of asset ceiling	-	-	1,942,709	1,942,709
	(71,055,054)	(2,974,098)	1,942,709	(72,086,443)
Others:				
Contributions paid by the employer	-	(11,000,000)	-	(11,000,000)
Benefits paid from:				
Book reserves	(3,788,337)	-	-	(3,788,337)
Plan assets	(2,705,230)	2,617,910	-	(87,320)
	(6,493,567)	(8,382,090)	-	(14,875,657)
Balance, December 31, 2013	P273,832,599	(P88,158,520)	P1,942,709	P187,616,788

The retirement cost is recognized as part of the "Personnel costs" account in the consolidated statements of comprehensive income.

The categories of plan assets and their composition follow:

	2014	2013
Investment in government securities	**P67,059,287**	P56,991,273
Deposit in banks	**10,435,978**	14,468,925
Investment in other securities and debt instruments	**1,999,554**	3,052,847
Cash and cash equivalents	**896,118**	2,016,180
Debt instruments - government bonds	**863,193**	2,850,071
Debt instruments - other bonds	**306,853**	100,271
Equity instruments	**251,524**	245,862
Real estate	**-**	218,670
Other receivables	**7,829,715**	8,323,677
	P89,642,222	P88,267,776

The principal actuarial assumptions at reporting date are as follow:

	2014	2013
Discount rate	**4.5% - 4.9%**	4.5% - 5.3%
Salary increase rate	**5.0% - 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 19.7 years and 20.2 years as at December 31, 2014 and 2013, respectively.

Maturity analysis of the benefit payments:

	2014	2013
Carrying amount	**P203,796,658**	P273,832,599
Within 1 year	**P7,215,437**	P407,224
Within 1-5 years	**21,929,780**	29,394,094
Beyond 5 years	**110,766,254**	107,920,885
Contractual cash flows	**P139,911,471**	P137,722,203

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:

	Defined Benefit Obligation	
	+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.

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.

20. Income Taxes

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

	2014	2013	2012
Recognized in Profit or Loss			
Current	**P81,521,865**	P53,338,161	P63,016,285
Deferred	**(53,500,047)**	(49,386,050)	(24,270,093)
	P28,021,818	P3,952,111	P38,746,192
Recognized in Other Comprehensive Income			
Deferred	**P22,933,932**	P120,863,334	P205,487

The reconciliation of the income tax amounts computed at the statutory tax rate to the actual income tax expense shown in the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Income (loss) before income tax	**P57,036,987**	(P61,379,405)	P47,755,746
Income tax expense (benefit) at 30%	**P17,111,096**	(P18,413,822)	P14,326,724
Additions to (reductions in) income tax resulting from the tax effects of:			
Changes in unrecognized DTA	**5,643,264**	13,620,874	7,489,701
Nondeductible expenses	**9,035,802**	11,708,416	20,881,617
Loss (income) not subjected to income tax	**1,191,361**	(2,963,244)	(3,951,707)
Realization of previously unrecognized deferred tax on NOLCO	**(4,959,705)**	(113)	(143)
	P28,021,818	P3,952,111	P38,746,192

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

December 31, 2014	**Balance January 1 2013**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance December 31 2013**
Deferred tax liabilities:				
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 deposit	**17,016,811**	**(5,685,821)**	**-**	**11,330,990**
	1,252,615,432	**(77,226,275)**	**-**	**1,175,389,157**
Deferred tax assets:				
Rent received in advance	**119,838,679**	**(12,809,891)**	**-**	**107,028,788**
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**
Unearned revenues	**19,099,228**	**418,355**	**-**	**19,517,583**
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**
Accrued restructuring cost on loan	**9,614**	**(9,614)**	**-**	**-**
	247,525,682	**(23,726,228)**	**(22,933,932)**	**200,865,522**
	P1,005,089,750	**(P53,500,047)**	**P22,933,932**	**P974,523,635**

December 31, 2013	Balance January 1 2013	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance December 31 2013
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P1,158,090,532	(P50,729,235)	P99,592,841	P1,206,954,138
Rental receivable	34,332,449	(5,687,966)	-	28,644,483
Unamortized premium on security deposit	22,334,928	(5,318,117)	-	17,016,811
	1,214,757,909	(61,735,318)	99,592,841	1,252,615,432
Deferred tax assets:				
Rent received in advance	146,902,224	(27,063,545)	-	119,838,679
Retirement liability	70,712,445	6,253,515	(21,270,493)	55,695,467
Unrealized foreign exchange loss	35,301,532	3,348,768	-	38,650,300
Unearned revenues	16,534,372	2,564,856	-	19,099,228
Allowance for impairment losses on receivables	6,084,950	681,217	-	6,766,167
Unamortized past service cost	1,670,225	1,618,953	-	3,289,178
MCIT	961,803	1,052,016	-	2,013,819
Accrued rent expense	1,594,587	(101,969)	-	1,492,618
NOLCO	1,383,305	(712,693)	-	670,612
Accrued restructuring cost on loan	-	9,614	-	9,614
	281,145,443	(12,349,268)	(21,270,493)	247,525,682
	P933,612,466	(P49,386,050)	P120,863,334	P1,005,089,750

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.

	2014		2013	
	Tax Base	**Tax Effect**	Tax Base	Tax Effect
NOLCO	**P67,067,592**	**P20,120,278**	P48,408,673	P14,522,602
Accrued rent expense	**580,097**	**174,029**	5,924,133	1,777,240
Retirement liability	**-**	**-**	1,965,231	589,569
MCIT	**307,381**	**307,381**	5,311,481	5,311,481
	P67,955,070	**P20,601,688**	P61,609,518	P22,200,892

Details of NOLCO are as follows:

			Applied			
Year Incurred	Expiry Date	NOLCO	Prior Years	Current Year	Expired Amount	Remaining Amount
2014	December 31, 2017	P21,039,000	P -	P -	P -	P21,039,000
2013	December 31, 2016	23,534,984	-	-	-	23,534,984
2012	December 31, 2015	24,065,448	-	-	-	24,065,448
2011	December 31, 2014	19,263,122	-	-	(19,263,122)	-
		P87,902,554	P -	P -	(P19,263,122)	P68,639,432

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:

			Applied			
Year Incurred	Expiry Date	MCIT	Prior Years	Current Year	Expired Amount	Remaining Amount
2014	December 31, 2017	P247,938	P -	P -	P -	P247,938
2013	December 31, 2016	6,331,491	-	(6,016,542)	-	314,949
2012	December 31, 2015	846,792	-	(736,512)	-	110,280
2011	December 31, 2014	147,018	-	-	(147,018)	-
		P7,573,239	P -	(P6,753,054)	(P147,018)	P673,167

21. Earnings (Loss) Per Share

The earnings (loss) per share is computed as follows:

	2014	2013	2012
Net income (loss) attributable to equity holders of the Parent	**P9,713,620**	(P69,813,828)	(P5,922,606)
Weighted number of shares outstanding	**2,498,991,753**	2,498,991,753	2,498,991,753
Earnings (loss) per share - basic and diluted	**P0.004**	(P0.028)	(P0.002)

There are no potentially dilutive shares as of December 31, 2014, 2013 and 2012. Accordingly, diluted LPS is the same as basic LPS.

22. 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 deposit equivalent to the one year rental based on monthly rentals for 2004, which amount shall be maintained at all times. The security deposit is recorded as part of "PAGCOR and concessionaires' deposits" account under "Other noncurrent liabilities" in the consolidated statements of financial position (see Note 15).

In 2007, WCCCHI also executed a contract of lease with PAGCOR, whereby the latter shall lease an area of 883.38 square meters, more or less, of air-conditioned space at the ground floor of WCCCHI's hotel. The contract shall commence on the date PAGCOR starts its slot machines operations and shall be valid until the expiration of the present charter of PAGCOR on July 11, 2008. PAGCOR shall pay a cash deposit equivalent to six months lease rental and shall pay a monthly rental of P729 per square meter, subject to 5% escalation rate starting on its second year. On March 15, 2008, the lease contract was amended stating that the contract of lease shall commence on the date PAGCOR started its commercial operations, which was on March 15, 2008, and shall be valid for two years.

On July 31, 2008, PAGCOR requested for a refund of security deposit from surrendered areas at WCCCHI amounting to P48.1 million, inclusive of interests and charges. The reconciliation of the final amount due will be based on the computation of interests and penalties and will be paid on the date of final payment of the PAGCOR loan.

On September 3, 2008, WCCCHI & WMCHI renewed the ACL with PAGCOR for two (2) years and six (6) months. Monthly rental shall be at P1,531.54 per square meter of the main area and P1,458.61 per square meter of the chip washing area at WMCHI, subject to a 5% annual escalation rate starting on its second year of the renewal of the contract of lease. In addition, PAGCOR shall pay an advance rental of six (6) months which shall be applied to the rentals due for the first six months of the lease period of the renewal of the contract of lease. Moreover, the security deposit placed by PAGCOR shall also be updated based on the monthly rental rate in the renewed contract of lease. The updating shall cover only the period of six (6) months and shall be paid upon the execution of the contract.

On February 12, 2009, the renewal contract was amended extending the lease period from two (2) years and six (6) months to three (3) years and six (6) months. The annual escalation rate was also amended to apply only on the second and third year of the lease period.

APHC also had a lease agreement with PAGCOR which was renewed on September 15, 2008, for two (2) years and six (6) months. Monthly rental rate is subject to 5% annual escalation starting on the second year of the renewal of the contract of lease. Monthly rental shall be P2,378.03 per square meter of the main area and P1,132.40 per square meter of the expansion area, both covering a floor area totaling 9,234.37 square meters. PAGCOR shall also pay APHC an advance rental of six (6) months to be paid upon execution of the renewed contract of lease and shall be applied to the rentals due for the first six (6) months.

Moreover, the security deposit placed by PAGCOR shall also be updated based on the monthly rental rate in the renewed contract of lease. The updating shall cover only the period of three (3) months for the Main area and six (6) months for the expansion and shall be paid upon the execution of the contract.

On February 12, 2009, the renewal contract was amended extending the lease period from two (2) years and six (6) months to three (3) years and six (6) months. The annual escalation rate was also amended to apply only on the second and third year of the lease period.

On December 1, 2010, PAGCOR and APHC amended the lease contract, otherwise known as the Omnibus Amended Lease Contract (“OALC”) extending the lease term and expanding the lease area. The OALC shall cover 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 shall commence 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.

The monthly rent to be applied on the leased areas are as follows: Main Area shall be P2,621.78 per square meter, Expansion Area A shall be P1,248.47 per square meter, Expansion Area B shall be P1,600 per square meter and the AHU Area shall be free of rent. 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 OALC, the existing refundable security deposits amounting to P131.89 million received by the APHC upon the execution of the prior contracts were retained by the APCH. These deposits were presented as part of “Other noncurrent liabilities” account in the consolidated statements of financial position and were carried at its present value of P84.55 million computed using an effective interest rate of 8% over the term of the OALC. Consequently, a day-one gain, net of the discount amortization, amounting to P47.99 million was recognized in 2010 as accretion income and was presented as part of “Rent and related income” account in the consolidated statements of comprehensive income. The amortized cost of the refundable security deposits was determined by calculating the present value of the cash flows anticipated until the end of the lease term using the interest rate of 8%. As the deposit does not have an active market, the underlying interest rate was determined by reference to market interest rates of comparable financial instruments.

On February 16, 2009, APHC assigned its future rental receivables from PAGCOR in payment of the loan of PRC and the loan of WMCHI from PBB.

Also in 2010, WCCCHI and PAGCOR agreed to reduce the area leased by the latter by 2,267 square meters thereby decreasing the security deposit accordingly.

On March 21, 2011, WCCCHI and PAGCOR renewed the lease contract 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, and shall commence on March 3, 2011 and March 16, 2011 for the Main Area and Slot Machine Expansion Area, respectively. 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 monthly rental to be applied on the leased areas are as follows: the Main area, Slot Machine Expansion Area and Mezzanine shall be P1,772.96 per square meter . The 5th Floor Junket Area shall be rent free for a period of one (1) year from the execution of the lease contract. In the event that the lease over the 5th Floor Junket Area is continued by the lessee, the parties shall agree on the monthly rent and the duration of the lease for the said area.

The lessee shall pay the lessor a six (6) months advance rental payment totaling P120.7 million upon execution of the Lease Contract. The advance rental payments shall be applied to the rent due on the leased premises for the first six (6) months of the last year of the lease. Starting on January 3, 2013 and every year thereafter, the monthly rent for the Main Area, Slot Machine Expansion Area and the Mezzanine, shall be adjusted by five percent (5%).

Also, on March 21, 2011, WMCHI and PAGCOR have amended the said contract in order to simplify, reconcile and update the terms and conditions of the Contract of Lease and its amendments. The lease shall commence on March 3, 2011 until August 2, 2016 or an extended period of five (5) years and five (5) months. Monthly rental shall be at P1,772.96 per square meter of the main area and P1,688.53 per square meter of the chip washing area subject to a 5% escalation rate starting on January 3, 2013 and every year thereafter. In addition, PAGCOR shall pay a six (6) months advance rental or P50.2 million for the main casino area and six (6) months advance rental payment, or P12.6 million, for the Chip washing area, or a total advance rental of P62.8 million, 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 months of the last year of the lease.

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

	2014	2013
Less than one year	**P683,449,980**	P721,763,397
Between one and five years	**527,585,201**	1,307,936,312
	P1,211,035,181	P2,029,699,709

Rental income from the lease contracts, recognized in the consolidated statements of comprehensive income on a straight-line basis consistently in 2014, 2013 and 2012, amounted to P815.5 million P882.8 million and P778.0 million, respectively.

23. Other Lease Agreements

<u>Land under Operating Lease</u>

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 two hotels were constructed. On October 14, 1994, WHR assigned its rights and obligations on 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:

	2014	2013
Less than one year	**P13,793,443**	P13,793,443
Between one and five years	**61,573,265**	61,573,265
More than five years	**317,081,534**	330,874,977
	P392,448,242	P406,241,685

Total annual rent expense recognized in profit or loss amounted to P86.7 million, P99.1 million and P102.7 million in 2014, 2013 and 2012, respectively.

Equipment under Finance Lease

DIHCI leased a certain equipment for a monthly fee of P125,000 starting November 2005 for 10 years from Edward Marcs Philippines, Inc. ("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 determined at P9,763,129. Depreciation expense recognized in the consolidated statements of comprehensive income for the each of the years ended December 31, 2014, 2013 and 2012 related to the leased equipment amounted to P976,319.

Reconciliations between the total of future minimum lease payments and their present value as of December 31, 2014 and 2013 are as follows:

		December 31, 2014		
	Note	**Future Minimum Lease Payments**	**Imputed Finance Charges**	**Present Value of Future Minimum Lease Payments**
Less than one year	*13*	**P1,250,000**	**P51,404**	**P1,198,596**

		December 31, 2013		
	Note	Future Minimum Lease Payments	Imputed Finance Charges	Present Value of Future Minimum Lease Payments
Less than one year	*13*	P1,500,000	P178,036	P1,321,964
Between one and five years	*15*	1,250,000	51,404	1,198,596
		P2,750,000	P229,440	P2,520,560

The carrying value of the leased asset amounted to P0.8 million and P1.8 million as at December 31, 2014 and 2013, respectively (see Note 10).

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, 2014 and 2013 is P5.6 million and P8 million, respectively (see Note 10).

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.

Total rent income with concessionaires amounted to P398.2 million, P385.7 million and P305.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Lease Agreements Entered into by MBI

a. *Lease of Offices 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 relative non-cancellable operating lease agreement follows:

	2014	2013
Less than one year	**P6,741,925**	P6,420,881
Between one and five years	**2,283,555**	9,025,480
	P9,025,480	P15,446,361

b. *Lease of Slot Machines to PAGCOR*
On January 31, 2007, Dynamo, a foreign corporation duly organized, existing and registered at the British Virgin Islands (represented by MBI), as lessor, entered into a contract of lease and variation agreement with PAGCOR, as lessee, for the lease of the slot machine VIP Club at the Universal Park Mall Building in Sta. Cruz, Manila. The covering lease agreement requires the lessee to pay the lessor a monthly variable rent equivalent to 40% of the slot machines' gross revenues after deducting the player's winnings/prizes and all applicable taxes. The lease agreement of Dynamo with PAGCOR was assigned by Dynamo to MBI on February 22, 2008.

c. *Lease of Slot Gaming Machines*
On November 13, 2007, Dynamo, represented by MBI, entered into a Memorandum of Agreement ("MOA") with Elixir, for the 10-year lease of 240 new units 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.

On October 23, 2009, the parties amended the MOA, with retroactive effect to October 1, 2008 and until the termination or expiration of the same. The new share rate which replaces the original share rate is a progressive rate of sharing of the monthly net winnings which requires Dynamo to pay rent amounting to 18% of the first P15 million, 20% for any amount in excess of P15 million but up to P20 million, and 23.75% for any amount in excess of P20 million.

Total rent expense for lease of slot machine and slot gaming machines amounted to P32.7 million, P44.6 million and P46.9 million in 2014, 2013 and 2012, respectively.

d. *Deed of Assignment*
On February 22, 2008, Dynamo executed a deed of assignment in favor of MBI whereby Dynamo has given complete authority to MBI to manage and operate the business operations in the Philippines, more specifically those pertaining to the casino-related operations with PAGCOR. Under the deed of assignment, Dynamo agrees to assign the revenues pertaining to dealings with PAGCOR and the lease of the electronic gaming machines to MBI. In exchange for this arrangement MBI agreed to have future joint international business cooperation with Dynamo.

24. Acquisition of APHC Shares

On February 17, 2003, the Parent Company acquired 74,889,231 shares or 75% of the issued and outstanding capital stock of APHC effected through a cross-sale in the Philippine Stock Exchange.

In 2006, WPI sold its investments in APHC shares totaling 51 million shares at varying selling prices through the PSE. Majority of the sale transactions were made with parties that were relatively owned and/or have related party relationship with TWGI, the ultimate parent company. Total proceeds from the sale transactions, net of related expenses and taxes, amounted to P123.6 million. Gain on sale of APHC shares amounting to P36.6 million was recognized in the consolidated statements of comprehensive income as part of "Other revenues" account.

On November 4, 2006, the Parent Company purchased additional 1.55 million of APHC shares at a total cost of P7.8 million.

Total proceeds from the sale transactions less the total purchase cost of the additional shares amounting to P115.8 million, which was provided to TWGI as cash advance, was recorded as receivable from TWGI and part of "Due from related parties" account in the consolidated statements of financial position (see Note 9a).

As at December 31, 2006, the Parent Company's equity interest in APHC decreased from 75% in 2005 to 24%.

In 2007, the Parent Company entered into various share swap transactions wherein it issued 553 million of its primary shares at par value of P1 per share in exchange for 45.8 million APHC shares at varying market prices (see Note 18). The transaction was taken up by the Parent Company as an increase in its investments in APHC at book value of net assets acquired amounting to P504 million. As a result, the Parent Company's equity interest in APHC increased to 75% from 24% in 2006.

In 2008, the Parent Company sold its investments in APHC totaling 4,900,000 shares at varying selling prices through the PSE. Total proceeds from the sale transactions, net of related expenses and taxes, amounted to P48.2 million. Gain on sale of APHC shares amounting to P10.1 million was recognized in profit or loss. The total proceeds from the sale transaction amounting to P48.2 million, which was provided to TWGI as cash advances was recorded as receivable from TWGI and part of the "Due from related parties" account in the consolidated statements of financial position (see Note 9).

In 2011, the Parent Company sold 4,700,000 shares representing 10% interest at a selling price of P3 per share. Total proceeds from the sale transactions amounted to P14.1 million. Loss on sale of APHC shares amounting to P40.54 million is recognized in the consolidated statements of comprehensive income. After the sale, the Parent Company's equity interest in APHC is reduced to 59% from 69% in 2010. The sale resulted to the adjustment of the "Non-controlling interest" by P155.8 million.

On July 19, 2012, APHC distributed 250% stock dividends or 246,248,212 shares for stockholders of record as of June 25, 2012.

In 2012, the Parent Company sold 9,500,000 shares representing 1% interest at various selling prices. Total proceeds from the sale transactions amounted to P13.65 million. Loss on sale of APHC shares amounting to P9.17 million is recognized in the consolidated statements of comprehensive income. As at December 31, 2012, the Parent Company's equity interest in APHC is reduced to 58% from 59% in 2011 resulting to the adjustment of the "Non-controlling interest" by P10.8 million.

25. Financial Risk and Capital Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables - net, due from related parties, AFS investments, accounts payable and accrued expenses, 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, 2014 and 2013 are as follows:

December 31, 2014	**Total**	**Neither Past Due nor Impaired**	**Past Due but not Impaired <30 Days**	**30 - 60 Days**	**61 - 90 Days**	**91 - 120 Days**	**> 120 Days**	**Impaired**
Receivables	**P205,980**	**P141,130**	**P17,081**	**P16,430**	**P6,427**	**P980**	**P6,495**	**P17,437**
Due from related parties	**2,062,769**	**1,619,735**	**-**	**-**	**-**	**-**	**365,933**	**77,101**
Total	**P2,268,749**	**P1,760,865**	**P17,081**	**P16,430**	**P6,427**	**P980**	**P372,428**	**P94,538**

December 31, 2013	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Receivables	P213,894	P156,683	P14,621	P8,729	P3,155	P4,340	P3,812	P22,554
Due from related parties	2,078,729	1,642,870	-	-	-	-	358,758	77,101
Total	P2,292,623	P1,799,553	P14,621	P8,729	P3,155	P4,340	P362,570	P99,655

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, 2013 and 2012 and the movement of the allowance used to record the impairment losses are disclosed in Notes 6 and 9 to the consolidated financial statements.

<u>Liquidity Risk</u>
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, 2014 and 2013 based on contractual undiscounted payments:

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**	**P1,103,293**	**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**
	P2,830,069	**P2,887,328**	**P1,482,273**	**P383,112**	**P951,328**

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

December 31, 2013	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	P1,185,798	P1,185,798	P709,672	P476,126	P -
Loans payable	1,098,482	1,167,512	506,722	392,812	267,978
Other current liabilities	65,206	65,206	4,942	60,264	-
Other noncurrent liabilities	689,553	689,553	-	-	689,553
	P3,039,039	P3,108,069	P1,221,336	P929,202	P957,531

**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 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 2014 and 2013 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 P1,540,515 and P2,134,580 in 2014 and 2013, 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 ±50 basis points in 2014 and 2013. 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)	Income After Income Tax	
Change in interest rates (in basis points)	**2014**	2013
+50	**(P3,139)**	(P3,968)
-50	**3,139**	3,968

There is no other impact on the Group's equity other than those already affecting profit or loss in 2014 and 2013.

Foreign Currency Risk
Currency risk arises when transactions are denominated in foreign currencies.

As a result of loan payable from ICBC which is denominated in US dollar, the Group's consolidated statements of financial position can be affected by movements in this currency. Aside from this and certain cash, the Group does not have any material transactional foreign exchange risks as its revenue and costs are substantially denominated in Philippines peso.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in foreign currencies. 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 are as follows:

December 31, 2014	***Note***	**US Dollar**	**Philippine Peso**
Cash	*5*	**$7,411**	**P330,646**
Loan payable	*14*	**(4,967,900)**	**(221,652,794)**
Net foreign currency - denominated liability		**($4,960,489)**	**(P221,322,148)**

December 31, 2013	*Note*	US Dollar	Philippine Peso
Cash	*5*	$7,183	P318,896
Loan payable	*14*	(6,917,900)	(307,140,924)
Net foreign currency - denominated liability		($6,910,717)	(P306,822,028)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2014	2013	**2014**	2013
U.S. dollar	**P44.39**	P42.46	**P44.69**	P44.40

The Group recognized foreign exchange gain amounting P6.0 million and P12.9 million in 2014 and 2013, respectively and foreign exchange loss amounting to P34.9 million in 2012, 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 U.S. dollar exchange rates and macroeconomic forecasts for 2014, with all other variables held constant, of the Group's 2014, 2013 and 2012 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items. This analysis assumes a 1.25%, 3.95% and 3.20% strengthening as at December 31, 2014, 2013 and 2012, respectively, and 2.09%, 4.21% and 2.85% weakening as at December 31, 2014, 2013 and 2012, respectively, of the Philippine peso against the U.S. dollar exchange rate:

	Strengthening			Weakening		
	1.25%	+3.95%	+2.05%	**-2.09%**	-4.21%	-2.04%
	2014	2013	2012	**2014**	2013	2012
Net income	**P1,941,117**	P8,490,372	P7,019,230	**(P3,240,647)**	(P4,375,236)	(P4,470,620)

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 held by the Group which is classified in the statements of financial position as AFS investment. These securities are listed in the PSE. The Group has an outstanding investment in these securities equivalent to 86.7 million shares as at December 31, 2014 and 2013.

The Group is not exposed to commodity price risk.

The Group monitors the changes in the price of shares of WII. To manage its price risk, the Group disposes 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 2014. This analysis assumes a decrease of 14.79$ for 2014, 17.24% for 2013 and 14.89% for 2012 and an increase of 32.54% in 2014, 24.14% for 2013 and 44.68% for 2012 of the equity price of the Group's AFS investment. These percentages have been determined based on average market volatility in equity prices of the related investment in the previous 12-month periods ended December 31, 2014, 2013 and 2012, respectively. All other variables are held constant:

	2014	2013	2012	**2014**	2013	2012
	Decrease			Increase		
	-14.79%	-17.24%	-14.89%	**32.54%**	+24.14%	+44.68%
Equity	**(P2,379,394)**	(P1,789,515)	(P2,711,994)	**P5,234,667**	P3,233,685	P8,135,981

The impact on the Group's equity already excludes the impact on transactions affecting profit or loss in 2014, 2013 and 2012.

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 as of December 31, 2014 and 2013.

The fair value of other noncurrent liabilities was calculated by discounting expected future cash flows at prevailing market rates. Discount rates used ranged from 5.8% to 7.7% in 2011.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method (in thousands). The different levels have been defined 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).

The approximation of the fair value of the Group's AFS investment is based on Level 1.

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 2014, 2013 and 2012.

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 2014, 2013 and 2012. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statements of changes in equity.

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

26. 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 docketed as CTA EB No. 1070 where it is awaiting decision by the CTA.

The information usually required of contingent liabilities by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets,* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the final assessment.

b. APHC has an outstanding tax assessment from the BIR for taxable year 2006. On May 18, 2011, the BIR sent a follow up letter to the APHC for various verbal requests of the BIR for the submission of related schedules and documents. As at report date, the APHC's management is waiting BIR action on its letter of protest and explanation dated February 23, 2012.

c. Provisions and Contingencies

The reconciliation of the carrying value of the Group's provision follows:

	2014	2013
Balance at beginning of year	**P45,575,012**	**P20,227,960**
Provision for the year	**-**	**25,347,052**
	P45,575,012	**P45,575,012**

In consultation with the legal counsels, management believes that the provision recognized sufficiently represents the amount of probable liability that the Group may settle in the event that the cases as discussed below will ultimately be decided against the Group.

Tax Case Involving Tax Assessment from the Treasurer of the City of Manila
After filing of protest letters, petitions and appeals, the case was subsequently decided against the Group on January 9, 2014 by the CTA En Banc who ordered the dismissal of the petition for review filed by the Group and ordered the Group to pay the Manila City treasurer's office for P45.6 million. As at reporting date, the case is still being appealed with the Supreme Court.

The case arose from the notice of assessment issued by the Manila City treasurer's office on July 13, 2007 demanding the Group to pay for deficiency business tax for the years 2004 to 2006 totaling P45.6 (including interest and penalties), arising principally from non declaration for local tax purposes of revenues derived from services in connection with the operation of PAGCOR in the Group's hotel.

In consultation with the legal counsels, management believes that the provision recognized sufficiently represents the amount of probable liability that the Group may settle in the event that the cases as discussed below will ultimately be decided against the Group.

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, the Hotel 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.

e. 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.

Also, 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.

27. Appropriated Retained Earnings

In 2012, the BOD approved to retain the P130 million retained earnings appropriated and earmark additional P10 million out of its unappropriated retained earnings to pursue the renovation and for business expansion which is expected to commence during the first quarter of 2014. Moreover, WMCHI planned to appropriate further any excess retained earnings for future capital expenditures in connection with the continuing enhancement of its facilities, services and operations. The renovation, business expansion and the continuing enhancement of its facilities, services and operations are expected to be carried within the next couple of years. The amount appropriated, however, will be subject to regular review depending on the over-all business needs and the results of the operations.

On June 2, 2014, the BOD resolved and approved the reversal of the appropriated retained earnings amounting to P140.00 million.

28. Events After the Reporting Period

a. 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.

   As of report date, SSS has not yet appealed or filed a motion for reconsideration.

b. On February 5, 2015, the Parent Company, APHC, TWGI, PRC and MAHEC entered into a MOU whereby the parties had understanding 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 using parcels of land will be effected once the titling of the subject property, which is currently on-going, will be completed by PRC.

c. 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, 2012 to December 31, 2012. WMCHI has provided the BIR with the required documents and the latter has yet to give its findings.

29. Reclassifications

In 2014, the Group reclassified some costs and expenses in the consolidated statements of comprehensive income in order to better reflect the nature of expenses. Accordingly, the Group also reclassified the comparative figures in 2013 and 2012.

A summary of the effects of the reclassifications to the consolidated statement of comprehensive income for the year ended December 31, 2013 follows:

	Before Reclassification	Reclassification	After Reclassification
Revenues			
Other operating department	P23,952,650	(P23,952,650)	P -
Others	24,376,009	23,952,650	48,328,659
Costs and expenses other than depreciation and amortization			
Other operating departments	11,439,016	(11,439,016)	-
Others	337,805,199	11,439,016	349,244,215

A summary of the effects of the reclassifications to the consolidated statement of comprehensive income for the year ended December 31, 2012 follows:

	Before Reclassification	Reclassification	After Reclassification
Revenues			
Other operating department	P19,132,964	(P19,132,964)	P -
Others	28,472,703	19,132,964	47,605,667
Costs and expenses other than depreciation and amortization			
Other operating departments	14,425,786	(14,425,786)	-
Others	350,192,702	14,425,786	364,618,488

The above reclassifications have no effect on the reported profit or loss, total income and expenses or the net assets for the period reported. Accordingly, the management did not present consolidated statements of financial position for the Group at the beginning of the earliest comparative period.