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 17 - Q2	0 9	2 3
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

452		
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

SECURITIES AND EXCHANGE COMMISSIONSEC
FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended

June 30, 2017

2. SEC Identification Number

AS0948678

3. BIR Tax Identification No.

D80003978254NV

4. Exact name of issuer as specified in its charter

WATERFRONT PHILIPPINES, INC.

5. Province, country or other jurisdiction of incorporation or organization

PHILIPPINES

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

NO. 1 WATERFRONT DRIVE, OFF SALINAS DRIVE, LAHUG, CEBU CITY Postal Code 6000

8. Issuer's telephone number, including area code

032-2326888

9. Former name or former address, and former fiscal year, if changed since last report

NOT APPLICABLE

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES - P1.00 PAR VALUE	2,498,991,753

11. Are any or all of registrant's securities listed on a Stock Exchange?

- (●) Yes
- ( ) No

If yes, state the name of such stock exchange and the classes of securities listed therein:

THE PHILIPPINE STOCK EXCHANGE

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- (•) Yes
- ( ) No

(b) has been subject to such filing requirements for the past ninety (90) days

- ( ) Yes
- (•) No

Waterfront Philippines, Incorporated

PSE Disclosure Form 17-2 - Quarterly Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	June 30, 2017
Currency (indicate units, if applicable)	PESO

Balance Sheet

	Period Ended	Calendar Year Ended (Audited)
	June 30, 2017	Dec 31, 2016
Current Assets	2,432,348,089	2,096,232,446
Total Assets	9,354,573,142	9,107,344,314
Current Liabilities	1,785,235,842	1,828,565,697

Total Liabilities	3,248,094,565	3,272,977,322
Retained Earnings/(Deficit)	(504,442,375)	(760,985,667)
Stockholders' Equity	6,106,478,577	5,834,366,992
Stockholders' Equity - Parent	5,196,890,224	4,940,346,932
Book Value per Share	2.08	1.98

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	445,561,196	515,103,623	994,086,508	1,042,871,429
Other Revenue	7,456,002	13,637,214	15,216,330	20,267,116
Gross Revenue	445,561,196	515,103,623	994,086,508	1,042,871,429
Operating Expense	296,700,661	312,617,627	623,154,951	640,724,559
Other Expense	56,032,301	84,409,133	129,604,595	168,929,634
Gross Expense	296,700,661	312,617,627	623,154,951	640,724,559
Net Income/(Loss) Before Tax	100,284,235	131,714,077	256,543,292	253,484,352
Income Tax Expense	0.00	0.00	0.00	0.00
Net Income/(Loss) After Tax	100,284,235	131,714,077	256,543,292	253,484,352
Net Income Attributable to Parent Equity Holder	97,787,177	121,038,046	238,450,871	232,964,841
Earnings/(Loss) Per Share (Basic)	0.039	0.048	0.095	0.093
Earnings/(Loss) Per Share (Diluted)	0.039	0.048	0.095	0.093

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.129	0.115
Earnings/(Loss) Per Share (Diluted)	0.129	0.115

Other Relevant Information
--

Financial Ratios

	Formula	Current Year June 30, 2017	Previous Year June 30, 2016
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.36	1.00
Quick Ratio	(Current Assets - Inventory - Prepayments)/ Current Liabilities	1.30	0.99
Solvency Ratio	Total Assets / Total Liabilities	2.88	2.49
Financial Leverage Ratios			
Debt Ratio	Total Debt / Total Assets	0.35	0.40
Debt-to-Equity Ratio	Total Debt / Total Stockholders' Equity	0.53	0.67
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	7.55	7.06
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.53	1.67
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of service/ Sales	0.38	0.40
Net Profit Margin	Net Profit / Sales	0.25	0.24
Return on Assets	Net Income / Total Assets	0.03	0.03
Return on Equity	Net Income / Total Stockholders' Equity	0.04	0.05
Price / Earnings Ratio	Price Per Share / Earnings Per Common Share	0.095	0.093

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex A.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to Annex B.

PART II—OTHER INFORMATION

NONE

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: Waterfront Philippines, Inc.
Issuer Atty. Arthur R. Ponsaran

Signature and Title ______________
Corporate Secretary

Date ____08/10/2017____

Principal Financial/Accounting Officer/Controller Precilla O. Toriano

Signature and Title ______________
Compliance Officer/Director for Finance

Date ____08/10/2017________

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES **Annex A**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2017

	Unaudited	Unaudited	Audited
	June 30, 2017	June 30, 2016	December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents	**449,126,088**	148,663,632	204,295,153
Receivables - net	**254,794,368**	777,296,980	235,447,147
Inventories	**27,764,819**	27,465,540	28,187,104
Due from related parties - current portion	**1,614,831,281**	1,343,122,420	1,537,900,077
Prepaid expenses and other current assets	**85,831,533**	10,393,479	90,402,965
Total Current Assets	**2,432,348,089**	2,306,942,051	2,096,232,446
Noncurrent Assets			
Receivables from Acesite Limited (BVI)	**-**	-	-
Due from related parties - noncurrent portion	**373,253,414**	332,797,180	340,197,163
Goodwill	**-**	-	-
Property and equipment - net	**6,483,358,593**	5,804,095,635	6,585,028,850
Available-for-sale (AFS) investments	**16,821,740**	18,209,100	16,821,740
Deferred tax assets	**27,533,720**	19,533,869	41,086,003
Other noncurrent assets	**21,257,586**	66,984,451	27,978,112
Total Noncurrent Assets	**6,922,225,053**	6,241,620,235	7,011,111,868
	9,354,573,142	8,548,562,286	9,107,344,314
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	**1,293,729,020**	1,360,160,085	1,358,365,891
Loans payable - current portion	**375,000,000**	375,000,000	375,000,000
Income tax payable	**-**	-	69,555,622
Contract payable	**-**	-	-
Provisions	**4,468,009**	72,924,406	-
Other current liabilities	**112,038,813**	493,842,208	25,644,184
Total Current Liabilities	**1,785,235,842**	2,301,926,699	1,828,565,697
Noncurrent Liabilities			
Loans payable - noncurrent portion	**-**	-	-
Deferred tax liabilities	**1,321,126,904**	1,005,546,556	1,339,315,801
Retirement benefits liability	**90,558,386**	119,171,438	98,517,865
Other noncurrent liabilities	**51,173,433**	7,759,560	6,577,959
Total Noncurrent Liabilities	**1,462,858,723**	1,132,477,554	1,444,411,625
Total Liabilities	**3,248,094,565**	3,434,404,253	3,272,977,322
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	**2,498,991,753**	2,498,991,753	2,498,991,753
Additional paid-in capital	**706,364,357**	706,364,357	706,364,357
Revaluation surplus in property and equipment	**2,349,524,496**	1,841,118,443	2,349,524,496
Foreign currency translation adjustment	**41,686,179**	32,442,969	41,686,179
Fair value reserve	**2,683,245**	3,456,005	2,683,245
Retirement benefits reserve	**102,082,569**	101,280,259	102,082,569
Deficit:			
Appropriated	**-**	-	
Unappropriated	**(504,442,375)**	(864,496,065)	(760,985,667)
Total Equity Attributable to Equity Holders of the Parent Company	**5,196,890,224**	4,319,157,721	4,940,346,932
Non-controlling Interest	**909,588,353**	795,000,312	894,020,060
	9,354,573,142	8,548,562,286	9,107,344,314

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNADITED
For the Quarter Ended June 30, 2017

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	April-June 2017	April-June 2016	December 31, 2016
REVENUES			
Hotel	444,248,828	506,238,890	2,062,860,765.00
Nonhotel	1,312,368	8,864,733	
Interest and other income	7,456,002	13,637,214	72,484,476.00
	453,017,198	528,740,837	2,135,345,241
COSTS AND EXPENSES			
Hotel	291,559,277	303,559,341	1,009,481,330
Nonhotel	5,141,385	9,058,286	352,897,807
	296,700,661	312,617,627	1,362,379,137
INCOME BEFOREFIXED, FINANCIAL AND OTHER CHARGES	156,316,537	216,123,210	772,966,104
FIXED, FINANCIAL AND OTHER CHARGES			
Depreciation and amortization	48,141,268	66,073,231	255,392,265
Interest expense	7,882,893	15,040,576	80,144,299
Penalties and other charges	-	-	
Provision for impairment losses on receivables	-	-	3,442,842
Loss on sale on Acesite shares	-	-	
Interest income	-	-	(39,859,178)
Foreign exchange losses (gains) - net	8,141	3,295,326	12,007,679
Others - net	-	-	(9,550,150)
	56,032,301	84,409,133	301,577,757
INCOME(LOSS) BEFORE INCOME TAX	100,284,235	131,714,077	471,388,347
INCOME TAX EXPENSE (BENEFIT)	-	-	152,503,361
NET INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	100,284,235	131,714,077	318,884,986
Share of Monority Interest	2,497,058	10,676,031	31,492,489
NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	97,787,177	121,038,046	287,392,497
OTHER COMPREHENSIVE INCOME			
Appraisal on increase on property and equipment	-	-	913,101,845
Foreign currency translation differences for foreign operations	-	-	9,243,210
Actuarial gains on defined benefit plan	-	-	8,322,675
Net change in fair value of AFS financial assets			(1,387,360)
Reduction of deferred tax liability relating to revaluation surplus			
Deferred tax effect	-	-	(276,427,356)
	-		652,853,014
TOTAL COMPREHENSIVE INCOME (LOSS)	100,284,235	131,714,077	971,738,000
EARNINGS PER SHARE - Basic and Diluted	0.039	0.048	0.115

*There are no dilutive potential shares as of June 30, 2017 and 2016.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES **Annex A**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME **Page 3 of 5**
As of June 30, 2017

	Unaudited	Unaudited	Audited
	June 30, 2017	June 30, 2016	December 31, 2016
REVENUES			
Hotel	**987,175,989**	1,031,098,811	2,062,860,765
Nonhotel	**6,910,519**	11,772,618	
Interest and other income	**15,216,330**	20,267,116	72,484,476
	1,009,302,838	1,063,138,545	2,135,345,241
COSTS AND EXPENSES			
Cost of sales			
Hotel	**608,484,561**	626,513,273	1,009,481,330
Nonhotel	**14,670,390**	14,211,286	352,897,807
	623,154,951	640,724,559	1,362,379,137
	386,147,887	422,413,986	772,966,104
OTHER EXPENSES (INCOME)			
Depreciation and amortization	**99,604,595**	135,241,355	255,392,265
Interest expense	**30,000,000**	31,466,473	80,144,299
Penalties and other charges	**-**	-	
Provision for impairment losses on receivables	**-**	-	3,442,842
Loss on sale on Acesite shares	**-**		
Interest income	**-**	-	(39,859,178)
Foreign exchange losses (gains) - net	**-**	2,193,806	12,007,679
Others - net	**-**	28,000	(9,550,150)
	129,604,595	168,929,634	301,577,757
INCOME(LOSS) BEFORE INCOME TAX	**256,543,292**	253,484,352	471,388,347
INCOME TAX EXPENSE (BENEFIT)	**-**	-	152,503,361
NET INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	**256,543,292**	253,484,352	318,884,986
Share of Minority Interest	**18,092,421**	20,519,511	31,492,489
NET INCOME (LOSS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	**238,450,871**	232,964,841	287,392,497
OTHER COMPREHENSIVE INCOME			
Appraisal on increase on property and equipment	**-**	-	913,101,845
Foreign currency translation differences for foreign operations	**-**	-	9,243,210
Actuarial gains on defined benefit plan	**-**	-	8,322,675
Net change in fair value of AFS financial assets	**-**	-	(1,387,360)
Reduction of deferred tax liability relating to revaluation surplus	**-**	-	
Deferred tax effect	**-**		(276,427,356)
	-	-	652,853,014
TOTAL COMPREHENSIVE INCOME (LOSS)	**256,543,292**	253,484,352	971,738,000

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
As of June 30, 2017

	Unaudited	Unaudited	**Audited**
	June 30, 2017	June 30, 2016	December 31, 2016
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Capital stock - P1 par value per share	**2,498,991,753**	2,498,991,753	2,498,991,753
Additional Paid-in Capital	**706,364,357**	706,364,357	706,364,357
Revaluation Surplus in Property and Equipment			
Balance at beginning of year	**2,349,524,496**	1,841,118,443	1,841,118,443
Effects of changes in tax rates			
Other comprehensive income - net of income tax effect	**-**		557,282,121
Derecognition of land held under finance lease due to acquisition of a subsidiary			-
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	**-**		(48,876,068)
Balance at end of year	**2,349,524,496**	1,841,118,443	2,349,524,496
Unrealized Valuation Gain (Loss) on AFS Investments			
Balance at beginning of year	**-**	-	-
Valuation loss taken into equity during the year	**-**	-	-
Change in equity ownership of non-controlling interest in a subsidiary	**-**	-	-
Balance at end of year	**-**	-	-
Foreign Currency Translation Adjustment			
Balance at beginning of year	**41,686,179**	32,442,969	32,442,969
Translation adjustment during the year	**-**	-	9,243,210
Balance at end of year	**41,686,179**	32,442,969	41,686,179
Deficit			
Appropriation for renovation and business expansion	**-**		-
Unappropriated			
Balance at beginning of year	**(760,985,667)**	(1,097,460,906)	(1,097,460,906)
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect	**-**	-	48,876,068
Change in retirement benefits reserve	**-**	-	206,674
Net income (loss) for the year	**256,543,292**	232,964,841	287,392,497
Balance at end of year	**(504,442,375)**	(864,496,065)	(760,985,667)
Total deficit	**(504,442,375)**	(864,496,065)	(760,985,667)
	5,092,124,410	4,214,421,457	4,835,581,118
Fair value reserve, beginning of the year	**2,683,245**	3,456,005	3,456,005
Other comprehensive income-net tax effect	**-**	-	(772,760)
Total fair value reserve	**2,683,245**	3,456,005	2,683,245
Retirement benefits reserve, beginning of the year	**102,082,569**	101,280,259	101,280,259
Other comprehensive income-net tax effect	**-**	-	802,310
Total retirement benefits reserve	**102,082,569**	101,280,259	102,082,569
Total Equity Attributable to Equity Holders of the Parent Company	**5,196,890,224**	**4,319,157,721**	**4,940,346,932**

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES **Annex A**
CONSOLIDATED STATEMENTS OF CASH FLOWS **Page 5 of 5**
As of June 30, 2017

	Unaudited	Unaudited	**Audited**
	June 30, 2017	June 30, 2016	December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**256,543,293**	253,484,352	471,388,347
Adjustments for:			
Depreciation and amortization	**99,604,595**	135,241,355	255,392,265
Interest expense	**30,000,000**	31,466,473	80,144,299
Loss on sale on acesite shares	**-**	-	-
Retirement benefit costs	**(7,959,479)**	1,735,929	20,814,752
Provisions	**(4,468,009)**	(72,924,406)	-
Unrealized foreign exchange loss (gain)	**-**	2,193,806	9,243,210
Penalties and other charges	**-**	-	-
Loss(gain) on disposal of property and equipment	**-**	-	(947,110)
Impairment losses	**-**	-	3,442,842
Interest income	**(13,212,615)**	(20,267,116)	(39,859,178)
Operating income before working capital changes	**360,507,784**	330,930,393	799,619,427
Decrease (increase) in:			
Receivables	**(19,347,221)**	(563,595,028)	(25,188,037)
Inventories	**422,285**	1,832,641	1,111,077
Prepaid expenses and other current assets	**4,571,432**	66,588,727	(13,420,759)
Increase (decrease) in:			
Accounts payable and accrued expenses	**64,636,871**	10,226,643	(14,410,832)
Other current liabilities	**(86,394,629)**	42,838,463	(523,576,556)
Cash generated from operations	**324,396,522**	(111,178,161)	224,134,320
Interest received	**13,212,615**	20,267,116	505,729
Income taxes paid	**(69,555,622)**	(38,062,223)	(85,130,822)
Retirement plan contributions paid	**-**	-	(21,050,000)
Benefits paid	**-**	-	(9,606,808)
Interest paid	**(30,000,000)**	(31,466,473)	(63,195,329)
Net cash provided by operating activities	**238,053,515**	(160,439,741)	45,657,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	**2,065,662**	(13,704,962)	(9,668,747)
Investment in a subsidiary	**-**	-	-
Due from related parties	**(109,987,455)**	267,088,374	99,298,558
Proceeds from sale of an equity interest in subsidiary	**-**	-	-
Proceeds from sale of property and equipment	**-**	-	8,928,615
Increase in other noncurrent assets	**88,292,635**	78,215,415	12,710,611
Net cash used in investing activities	**(19,629,158)**	331,598,827	111,269,037

Forward

	Years Ended December 31		
	June 30, 2017	June 30, 2016	December 31, 2016
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase)Decrease in loans payable	**-**	121,030,050	(121,030,050)
(Increase) Decrease in due from related parties	**-**		-
Increase (decrease) in other noncurrent liabilities	**26,406,577**	(316,693,724)	(4,769,144)
Payment of obligation under finance lease			
Net cash provided by (used in) financing activities	**26,406,577**	(195,663,674)	(125,799,194)
INCREASE (DECREASE) IN TRANSLATION ADJUSTMENT FOR THE YEAR			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**244,830,935**	**(24,504,588)**	31,126,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**204,295,153**	173,168,220	173,168,220
CASH AND CASH EQUIVALENTS AT END OF YEAR	**449,126,088**	148,663,632	**204,295,153**

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Organization and Status of the Business

Corporate Information

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

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

	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)	56	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real Estate		
CIMA Realty Phil., Inc. (CIMAR)	-	56*
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	-

Hotels

Waterfront Cebu City Casino Hotel, Inc.

WCCCHI was incorporated on September 23, 1994 to manage and undertake operations of Waterfront Cebu City Hotel and Casino (WCCHC). WCCCHI achieved a milestone during the year by opening the doors of WCCHC on January 5, 1998, with 158 guest-rooms which has already grown to 561 by the last quarter of 1999, six-storey convention center known as the Waterfront Convention Center , previously known as Cebu International Convention Center and six-storey` Entertainment Block. Located in this Entertainment Block is a 1,000-square meter 5-star restaurant, which completes the Company's restaurants row. On February 5, 1998, PAGCOR commenced operations at the new purposely-built casino at the Entertainment Block.

- Waterfront Convention Center-(WCC)
Waterfront Convention Center previously known as Cebu International Convention Center is a six-storey building, especially-designed to adapt to any event size and purpose, with a total gross area of 40,587 square meters, and has been in operation since January 5, 1998. Major amenities of the center include ten (11) function rooms and two (2) Grand Ballrooms with a seating capacity of 4,000. WCC is the only convention and exhibition center of international standard in Cebu City.

- Entertainment Block
The Entertainment block is a six-storey building with a total gross area of 34,938 square meters. It is comprised of eleven (9) Food and Beverage entertainment outlets, an 11,000 square meters of public and international gaming area that includes the "Casino Filipino", and 62 hotel rooms and suites

- Hotel Tower Block
The Hotel Tower block is a 22-storey building with a total gross area of 44,334 square meters. It consists of a podium, containing the lobby, a food and beverage outlet, a reception, a shopping arcade, three (3) press function rooms, and a high rise block of 498 hotel rooms and suites.

The Hotel, with its fairytale-inspired façade, is conveniently located in the center of Cebu City and is within easy reach from key business, commercial and shopping districts and is just 30 minutes away from the Mactan International Airport.

Waterfront Cebu City Hotel & Casino has elegantly designed and well-appointed guest rooms and suites. The 18th Floor is the Waterfront Ambassador Club with a two floor Club Lounge exclusive for Ambassador Floor guests. Waterfront Ambassador Club guests enjoy butler service, complimentary business services and a business boardroom fit for a group of up to 8 people, equipped with a built-in LCD projector, a roll-up screen, PA and recording system, a local area network (LAN) and a poly communication system. The 2nd floor lounge is outfitted with 3 computer stations, where guests can avail of complimentary WIFI access, flat-screen television entertainment, an array of lifestyle and business magazines as well as newspapers and board games. The hotel offers a 10,000-square meter convention center, which is the largest convention center in the Visayas and Mindanao, and is designed to adapt to multiple types of events. The convention center is equipped with 10 function rooms, 2 executive board rooms, and 2 Grand Ballrooms, each seating 4,000people. It has played host to a myriad of national as well as regional events, conventions and conferences.

Waterfront Cebu City Hotel and Casino operates 9 F&B outlets, including a hotel coffees shop, a Japanese restaurant, an Italian restaurant and a poolside snack bar. The hotel has a fully functional business center paired with flat-screen computers, internet access and private boardrooms. The newly renovated lobby was inspired based on two main objectives; first, to transform the existing single dimension grand lobby into a multi-dimensional lifestyle-concept space that will enhance the guests' experience when dining and lounging in the lobby; and second, to improve traffic patterns, through the construction of larger check-in areas and through maximizing the Lobby's three entrances. Waterfront Cebu City Hotel and Casino's massive, high-ceilinged lobby has always been its principal attraction in fact it is touted as the largest hotel lobby in Visayas-Mindanao area. Spanning 22 meters wide, 96 meters in long and 35 meters high and crisscrossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance. Apart from improvements to the general structure of the lobby, the Lobby Lounge itself will offer an all-new dining and lounging experience, with newly-installed glass panels, semi-closing each side of the lounge. Fully-equipped bar areas have also been installed in the middle of each of the lounge's two sections, ensuring diners of more efficient and prompt service. To enhance the overall guest experience, the hotel has put together additional features such as nightly entertainment from the city's top performers, and soulful afternoon music by soloists.
Among the hotel's newest pride comes in the form of delectable treats, introducing Lobby Lounge's new service concepts.

Afternoon.Tea
Guests can now relive the splendor and grace of the old English days with the Lobby Lounge's

Afternoon Tea offering. It is a tea and dessert concept created to give guests a whole new tea experience by giving emphasis on unique ways to enjoy a cup of tea. Guests can expect an array of snack choices to complement their tea selection. The Afternoon Tea comes with a choice of Traditional Afternoon Tea with a Local Twist or Chocolate Temptations. For each selection, guests may opt for tea, coffee or hot chocolate. Each selection also comes with a variety of snack options to go along with their choice of beverage.

Wine Dispenser
Guests can now take a sip of Lobby Lounge's extensive selection of wine. The wine dispenser is an innovative addition to the wining and dining experience at the hotel. It serves the purpose of allowing guests to select among an array of bottles, through tasting by the glass. This concept intends to give guests an opportunity to sample different wines in small amounts before deciding to order a full glass or bottle. Guests may test wines from the dispenser in three different amounts. This way, guests can choose the perfect wine fit for their palate. To enjoy the wine dispenser service, guests must avail of the Wine Card which comes in prepaid or postpaid.

To complement the Hotel's main lobby, a group check-in counter is constructed, dedicated solely to corporate and travel groups; a larger Duty Free shopping is also provided; and an additional Casino Filipino gaming space of 2,350 square meters is launched together with it. This will not only enhance the current lobby, but will also increase operational efficiency and add more exciting features for the hotel's customers.

Waterfront Mactan Casino Hotel, Inc.

Waterfront Mactan was incorporated on September 23, 1994 to manage and undertake operations of Waterfront Mactan Island Hotel and Casino (WMIHC). WMCHI has completed Phase I of Waterfront Mactan Island Hotel and Casino (WMIHC). It is located right across Mactan-Cebu International Airport, on a land area of approximately 3.2 hectares. The hotel features 164 rooms and suites, 6 food-and-beverage and entertainment outlets, with a total built-up area of 38,000 square meters. Equipped with one of the largest casinos in the Philippines, WMIHC has made Cebu the only city in Southeast Asia that offers casino facilities to transients while waiting for their flights. For future development is Phase II, consisting of 200-guest rooms, which will be built depending on the demands of the market. It has recently improved its rooms by installing fax machines and Internet connections to cater to the needs of its guests. Additionally, the company has acquired the newest hospitality software in the industry, the OPERA Property Management System, which is designed to help run the hotel operations at a greater level of productivity and profitability. This was installed last January 14, 2003.

The hotel is conveniently located in front of the Mactan International and Domestic Airport, just a three-minute drive to the Industrial Zone, a fifteen-minute drive to the beaches of Mactan Island and just thirty minutes away from Cebu City's shopping and financial district**.**

This year 2016, the property extended the Annex parking to provide more slots for the guests and this year also marks the 20th anniversary of Waterfront Mactan Casino Hotel, Inc.

Davao Insular Hotel Company, Inc. or Waterfront Insular Hotel Davao, Inc.

Davao Insular Hotel Company Inc. was incorporated in the Philippines on July 3, 1959 to engage in the operation of hotel and related hotel businesses. The hotel is a 98% owned subsidiary of Waterfront Philippines, Incorporated and is operating under its trading name Waterfront Insular Hotel Davao. Waterfront Insular Hotel, the prestigious business hotel in a sprawling garden resort setting, is only five to ten minutes to the downtown area. Nestled along the picturesque Davao Gulf, its open air corridors provide a refreshing view of the hotel's beautifully landscaped tropical garden and the sea.

With a greater area than any other hotel facility in the city, it is unmatched in servicing large business meetings, conventions, and exhibit groups. The hotel consists of four low-rise buildings of 159 guest rooms and suites, 5 function rooms and 6 F&B outlets .Every room opens to a lanai overlooking a lush garden the blue waters of the Davao Gulf or a scenic coconut grove. Features included in the newly re-opened hotel are the 5 Gazebos located along the beach area. The hotel is every guest's gateway to the diverse, colorful and rich cultural heritage of Davao City.

Discover the rich cultural heritage of Davao which stems from the different groups and tribes that populated the area throughout its history and be astonished of artworks in the hotel lobby where it showcases pieces of artifacts featuring the various object d'art from the different tribes and historical.

On 2015, the property re-opens its gym with 48 square meters to continuously serve its guests and to ensure guests satisfaction.

Acesite (Phils.) Hotel Corporation

The principal property of the Company is a 22-storey building known as the Manila Pavilion Hotel located at the corner of United Nations Avenue and Maria Y. Orosa Street in Ermita, Manila. The Hotel has 337 guestrooms and suites that have individually controlled central air conditioning, private bathroom with bathtub and shower, multi-channel radio, color TV with cable channels and telecommunications facilities. It has 3 function rooms and one of this is Alcuaz which can accommodate 250-300 guests. The hotel has approximately 2,200 sq. meters of meeting/banquet/conference facilities, and also houses several restaurants, such as Seasons Café (coffee shop), the Rotisserie (grill room), the Peony Garden (Chinese restaurant), the Boulvar (bar & lounge) and the Patisserie (bakeshop and deli items). Other guest services and facilities include a chapel, swimming pool, gym, business center and a valet-service basement car park. Concessionaires and tenants include beauty salon, foot spa, photography services, transportation services, travel agency, flower shop and boutiques. In addition, Casino Filipino – Pavilion, owned and operated by PAGCOR, occupies part of the first, second, third, fourth and fifth floors (a total of 12,696.17 sq. m.) of the building.

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

Year 2015, Alcuaz function that can accommodate 250-300 guests was renovated and 111 rooms under superior room category were opened.

Waterfront Hotel Management Corporation (*previously Waterfront Management Corp.)*

G-Hotel by Waterfront located in 2090 Roxas Boulevard, Malate Manila on November of 2006 is being managed by Waterfront Management Corporation. It is a seven-story building with 10 deluxe suites, 20 deluxe king and 20 deluxe twin rooms which offers a personalized butler service. A boutique hotel boasting with its trendy Café Noir, pool bar Mirage and an elegant ballroom, Promenade, added to the list of must-go places in the busy district of Manila. The black and white concept of its lobby is distinctly G-Hotel.

On October 01, 2014, the BOD approved the cessation of the Company's business operations. Consequently, the Company's activities were confined mainly to the collection of receivables, settlement of liabilities, and other administrative matters, while maintaining its status as non-operating entity seeking for other business opportunities.

Mayo Bonanza, Inc.

Mayo Bonanza, Incorporated (MBI), a 100% owned subsidiary of WPI was incorporated on November 24, 1995 in the Philippines with principal activities in the operation and management of amusement, entertainment, and recreation businesses. MBI is to extend the gaming business of the Company. Its primary purpose is to establish, operate, and manage the business of amusement entertainment, and recreation facilities for the use of the paying public. The Company entered into an agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) whereby the latter shall operate the former's slot machine outside of casinos in line with PAGCOR's slot machine arcade project.

On May 30, 2016. BOD approved the cessation of the Company's business operations effective July 01, 2016.

Waterfront Entertainment Corporation

WPI has successfully established the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, 7 days a week Central Reservation Office. This service ranges from systems and solutions specializing in the operations hotel framework. It offers specialize hotel consultancy services to hotel owners, operators, brands, developers, lenders and investors with the support of hand-picked networks of experts covering all elements of the hotel or hospitality business within a global perspective.

Waterfront Food Concepts, Inc.

Waterfront Food Concepts, Inc. is a pastry business, catering to pastry requirements of Waterfront Cebu, Waterfront Mactan and other established coffee shops and food service channels outside the hotels. The property is located in the lobby level of Waterfront Cebu City Casino Hotel. It has started its operation on May of 2006. Its pastry products include cakes, cookies and sandwiches. The subsidiary has already catered most of the renowned coffee shops in the city of Cebu.

Waterfront Wellness Group, Inc.

This new subsidiary is located in the Ground Level of Waterfront Cebu City Casino Hotel occupying 617.53 square meters. WCitigyms and Wellness, Inc. is a fully equipped gym with specialized trainers and state of the art equipments. The gym offers variety of services from aerobic instructions to belly dancing, boxing, yoga classes and a lot more. It also has its own nutritionist/dietician. Its highly trained therapists perform massage and spa services to guests within the hotel.

Citigym entices the public in 2015 by opening the newly renovated room-The Citigym Hit Zone. This is Citigym's "Do It Right" and smart solution to Cebu's growing interest in high intensity workout routines.

Grand Ilocandia Resort and Development, Inc.

As of March 31, 2000, the Company carried its investments in GIRDI at cost since it intended to dispose such investment in the near future. In November 2000, GIRDI sold all of its property and equipment, inclusive of the hotel facilities and related operating assets and the investment in marketable securities.

Waterfront Promotions Limited/Club Waterfront International Limited

Waterfront Promotion Ltd. was incorporated on March 6, 1995, under and by virtue of the laws of Cayman Islands to act as the marketing arm for the international marketing and promotion of hotels and casinos under the trade name of Club Waterfront International Limited (CWIL). It is a wholly owned subsidiary of Waterfront Philippines, Inc., a domestic company. Under the agreement with PAGCOR, WPL has been granted the privilege to bring in foreign players under the program in Waterfront Cebu City Hotel and Grand Ilocandia Resort Development Corp. On the other hand, CWIL is allowed to bring in foreign players in Waterfront Mactan Hotel. In connection to this, the company markets and organizes groups of foreign players as participants to the Philippine Amusement and Gaming Corporation's (PAGCOR) Foreign Highroller Marketing Program. The company also entered into agreements with various junket operators to market the casinos for foreign customers. Under these agreements, the company grants incentive programs to junket operators such as free hotel expenses, free airfares and rolling commissions.

The company participated in a joint venture with Jin Lin Management Corporation, its sole marketing agent and co-venturer on September 24, 2001. This joint venture was terminated on April 15, 2002.

The operations for Waterfront Promotions Limited, and likewise for Club Waterfront International Limited had ceased for the year 2003 in March due to the bleak market.

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

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

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

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

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

Segment results that are reported to the Group's BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.
Segment capital expenditure is the total cost incurred during the year to acquire property and equipment.

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

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

Rooms
Room revenue is recognized based on actual occupancy.

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

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

Other Revenues
Other revenues are recognized upon execution of service or when earned.

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

1. Cash and Cash Equivalents

Cash in banks earn interest at the respective bank deposit rates. Short-term placements earn interest at annual average of 0.13% to 2.88% in 2017 and 2016 and have average maturities ranging from 30 to 35 days for both years.

2. Receivables

This account consists:

	June 2017	June 2016
Trade	101,163,107	250,436,647
Others	173,655,600	546,884,673
	274,818,708	**797,321,320**
Less allowance for doubtful accounts	-20,024,340	-20,024,340
Total	**254,794,368**	**777,296,980**

3. Inventories

This account consists of:

	June 2017	June 2016
Food and Beverage	15,973,236	17,324,172
Operating Supplies	10,602,084	9,226,211
Others	1,189,499	915,157
Total	**27,764,819**	**27,465,540**

4. Related Party Transactions

In 2017, the Parent Company extended interest-bearing, collateral free advances to TWGI, PRC and Crisanta Realty at a rate of two percent (2%) per annum. This also includes PHES which is due and demandable.

5. Accounts Payable and Accrued Expenses

This account consists of:

	June 2017	June 2016
Trade	242,826,133	260,796,759
Accrued Expenses	610,554,923	501,472,759
Others	440,347,963	597,890,567
Total	**1,293,729,020**	**1,360,160,085**

6. Loans Payable

This account consists of:

SSS Loan
SSS vs WPI. Et al civil case no. Q-04-52629 at regional trial court, Quezon City. On October 28, 1999, the Parent Company obtained a five-year term loan from SSS amounting to P375.00 million originally

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

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

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

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

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

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

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

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

On January 22, 2016, SSS appealed with the CA assailing the RTC of Quezon City decision in favor of the Parent Company, et al. SSS filed its Appellant's Brief and the Parent Company filed a Motion for Extension of Time to file Appellee's Brief until May 16, 2016.

On May 16, 2016, the Parent Company filed its Appellee's Brief with the CA, furnishing the RTC of Quezon City and the Office of the Solicitor General with copies. SSS was given a period to reply but it did not file any.

On September 6, 2016, a resolution for possible settlement was received by the Parent Company from the CA. However, on February 7, 2017 a Notice to Appear dated December 7, 2016 was received by the Parent Company from the Philippine Mediation Center Unit - Court of Appeals (PMCU-CA) directing the Parent Company and SSS to appear in person and without counsel at the PMCU-CA on January 23, 2017 to choose their mediator and the date of initial mediation conference and to consider the possibility of settlement. Since the Notice to Appear was belatedly received, the parties were not able to appear before the PMCU-CA.

As at the report date, both parties have not yet appeared before the PMCU-CA for the settlement of the dispute.

ICBC Loan

The Company had committed an event of default with respect to the payment of its US$15 million loan with the ICBC – Singapore Branch, which matured on 31 March 1998. On 03 June 2003, the loan was restructured by ICBC which stipulated six semi-annual installments payment of principal and interest until April 2006. In July 2004, the new management of the Company requested for a reprieve on loan principal payments due for the period, which the Company suggested to be placed at the end of the term of the Amended Agreement.

On March 31, 2016, the Company fully settled its loan obligation.

PBB

On June 10, 2011 and December 19, 2011, WCCCHI and WMCHI, respectively entered into a loan agreement with PBB amounting to Php300 million each with interest fixed at 12% per annum.

As of April 29, 2016, the Company has no more loan obligations with PBB.

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

	June 2017	June 2016
Net Income (Loss)	238,450,871	232,964,841
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	**0.095**	**0.093**

There are no dilutive potential shares as of March 31, 2017 and 2016.

8. Lease Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR')

The Parent Company, in behalf of WCCCHI and WMCHI, entered into lease agreements with PAGCOR. The lease agreement of WCCCHI with PAGCOR covered the Main Area (8,123.60 sq.m.), Slot Machine Expansion Area (883.38 sq.m.), Mezzanine (2,335 sq.m.) and 5th Floor Junket Area (2,336 sq.m.) for a total area of 13,677.98 sq.m. which commenced on March 3, 2011 and March 16, 2011, for the Main Area and Slot Machine Expansion Area, respectively. The lease agreement of WMCHI with PAGCOR covered the Main Area (4,076.24 sq.m.) and Chip Washing Area (1,076 sq.m.) for a total area of 5,152.24 sq.m. which was last renewed on March 21, 2011. Both leases expired on August 2, 2016.
APHC also has a lease agreement with PAGCOR covering 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 Area (402.84 sq.m.) for a total lease area of 12,696.17 sq.m. The lease agreement was last renewed on December 1, 2010 and expired on December 31, 2016.

The amortized cost of the refundable security deposits received by WCCCHI, WMCHI and APHC upon execution of the above lease contracts were determined by calculating the present value of the cash flows anticipated until the end of the lease term using the respective interest rates. The change in the present value and the amortization of the discount is recognized as part of "Interest expense" account in profit or loss and amounted to P19.01 million, P20.31 million and P19.13 million in 2016, 2015 and 2014, respectively. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rates of comparable financial instruments.

As at December 31, 2016, the management of the Group is still negotiating with PAGCOR for the renewal of the leases. Currently, PAGCOR pays WCCCHI, WMCHI, and APHC rental of P24.05 million, P11 million, and P28.59 million, respectively, on a month-to-month basis.

9. Other Lease Agreements

Group as Lessor

Lease Agreements with Concessionaires

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

Rent revenue recognized as part of "Rent and related income" in the consolidated profit or loss and other comprehensive income amounted to P85.29 million, P135.63 million and P116.55 million in 2016, 2015 and 2014, respectively.

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

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

10. 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 P3.30 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. The Parent Company decided not to contest the EWT assessment. The BIR filed its motion for reconsideration (MR) on December 4, 2012 and on April 24, 2013, the Court issued its amended decision reinstating the VAT assessment. The Parent Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

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

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2016, the Parent Company is still awaiting the SC's decision.

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Below are the results of operations of the Parent Company and its subsidiaries, for the period ending June 30, 2017 and 2016 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

	June 2017	June 2016
Revenues	**1,009,302,838**	**1,063,138,545**
Less: Costs and Expenses	623,154,951	640,724,559
Net Income (Loss) Before Fixed Financial and Other Charges	**386,147,887**	**422,413,986**
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	129,604,595	168,929,634
Income (Loss) before Income Tax	**256,543,292**	**253,484,352**
Income Tax Expense (Benefit)	0.00	0.00
Income (Loss) before Share in Minority Interest	**256,543,292**	**253,484,352**
Share of Minority Interest	**18,092,421**	**20,519,511**
Net Income (Loss)	**238,450,871**	**232,964,841**
Earnings (loss) Per share	**0.095**	**0.093**

FINANCIAL CONDITION

	June 2017	June 2016
Assets		
Current assets	2,432,348,089	2,306,942,051
Non-current Assets	6,922,225,053	6,241,620,235
Total Assets	**9,354,573,142**	**8,548,562,286**
Liabilities and Stockholders' Equity		
Current Liabilities	1,785,235,842	2,301,926,699
Non-current Liabilities	1,462,858,723	1,132,477,554
Total Stockholders' Equity	5,196,890,224	4,319,157,721
Minority Interest	909,588,353	795,000,312
Total Liabilities and Stockholders' Equity	**9,354,573,142**	**8,548,562,286**

RESULTS OF OPERATIONS

Period ended June 30, 2017 compared to Period Ended June 30, 2016

Income Statement

Hotels and other subsidiaries gross revenues for the 2nd quarter of 2017 and 2016 are Php 1.01 billion and Php 1.06 billion respectively, decreased 5% from last year. One major breakthrough that has stood out in 2017 is our ability to manage costs across our properties. This, at least in part, stems from the establishment of various cost control mechanisms that, over the years, have become effectively embedded in our operations. Consolidated costs and expenses for all properties decreased by 3%, from Php 640.72 million in 2016 to Php 623.15 million in 2017.

Seasonality or Cyclicality of Interim Operations

1ST QUARTER

The occupancy for the two (2) hotels, WCCCHI and WMCHI, are high during the months of January and February because of the celebration of the Feast of Sto. Niño better, renowned as the "Sinulog" as well as the celebration of the Chinese New Year. Many visitors come to Cebu during this time just to witness and participate in the festivities. Sinulog is one of the city's main pull for tourists as well as other locals. The celebration of the Chinese New Year also added to the Company's revenues. As we all know, the country is full of Chinese nationalities and businessmen and celebrating their New Year would really be an advantage to the hotels in terms of revenues.

This 1st quarter, MICE market has been a particularly strong driving. Our ability to reach out to our existing client base to facilitate further business and enhance brand loyalty has been highly rewarding, with MICE-generated banquet and functions contributing significantly to overall growth in sales.

Everyday, we are fuelled by our desire to consistently do a better performance, taking into account our strengths and maximizing our opportunities.

2nd QUARTER

Waterfront is driven to improve its cost efficiency and we make sure to never sacrifice our quality of service. To guarantee consistent service excellence, we are committed to constantly developing our workforce. Our people are our heart and soul--the software complementing our vast hardware. They are the main drivers of our business, giving life to our infrastructure.

In addition, we also continue to grow both our offline and online distribution channels. Contacting Compass Edge to develop our China Market online and can gain more access to the Chinese market.

For the succeeding quarters, we look to deliver even greater value as part of our unwavering commitment to our shareholders and guests. We are contemplating a change that sparks our revenue potential, exploiting unexplored channels, expanding our revenue stream and safeguards our position through constant innovation.

TOP FIVE (5) PERFORMANCE INDICATORS

	June 2017	**June 2016**
Occupancy Percentage	74%	67%
Average Room Rates	2,478	2,379
Food Covers	611,810	649,186
Average Food Checks	386	366
Average Food Costs	35%	30%

Occupancy Percentage
The occupancy percentage is up by 7% as compared to 2nd quarter of last year. Occupancy percentage is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

Average Room Rate
Average room rate is 4% higher compared as compared from last year. Average room rate is computed by dividing the net rooms revenue over the total number of rooms sold.

Food Covers
Food covers this quarter decreased by 6% compared to the 2nd quarter of last year. Food covers pertains to the number of guests that availed of the restaurants services.

Average Food Check
The average food check or average consumption per guest this quarter increased by 5% compared to the 2nd quarter of last year. Average Food Check is derived by dividing the total food and beverage revenue by total food covers.

Average Food Cost
The average food costs is up by 5%. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

Revenues and Earnings per Share
Revenues decreased by 5%, Php 1.01 billion for the 2nd quarter of 2017 and Php 1.06 billion of the same quarter last year while operating expenses decreased by 3%.

GOP boasts a positive increase of by 9% or Php 36.27 million as compared to last year at Php 422.41 million.

Earnings per share this quarter is at Php 0.095 while same quarter last year was at Php 0.093.

Fixed Financial and Other Charges
Total fixed financial and other charges total PHP 129.60 million, reflecting a significant cost reduction of 23% from the previous year's PHP 168.93 million.

This account includes the depreciation and interest expense from SSS Loan.

Interest expense this quarter is lower by 5% or Php 1.47 million.

FINANCIAL CONDITION

Cash and Cash Equivalents
Cash and cash equivalents as of the 2nd quarter of this year is at Php 449.13 million higher by Php 300.46 million from last year or 202%.

Receivables
Receivables for the period had a notable decreased of 67% from Php 777.30 million 2nd quarter last

year to Php 254.79 million 2nd quarter this year.

Inventories
Inventory rate for this quarter is steady at Php 27.76 million.

Due from related parties-current portion
This account increased by 20% from last year's 2nd quarter. This represents interest bearing advances from TWGI, PRC and PHES which is due and demandable.

Crisanta Realty at a rate of two percent (2%) per annum is classified as non-current due in 5 years.

Property, Plant and Equipment
The account reflects an increase of 12% or Php 679.26 million from last year.

Accounts Payable and Accrued Expenses
This account was reduced to 5% or Php 66.43 million from last year, Php 1.36 billion.

Loans Payable
The account remains static at Php 375 million. This refers to loan with Social Security System.

Key Variable and Other Qualitative and Quantitative Factors:

a. Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE
b. There are no events that will trigger direct or contingent financial obligation that is

material to the company, including any default or acceleration of an obligation.
c. There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
d. There are no material commitments for capital expenditures, general purpose of

such commitments, expected sources of funds for such expenditures.
e. From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.
f. There are no significant elements of income or loss that did not arise from the issuer's continuing operations other than those already affecting profit or loss.

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

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

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investment, accounts payable and accrued expenses (except for local taxes and output VAT, withholding taxes and deferred income), other current liabilities, loans payable, and other noncurrent liabilities. These financial instruments arise directly from 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.

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 cash in banks, receivables and advances to related parties. The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references.

The Group limits its exposure to credit risk by establishing credit limits and maximum payment period for each customer, reviewing outstanding balances to minimize transactions with customers in industries experiencing particular economic volatility.

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.

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

The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained through related party advances and from bank loans, when necessary. - 31 -

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

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

Since the Group's loan in U.S. dollar had been fully paid in March 2016, the Group is not anymore significantly exposed to changes in foreign currency exchange rates.

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 financial instrument that is exposed to interest risk is the interest-bearing funds made available by the Parent Company to WCCCHI to finance the construction of the Cebu City Hotel Project. Such funds were substantially sourced from a P375 million loan from SSS, as well as the stock rights offering of the Parent Company. 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

Equity Price Risk
Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
The Group is exposed to equity price risk because of its investment in shares of stock of WII which are listed in the PSE totaling to 86,710,000 shares as at December 31, 2016 and 2015.

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

Fair Value of Financial Assets and Liabilities
The carrying amount of cash and cash equivalents, receivables, current portion of due from related parties, 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 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 investment was determined using the closing market price of the investment listed on the PSE as of December 31, 2016 and 2015.

Capital Management
The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Group's overall strategy remains unchanged from 2016 and 2015.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015. For purposes of the Group's capital management,

capital includes all equity items that are presented in the consolidated statement of changes in equity. The Group is not subject to externally-imposed capital requirements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING
As of June 30, 2017

Trade Receivables	0-30 days	31-60 days	61-90 days	91-120 days	121 days over	Total
Waterfront Cebu City Casino Hotel Inc.	25,433,230.66	7,392,308.10	2,002,850.16	2,169,569.51	9,831,238.49	46,829,196.92
Waterfront Airport Hotel and Casino	13,365,547.85	268,377.25	18,918.60	15,120.29	329,774.48	13,997,738.47
Waterfront Insular Hotel Davao	9,276,123.48	53,004.78	12,281.22	167,508.84	965,190.03	10,474,108.35
Manila Pavilion Hotel	5,783,201.36	1,122,094.56	333,587.14	78,956.93	12,112,237.25	19,430,077.24
Total	**53,858,103.35**	**8,835,784.69**	**2,367,637.12**	**2,431,155.57**	**23,238,440.25**	**90,731,120.98**

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 0 9 4 - 0 0 8 6 7 8

COMPANY NAME

WATERFRONT PHILIPPINES,
INCORPORATED AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

NO. 1 WATERFRONT DRIVE
OFF SALINAS DRIVE, LAHUG
CEBU CITY, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS16		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Elvira A. Ting		(02) 687-0888	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

WATERFRONT
PHILIPPINES, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Waterfront Philippines, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2016 and 2015,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., appointed by the stockholders, has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, 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

APR 1 7 2017

Signed this __th day of _________ 2017

APR 1 8 2017

Subscribed and Sworn to before me this ______
Affiant exhibit to me his/her CTC No. ______
issued on / at ______

DOC. NO. 157
PAGE NO. 37
BOOK NO. 31
SERIES OF 2017

JOEL G. GORDOLA
Notary Public
Commission expires until December 31, 2017
Adm. No. 009; Roll No. 25103
IBP No. 1058826 1/04/17; Q.C.
PTR No. 3693408; 1/03/17; Q.C.
TIN 126-768-809; MCLE No. V-0001531
Until 1 # 878 Quirino Hiway, Gulod, Novaliches, Q.C.

REPUBLIC OF THE PHILIPPINES)
CEBU CITY) S.S

SEC Securities and Exchange Commission
ICTD
APR 18 2017
4
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

TREASURER'S CERTIFICATION

I, **ELVIRA A. TING**, of legal age, Filipino and with office address at the The 35/F One Corporate Center Julia Vargas Corner Meralco Avenue Ortigas Center, Pasig City after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Waterfront Philippines, Inc.** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration **No. AS094-8678** with principal office address at No. 1 Waterfront Drive Lahug, Cebu City.

2. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

WITNESS MY HAND on this APR 17 2017 day of ___ 2017 at CEBU CITY.

ELVIRA A. TING
Treasurer

SUBSCRIBED AND SWORN to before me on this ___ day of APR 17 2017, at CEBU CITY. Affiant exhibited to me her **Community Tax Certificate No. 33195026** issued on **January 09, 2017.**

Doc. No 139.
Page No 29.
Book No 39.
Series of 2017.

JOSELITO RAMON O. CASTILLO
ROLL No 40417
NOTARY PUBLIC
CEBU CITY, PHILIPPINES

JOSELITO RAMON O. CASTILLO
NOTARY PUBLIC FOR CEBU CITY
NOTARIAL COMMISSION NO. 76-08; UNTIL DEC. 31, 2017
LOWER LEVEL, WATERFRONT CEBU CITY HOTEL
ONE SALINAS DRIVE, LAHUG, CEBU CITY
ROLL OF ATTORNEY'S NO. 40417
PTR NO. 1175588/CEBU CITY/1/0/17
IBP LIFETIME MEMBER NO. 05244

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Waterfront Philippines, Incorporated and Subsidiaries
No. 1 Waterfront Drive
Off Salinas Drive, Lahug
Cebu City, Cebu

Opinion

We have audited the consolidated financial statements of Waterfront Philippines, Incorporated and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PRC-BOA Accreditation No. 0003, with extended validity until April 30, pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue recognition
(P2.14 billion, see consolidated statement of profit or loss and other comprehensive income and Notes 22 and 23 to the consolidated financial statements)

The risk
Market expectations and profit based targets may place pressure on management to distort revenue recognition. Although the Group's revenue transactions are noncomplex and no significant judgement is applied over the amount recorded, we however considered the potential for management override to achieve revenue targets.

Our response
We evaluated and tested the internal controls over the completeness, existence and accuracy of revenue recognized in the consolidated financial statements. We performed analytical procedures, cutoff testing to ensure whether transactions occurring near yearend were recorded in the proper period and journal entries testing around revenue to identify any unusual or irregular items posted. We assessed whether the Group's revenue recognition policies are in accordance with PFRS.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, 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.

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Tireso Randy F. Lapidez.

R.G. MANABAT & CO.

Tireso Randy F. Lapidez

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-A, Group A, valid until March 30, 2018
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2014
 Issued October 15, 2014; valid until October 14, 2017
PTR No. 5904929MD
 Issued January 3, 2017 at Makati City

April 11, 2017
Makati City, Metro Manila

KPMG

R.G. Manabat & Co.
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Philippines 1226
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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

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

The Board of Directors and Stockholders
Waterfront Philippines, Incorporated and Subsidiaries
No. 1 Waterfront Drive
Off Salinas Drive, Lahug
Cebu City, Cebu

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Waterfront Philippines, Incorporated and Subsidiaries (the Group) as at and for the year ended December 31, 2016, included in this Form 17-A, on which we have rendered our report thereon dated April 11, 2017.

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

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

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

R.G. MANABAT & CO.

Tireso Randy F. Lapidez

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-A, Group A, valid until March 30, 2018
Tax Identification No. 162-411-175
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Issued January 3, 2017 at Makati City

April 11, 2017
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015

APR 18 2017

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	4	**P204,295,153**	P173,168,220
Receivables - net	5	**235,447,147**	213,701,952
Inventories	6	**28,187,104**	29,298,181
Due from related parties - current portion	8	**1,537,900,077**	1,610,210,794
Prepaid expenses and other current assets	7	**90,402,965**	76,982,206
Total Current Assets		**2,096,232,446**	2,103,361,353
Noncurrent Assets			
Available-for-sale investment	8	**16,821,740**	18,209,100
Due from related parties - noncurrent portion	8	**340,197,163**	332,797,180
Property and equipment - net	9	**6,585,028,850**	5,925,632,028
Deferred tax assets	19	**41,086,003**	124,045,012
Other noncurrent assets	10	**27,978,112**	40,688,723
Total Noncurrent Assets		**7,011,111,868**	6,441,372,043
		P9,107,344,314	P8,544,733,396

	Note	2016	2015
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	11	**P1,358,365,891**	P1,366,709,446
Loans payable	13	**375,000,000**	496,030,050
Income tax payable		**69,555,622**	38,062,223
Other current liabilities	12	**25,644,184**	542,551,759
Total Current Liabilities		**1,828,565,697**	2,443,353,478
Noncurrent Liabilities			
Deferred tax liabilities	19	**1,339,315,801**	1,109,968,314
Retirement benefits liability	18	**98,517,865**	117,435,509
Other noncurrent liabilities	14	**6,577,959**	11,347,103
Total Noncurrent Liabilities		**1,444,411,625**	1,238,750,926
		3,272,977,322	3,682,104,404

Forward

		December 31	
	Note	**2016**	2015
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*16*	**P2,498,991,753**	P2,498,991,753
Additional paid-in capital		**706,364,357**	706,364,357
Revaluation surplus on property and equipment	*9*	**2,349,524,496**	1,841,118,443
Retirement benefits reserve		**102,082,569**	101,280,259
Foreign currency translation adjustment		**41,686,179**	32,442,969
Fair value reserve		**2,683,245**	3,456,005
Deficit		**(760,985,667)**	(1,097,460,906)
Total Equity Attributable to Equity Holders of the Parent Company		**4,940,346,932**	4,086,192,880
Noncontrolling Interests	*16*	**894,020,060**	776,436,112
Total Equity		**5,834,366,992**	4,862,628,992
		P9,107,344,314	P8,544,733,396

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2016**	2015	2014
REVENUES				
Rent and related income	*22, 23*	**P805,703,911**	P827,620,396	P815,518,233
Rooms		**662,116,109**	606,473,995	565,506,075
Food and beverage		**595,040,745**	585,764,307	544,843,807
Others		**72,484,476**	81,049,092	47,411,970
		2,135,345,241	2,100,907,790	1,973,280,085
COSTS AND EXPENSES OTHER THAN INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE				
Personnel costs	*18*	**336,524,229**	354,949,699	380,947,175
Energy costs		**330,679,391**	333,238,825	301,243,276
Food and beverage	*6*	**208,718,438**	173,788,840	164,299,395
Repairs and maintenance	*6*	**48,610,121**	75,627,236	101,442,125
Rent	*23*	**47,932,759**	66,778,509	86,738,501
Rooms		**37,016,392**	48,926,506	55,007,035
Others	*17*	**352,897,807**	351,064,421	320,553,122
		1,362,379,137	1,404,374,036	1,410,230,629
INCOME BEFORE INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE		**772,966,104**	696,533,754	563,049,456
DEPRECIATION AND AMORTIZATION, INTEREST AND IMPAIRMENT LOSSES				
Depreciation and amortization	*9*	**255,392,265**	333,683,900	398,822,715
Interest expense	*8, 13, 22*	**80,144,299**	136,933,256	132,547,184
Foreign exchange losses - net		**12,007,679**	18,318,204	6,036,591
Impairment losses, bad debts written off and provisions	*5, 6, 7, 9*	**3,442,842**	2,587,635	4,250,708
Interest income	*4, 8*	**(39,859,178)**	(33,711,906)	(33,679,503)
Others - net		**(9,550,150)**	3,207,862	(1,965,226)
		301,577,757	461,018,951	506,012,469
INCOME BEFORE INCOME TAX EXPENSE		**471,388,347**	235,514,803	57,036,987
INCOME TAX EXPENSE	*19*	**152,503,361**	76,807,708	28,021,818
NET INCOME		**318,884,986**	158,707,095	29,015,169

Forward

	Note	2016	2015	2014
		Years Ended December 31		
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Appraisal increase on property and equipment	9	P913,101,845	P -	P -
Actuarial gains on defined benefit plan	18	8,322,675	19,796,982	76,446,443
Deferred tax effect	19	(276,427,356)	(5,939,095)	(22,933,932)
		644,997,164	13,857,887	53,512,511
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations		9,243,210	8,272,530	127,685
Net change in fair value of available-for-sale investments	8	(1,387,360)	(4,769,050)	6,069,700
		7,855,850	3,503,480	6,197,385
		652,853,014	17,361,367	59,709,896
TOTAL COMPREHENSIVE INCOME		P971,738,000	P176,068,462	P88,725,065
Net income attributable to:				
Equity holders of the Parent Company		P287,392,497	P127,211,459	P9,713,620
Noncontrolling interests		31,492,489	31,495,636	19,301,549
		P318,884,986	P158,707,095	P29,015,169
Other comprehensive income attributable to:				
Equity holders of the Parent Company		P854,154,052	P144,747,910	P68,578,731
Noncontrolling interests		117,583,948	31,320,552	20,146,334
		P971,738,000	P176,068,462	P88,725,065
EARNINGS PER SHARE - Basic and Diluted	20	P0.115	P0.051	P0.004

See Notes to the Consolidated Financial Statements.

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

Year Ended December 31

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 16)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Retirement Benefits Reserve (Note 18)	Foreign Currency Translation Adjustment	Fair Value Reserve (Note 8)	Deficit	Total	Non controlling Interests (Note 16)	Total Equity
As at January 1, 2016	P2,498,991,753	P706,364,357	P1,841,118,443	P101,280,259	P32,442,969	P3,456,005	(P1,097,460,906)	P4,086,192,880	P776,436,112	P4,862,628,992
Total Comprehensive Income for the Year										
Net income for the year	-	-	-	-	-	-	287,392,497	287,392,497	31,492,489	318,884,986
Other comprehensive income - net of tax effect	-	-	557,282,121	1,008,984	9,243,210	(772,760)	-	566,761,555	86,091,459	652,853,014
	-	-	557,282,121	1,008,984	9,243,210	(772,760)	287,392,497	854,154,052	117,583,948	971,738,000
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(48,876,068)	-	-	-	48,876,068	-	-	-
Change in retirement benefits reserve	-	-	-	(206,674)	-	-	206,674	-	-	-
As at December 31, 2016	P2,498,991,753	P706,364,357	P2,349,524,496	P102,082,569	P41,686,179	P2,683,245	(P760,985,667)	P4,940,346,932	P894,020,060	P5,834,366,992

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31

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

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 16)	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment	Retirement Benefits Reserve (Note 18)	Foreign Currency Translation Adjustment	Fair Value Reserve (Note 8)	Deficit	Total	Non controlling Interests (Note 16)	Total Equity
As at January 1, 2014	P2,498,991,753	P706,364,357	P2,072,860,019	P37,415,561	P24,042,754	P2,701,628	(P1,469,509,833)	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
Other comprehensive income - net of tax effect	-	-	-	55,217,000	127,685	3,520,426	-	58,865,111	844,785	59,709,896
	-	-	-	55,217,000	127,685	3,520,426	9,713,620	68,578,731	20,146,334	88,725,065
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(137,194,298)	-	-	-	137,194,298	-	-	-
Change in retirement benefits reserve	-	-	-	(3,382,272)	-	-	3,382,272	-	-	-
As at December 31, 2014	P2,498,991,753	P706,364,357	P1,935,665,721	P89,250,289	P24,170,439	P6,222,054	(P1,319,219,643)	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 CASH FLOWS

	Note	2016	2015	2014
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P471,388,347**	P235,514,803	P57,036,987
Adjustments for:				
Depreciation and amortization	*9*	**255,392,265**	333,683,900	398,822,715
Interest expense	*8, 13, 22*	**80,144,299**	136,933,256	132,547,184
Net retirement benefits cost	*18*	**20,814,752**	40,342,055	32,167,172
Unrealized foreign exchange loss - net		**9,243,210**	8,272,530	127,685
Impairment losses		**3,442,842**	2,587,635	1,255,683
Provisions	*25*	**-**	(45,575,012)	-
Loss (gain) on disposal of property and equipment		**(947,110)**	-	344,940
Interest income	*4, 8*	**(39,859,178)**	(33,711,906)	(33,679,503)
		799,619,427	678,047,261	588,622,863
Changes in:				
Receivables		**(25,188,037)**	(16,328,580)	3,309,089
Inventories		**1,111,077**	(1,482,280)	(2,229,680)
Prepaid expenses and other current assets		**(13,420,759)**	(26,858,888)	(2,085,898)
Accounts payable and accrued expenses		**(14,410,832)**	64,127,114	59,410,377
Other current liabilities		**(523,576,556)**	468,612,863	2,861,776
		224,134,320	1,166,117,490	649,888,527
Interest received		**505,729**	3,456,946	2,017,555
Retirement contributions paid	*18*	**(21,050,000)**	(11,250,000)	(4,000,000)
Benefits paid	*18*	**(9,606,808)**	(8,945,198)	(20,286,657)
Income taxes paid		**(85,130,822)**	(50,947,041)	(73,373,176)
Interest paid		**(63,195,329)**	(96,477,022)	(132,547,184)
Net cash provided by operating activities		**45,657,090**	1,001,955,175	421,699,065
CASH FLOWS FROM INVESTING ACTIVITIES				
Changes in:				
Due from related parties		**99,298,558**	30,892,282	49,188,758
Other noncurrent assets		**12,710,611**	26,002,418	7,981,953
Additions to property and equipment	*9*	**(9,668,747)**	(25,043,772)	(128,692,825)
Proceeds from sale of property and equipment		**8,928,615**	-	-
Net cash provided by (used in) investing activities		**111,269,037**	31,850,928	(71,522,114)

Forward

	Note	2016	2015	2014
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Changes in:				
Loans payable		**(P121,030,050)**	(P351,776,392)	(P250,675,196)
Other noncurrent liabilities		**(4,769,144)**	(648,551,702)	(31,619,494)
Net cash used in financing activities		**(125,799,194)**	(1,000,328,094)	(282,294,690)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**31,126,933**	33,478,009	67,882,261
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**173,168,220**	139,690,211	71,807,950
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P204,295,153**	P173,168,220	P139,690,211

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Waterfront Philippines, Incorporated (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994 as an investment holding company for hotel, leisure, and tourism businesses. The Parent Company is listed in the Philippine Stock Exchange (PSE) and is 46%-owned by The Wellex Group, Inc. (TWGI), an entity registered and domiciled in the Philippines.

The details of the equity interest of the Parent Company in its subsidiaries as at December 31, 2016 and 2015 are as follows:

	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)	56	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real Estate		
CIMA Realty Phil., Inc. (CIMAR)	-	56
Fitness Gym		
Waterfront Wellness Group, Inc. (WWGI)	100	-
International Marketing and Promotion of Casinos		
Mayo Bonanza, Inc. (MBI)	100	-
Waterfront Promotion Ltd. (WPL)	100	-
Club Waterfront International Limited (CWIL)	-	100
Pastries Manufacturing		
Waterfront Food Concepts Inc. (WFC)	100	-
Hotel Management and Operation		
Waterfront Entertainment Corporation (WEC)	100	-
Waterfront Hotel Management Corp. (WHMC)	100	-

All of the above subsidiaries were incorporated and registered in the Philippines except for WPL and its subsidiary, CWIL, which were registered in the Cayman Islands.

Management decided to temporarily cease the operations of MBI, WHMC, WPL, CWIL and GIRDI in 2016, 2014, 2003, 2001, 2000, respectively, due to unfavorable economic conditions.

The registered office of the Parent Company is at No. 1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City, Cebu.

2. Basis of Preparation

Basis of Accounting
The consolidated financial statements of the Parent Company and its subsidiaries, collectively herein referred to as the Group, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). They were authorized for issue by the Parent Company's Board of Directors on April 11, 2017.

Details of the Group's accounting policies are included in Note 27.

Basis of Measurement
The consolidated financial statements 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
Land, hotel buildings and improvements, transportation equipment, land improvements, and furniture, fixtures and equipment	Revalued amount less accumulated depreciation and impairment losses
Available-for-sale (AFS) investment	Fair value
Retirement benefits liability	Present value of the defined benefits obligation (DBO) less fair value of plan assets (FVPA)

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

3. Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect in the amounts recognized in the consolidated financial statements is as follows:

Transactions with Philippine Amusement and Gaming Corporation (PAGCOR)

The Group has significant transactions with PAGCOR. Under Presidential Decree (PD) No. 1869, otherwise known as the PAGCOR Charter, PAGCOR is exempted from payment of any form of taxes other than the 5% franchise tax imposed on the gross revenue or earnings derived by PAGCOR from its operations under the franchise. The amended Revenue Regulations (RR) No. 16-2005 which became effective in 2006, however, provides that gross receipts of PAGCOR shall be subject to the 12% value-added tax (VAT). In February 2007, the Philippine Congress amended PD No. 1869 to extend the franchise term of PAGCOR for another 25 years but did not include any revocation of PAGCOR's tax exemption privileges as previously provided for in PD No. 1869. In accounting for the Hotel's transactions with PAGCOR, the Group's management and its legal counsel have made a judgment that the amended PD No. 1869 prevails over the amended RR No. 16-2005 (see Note 22).

Operating Lease Commitments - Group as Lessor

The Group has leased out its commercial spaces to third parties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these commercial spaces and thus, accounts for the contracts as operating leases (see Note 23).

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 delivery of service.

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 delivery of 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 delivery of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group has classified its properties as owner-occupied.

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

In consultation with legal counsels, the Group management believes that the compromise agreement executed on December 8, 2015 between APHC and the City of Manila to resolve the tax deficiency assessment filed by the latter against APHC was an adjusting event as at December 31, 2015 as the legal counsels and management have no reasons to believe that the City Council of Manila will not ratify the compromise agreement. Accordingly, APHC recognized the gain on the reversal of the provision it previously setup for the case amounting to P39.73 million which was presented as part of "Others" in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2015 (see Note 25).

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

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

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

<u>Estimation Uncertainties</u>
Information about estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

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

For 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 an allowance against the recorded receivable amount.

Allowance for impairment losses on receivables and due from related parties as at December 31, 2016 and 2015 amounted to P83.50 million and P81.21 million, respectively. The total carrying amount of the receivables and due from related parties amounted to P2.11 billion and P2.16 billion as at December 31, 2016 and 2015, respectively (see Notes 5 and 8).

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

The Group's inventories as at December 31, 2016 and 2015 amounted to P28.19 million and P29.30 million, respectively (see Note 6).

Revaluation of Property and Equipment
The Group carries certain classes of property and equipment at fair value, with changes in fair value being recognized in other comprehensive income (OCI). The Group engaged independent valuation specialists to assess fair value. Fair value is determined with references to transactions involving properties of a similar nature, location and condition.

The key assumptions used to determine the fair value of properties are provided in Note 9.

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

As at December 31, 2016 and 2015, the carrying amount of property and equipment amounted to P6.59 billion and P5.93 billion, respectively (see Note 9).

Impairment of Nonfinancial Assets
Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In 2014, the Group recognized impairment losses on its unused VAT and certain property and equipment amounting to P2,995,025 and P662,672, respectively (see Notes 7 and 9).

As at December 31, 2016 and 2015, there is no indication of impairment on the Group's prepaid expenses and other current assets, property and equipment and other noncurrent assets.

Defined Benefit Plan
The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. The discount rate assumption is based on the Philippine Daily Exchange benchmark market yields on government bonds considering average years of remaining working life of the employees as the estimated term of the defined benefit obligation.

As at December 31, 2016 and 2015, the retirement liability amounted to P98.52 million and P117.44 million, respectively. Net retirement benefits cost in 2016, 2015 and 2014 amounted to P20.81 million, P40.34 million and P32.17 million, respectively (see Note 18).

Taxes
Deferred tax assets are recognized for financial statement and tax differences to the extent that it is probable that taxable profit will be available against which these differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group recognized deferred tax assets amounting to P41.09 million and P124.05 million as at December 31, 2016 and 2015, respectively, (see Note 19).

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash in banks	**P159,803,886**	P151,148,111
Short-term placements	**26,407,387**	19,078,834
Cash on hand	**18,083,880**	2,941,275
	P204,295,153	P173,168,220

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

Short-term placements earn interest at annual average of 0.13% to 2.88% in 2016 and 2015 and have average maturities ranging from 30 to 35 days for both years.

Related interest income recognized in profit or loss amounted to P2.03 million, P1.98 million and P2.02 million in 2016, 2015 and 2014, respectively.

5. Receivables

This account consists of:

	2016	2015
Trade	**P248,757,489**	P220,585,472
Advances to employees	**6,852,387**	12,633,611
Others	**2,148,399**	507,209
	257,758,275	233,726,292
Less allowance for impairment losses on trade receivables	**22,311,128**	20,024,340
	P235,447,147	P213,701,952

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

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

	2016	2015	2014
Beginning balance	**P20,024,340**	P17,436,705	P22,553,897
Impairment loss during the year	**3,442,842**	2,587,635	3,375,366
Write-off during the year	**(1,156,054)**	-	(4,604,843)
Reversal during the year	**-**	-	(3,887,715)
Ending balance	**P22,311,128**	P20,024,340	P17,436,705

6. Inventories

This account consists of the following:

	2016	2015
Food and beverage	**P16,196,062**	P16,372,606
Operating supplies	**10,624,757**	10,212,945
Engineering and maintenance supplies	**1,366,285**	2,712,630
	P28,187,104	P29,298,181

The cost of food and beverage charged to profit or loss amounted to P208.72 million, P173.79 million and P164.30 million in 2016, 2015 and 2014, respectively, and is presented as "Food and beverage" account in profit or loss.

In 2014, the Group provided an allowance to write-down the cost of food and beverage and operating supplies to NRV amounting to P562,797 and P542,563, respectively. These inventories were subsequently written off in 2015.

The Group recognized expenses for operating supplies amounting to P28.82 million, P41.30 million and P37.65 million in 2016, 2015 and 2014, respectively, and are presented as "Supplies," which is part of expenses under "Others" account in profit or loss, while the expenses for engineering and maintenance supplies amounting to P48.61 million, P75.63 million and P101.44 million in 2016, 2015 and 2014, respectively, are included under "Repairs and maintenance" account in profit or loss.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2016	2015
Input value-added tax (VAT)	**P43,455,636**	P47,233,169
Prepaid taxes	**20,769,412**	15,799,970
Short-term investment	**12,251,466**	-
Advances to suppliers	**8,311,836**	9,090,093
Prepaid expenses	**5,001,755**	4,245,872
Others	**612,860**	613,102
	P90,402,965	P76,982,206

In 2014, certain subsidiaries had written off unused VAT amounting to a total of P2,995,025, presented as part of "Impairment losses, bad debts written off and provisions" in the statement of profit or loss and other comprehensive income.

8. Related Party Transactions

The Group's related party transactions include transactions with its key management personnel (KMP) and related parties in the table below:

Related Party	Relationship with the Group
TWGI	Ultimate Parent
Pacific Rehouse Corp. (PRC)	Stockholder
Metro Alliance Holdings and Equities Corp. (MAHEC)	Stockholder
Philippine Estates Corporation (PHES)	Stockholder
Crisanta Realty Development Corp. (Crisanta Realty)	Stockholder
Forum Holdings Corporation (FHC)	Stockholder
East Asia Oil & Mining Company, Inc. (East Asia)	Stockholder
Plastic City Industrial Corporation (PCIC)	Under common control
Wellex Industries, Inc. (WII)	Under common control

Significant Transactions with Related Parties

The Group's transactions with related parties consists of (in thousands):

Category/Transaction	Year	*Note*	Amount of the Transaction	Due from Related Parties		Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
				Current	Noncurrent			
Stockholders								
▪ TWGI								
Advances, interest and settlement	**2016**	*8a*	**P24,301**	**P861,550**	**P -**	**P -**	**P -**	Secured; interest-bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment
	2015	*8a*	13,245	945,471	-	-	-	
▪ PRC								
Advances, interest and settlement	**2016**	*8a*	**10,415**	**531,158**	-	-	-	Secured; interest-bearing; subject to re-pricing; due in one year subject to renewal
	2015	*8a*	10,211	520,743	-	-	-	
▪ MAHEC								
Advances, interest and settlements	2015	*8a*	365,933	-	-	-	-	
▪ Crisanta Realty								
Advances and interest	**2016**	*8a*	**14,865**	**7,465**	**340,197**	-	-	Unsecured; interest-bearing; subject to re-pricing; due in five years
	2015	*8a*	332,797	-	332,797	-	-	
▪ PHES								
Advances and interest	**2016**	*8b*	-	**92,054**	-	-	-	Unsecured; noninterest-bearing; subject to re- pricing; due on demand
	2015	*8b*	5,700	92,054	-	-	-	
▪ Others	**2016**	*8b*	-	**45,673**	-	-	-	Unsecured; noninterest-bearing; subject to re- pricing; due on demand
Advances and interest	2015	*8b*	776	51,943	-	-	-	
Subsidiaries								
▪ WCCCHI								
Advances and settlement	**2016**	*8c*	**560,525**	-	-	**510,821**	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	135,053	-	-	560,525	-	
Deposits for future stock subscription	**2016**	*8d*	-	-	-	**1,000,000**	-	Unsecured; noninterest-bearing
	2015	*8d*	-	-	-	1,000,000	-	
▪ DIHCI								
Advances and settlements	**2016**	*8e*	**10,257**	-	-	-	**5,425**	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	5,167	-	-	-	15,682	
▪ APHC								
Advances and settlements	**2016**	*8e*	**196,967**	-	-	-	**173,447**	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	43,776	-	-	-	370,414	
▪ GIRDI								
Advances and settlements	**2016**	*8e*	**1,803**	-	-	-	**207,838**	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	1,739	-	-	-	209,641	

Forward

Category/Transaction	Year	*Note*	Amount of the Transaction	Due from Related Parties: Current	Due from Related Parties: Noncurrent	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
Subsidiaries								
▪ WHMC								
Advances and settlement	**2016**	*8c*	**1,303**	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	11,029	-	-	-	-	
▪ MBI	**2016**	*8c*	**6,097**	-	-	-	-	Unsecured; noninterest-bearing; due on demand
Advances and settlement	2015	*8c*	2,999	-	-	13,241	-	
Deposits for future stock subscription	**2016**	*8d*	-	-	-	-	-	Unsecured; noninterest-bearing
	2015	*8d*	-	-	-	35,000	-	
▪ WWGI								
Advances and settlement	**2016**	*8c*	**185**	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	146	-	-	462	-	
Deposits for future stock subscription	**2016**	*8d*	-	-	-	-	-	Unsecured; noninterest-bearing
	2015	*8d*	-	-	-	13,000	-	
▪ WMCHI								
Advances and settlement	**2016**	*8e*	**16,039**	-	-	-	**189,535**	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	163,895	-	-	-	173,496	
▪ WEC								
Advances and settlement	**2016**	*8c*	**6,681**	-	-	**92**	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	73	-	-	6,773	-	
▪ WFC								
Advances and settlement	**2016**	*8c*	**184**	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	153	-	-	57	-	
Deposits for future stock subscription	**2016**	*8d*	-	-	-	-	-	Unsecured; noninterest-bearing
	2015	*8d*	-	-	-	6,000	-	
▪ WPL	**2016**	*8e*	**283**	-	-	-	**195,126**	Unsecured; noninterest-bearing; due on demand
Advances and settlement	2015	*8e*	212	-	-	-	195,409	
KMP								
▪ Short-term employee benefits	**2016**		**26,681**	-	-	-	-	-
	2015		22,153	-	-	-	-	-
▪ Post-employment benefits	**2016**		**6,105**	-	-	-	-	-
	2015		11,189	-	-	-	-	-
TOTAL	**2016**			**P1,537,900**	**P340,197**	**P1,510,913**	**P771,371**	
TOTAL	2015			P1,610,211	P332,797	P1,635,058	P984,642	

**Eliminated during consolidation*

a. Interest-bearing Advances to Related Parties

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

The advances granted to TWGI and PRC were substantially used to finance the acquisition or development of real properties for the Parent Company. These advances are payable on demand and charge interest at 2% per annum. TWGI paid P82.33 million in 2016 and P108.6 million in 2015 while PRC had no payments in 2016 and 2015.

Interest receivable from TWGI amounted to P124.86 million and P112.31 million as at December 31, 2016 and 2015, respectively, while interest receivable from PRC amounted to P55.64 million and P45.23 million as at December 31, 2016 and 2015, respectively. Allowance for impairment losses on receivables from TWGI amounted to P61.19 million as at December 31, 2016 and 2015.

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

On February 19, 2016, the parties made amendments to the previously issued MOU for the settlement of all outstanding liabilities of TWGI and MAHEC to the Parent Company. The amended MOU stated that MAHEC shall no longer be a party to the said MOU, and all references to any obligation or rights that MAHEC shall have under the said MOU shall no longer be in force. All other terms and conditions shall remain unchanged.

As at December 31, 2016, the fair value of PRC's land based on valuation performed by an accredited independent appraiser, with a recognized and relevant professional qualification and with recent experience in the locations and categories of the land being valued, amounted to P1.63 billion.

On December 21, 2015, the Parent Company granted advances to Crisanta Realty with an interest of 2% and maturity on December 21, 2020. It was agreed that Crisanta Realty has the option to pay the balance before maturity date without payment of penalty fees and in case the latter refuses or fails to pay the principal and interest within the time agreed upon, the same shall be due and demandable. Accretion income and expense of P7.40 million and P40.46 million was recognized and recorded as part of "Interest income" and "Interest expense" in 2016 and 2015, respectively, in profit or loss to show the effect of the time value of money on the said advances.

b. Noninterest-bearing Advances to Related Parties

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

The collectability of the aforementioned advances is unconditionally recognized and guaranteed by a stockholder of the Group, representing the majority stockholders.

c. Advances to Subsidiaries

These mainly represent funds provided to support subsidiaries' daily operations and to finance the construction and completion of certain hotel projects. These include interest charges on loans.

d. Deposits to Subsidiaries

These represent amounts set aside that will be used as subscription payments by the Parent Company once the planned increase in the authorized capital stock of the subsidiaries materialize.

e. Due to Subsidiaries

In the ordinary course of business, the Parent Company obtains noninterest-bearing, collateral-free cash and non-cash advances from related parties for working capital purposes, as well as to finance the construction of its hotel projects. The above advances are due and demandable at anytime.

In July and August 2005, the BOD approved the conversion of APHC's net receivables from related parties amounting to P43.30 million into 86.71 million shares of stock of WII which are listed in the PSE. The conversion resulted to a loss on exchange of assets of P31.10 million for APHC. The fair market value of the shares based on closing market price as at December 31, 2016 and 2015 amounted to P16.82 million and P18.21 million, respectively. Valuation loss recognized in OCI in 2016 and 2015 amounted to P1.39 million and P4.77 million, respectively, while a valuation gain amounting to P6.07 million was recognized in 2014.

All related party balances, other than those included in the MOU in Note 8a, are expected to be settled in cash. Total interest income on the abovementioned advances amounted to P30.43 million, P31.73 million and P31.66 million in 2016, 2015 and 2014, respectively.

9. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2016								
	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**
Beginning balance	**P1,033,652,000**	**P16,945,425**	**P65,062,016**	**P8,250,247,449**	**P1,035,776,038**	**P262,185,093**	**P11,910,643**	**P -**	**P10,675,778,664**
Additions	**-**	**-**	**57,787**	**1,197,169**	**4,367,230**	**4,046,561**	**-**	**-**	**9,668,747**
Disposals	**-**	**-**	**(40,266,679)**	**-**	**(11,560,462)**	**-**	**-**	**-**	**(51,827,141)**
Retirement	**-**	**-**	**-**	**(118,455,021)**	**(158,924,241)**	**-**	**(15,618)**	**-**	**(277,394,880)**
Appraisal increase	**42,628,000**	**75,720**	**-**	**669,549,600**	**197,963,512**	**-**	**2,885,013**	**-**	**913,101,845**
Ending balance	**1,076,280,000**	**17,021,145**	**24,853,124**	**8,802,539,197**	**1,067,622,077**	**266,231,654**	**14,780,038**	**-**	**11,269,327,235**
Accumulated Depreciation and Amortization									
Beginning balance	**-**	**14,806,679**	**48,183,253**	**3,519,561,063**	**923,751,004**	**233,941,879**	**9,902,758**	**-**	**4,750,146,636**
Depreciation and amortization	**-**	**232,899**	**3,820,697**	**187,121,867**	**40,780,127**	**22,353,182**	**1,083,493**	**-**	**255,392,265**
Disposals	**-**	**-**	**(34,631,680)**	**-**	**(9,213,956)**	**-**	**-**	**-**	**(43,845,636)**
Retirement	**-**	**-**	**-**	**(118,455,021)**	**(158,924,241)**	**-**	**(15,618)**	**-**	**(277,394,880)**
Ending balance	**-**	**15,039,578**	**17,372,270**	**3,588,227,909**	**796,392,934**	**256,295,061**	**10,970,633**	**-**	**4,684,298,385**
Carrying Amount	**P1,076,280,000**	**P1,981,567**	**P7,480,854**	**P5,214,311,288**	**P271,229,143**	**P9,936,593**	**P3,809,405**	**P -**	**P6,585,028,850**

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

The Group engaged an independent firm of appraisers to determine the fair value of certain classes of its property and equipment, specifically hotel buildings and improvements, furniture, fixtures and equipment, land improvements and transportation equipment, which are carried at revalued amounts. Fair value was determined by reference to market-based evidence, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In determining fair value, an estimate was made in accordance with the prevailing prices for materials, equipment, labor, and contractor's overhead and all other costs associated with its acquisition while taking into account the depreciation resulting from physical deterioration, functional and economic obsolescence. The latest revaluation was in July 2016 which resulted to the increase in the gross carrying amount of property and equipment amounting to P913.10 million.

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

	2016	2015
Hotel buildings and improvements	**P1,946,061,894**	P2,036,318,033
Land	**650,515,909**	650,515,909
Furniture, fixtures and equipment	**133,061,735**	171,273,171
Land improvements	**8,622,705**	8,812,451
Transportation equipment	**982,809**	1,740,289
	P2,739,245,052	P2,868,659,853

Depreciation on cost charged to profit or loss amounted to P161.15 million, P175.36 million and P168.41 million in 2016, 2015 and 2014, respectively. Depreciation on appraisal increase charged to profit or loss amounted to P94.24 million, P158.32 million and P230.41 in 2016, 2015 and 2014, respectively.

In 2014, the Group recognized an impairment loss on certain property and equipment amounting to P662,672 due to damages suffered from the 7.2 magnitude earthquake on October 15, 2013.

The revaluation increment absorbed through depreciation and transferred directly to retained earnings, net of deferred tax effect, amounted to P48.88 million and P94.55 million in 2016 and 2015, respectively. The carrying amount of the revaluation surplus amounting to P2.35 billion and P1.84 billion as at December 31, 2016 and 2015, respectively, is not available for distribution to shareholders.

10. Other Noncurrent Assets

This account consists of:

	2016	2015
Refundable deposits	**P15,752,437**	P23,743,549
Special project deposits	**636,721**	196,742
Rent receivable	**-**	10,522,583
Others	**11,588,954**	6,225,849
	P27,978,112	P40,688,723

Refundable deposits refer to security deposits on utilities, electricity, rental, returnable containers and others. Special project deposits pertain to deposits granted to contractors in connection with the renovation work of WCCCHI and APHC.

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

11. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2016	2015
Trade payables		**P319,713,743**	P382,778,887
Accrued:			
Interest and penalties	*13*	**866,355,691**	806,552,522
Salaries, wages and employee benefits		**14,319,024**	13,460,693
Utilities		**11,577,999**	11,029,506
Rent		**517,815**	7,846,575
Other accruals		**38,911,795**	56,433,516
Local taxes and output VAT		**26,340,803**	34,716,014
Service charges		**5,951,770**	5,466,693
Guest deposits		**4,556,859**	2,131,210
Withholding taxes payable		**2,642,044**	4,274,541
Service charges withheld		**1,826,057**	1,562,793
Unclaimed wages		**870,886**	627,971
Due to contractors		**-**	2,793,657
Other payables		**64,781,405**	37,034,868
		P1,358,365,891	P1,366,709,446

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

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

12. Other Current Liabilities

This account consists of:

	2016	2015
Concessionaires' and other deposits	**P20,027,801**	P399,136,294
Deferred income	**4,616,383**	5,871,088
Current portion of advance rental	**-**	136,544,377
Others	**1,000,000**	1,000,000
	P25,644,184	P542,551,759

Others represent a P1 million 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, 2016 and 2015 sufficiently represents the amount of possible liability that GIRDI may settle in the event that this case will ultimately be activated and decided against GIRDI.

13. Loans Payable

This account consists of liabilities to the following:

	2016	2015
Social Security System (SSS)	**P375,000,000**	P375,000,000
Industrial and Commercial Bank of China Singapore Branch (ICBC)	-	74,735,932
Philippine Business Bank, Inc. (PBB)	-	46,294,118
	P375,000,000	P496,030,050

SSS Loan

On October 28, 1999, the Parent Company 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 and by the assignment of 200 million common shares of the Parent Company owned by TWGI. The common shares assigned were placed in escrow in the possession of an independent custodian mutually agreed upon by both parties.

On August 7, 2003, when the total loan obligation to SSS, including penalties and interest, amounted to P605 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 P30.50 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 totaling 235 million and 80 million shares, respectively.

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

On June 18, 2004, the RTC of Quezon City issued its first order granting SSS's request and the issuance of a writ of preliminary attachment based on the condition that SSS shall post an attachment bond in the amount of P452.80 million. After the lapse of three (3) months from the issuance of RTC order, no attachment bond was been posted. Thus on September 16, 2004 and September 17, 2004, the Parent Company filed a Motion to Set Aside Order of Attachment and Amended Motion to Set Aside Order of Attachment, respectively.

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

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

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

On September 12, 2005, the RTC of Quezon City issued its fourth order approving SSS's property bond in the total amount of P452.80 million. Accordingly, the RTC ordered the corresponding issuance of the writ of preliminary attachment. On November 3, 2005, the Parent Company submitted a Petition for Certiorari before the Court of Appeals (CA) seeking the nullification of the orders of the RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005. In a Resolution dated February 22, 2006, the CA granted the Parent Company's petition for the issuance of the Temporary Restraining Order to enjoin the implementation of the orders of the RTC of Quezon City specifically on the issuance of the writ of preliminary attachment.

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

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

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

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

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

On January 13, 2015, the RTC of Quezon City issued a decision declaring null and void the contract of loan and the related mortgages entered into by the Parent Company with SSS on the ground that the officers and the SSS are not authorized to enter the subject loan agreement. In the decision, the RTC of Quezon City directed the 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.

On January 22, 2016, SSS appealed with the CA assailing the RTC of Quezon City decision in favor of the Parent Company, et al. SSS filed its Appellant's Brief and the Parent Company filed a Motion for Extension of Time to file Appellee's Brief until May 16, 2016.

On May 16, 2016, the Parent Company filed its Appellee's Brief with the CA, furnishing the RTC of Quezon City and the Office of the Solicitor General with copies. SSS was given a period to reply but it did not file any.

On September 6, 2016, a resolution for possible settlement was received by the Parent Company from the CA. However, on February 7, 2017 a Notice to Appear dated December 7, 2016 was received by the Parent Company from the Philippine Mediation Center Unit – Court of Appeals (PMCU-CA) directing the Parent Company and SSS to appear in person and without counsel at the PMCU-CA on January 23, 2017 to choose their mediator and the date of initial mediation conference and to consider the possibility of settlement. Since the Notice to Appear was belatedly received, the parties were not able to appear before the PMCU-CA.

As at the report date, both parties have not yet appeared before the PMCU-CA for the settlement of the dispute.

Outstanding principal balance of the loan amounted to P375 million as at December 31, 2016 and 2015. Accrued interest and penalties, presented as part of "Accrued interest and penalties" under "Accounts payable and accrued expenses" account in the consolidated statement of financial position, amounted to P866.36 million and P806.55 million as at December 31, 2016 and 2015, respectively (see Note 11).

<u>ICBC Loan</u>
On March 27, 1995, the Parent Company entered into a Facility Agreement with ICBC for a US$15.00 million loan which was restructured several times, the latest of which was on November 12, 2013 after the Parent Company made partial payment of US$700,000. Net carrying value of the loan as at December 31, 2015 amounted to P74,735,932 (US$1,584,530). It was fully paid on March 31, 2016.

Total interest paid in 2016, 2015, and 2014 amounted to P1.09 million, P6.76 million and P10.22 million, respectively, and is presented as part of "Interest expense" in the consolidated statement of profit or loss and other comprehensive income.

PBB Loan

On April 8, 2014, WMCHI entered into a loan agreement with PBB amounting to P150 million with a stated interest rate fixed at 8% per annum, which was repriced every month and payable in arrears. The loan was exclusively used for the renovation and refurbishment of the Group's hotels in Cebu and Manila. Outstanding balance of the loan as at December 31, 2015 amounted to P46.29 million. It was fully paid on April 29, 2016.

In 2016, 2015 and 2014, interest expense incurred from the ICBC, SSS and PBB loans amounted to P61.13 million, P76.16 million and P113.42 million, respectively, and are recorded as part of "Interest expense" account in the statement of profit or loss and other comprehensive income.

14. Other Noncurrent Liabilities

The account consists of:

	2016	2015
Deposits from concessionaires	**P4,548,003**	P2,909,354
Accrued rent	**2,029,956**	2,284,379
Advance rental	**-**	6,153,370
	P6,577,959	P11,347,103

15. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit - the Hotel operations and the Marketing operations. The Corporate and Others segment includes general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 27 to the consolidated financial statements.

The following table presents the revenue and profit information regarding industry segments for the years ended December 31, 2016 and 2015 and certain asset and liability information regarding industry segments as at December 31, 2016, 2015 and 2014 (in millions):

	Hotel Operations			Marketing Operations			Corporate and Other Operations			Eliminations			Consolidated		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
TOTAL REVENUES															
External sales	P2,095	P2,023	P1,880	P -	P -	P -	P49	P89	P93	(P9)	(P11)	P -	P2,135	P2,101	P1,973
RESULTS															
Segment results	P646	P132	P147	(P1)	(P1)	(P1)	(P40)	(P24)	(P41)	P -	P254	P55	P605	P361	P160
OTHER INCOME (LOSS)															
Interest expense	(80)	(97)	(128)	-	-	(5)	-	(40)	-	-	-	-	(80)	(137)	(133)
Interest income	1	1	1	-	-	-	39	33	33	-	-	-	40	34	34
Benefit from (provision for) income taxes	(145)	(72)	(25)	-	-	-	(7)	(5)	(3)	-	-	-	(152)	(77)	(28)
Others	(94)	(10)	-	(11)	(10)	(4)	(51)	(2)	-	62	-	-	(94)	(22)	(4)
Total Other Income (Loss)	(318)	(178)	(152)	(11)	(10)	(9)	(19)	(14)	30	62	-	-	(286)	(202)	(131)
Net Income (Loss)	P328	(P46)	(P5)	(P12)	(P11)	(P10)	(P59)	(P38)	(P11)	P62	P254	P55	P319	P159	P29
OTHER INFORMATION															
Segment assets	P7,569	P7,032	P7,737	P220	P220	P220	P4,737	P4,929	P5,256	(P3,460)	(P3,760)	(P4,480)	P9,066	P8,421	P8,733
Deferred tax assets	40	120	197	-	-	-	1	4	4	-	-	-	41	124	201
Consolidated Total Assets	P7,609	P7,152	P7,934	P220	P220	P220	P4,738	P4,933	P5,260	(P3,460)	(P3,760)	(P4,480)	P9,107	P8,545	P8,934
Segment liabilities	P2,079	P2,942	P3,776	P64	P62	P60	P2,321	P2,336	P2,465	(P2,530)	(P2,768)	(P3,229)	P1,934	P2,572	P3,072
Deferred tax liabilities	1,339	1,110	1,175	-	-	-	-	-	-	-	-	-	1,339	1,110	1,175
Consolidated Total Liabilities	P3,418	P4,052	P4,951	P64	P62	P60	P2,321	P2,336	P2,465	(P2,530)	(P2,768)	(P3,229)	P3,273	P3,682	P4,247
Other Segment Information															
Capital expenditures	P8	P22	P128	P -	P -	P -	P1	P3	P1	P -	P -	P -	P9	P25	P129
Depreciation and amortization	250	327	391	-	-	-	5	7	8	-	-	-	255	334	399

16. Capital Stock and Noncontrolling Interests

Capital Stock

Details of capital stock of the Parent Company as at December 31, 2016 and 2015 are as follows:

	Number of common shares	Amount
Authorized capital stock at P1 par value per share	5,000,000,000	P5,000,000,000
Issued and outstanding	2,498,991,753	P2,498,991,753

A summary of the Parent Company's securities registration is as follows:

Date of Registration/Listing	Securities
March 17, 1995 (Initial Public Offering)	112.50 million shares On October 7, 1994, the SEC approved the increase in the authorized capital stock of the Parent Company to P450 million divided into 450 million shares with a par value of P1 per share, out of which, 337.50 million shares were already subscribed.
April 18, 1996	944.97 million shares On September 18, 1995, the BOD resolved to increase the authorized capital stock of the Parent Company to P2 billion divided into 2 billion shares with a par value of P1 per share. The purpose of the increase was to finance the construction of WCCCHI's hotel project.
December 15, 1999	888.47 million shares On August 7, 1999, the BOD resolved to increase the authorized capital stock of the Parent Company to P5 billion divided into 5 billion shares with a par value of P1 per share. The purpose of the increase was to accommodate the acquisition of DIHCI's outstanding common shares for 888.47 million shares of the Parent Company with an offer price of P2.03 per share.

The Parent Company has not sold any unregistered securities for the past three years. As at December 31, 2016, 1.95 billion shares of the Parent Company are listed in the PSE and has a total of 457 shareholders.

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 per share. 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. As at December 31, 2016, the Parent Company has no updated plans to increase its authorized capital stock, or to modify any issued shares or to exchange them to another class.

Noncontrolling Interests (NCIs)

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

	December 31, 2016		December 31, 2015	
	APHC	GIRDI	APHC	GIRDI
Percentage of NCI	44%	46%	44%	46%
Carrying amount of NCI	P685,239	P198,682	P568,965	P198,654
Net income attributable to NCI	P31,218	P26	P33,039	P24
Other comprehensive income (loss) attributable to NCIs	P85,055	P -	(P156)	P -

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

	December 31, 2016		December 31, 2015	
	APHC	GIRDI	APHC	GIRDI
Total assets	P2,316,169	P471,034	P2,331,982	P471,520
Total liabilities	(699,022)	(39,116)	(977,304)	(39,660)
Net assets	P1,617,147	P431,918	P1,354,678	P431,860
Revenue	P589,238	P1,521	P625,647	P1,477
Net income	P70,470	P57	P74,579	P58
Other comprehensive income	191,999	-	(352)	-
	P262,469	P57	P74,227	P58
Cash flows provided by (used in) operating activities	(P108,587)	P -	P113,405	P -
Cash flows provided by investing activities	199,830	-	49,550	-
Cash flows used in financing activities	(76,500)	-	(160,264)	-
NET INCREASE IN CASH	P14,743	P -	P2,691	P -

17. Other Costs and Expenses

This account consists of:

	2016	2015	2014
Laundry, valet and other hotel services	**P82,858,545**	P79,973,865	P31,348,157
Taxes and licenses	**63,209,790**	37,706,467	50,723,091
Supplies	**28,820,855**	41,296,252	37,649,015
Security and other related services	**34,136,908**	32,841,759	34,675,944
Insurance	**21,855,434**	21,543,413	15,477,416
Advertising	**17,146,883**	17,958,548	11,978,871
Corporate expenses	**15,657,090**	26,250,954	23,541,281
Representation and entertainment	**15,395,969**	6,671,351	22,880,146
Data processing	**11,827,756**	11,685,323	18,936,199
Commissions	**11,559,966**	11,227,322	9,884,201
Professional fees	**11,410,836**	10,642,820	8,430,457
Transportation and travel	**10,587,514**	13,180,135	15,861,257
Fuel and oil	**8,498,026**	10,899,829	13,934,675
Communications	**6,190,749**	7,080,404	6,200,659
Guest amenities	**3,174,403**	3,478,861	1,248,694
Guest and laundry valet	**1,598,388**	1,249,281	1,072,501
Meeting expenses	**1,580,499**	193,801	219,325
Trainings and seminars	**52,501**	30,420	206,810
Uniforms	**17,786**	1,994,748	397,768
Miscellaneous	**7,317,909**	15,158,868	15,886,655
	P352,897,807	P351,064,421	P320,553,122

Miscellaneous include recruitment expense and employee association dues.

18. Retirement Benefits Cost

Certain subsidiaries have noncontributory, defined benefit plans covering substantially all of their 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 plans. Net retirement benefits cost recognized in profit or loss for the years ended December 31, 2016, 2015 and 2014 amounted to P20.81 million, P40.34 million and P32.17 million, respectively, and is presented as part of "Personnel costs" account in profit or loss.

The latest independent actuarial valuation of the plan was as at December 31, 2016, which was prepared using the projected unit credit method. The plans are administered by independent trustees with assets held consolidated for the Group.

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

The reconciliation of the present value of the defined benefits obligation and the fair value of plan assets to the recognized retirement benefits liability as presented in the consolidated statement of financial position is as follows:

2016	DBO	FVPA	Asset Ceiling Adjustment	Retirement Benefits Liability
Balance, January 1, 2016	P209,197,676	(P100,815,990)	P8,300,910	P116,682,596
Included in Profit or Loss				
Current service cost	15,091,937	-	-	15,091,937
Net interest income (cost)	11,138,022	(5,865,116)	449,909	5,722,815
	26,229,959	(5,865,116)	449,909	20,814,752
Included in Other Comprehensive Income				
Remeasurement gains (losses) on plan assets:				
1. Actuarial gains (losses) arising from:				
▪ Changes in financial assumptions	(3,859,977)	-	-	(3,859,977)
▪ Changes in demographic assumptions	2,393,590	-	-	2,393,590
▪ Experience adjustments	(12,337,681)	-	-	(12,337,681)
2. Return on plan assets excluding interest income	-	3,960,574	-	3,960,574
3. Effect of asset ceiling	-	-	1,520,819	1,520,819
	(13,804,068)	3,960,574	1,520,819	(8,322,675)
Others				
Contributions paid by the employer	-	(21,050,000)	-	(21,050,000)
Benefits paid from:				
Book reserves	(9,606,808)	-	-	(9,606,808)
Plan assets	(4,750,165)	4,750,165	-	-
Balance, December 31, 2016	P207,266,594	(P119,020,367)	P10,271,638	P98,517,865

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

Personnel costs comprise the following:

	2016	2015	2014
Salaries and wages	**P296,403,578**	P294,365,171	P329,324,290
Retirement benefits expense	**20,814,752**	40,342,055	32,167,172
Other employee benefits	**19,305,899**	20,242,473	19,455,713
	P336,524,229	P354,949,699	P380,947,175

The Group's plan assets consist of the following:

	2016	2015
Investment in government securities	**P90,400,862**	P77,195,903
Deposit in banks	**18,430,283**	10,258,780
Debt instruments - government bonds	**1,407,398**	1,216,952
Investment in other securities and debt instruments	**1,076,225**	2,259,759
Cash and cash equivalents	**879,667**	1,046,020
Debt instruments - other bonds	**-**	316,707
Equity instruments	**-**	228,253
Other receivables	**6,825,932**	8,293,616
	P119,020,367	P100,815,990

The principal actuarial assumptions at reporting date are as follows:

	2016	2015
Discount rate	**5.43% - 5.49%**	5.0% - 5.42%
Salary increase rate	**3.0% - 10.0%**	3.0% - 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 12.6 years and 17.1 years as at December 31, 2016 and 2015, respectively.

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

	2016	2015
Carrying amount	**P202,625,066**	P209,950,589
Within 1 year	**P8,327,180**	P7,957,161
Within 1-5 years	**121,773,664**	133,246,265
Contractual cash flows	**P130,100,844**	P141,203,426

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:

	2016		2015	
	+1%	**-1%**	+1%	-1%
Discount rate	**(P15,464,129)**	**P17,620,401**	(P246,622)	P2,291,892
Salary increase rate	**15,438,990**	**(13,891,841)**	2,244,476	(91,876)

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

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

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

Funding Policy
The Group is not required to pre-fund the future defined benefits payable under the retirement plans 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. Hence, there is no expected contribution to the defined benefit plan in 2017.

19. Income Taxes

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

	2016	2015	2014
Recognized in Profit or Loss			
Current tax expense	**P116,624,221**	P71,347,136	P81,521,865
Deferred tax expense (benefit)	**35,879,140**	5,460,572	(53,500,047)
	P152,503,361	P76,807,708	P28,021,818
Recognized in OCI			
Deferred tax expense (benefit)	**(P276,427,356)**	P5,939,095	P22,933,932

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

	2016	2015	2014
Income before income tax	**P471,388,347**	P235,514,803	P57,036,987
Income tax expense at 30%	**P141,416,504**	P70,654,441	P17,111,096
Additions to (reductions in) income tax resulting from the tax effects of:			
Unrecognized deferred tax assets during the year	**5,734,041**	2,067,312	5,643,264
Nondeductible expenses	**8,808,202**	13,430,934	9,035,802
Loss (income) not subjected to income tax	**(3,455,386)**	(9,344,979)	1,191,361
Realization of previously unrecognized deferred tax asset on net operating loss carryover (NOLCO)	**-**	-	(4,959,705)
	P152,503,361	P76,807,708	P28,021,818

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

December 31, 2016	Balance January 1, 2016	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2016
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P1,093,657,003	(P28,271,755)	P273,930,553	P1,339,315,801
Rental receivable	11,059,602	(11,059,602)	-	-
Unamortized premium on security deposits	5,251,709	(5,251,709)	-	-
	1,109,968,314	(44,583,066)	273,930,553	1,339,315,801
Deferred tax assets:				
Retirement liability	35,230,653	(3,178,491)	(2,496,803)	29,555,359
Allowance for impairment losses on receivables	5,758,472	526,878	-	6,285,350
Unamortized past service cost	3,176,831	(515,843)	-	2,660,988
Unrealized foreign exchange loss	11,749,805	(10,165,236)	-	1,584,569
Accrued rent expense	703,075	(86,692)	-	616,383
Unearned revenues	433,099	(84,893)	-	348,206
Minimum Corporate Income Tax (MCIT)	517,891	(482,743)	-	35,148
Rent received in advance	64,125,456	(64,125,456)	-	-
NOLCO	2,349,730	(2,349,730)	-	-
	124,045,012	(80,462,206)	(2,496,803)	41,086,003
	P985,923,302	P35,879,140	P276,427,356	P1,298,229,798

December 31, 2015	Balance January 1, 2015	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2015
Deferred tax liabilities:				
Revaluation surplus on property and equipment	P1,141,152,565	(P47,495,562)	P -	P1,093,657,003
Rental receivable	22,905,602	(11,846,000)	-	11,059,602
Unamortized premium on security deposits	11,330,990	(6,079,281)	-	5,251,709
	1,175,389,157	(65,420,843)	-	1,109,968,314
Deferred tax assets:				
Rent received in advance	125,872,608	(61,747,152)	-	64,125,456
Retirement liability	35,125,689	6,044,059	(5,939,095)	35,230,653
Unrealized foreign exchange loss	28,184,611	(16,434,806)	-	11,749,805
Allowance for impairment losses on receivables	4,982,181	776,291	-	5,758,472
Unamortized past service cost	2,856,910	319,921	-	3,176,831
NOLCO	1,571,840	777,890	-	2,349,730
Accrued rent expense	1,232,134	(529,059)	-	703,075
Minimum Corporate Income Tax (MCIT)	365,786	152,105	-	517,891
Unearned revenues	673,763	(240,664)	-	433,099
	200,865,522	(70,881,415)	(5,939,095)	124,045,012
	P974,523,635	P5,460,572	P5,939,095	P985,923,302

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.

	2016		2015	
	Tax Base	**Tax Effect**	Tax Base	Tax Effect
NOLCO	**P43,559,934**	**P13,067,980**	P49,647,678	P14,894,303
MCIT	**725,383**	**725,383**	272,493	272,493
Impairment losses	**530,528**	**159,158**	-	-
	P44,815,845	**P13,952,521**	P49,920,171	P15,166,796

The movements of unrecognized net deferred tax assets of the Group are as follows:

	2016	2015
Balance at beginning of year	**P15,166,798**	P15,283,191
Unrecognized deferred tax asset during the year:		
NOLCO	**3,435,980**	1,993,660
MCIT	**249,211**	80,865
Impairment losses	**159,158**	-
Previously recognized deferred tax asset derecognized during the year:		
NOLCO	**1,597,008**	-
MCIT	**292,684**	-
Expiration of unrecognized deferred tax assets:		
NOLCO	**(6,859,313)**	(2,080,638)
MCIT	**(89,005)**	(110,280)
Balance at end of year	**P13,952,521**	P15,166,798

Details of NOLCO are as follows:

Year Incurred	Expiry Date	NOLCO	Applied Prior Years	Applied Current Year	Expired Amount	Remaining Amount
2016	December 31, 2019	P11,453,268	P -	P -	P -	P11,453,268
2015	December 31, 2018	9,238,502	-	-	-	9,238,502
2014	December 31, 2017	23,141,865	-	(273,701)	-	22,868,164
2013	December 31, 2016	25,099,745	-	(2,235,373)	(22,864,372)	-
2012	December 31, 2015	23,467,809	(16,532,350)	-	(6,935,459)	-
		P92,401,189	(P16,532,350)	(P2,509,074)	(P29,799,831)	P43,559,934

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 regular corporate income tax (RCIT) payable are shown below:

Year Incurred	Expiry Date	MCIT	Applied Prior Years	Applied Current Year	Expired Amount	Remaining Amount
2016	December 31, 2019	P249,211	P -	P -	P -	P249,211
2015	December 31, 2018	228,234	-	-	-	228,234
2014	December 31, 2017	247,938	-	-	-	247,938
2013	December 31, 2016	89,005	-	-	(89,005)	-
2012	December 31, 2015	846,792	(736,512)	-	(110,280)	-
		P1,661,180	(P736,512)	P -	(P199,285)	P725,383

20. Earnings Per Share

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

	2016	2015	2014
Net income attributable to equity holders of the Parent	**P287,392,497**	P127,211,459	P9,713,620
Weighted number of shares outstanding	**2,498,991,753**	2,498,991,753	2,498,991,753
Earnings per share - basic and diluted	**P0.115**	P0.051	P0.004

There are no potentially dilutive shares as at December 31, 2016, 2015 and 2014. Accordingly, diluted earnings per share is the same as basic earnings per share.

21. Financial Instruments – Risk Management and Fair Values

Risk Management Structure

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

Risk Management Committee

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

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investment, accounts payable and accrued expenses (except for local taxes and output VAT, withholding taxes and deferred income), other current liabilities, loans payable, and other noncurrent liabilities. These financial instruments arise directly from 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 cash in banks, receivables and advances to related parties.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. The Group limits its exposure to credit risk by establishing credit limits and maximum payment period for each customer, reviewing outstanding balances to minimize transactions with customers in industries experiencing particular economic volatility.

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 as at December 31, 2016 and 2015 are as follows (in thousands):

		Neither	Past Due but not Impaired					
December 31, 2016	Total	Past Due nor Impaired	<30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Cash in banks	P159,804	P159,804	P -	P -	P -	P -	P -	P -
Receivables	257,758	173,542	27,253	12,088	8,154	6,055	8,355	22,311
Due from related parties	1,939,282	1,878,097	-	-	-	-	-	61,185
Total	P2,356,844	P2,211,443	P27,253	P12,088	P8,154	P6,055	P8,355	P83,496

		Neither	Past Due but not Impaired					
December 31, 2015	Total	Past Due nor Impaired	<30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Cash in banks	P151,148	P151,148	P -	P -	P -	P -	P -	P -
Receivables	233,726	151,284	27,479	12,188	8,222	6,105	8,424	20,024
Due from related parties	2,002,627	1,941,442	-	-	-	-	-	61,185
Total	P2,387,501	P2,243,874	P27,479	P12,188	P8,222	P6,105	P8,424	P81,209

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, 2016 and 2015 and the movement of the allowance used to record the impairment losses are disclosed in Notes 5 and 8 to the consolidated financial statements.

Liquidity Risk

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

The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained through 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 as at December 31, 2016 and 2015 based on contractual undiscounted payments (in thousands):

December 31, 2016	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	P1,329,383	P1,329,383	P866,356	P446,608	P16,419
Loans payable	375,000	375,000	375,000	-	-
Other current liabilities**	1,000	1,000	1,000	-	-
	P1,705,383	P1,705,383	P1,242,356	P446,608	P16,419

Excludes local taxes, output VAT and withholding taxes

***Excludes concessionaires' and other deposits, deferred income and advance rental*

December 31, 2015	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	P1,327,719	P1,327,719	P806,553	P504,731	P16,435
Loans payable	496,030	503,317	375,000	128,317	-
Other current liabilities	1,000	1,000	1,000	399,732	-
	P1,824,749	P1,832,036	P1,182,553	P633,048	P16,435

Excludes local taxes, output VAT and withholding taxes

***Excludes concessionaires' and other deposits, deferred income and advance rental*

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.

Since the Group's loan in U.S. dollar had been fully paid in March 2016, the Group is not anymore significantly exposed to changes in foreign currency exchange rates.

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 financial instrument that is exposed to interest risk is the interest-bearing funds made available by the Parent Company to WCCCHI to finance the construction of the Cebu City Hotel Project. Such funds were substantially sourced from a P375 million loan from SSS, as well as the stock rights offering of the Parent Company. 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 (see Note 13).

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of ±10 basis point in 2016 and 2015, with corresponding effect in equity. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's loans payable held at the reporting date. All other variables are held constant.

	2016	
Changes in Interest Rates (in Basis Points)	**+10**	**-10**
Net income	**(P6,004,211)**	**P6,004,211**

	2015	
Changes in Interest Rates (in Basis Points)	+10	-10
Net income	(P5,987,806)	P5,987,806

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.

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

The Group is exposed to equity price risk because of its investment in shares of stock of WII which are listed in the PSE totaling to 86,710,000 shares as at December 31, 2016 and 2015.

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

The following table illustrates the sensitivity of the Group's equity to a reasonably possible change in equity price. These changes are considered to be reasonably possible based on past equity price performance of the Group's AFS investment and macroeconomic forecast for 2016 and 2015. This analysis assumes an increase of 10% for 2016 and 2015 and a decrease of 10% for 2016 and 2015 of the equity price of the Group's AFS investment. All other variables are held constant:

	2016		2015	
	10%	**-10%**	10%	-10%
Equity	**P1,177,522**	**(P1,177,522)**	P1,274,637	(P1,274,637)

Fair Value of Financial Assets and Liabilities
The carrying amount of cash and cash equivalents, receivables, current portion of due from related parties, 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 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 investment was determined using the closing market price of the investment listed on the PSE as of December 31, 2016 and 2015.

Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Group's overall strategy remains unchanged from 2016 and 2015.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statement of changes in equity.

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

22. Lease Agreements with PAGCOR

The Parent Company, in behalf of WCCCHI and WMCHI, entered into lease agreements with PAGCOR. The lease agreement of WCCCHI with PAGCOR covered the Main Area (8,123.60 sq.m.), Slot Machine Expansion Area (883.38 sq.m.), Mezzanine (2,335 sq.m.) and 5th Floor Junket Area (2,336 sq.m.) for a total area of 13,677.98 sq.m. which commenced on March 3, 2011 and March 16, 2011, for the Main Area and Slot Machine Expansion Area, respectively. The lease agreement of WMCHI with PAGCOR covered the Main Area (4,076.24 sq.m.) and Chip Washing Area (1,076 sq.m.) for a total area of 5,152.24 sq.m. which was last renewed on March 21, 2011. Both leases expired on August 2, 2016.

APHC also has a lease agreement with PAGCOR covering 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 Area (402.84 sq.m.) for a total lease area of 12,696.17 sq.m. The lease agreement was last renewed on December 1, 2010 and expired on December 31, 2016.

The amortized cost of the refundable security deposits received by WCCCHI, WMCHI and APHC upon execution of the above lease contracts were determined by calculating the present value of the cash flows anticipated until the end of the lease term using the respective interest rates. The change in the present value and the amortization of the discount is recognized as part of "Interest expense" account in profit or loss and amounted to P19.01 million, P20.31 million and P19.13 million in 2016, 2015 and 2014, respectively. As the deposits do not have an active market, the underlying interest rates were determined by reference to market interest rates of comparable financial instruments.

As at December 31, 2016, the management of the Group is still negotiating with PAGCOR for the renewal of the leases. Currently, PAGCOR pays WCCCHI, WMCHI, and APHC rental of P24.05 million, P11 million, and P28.59 million, respectively, on a month-to-month basis.

Total rental income from the above PAGCOR lease contracts recognized in the statement of profit or loss and other comprehensive income amounted to P720.41 million, P691.99 million and P698.97 million in 2016, 2015 and 2014, respectively.

23. Other Lease Agreements

Group as Lessor

Lease Agreements with Concessionaires

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

Rent revenue recognized as part of "Rent and related income" in the consolidated profit or loss and other comprehensive income amounted to P85.29 million, P135.63 million and P116.55 million in 2016, 2015 and 2014, respectively.

Group as Lessee

Land under Operating Lease

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

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

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

	2016	2015
Less than one year	**P17,741,933**	P39,501,609
Between one and five years	**60,341,346**	164,552,853
More than five years	**286,619,044**	174,490,144
	P364,702,323	P378,544,606

Lease of Slot Gaming Machines

In 2007, Dynamo Atlantic Limited (Dynamo), a foreign corporation duly organized, existing and registered at the British Virgin Islands, entered into a Memorandum of Agreement (MOA) with Entertainment Gaming (Philippines), Inc. (EGP), for the lease of electronic gaming machines for installation and operation in Universal Park Mall Building located at Rizal Avenue, Sta. Cruz, Manila. Subsequently, Dynamo executed a deed of assignment in favor of MBI for the full authority and rights over the contract. The MOA was renewed several times, the latest of which was to expire in June 30, 2016.

As a result of the cessation of MBI's business operations effective July 1, 2016, the lease contract was no longer renewed.

Total rent expense for the aforementioned leases amounted to P47.93 million, P66.78 million and P86.74 million in 2016, 2015 and 2014, respectively, and are presented as "Rent" in profit or loss.

24. Commitments and Contingencies

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

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

   On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.30 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. The Parent Company decided not to contest the EWT assessment. The BIR filed its motion for reconsideration (MR) on December 4, 2012 and on April 24, 2013, the Court issued its amended decision reinstating the VAT assessment. The Parent Company filed its MR on the amended decision that was denied by the CTA in its resolution promulgated on September 13, 2013.

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

   The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2016, the Parent Company is still awaiting the SC's decision.

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

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

c. WMCHI has a tax case involving VAT assessment for the taxable year 2006. The case was elevated to the CTA in 2011. In 2012, WMCHI offered its formal evidence to the court. In its decision promulgated on May 31, 2013, the CTA cancelled the VAT assessment in its entirety. The BIR filed a motion for reconsideration that was denied by the CTA in its resolution promulgated on August 16, 2013. The BIR appealed the case to the CTA sitting En Banc on September 20, 2013. On September 15, 2015, the CTA reaffirmed the decision cancelling the VAT assessment.

   In March 9, 2016, the BIR filed with the SC its motion for extension of time to file its appeal. As at December 31, 2016, WMCHI is still awaiting the SC's decision.

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

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

   PAGCOR and VMC filed their respective comments/answers to the APHC's petition. Subsequently, VMC filed its "Motion to Admit Attached Supplemental Comment/Answer with Compulsory Counterclaim" (the Motion to Admit) on August 10, 2015. APHC filed an opposition to VMC's Motion to Admit. The Court has yet to resolve VMC's Motion to Admit as at December 31, 2016.

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.

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

25. Settlement of Tax Case with the Treasurer of City of Manila

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

After the filing of the protest letters, petitions and appeals, the case was subsequently decided against APHC on January 9, 2014 by the CTA En Banc. Accordingly, APHC recognized a provision for P45.58 million in its books but proceeded to elevate the case to the SC.

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

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

On January 12, 2016, the City Council of Manila passed a resolution ratifying the compromise agreement between the City of Manila and APHC.

26. Event After the Reporting Period

In relation to the Parent Company's case against SSS as discussed in Note 13, on February 27, 2017, a Second Notice to Appear was issued by PMCU-CA directing the representatives of the Parent Company and SSS to appear on February 27, 2017 at about 11 in the morning. However, the representatives of the Parent Company and the SSS again failed to appear. As a result, PMCU-CA will return the records of the case to the CA and the case will proceed unless the parties will request for another setting for mediation.

27. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements, except for the changes in the accounting policies as explained below.

<u>Adoption of Amendments to Standards</u>
The Group has adopted the following amendments to standards starting January 1, 2016, and accordingly, changed its accounting policies. The adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

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

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

- *Disclosure Initiative (Amendments to* PAS 1*)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Basis of Consolidation

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

Subsidiaries

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

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

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

Accounting for NCI

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

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

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

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

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

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

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

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

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

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

Rooms
Room revenue is recognized based on actual occupancy.

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

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

Other Revenues
Other revenues are recognized upon execution of service or when earned.

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

Determination of whether the Group is Acting as a Principal or an Agent
The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Group has primary responsibility for providing the goods and services;
- whether the Group has discretion in establishing prices; and
- whether the Group bears the credit risk.

If the Group has determined it is acting as a principal, the Group recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Group has determined it is acting as agent, only the net amount retained is recognized as revenue.

The Group assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

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

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

(a) Classification

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the financial reporting date, in which case, these are classified as noncurrent assets. The Group's cash and cash equivalents, receivables, due from related parties and refundable deposits (presented under "Other noncurrent assets" account in the consolidated statement of financial position) are classified as loans and receivables as at December 31, 2016 and 2015.

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

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

(b) Initial Recognition and Derecognition

Financial assets are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets are derecognized when:

- the rights to receive cash flows from the financial assets have expired; or

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(c) Subsequent Measurement

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

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

(d) Determination of Fair Value

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

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

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

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

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

The Group's AFS investment as at December 31, 2016 and 2015 is based on Level 1. Further information about the assumption made in measuring the recurring fair value of AFS investment is included in Note 8 to the consolidated financial statements.

(e) Impairment

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

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

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

Financial Liabilities

(a) Classification

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

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

The Group's financial liabilities categorized under other financial liabilities include interest-bearing loans, accounts payable and accrued expenses, refundable security deposits and related accrued interest.

(b) Initial Recognition and Derecognition

Financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

(c) Subsequent Measurement

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

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

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

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

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

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

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

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

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

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

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

Fair Value Measurement
The Group's property and equipment as at December 31, 2016 and 2015 is based on level 3. Further information about the assumption made in measuring fair value of property and equipment is included in Note 9 to the consolidated financial statements.

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

The estimated useful lives are as follows:

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

Borrowing Costs

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

Employee Benefits

Short-term Employee Benefits

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

Defined Benefit Plan

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

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

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

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

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

Related Parties

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

Operating Leases - Group as Lessor

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

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.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized under "Foreign currency translation differences for foreign operations" account in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

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 in OCI.

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

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

Income Taxes

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax assets are reviewed at each reporting date and reduced, 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.

<u>VAT</u>
Revenues, expenses and assets are recognized net of the amount of VAT, except:

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" accounts in the consolidated statement of financial position.

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

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

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

New Standards, Amendment to Standards and Interpretations Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. The Group has not yet accounted for and is assessing the potential impact of these, if any, on its consolidated financial statements.

To be Adopted January 1, 2017

- *Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

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.

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

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration.* The amendments clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

To be Adopted January 1, 2019

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

ANNEX A

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68, AS AMENDED (2011)
Schedule of Philippine Financial Reporting Standards (PFRS)
Effective as at December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRS 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRS 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRS 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRS 2014 – 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRS 2010 – 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRS 2010 – 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRS 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRS 2012 – 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRS 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRS 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRS 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments	✓		
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRS 2014 – 2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRS 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRS 2011 – 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRS 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRS 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRS 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment	✓		
	Annual Improvements to PFRS 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRS 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRS 2010 – 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓

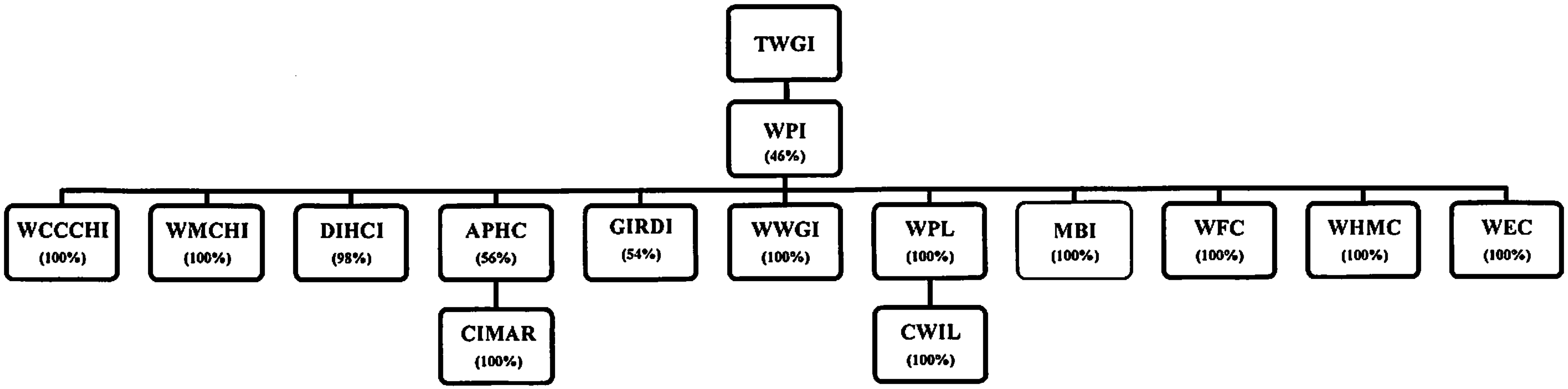
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRS 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRS 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRS 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities			✓
	Annual Improvements to PFRS 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements to PFRS 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRS 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRS in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) – Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68, AS AMENDED
Map of Conglomerate
December 31, 2016



LEGEND:

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

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

Table of Contents

Supplementary Schedules of Annex 68-E
Required Under SRC Rule 68, As Amended (2011)
December 31, 2016

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2016
(Amounts in thousands)

Name of Issuing Entity/Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2015	Income Received and Accrued
Loans and receivables				
Due from The Wellex Group, Inc.	P -	P861,550	P861,550	P12,553
Due from Pacific Rehouse Corp.	-	531,158	531,158	10,415
Due from Crisanta Realty Development Corp.	-	347,662	347,662	-
Due from Philippine Estate Corp.	-	92,054	92,054	-
Due from Others	-	45,673	45,673	-
Cash on hand		18,084	18,084	
Various Banks	-	186,211	186,211	2,030
Various Customers	-	235,447	235,447	-
Available-for-sale investment	86,710	16,822	16,822	-
	P86,710	P2,334,661	P2,334,661	P24,998

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

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
DECEMBER 31, 2016
(Amounts in thousands)

Name and Designation of Debtor	Balance at beginning of the period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of the period
The Wellex Group, Inc.	P945,471	P12,553	P82,330	P -	P861,550	P -	P861,550
Pacific Rehouse Corp.	520,743	10,415	-	-	531,158	-	531,158
Crisanta Realty Development Corp.	332,797	332,797	-	-	7,465	340,197	347,662
Philippine Estate Corp.	92,054	-	-	-	92,054	-	92,054

See Note 8 to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLDIATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2016

Name and Designation of Debtor	Balance at beginning of the period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of the period
Waterfront Cebu City Casino Hotel, Incorporated	P1,560,525,056	P -	P49,704,549	P -	P1,510,820,507	P -	P1,510,820,507
Mayo Bonanza, Inc.*	48,241,845	-	6,097,771	-	-	-	-
Waterfront Wellness Group, Inc.*	13,462,491	184,292	-	-	-	-	-
Waterfront Food Concepts, Inc.*	6,056,617	-	-	-	-	-	-
Waterfront Hotel Management Corp.*	88,611,186	-	1,303,556	-	-	-	-
Waterfront Entertainment Corporation*	6,773,031	-	6,680,884	-	92,147	-	92,147

**Allowance for impairment losses were provided on the outstanding balances*

See Note 8 to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2016

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

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2016

Title of Issue and Type of Obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Social Security System Loans Payable	P375,000,000	P375,000,000	P -

See Note 13 to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2016

Name of Affiliates	Balance at beginning of period	Balance at end of period
	P -	P -
	-	-
	P -	P -

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2016

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		P -	P -	
		-	-	
		P -	P -	

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2016

Description	Number of Shares authorized	Number of shares issued and outstanding	Treasury Shares	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares	5,000,000,000	2,498,991,753	-	-	43,346,430	2,455,645,323

See Note 16 to the Consolidated Financial Statements.

WATERFRONT
PHILIPPINES, INC.

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 including the schedules attached therein, for the years ended **December 31, 2016 and 2015,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., appointed by the stockholders, has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, 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 __th day of APR 17 2017 2017

Subscribed and Sworn to before me this APR 18 2017
Affiant exhibit to me his/her CTC No. ________
Issued on / at ________

DOC. NO. 552
PAGE NO. 77
BOOK NO. 31
SERIES OF 2017

JOEL G. GORDOLA
Notary Public
Commission expires until December 31, 2017
Adm. No. 069; Roll No. 25103
IBP No. 1058826 1/04/17; Q.C.
PTR No. 3693408; 1/03/17; Q.C.
TIN 126-768-809; MCLE No. V-0001531
Until 1 # 878 Quirino Hiway, Gulod, Novaliches, Q.C.

WATERFRONT
PHILIPPINES, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Waterfront Philippines, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2016**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2016** and the accompanying Annual Income Tax Return are in accordance with the books and records of **Waterfront Philippines, Inc.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **Waterfront Philippines, Inc**. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signed under oath by the following:

Renato B. Magadia
Chairman of the Board

Kenneth T. Gatchalian
President

Precilla O. Toriano
Corporate Finance Director

Elvira A. Ting
Treasurer

Bureau of Internal Revenue
RDO No.80
RECEIVED
4/17/17
JERWIN F. IGANO
MANDAUE CITY

Signed this __th day of APR 17 2017, 2017

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Waterfront Philippines, Incorporated
No. 1 Waterfront Drive
Off Salinas Drive, Lahug
Cebu City, Cebu

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of Waterfront Philippines, Incorporated (the Company), which comprise the separate statements of financial position as at December 31, 2016 and 2015, and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2016 and 2015, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 17 to the basic separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Tireso Randy F. Lapidez.

R.G. MANABAT & CO.

Bureau of Internal Revenue
RDO No. 80
RECEIVED
4/17/17
JERWIN F. IGANO
MANDAUE CITY

Tireso Randy F. Lapidez

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-A, Group A, valid until March 30, 2018
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2014
Issued October 15, 2014; valid until October 14, 2017
PTR No. 5904929MD
Issued January 3, 2017 at Makati City

April 11, 2017
Makati City, Metro Manila

KPMG

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and Stockholders
Waterfront Philippines, Incorporated
No. 1 Waterfront Drive
Off Salinas Drive, Lahug
Cebu City, Cebu

We have audited the accompanying separate financial statements of Waterfront Philippines, Incorporated (the Company) as at and for the year ended December 31, 2016, on which we have rendered our report dated April 11, 2017.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

Bureau of Internal Revenue
RDO No.80
RECEIVED
4/17/17
JERWIN F. IGANO
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April 11, 2017
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED

SEPARATE FINANCIAL STATEMENTS
December 31, 2016 and 2015

APR 18 2017

RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2016	2015
ASSETS			
Current Assets			
Cash in bank		P672,364	P72,050
Due from related parties – current portion	5	1,272,815,404	1,339,056,384
Total Current Assets		1,273,487,768	1,339,128,434
Noncurrent Assets			
Due from related parties - noncurrent portion	5	340,197,163	332,797,180
Investments and advances to subsidiaries	4	2,602,228,098	2,727,149,479
Property and equipment - net	6	1,031,848	1,332,070
Other noncurrent assets		2,539,000	2,539,000
Total Noncurrent Assets		2,945,996,109	3,063,817,729
		P4,219,483,877	P4,402,946,163
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other payables	7	P867,682,163	P806,857,885
Due to related parties	5	771,371,108	964,641,529
Loan payable	8	375,000,000	375,000,000
Income tax payable		4,172,068	4,435,160
Total Current Liabilities		2,018,225,339	2,150,934,574
Equity			
Capital stock	12	2,498,991,753	2,498,991,753
Additional paid-in capital		706,364,357	706,364,357
Deficit		(1,004,097,572)	(953,344,521)
Total Equity		2,201,258,538	2,252,011,589
		P4,219,483,877	P4,402,946,163

See Notes to the Separate Financial Statements.

Bureau of Internal Revenue
RDO No. 80
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MANDAUE CITY

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2016	2015	2014
REVENUES				
Interest income	5	P30,432,660	P31,731,471	P31,661,948
Other income		1,303,556	610,761	-
		31,736,216	32,342,232	31,661,948
GENERAL AND ADMINISTRATIVE EXPENSES				
Impairment losses	4	62,806,762	253,666,551	55,304,334
Transportation and travel		8,540,091	9,103,852	9,660,619
Representation and entertainment		6,688,980	1,615,962	8,315,434
Professional fees		2,321,489	1,547,800	1,756,100
Supplies		1,730,502	1,945,270	1,749,847
Data processing expenses		798,098	973,059	849,998
Taxes and licenses		249,352	183,750	494,333
Annual meeting expenses		164,881	187,687	185,365
Accretion expense (income)	5	(7,399,983)	40,456,234	-
Others	9	2,417,027	2,688,874	2,454,986
		78,317,199	312,369,039	80,771,016
LOSS BEFORE INCOME TAX EXPENSE		(46,580,983)	(280,026,807)	(49,109,068)
INCOME TAX EXPENSE	10	4,172,068	4,435,160	4,258,224
NET LOSS/TOTAL COMPREHENSIVE LOSS		(P50,753,051)	(P284,461,967)	(P53,367,292)

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2016**	2015	2014
CAPITAL STOCK	*12*	**P2,498,991,753**	P2,498,991,753	P2,498,991,753
ADDITIONAL PAID-IN CAPITAL		**706,364,357**	706,364,357	706,364,357
DEFICIT				
Balance at beginning of year		**(953,344,521)**	(668,882,554)	(615,515,262)
Net loss for the year		**(50,753,051)**	(284,461,967)	(53,367,292)
Balance at end of year		**(1,004,097,572)**	(953,344,521)	(668,882,554)
		P2,201,258,538	P2,252,011,589	P2,536,473,556

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(P46,580,983)**	(P280,026,807)	(P49,109,068)
Adjustments for:				
Impairment losses	4	**62,806,762**	253,666,551	55,304,334
Depreciation	6	**300,222**	312,393	312,393
Accretion expense (income)	5	**(7,399,983)**	40,456,234	-
Interest income	5	**(30,432,660)**	(31,731,471)	(31,661,948)
		(21,306,642)	(17,323,100)	(25,154,289)
Changes in:				
Accrued expenses and other payables		**60,824,278**	59,947,947	55,623,732
		39,517,636	42,624,847	30,469,443
Income taxes paid		**(4,435,160)**	(4,258,224)	(3,487,363)
Net cash provided by operating activities		**35,082,476**	38,366,623	26,982,080
CASH FLOW FROM A FINANCING ACTIVITY				
Net advances to related parties	4, 5	**(34,482,162)**	(38,885,497)	(27,338,213)
NET INCREASE (DECREASE) IN CASH		**600,314**	(518,874)	(356,133)
CASH AT BEGINNING OF YEAR		**72,050**	590,924	947,057
CASH AT END OF YEAR		**P672,364**	P72,050	P590,924

See Notes to the Separate Financial Statements.

1. Reporting Entity

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

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

	Percentage of Ownership	
	Direct	Indirect
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)	56	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real Estate		
CIMA Realty Phil., Inc. (CIMAR) (through direct ownership in APHC)	-	56
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
Pastries Manufacturing		
Waterfront Food Concepts, Inc. (WFC)	100	-
Hotel Management and Operation		
Waterfront Hotel Management Corporation (WHMC)	100	-
Waterfront Entertainment Corporation (WEC)	100	-

The Company's percentages of ownership for the above subsidiaries are the same in 2016, 2015 and 2014.

Office Address
The registered office of the Company is located at No. 1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City, Cebu.

2. Basis of Preparation

Basis of Accounting
The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). They were authorized for issue by the Company's Board of Directors on April 11, 2017.

In full compliance with Philippine Accounting Standard (PAS) 27, *Consolidated and Separate Financial Statements*, the Company has prepared consolidated financial statements for the same periods in which it consolidates all investments in subsidiaries in accordance with the said standard. Such consolidated financial statements provide information about the economic activities of the group of which the Company is the parent. Details of the Company's significant accounting policies are included in Note 16.

Users of these separate financial statements should read them together with the consolidated financial statements as of and for the year ended December 31, 2016 in order to obtain full information on the consolidated financial position, consolidated statements of comprehensive income and consolidated statements of cash flows of the Company and its subsidiaries as a whole. The consolidated financial statements can be obtained from the SEC and from the website of the PSE (www.pse.com.ph).

Basis of Measurement
The separate financial statements have been prepared on the historical cost basis of accounting.

Functional and Presentation Currency
The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

3. Use of Judgments and Estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Judgments
Information about judgements in applying accounting policies that have the most significant effect in the amounts recognized in the separate financial statements is as follows:

Provisions and Contingencies
The Company has received assessments from the Bureau of Internal Revenue (BIR) for deficiency taxes which is still pending resolution. The Company's management and legal counsels have made a judgment that the position of the Company is sustainable and, accordingly, believe that the Company does not have a present obligation (legal or constructive) with respect to such assessment (see Note 14).

Estimation uncertainties

Information about estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Allowance for Impairment Losses on Advances to and Due from Related Parties

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible accounts. The level of this allowance is evaluated by the Company on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with its debtors, their payment behavior and known market factors. The Company reviews the age and status of advances and due from related parties, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates.

Management's judgment is 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 an allowance against the recorded receivable amount.

Allowance for impairment losses on advances to and due from related parties amounted to P149.34 million and P61.19 million as at December 31, 2016, respectively, and P88.61 million and P61.19 million as at December 31, 2015, respectively (see Notes 4 and 5).

Useful Lives of Property and Equipment

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

As at December 31, 2016 and 2015, the carrying amount of property and equipment amounted to P1.03 million and P1.33 million, respectively (see Note 6).

Impairment of Nonfinancial Assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next years and do not include restructuring activities that the Company is no yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

4. Investments and Advances to Subsidiaries

Investments and advances to subsidiaries consists of the following (amounts in thousands):

	December 31, 2016										
	WCCCHI	**DIHCI**	**APHC**	**GIRDI**	**WHMC**	**MBI**	**WWGI**	**WMCHI**	**WFC**	**WEC**	**Total**
Investment cost	**P13,800**	**P584,363**	**P479,228**	**P253,667**	**P125**	**P25**	**P625**	**P13,800**	**P125**	**P125**	**P1,345,883**
Advances	**510,821**	**-**	**-**	**-**	**87,308**	**7,144**	**647**	**-**	**241**	**92**	**606,253**
Deposit for stock subscription	**1,000,000**	**-**	**-**	**-**	**-**	**35,000**	**13,000**	**-**	**6,000**	**-**	**1,054,000**
Total	**1,524,621**	**584,363**	**479,228**	**253,667**	**87,433**	**42,169**	**14,272**	**13,800**	**6,366**	**217**	**3,006,136**
Allowance for impairment losses	**-**	**-**	**-**	**(253,667)**	**(87,433)**	**(42,169)**	**(14,272)**	**-**	**(6,366)**	**-**	**(403,907)**
	P1,524,621	**P584,363**	**P479,228**	**P -**	**P -**	**P -**	**P -**	**P13,800**	**P -**	**P217**	**P2,602,229**

	December 31, 2015										
	WCCCHI	DIHCI	APHC	GIRDI	WHMC	MBI	WWGI	WMCHI	WFC	WEC	Total
Investment cost	P13,800	P584,363	P479,228	P253,667	P125	P25	P625	P13,800	P125	P125	P1,345,883
Advances	560,525	-	-	-	88,611	13,241	462	-	57	6,773	669,669
Deposit for stock subscription	1,000,000	-	-	-	-	35,000	13,000	-	6,000	-	1,054,000
Total	1,574,325	584,363	479,228	253,667	88,736	48,266	14,087	13,800	6,182	6,898	3,069,552
Allowance for impairment losses	-	-	-	(253,667)	(88,736)	-	-	-	-	-	(342,403)
	P1,574,325	P584,363	P479,228	P -	P -	P48,266	P14,087	P13,800	P -	P6,898	P2,727,149

Deposits to Subsidiaries
As part of the Company's continuing commitment and guarantee for the subsidiaries to continue as going concern entities, the Company and its subsidiaries agreed to set aside a portion of the Company's outstanding advances to the subsidiaries as deposits for future stock subscriptions. The amounts set aside will be used as subscription payments by the Company once the planned increase in the authorized capital stock of the subsidiaries will materialize.

Advances to Subsidiaries
Advances to subsidiaries mainly represent funds provided to support the subsidiaries' daily operations and to finance the construction and completion of certain hotel projects. As discussed in Note 8 to the separate financial statements, these include interest charges incurred on loans obtained from the Social Security System (SSS).

The advances to subsidiaries in are annually renegotiated and repriced based on the agreement entered by the Company and subsidiaries.

Discussed below are the descriptions and the financial information of each subsidiary.

WCCCHI
WCCCHI was incorporated and registered with the SEC on September 23, 1994, primarily to own and operate hotels and other related businesses. The facilities of WCCCHI includes an international convention center, an international casino building and a 561-room deluxe hotel (Cebu City Hotel Project) at the former Lahug Airport, Cebu City. WCCCHI started operations in 1998.

The significant information on the financial statements of WCCCHI follows (in thousands):

	2016	2015
Total current assets	**P255,463**	P200,796
Total assets	**3,280,947**	2,915,096
Total current liabilities	**1,759,515**	949,441
Total liabilities	**2,220,860**	2,285,426
Revenue	**951,438**	892,979
Net income (loss)	**139,183**	64,317

DIHCI
DIHCI was incorporated and registered with SEC in the Philippines on July 3, 1959 to engage primarily in the operation of hotel and hotel-related businesses.

The registered office and principal place of business of DIHCI is at Waterfront Insular Hotel Davao, Km. 8000 Lanang, Davao City.

The significant information on the financial statements of DIHCI follows (in thousands):

	2016	2015
Total current assets	**P115,232**	P104,991
Total assets	**711,097**	631,596
Total current liabilities	**44,970**	52,319
Total liabilities	**205,279**	190,831
Revenue	**191,538**	176,529
Net income (loss)	**13,249**	7,289

APHC

APHC was incorporated and registered with the SEC on October 10, 1952 primarily to engage in the business of operating a hotel, or other accommodations, for the general public and to construct such facilities as may be reasonably necessary or useful in connection with the same.

APHC is the owner and operator of Manila Pavilion Hotel. The corporate life of APHC has been extended up to 2052. APHC's shares have been listed in the Philippine Stock Exchange (PSE) since December 5, 1986.

The registered office and principal place of business of APHC is at Room 610, Manila Pavilion Hotel, United Nations Avenue, Ermita, Manila.

The significant information on the consolidated financial statements of APHC follows (in thousands):

	2016	2015
Total current assets	**P306,446**	P476,045
Total assets	**2,316,234**	2,331,983
Total current liabilities	**110,766**	487,384
Total liabilities	**699,087**	977,305
Revenue	**589,238**	625,647
Net income	**70,470**	74,579

GIRDI

GIRDI was incorporated and registered with the SEC on December 18, 1990 to engage in the hotel and resort business. Its registered office is located at No. 37 Calayab, Laoag City, Ilocos Norte.

In 2000, management decided to temporarily stop the commercial operations of GIRDI.

In 2015, due to accumulated losses which resulted to a capital deficiency of P295.64 million, the Company have provided an allowance for impairment losses on its investment to GIRDI. The allowance for impairment losses on investment amounted to P253.67 million for both December 31, 2016 and December 31, 2015.

The significant information on the financial statements of GIRDI follows (in thousands):

	2016	2015
Total assets	**P471,034**	P471,520
Total liabilities	**39,116**	39,660
Revenue	**1,521**	1,477
Net income	**57**	58

MBI

MBI was incorporated and registered with the SEC on November 24, 1995. Its primary purpose is to establish, operate, and manage the business of amusement, entertainment, and recreation facilities for the use of the paying public. MBI entered into an agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) whereby the latter shall operate the former's slot machines outside of casinos in line with PAGCOR's slot machine arcade project.

In 2016, management decided to temporarily stop the commercial operations of MBI.

Due to accumulated losses which resulted to a capital deficiency of P38.50 million, the Company have provided an allowance for impairment losses on its investment in and advances to MBI. The allowance for impairment losses on its investment, advances and deposits amounted to P0.03 million, P7.14 million and P35 million as at December 31, 2016, respectively.

The significant information on the financial statements of MBI follows (in thousands):

	2016	2015
Total current assets	**P4,640**	P10,604
Total assets	**8,201**	27,049
Total current liabilities	**46,680**	31,755
Total liabilities	**46,680**	67,508
Revenue	**29,073**	62,449
Net income (loss)	**1,980**	(2,651)

WMCHI

WMCHI was incorporated and registered with the SEC on September 23, 1994, primarily to own and operate hotels and other related businesses. The facilities of WMCHI include an international casino and a 167-room deluxe hotel (Airport Hotel Project) at the Mactan Cebu International Airport. WMCHI started commercial operations in 1996.

The significant information on the financial statements of WMCHI follows (in thousands):

	2016	2015
Total current assets	**P274,925**	P288,879
Total assets	**1,280,558**	1,166,889
Total current liabilities	**85,900**	203,605
Total liabilities	**288,159**	370,708
Revenue	**363,170**	328,219
Net income	**87,525**	60,954

WWGI

WWGI, formerly W Citigyms & Wellness, Inc., was incorporated and registered with the SEC on January 26, 2006, to engage in, conduct and carry on the general business of sporting and other recreational activities. The facilities of WWGI, which commenced commercial operations on May 1, 2006, include a fitness gym with top-of-the line equipment and amenities. WWGI also offers in-house massage for guests staying in WCCCHI, a fellow subsidiary.

In 2016, due to accumulated losses which resulted to a capital deficiency of P27.11 million, the Company have provided an allowance for impairment losses on its investment in and advances to WWGI. The allowance for impairment losses on its investment, advances and deposits amounted to P0.63 million, P0.65 million and P13 million as at December 31, 2016, respectively.

The significant information on the financial statements of WWGI follows (in thousands):

	2016	2015
Total current assets	**P18,156**	P18,400
Total assets	**24,762**	26,289
Total current liabilities	**48,462**	30,260
Total liabilities	**50,891**	45,512
Revenue	**11,621**	13,808
Net loss	**(6,719)**	(1,560)

WFC

WFC was incorporated and registered with the SEC on January 26, 2004 to engage in the operation of restaurants and food outlets and to manufacture baked and unbaked desserts, breads and pastries supplied to in-store bakeries, coffee shops and food service channels.

In 2016, due to accumulated losses which resulted to a capital deficiency of P37.95 million, the Company have provided an allowance for impairment losses on its investment in and advances to WFC. The allowance for impairment losses on its investment, advances and deposits amounted to P0.13 million, P0.24 million and P6 million as at December 31, 2016, respectively.

The significant information on the financial statements of WFC follows (in thousands):

	2016	2015
Total current assets	**P6,590**	P6,016
Total assets	**6,692**	6,156
Total liabilities	**44,518**	40,113
Revenue	**1,929**	3,822
Net loss	**(3,869)**	(4,502)

WHMC

WHMC was incorporated and registered with the SEC on March 31, 2003, to engage in the management and operation of hotels, except management of funds, portfolios, securities and other similar assets of the managed entity.

In 2014, management decided to temporarily stop the commercial operations of MBI.

Due to accumulated losses which resulted to a capital deficiency of P106.89 million, the Company have provided an allowance for impairment losses on its investment in and advances to WHMC. The allowance for impairment losses on its investment and advances amounted to P0.13 million and P87.31 million as at December 31, 2016, respectively and P0.13 million and P88.61 million as at December 31, 2015, respectively.

The significant information on the financial statements of WHMC follows (in thousands):

	2016	2015
Total current assets	**P107**	P1,041
Total assets	**107**	1,041
Total current liabilities	**118,593**	122,475
Total liabilities	**118,593**	122,475
Revenue	**-**	-
Net income (loss)	**2,949**	(132)

WEC
WEC was incorporated and registered with the SEC on August 13, 2003 to engage in the business of producing and co-producing of concerts and shows.

The significant information on the financial statements of WEC follows (in thousands):

	2016	2015
Total current assets	**P9,368**	P14,776
Total assets	**9,671**	15,070
Total current liabilities	**2,814**	7,852
Total liabilities	**3,106**	8,170
Revenue	**6,492**	8,802
Net income (loss)	**(401)**	1,772

WPL and CWIL
WPL and its wholly-owned subsidiary, CWIL, were incorporated in the Cayman Islands on March 6, 1995 and June 11, 1996, respectively.

WPL and CWIL's primary business purpose is to invite and organize groups of foreign casino players to play in Philippine casinos pursuant to certain agreements entered into with the PAGCOR under the latter's Foreign High-Roller Marketing Program (the Program). WPL and its subsidiary's participation with PAGCOR's Program, however, has been terminated in 2003 due to unfavorable economic conditions.

To support the Program, WPL and CWIL entered into several agreements with various junket operators to market and promote the Philippine casinos to foreign casino players. In consideration for marketing and promoting of the Philippine casinos, these operators receive certain incentives such as free hotel accommodations, free airfares, and rolling commissions from the Group. Due to the termination of the WPL and CWIL's participation with PAGCOR's Program, agreements with the junket operators were also terminated.

The significant information on the consolidated financial statements of WPL follows (in thousands of U.S. dollar):

	2016	2015
Total assets	**$4,386**	$4,665
Total liabilities	**1,329**	1,313
Net income (loss)	**(270)**	(224)

5. Related Party Transactions

The Company's related party transactions include transactions with its subsidiaries enumerated in Notes 1 and 4, its key management personnel (KMP) and related parties enumerated in the table below:

Related Party	Relationship with the Company
TWGI	Parent
Pacific Rehouse Corp. (PRC)	Stockholder
Metro Alliance Holdings and Equities Corp. (MAHEC)	Stockholder
Crisanta Realty Development Corp. (Crisanta Realty)	Stockholder
Philippine Estates Corporation (PHES)	Stockholder
East Asia Oil & Mining Company, Inc. (East Asia)	Stockholder

Significant Transactions with Related Parties
The Group's transactions with related parties consists of (in thousands):

Category/ Transaction	Year	Note	Amount of the Transaction	Due from Related Parties		Due to Related Parties	Investments and Advances to Subsidiaries	Terms and Conditions
				Current	Noncurrent			
Stockholders								
• TWGI								
- Advances, interest and settlement	**2016**	*5a*	**P84,121**	**P699,809**	**P -**	**P -**	**P -**	Secured; interest-bearing; due in one year subject to renewal; subject to re-pricing
	2015	*5a*	13,984	783,930	-	-	-	
• PRC								
- Advances, interest and settlement	**2016**	*5a*	**10,415**	**531,158**	**-**	**-**	**-**	Secured; interest-bearing; due in one year subject to renewal; subject to re-pricing
	2015	*5a*	10,211	520,743	-	-	-	
• MAHEC								
- Advances and interest	2015	*5a*	365,933	-	-	-	-	Secured; interest - bearing; subject to re-pricing; due in one year subject to renewal
• Crisanta Realty								
- Advances	**2016**	*5a*	**14,865**	**7,465**	**340,197**	**-**	**-**	Unsecured; interest-bearing; subject to re-pricing; due in five years
	2015	*5a*	332,797	-	332,797	-	-	
	2015	*5b*	5,700	92,054	-	-	-	
• Others								
- Advances and interest	**2016**	*5b*	**-**	**95,568**	**-**	**-**	**-**	Unsecured; noninterest-bearing; subject to re-pricing; due on demand
	2015	*5b*	5,700	95,568	-	-	-	
Subsidiaries								
• WCCCHI								
- Advances and settlement	**2016**	*5d*	**560,525**	**-**	**-**	**-**	**510,821**	Unsecured; noninterest-bearing; due on demand
	2015	*5d*	135,053	-	-	-	560,525	
- Deposit	**2016**	*5e*	**-**	**-**	**-**	**-**	**1,000,000**	Unsecured; noninterest-bearing
	2015	*5e*	-	-	-	-	1,000,000	

Forward

Category/ Transaction	Year	Note	Amount of the Transaction	Due from Related Parties Current	Due from Related Parties Noncurrent	Due to Related Parties	Investments and Advances to Subsidiaries	Terms and Conditions
• DIHCI								
- Advances and settlement	2016	5c	10,257	-	-	5,425	-	Unsecured; noninterest-bearing; due on demand
	2015	5c	5,167	-	-	15,682	-	
• APHC								
- Advances and settlement	2016	5c	196,967	-	-	173,447	-	Unsecured; noninterest-bearing; due on demand
	2015	5c	43,776	-	-	370,414	-	
• GIRDI								
- Advances and settlement	2016	5c	1,803	-	-	207,838	-	Unsecured; noninterest-bearing; due on demand
	2015	5c	1,739	-	-	209,641	-	
• WHMC								
- Advances and settlement	2016	5d	1,303	-	-	-	87,308	Unsecured; noninterest-bearing; due on demand
	2015	5d	11,029	-	-	-	88,611	
• MBI								
- Advances and settlement	2016	5d	6,097	-	-	-	7,144	Unsecured; noninterest-bearing; due on demand
	2015	5d	2,999	-	-	-	13,241	
- Deposit	2016	5e	-	-	-	-	35,000	Unsecured; noninterest-bearing
	2015	5e	-	-	-	-	35,000	
• WWGI								
- Advances and settlement	2016	5d	185	-	-	-	647	Unsecured; noninterest-bearing; due on demand
	2015	5d	146	-	-	-	462	
- Deposit	2016	5e	-	-	-	-	13,000	Unsecured; noninterest-bearing
	2015	5e	-	-	-	-	13,000	
• WMCHI								
- Advances and settlement	2016	5c	16,039	-	-	189,535	-	Unsecured; noninterest-bearing; due on demand
	2015	5c	163,895	-	-	173,496	-	
• WEC								
- Advances and settlement	2016	5d	6,681	-	-	-	92	Unsecured; noninterest-bearing; due on demand
	2015	5d	73	-	-	-	6,773	
• WFC								
- Advances and settlement	2016	5d	184	-	-	-	241	Unsecured; noninterest-bearing; due on demand
	2015	5d	153	-	-	-	57	
- Deposit	2016	5e	-	-	-	-	6,000	Unsecured; noninterest-bearing
	2015	5e	-	-	-	-	6,000	
• WPL								
- Advances and settlement	2016	5c	283	-	-	195,126	-	Unsecured; noninterest-bearing; due on demand
	2015	5c	212	-	-	195,409	-	
Allowance for impairment losses	2016	5f		61,185	-	-	149,340	
	2015	5f		61,185	-	-	88,611	
TOTAL	2016			P1,272,815	P340,197	P771,371	P1,510,913	
TOTAL	2015			P1,339,056	P332,797	P964,642	P1,635,058	

a. Interest-bearing Advances to Related Parties

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

Nature and Purpose of the Advances

The advances granted to TWGI and PRC were substantially used to finance the acquisition or development of real properties for the Company. These advances are payable on demand and charge interest at 2% per annum. TWGI paid P82.33 million and P108.6 million in 2016 and 2015, respectively, while PRC had no payments in 2016 and 2015.

Interest receivable from TWGI amounted to P124.86 million and P112.31 million as at December 31, 2016 and 2015, respectively, while interest receivable from PRC amounted to P55.64 million and P45.23 million as at December 31, 2016 and 2015, respectively.

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

On February 19, 2016, the parties made amendments to the previously issued MOU for the settlement of all outstanding liabilities of TWGI and MAHEC to the Company. The amended MOU stated that MAHEC shall no longer be a party to the said MOU, and all references to any obligation or rights that MAHEC shall have under the said MOU shall no longer be in force. All other terms and conditions shall remain unchanged.

As at December 31, 2016, the fair value of PRC's land based on valuation performed by an accredited independent appraiser, with a recognized and relevant professional qualification and with recent experience in the locations and categories of the land being valued, amounted to P1.63 billion.

On December 21, 2015, the Company granted advances to Crisanta Realty with an interest of 2% and maturity on December 21, 2020. It was agreed that Crisanta Realty has the option to pay the balance before maturity date without payment of penalty fees and in case the latter refuses or fails to pay the principal and interest within the time agreed upon, the same shall be due and demandable. Accretion income and expense of P7.40 million and P40.46 million was recognized in 2016 and 2015, respectively, in profit or loss to show the effect of the time value of money on the said advances.

b. Noninterest-bearing Advances to Related Parties

The Company has noninterest-bearing, collateral free advances to PHES and East Asia with no fixed term of repayment. The said advances are due on demand.

The collectability of the aforementioned advances is unconditionally recognized and guaranteed by a stockholder of the Company, representing the majority shareholders.

c. Due to Related Parties

In the ordinary course of business, the Company obtains noninterest-bearing, collateral-free cash and non-cash advances from related parties for working capital purposes, as well as to finance the construction of its hotel projects. The above advances are due and demandable at anytime.

d. Advances to Subsidiaries

These mainly represent funds provided to support subsidiaries' daily operations and to finance the construction and completion of certain hotel projects (see Note 4). These include interest charges on loans (see Note 8).

e. Deposits to Subsidiaries

These represent amounts set aside that will be used as subscription payments by the Company once the planned increase in the authorized capital stock of the subsidiaries materialize (see Note 4).

All related party balances, other than those included in the MOU in Note 5a, are expected to be settled in cash.

Total interest income on the abovementioned advances amounted to P30.43 million, P31.73 million and P31.66 million in 2016, 2015 and 2014, respectively.

f. Details of the allowance for impairment losses related to due from and advances to related parties are as follows:

	2016	2015
WHMC	P87,307,630	P88,611,186
TWGI	59,619,429	59,619,429
MBI	42,144,074	-
WWGI	13,646,784	-
WFC	6,240,909	-
Others	1,565,778	1,565,778
	P210,524,604	P149,796,393

6. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2016		
	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Cost	**P4,815,980**	**P1,767,795**	**P6,583,775**
Accumulated Depreciation			
Beginning balance	3,594,570	1,657,135	5,251,705
Depreciation	212,419	87,803	300,222
Ending balance	**3,806,989**	**1,744,938**	**5,551,927**
Carrying Amount	**P1,008,991**	**P22,857**	**P1,031,848**

	For the Year Ended December 31, 2015		
	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Cost	P4,815,980	P1,767,795	P6,583,775
Accumulated Depreciation			
Beginning balance	3,382,151	1,557,161	4,939,312
Depreciation	212,419	99,974	312,393
Ending balance	3,594,570	1,657,135	5,251,705
Carrying Amount	P1,221,410	P110,660	P1,332,070

7. Accrued Expenses and Other Payables

This account consists of:

	Note	**2016**	2015
Accrued interest and penalties - SSS loan	*8*	**P866,355,691**	P806,313,585
Others		**1,326,472**	544,300
		P867,682,163	P806,857,885

8. Loan Payable

<u>SSS Loan</u>

On October 28, 1999, the Company 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 Wellex Industries, Inc. (WII), a related party and by the assignment of 200 million common shares of the Company owned by TWGI. The common shares assigned were placed in escrow in the possession of an independent custodian mutually agreed upon by both parties.

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

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

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

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

On June 18, 2004, the RTC of Quezon City issued its first order granting SSS's request and the issuance of a writ of preliminary attachment based on the condition that SSS shall post an attachment bond in the amount of P452.80 million. After the lapse of three (3) months from the issuance of RTC order, no attachment bond was been posted. Thus on September 16, 2004 and September 17, 2004, the Company filed a Motion to Set Aside Order of Attachment and Amended Motion to Set Aside Order of Attachment, respectively.

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

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

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

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

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

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

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

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

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

Starting 2006, the Company is charging WCCCHI on the related interests and penalties on the contention that the latter benefited from the proceeds of the SSS loan. Penalties are inclusive of legal fees and other related expenses relative to the filing of the deficiency claim against the Company by SSS. The proceeds of the loan were substantially used in the expansion and improvement of WCCCHI's operations.

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

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

On January 22, 2016, SSS filed an appeal with the CA assailing the RTC of Quezon City decision in favor of the Company, et al. SSS filed its Appellant's Brief and the Company filed a Motion for Extension of Time to file Appellee's Brief until May 16, 2016.

On May 16, 2016, the Company filed its Appellee's Brief with the CA, furnishing the RTC of Quezon City and the Office of the Solicitor General with copies. SSS was given a period to reply but it did not file any.

On September 6, 2016, a resolution for possible settlement was received by the Company from the CA. However, on February 7, 2017 a Notice to Appear dated December 7, 2016 was received by the Company from the Philippine Mediation Center Unit – Court of Appeals (PMCU-CA) directing the Company and SSS to appear in person and without counsel at the PMCU-CA on January 23, 2017 to choose their mediator and the date of initial mediation conference and to consider the possibility of settlement. Since the Notice to Appear was belatedly received, the parties were not able to appear before the PMCU-CA.

As at the report date, both parties have not yet appeared before the PMCU-CA for the settlement of the dispute.

Outstanding principal balance of the loan amounted to P375 million as at December 31, 2016 and 2015. Accrued interest and penalties, presented as "Accrued interest and penalties - SSS loan" under "Accrued expenses and other payables in the statement of financial position, amounted to P866.36 million and P806.31 million as at December 31, 2016 and 2015, respectively (see Note 7).

9. Other General and Administrative Expenses

This account is broken down as follows:

	Note	2016	2015	2014
Utilities		**P1,353,214**	P1,371,129	P1,248,694
Depreciation	*6*	**300,222**	312,393	312,393
Directors' fees		**200,000**	200,000	300,000
Security		**-**	45,040	345,315
Others		**563,591**	760,312	248,584
		P2,417,027	P2,688,874	P2,454,986

Others include expenses on employees' allowances, postal services, and other miscellaneous expenses.

10. Income Taxes

The Company's current income tax expense in 2016, 2015 and 2014 represents regular corporate income tax being the higher amount compared to minimum corporate income tax (MCIT). The MCIT is computed at 2% of gross taxable income as defined under the income tax regulations.

The reconciliation of the expected provision for income tax computed at the statutory tax rate to the actual income tax expense shown in the separate statement of comprehensive income is as follows:

	2016	2015	2014
Loss before income tax	**(P46,580,983)**	(P280,026,807)	(P49,109,068)
Income tax benefit at 30%	**(P13,974,295)**	(P84,008,042)	(P14,732,720)
Tax effects of:			
Nondeductible expenses	**20,757,425**	88,443,202	18,990,944
Income not subjected to income tax	**(2,611,062)**	-	-
	P4,172,068	P4,435,160	P4,258,224

11. Right to Provide Venue for Land-based Casinos

PAGCOR has granted the Company the right to provide venue for land-based casinos. By virtue of this right, the Company's subsidiaries, namely WCCCHI, WMCHI and APHC, have existing lease agreements with PAGCOR.

The agreements involve lease by PAGCOR of certain hotel spaces to be used as venue for PAGCOR's casino operations. The agreements were for a period of five years which expired on August 2, 2016 for WCCCHI and WMCHI and December 31, 2016 for APHC.

As at December 31, 2016, the management of the Company is still negotiating with PAGCOR for the renewal of the lease. Currently, PAGCOR pays WCCCHI, WMCHI and APHC rental on a month-to-month basis.

12. Equity

Capital Stock

Details of capital stock as at December 31, 2016 and 2015 are as follows:

	Number of common shares	Amount
Authorized capital stock:		
Common shares at P1 par value each	5,000,000,000	P5,000,000,000
Issued and outstanding	2,498,991,753	P2,498,991,753

A summary of the Company's securities registration is as follows:

Date of Registration/Listing	Securities
March 17, 1995 (Initial Public Offering)	112.50 million shares On October 7, 1994, the SEC approved the increase in the authorized capital stock of the Company to P450 million divided into 450 million shares with a par value of P1 per share, out of which, 337.50 million shares were already subscribed.
April 18, 1996	944.97 million shares On September 18, 1995, the BOD resolved to increase the authorized capital stock of the Company to P2 billion divided into 2 billion shares with a par value of P1 per share. The purpose of the increase was to finance the construction of WCCCHI's hotel project.
December 15, 1999	888.47 million shares On August 7, 1999, the BOD resolved to increase the authorized capital stock of the Company to P5 billion divided into 5 billion shares with a par value of P1 per share. The purpose of the increase was to accommodate the acquisition of DIHCI's outstanding common shares for 888.47 million shares of the Company with an offer price of P2.03 per share.

The Company has not sold any unregistered securities for the past three years. As at December 31, 2016, 1.95 billion shares of the Company are listed in the PSE and has a total of 457 shareholders.

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

In 2009, the BOD passed a resolution temporarily suspending the implementation of the above proposed increase in the authorized capital stock of the Company. As at December 31, 2016, the Company has no updated plans to increase its authorized capital stock, or to modify any issued shares or to exchange them to another class.

As at December 31, 2016, there is no update on the status of the proposed increase in the authorized capital stock of the Company.

Capital Management

The Company's capital consists of capital stock (common stock), additional paid-in capital and deficit as shown in the separate statement of changes in equity.

The primary objective of the Company's capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Company's overall strategy remains unchanged for 2016 and 2015.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015.

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

13. Financial Instruments – Fair Values and Risk Management

Risk Management Structure

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

Risk Management Committee

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

Financial Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are credit and liquidity risks.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related parties. There has been no change to the Company's exposure to credit risks or the manner in which it manages and measures the risk since prior financial year.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below:

	Note	2016	2015
Cash		**P672,364**	P72,050
Advances to subsidiaries - net	*4*	**510,912,654**	581,059,039
Deposits for future stock subscription	*4*	**1,000,000,000**	1,054,000,000
Due from related parties - net	*5*	**1,613,012,567**	1,671,853,564
		P3,124,597,585	P3,306,984,653

Except for the impaired due from related parties amounting to P61.19 million and advances to WHMC amounting to P87.31 million, management believes that all its financial assets are of standard grade and of good credit quality. Standard grade financial assets are those past due but not impaired receivables and with fair collection status. This category includes credit grades 4-5. The standard grade category includes those for which collections are probable due to the reputation and the financial ability to pay of the counterparty but have been outstanding for a considerable length of time.

The following table summarized the aging and credit quality of the Company's financial assets as at December 31:

		Neither Past Due nor	Past Due but not Impaired				
2016	**Total**	**Impaired**	**<30 Days**	**31-60 Days**	**61-90 Days**	**>90 Days**	**Impaired**
Cash in bank	**P672**	**P672**	**P -**	**P -**	**P -**	**P -**	**P -**
Advances to subsidiaries	**606,253**	**510,913**	**-**	**-**	**-**	**-**	**95,340**
Deposits for future stock subscription	**1,054,000**	**1,000,000**	**-**	**-**	**-**	**-**	**54,000**
Due from related parties	**1,613,012**	**340,197**	**-**	**-**	**-**	**1,211,630**	**61,185**
	P3,273,937	**P1,851,782**	**P -**	**P -**	**P -**	**P1,211,630**	**P210,525**

		Neither Past Due nor	Past Due but not Impaired				
2015	Total	Impaired	<30 Days	31-60 Days	61-90 Days	>90 Days	Impaired
Cash in bank	P72	P72	P -	P -	P -	P -	P -
Advances to subsidiaries	669,669	581,058	-	-	-	-	88,611
Deposits for future stock subscription	1,054,000	1,054,000	-	-	-	-	-
Due from related parties	1,671,854	332,797	-	-	-	1,277,872	61,185
	P3,395,595	P2,065,848	P -	P -	P -	P1,277,872	P149,796

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

Information on the Company's due from related parties that are impaired as at December 31, 2016 and 2015 is disclosed in Note 5 to the separate financial statements.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. In the management of liquidity risk, the Company monitors and maintains a level of cash deemed adequate by management to finance its activities. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary.

The financial liabilities of the Company at the reporting date include accrued expenses and other payables which are all short-term in nature and are payable within one year from the reporting date. In order to meet its maturing financial obligations, the Company will use the cash collections from its related parties.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, based on contractual undiscounted payments (in thousands):

2016	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Accrued expenses and other payables	P867,682	P867,682	P867,682	P -	P -	P -
Loan payable	375,000	375,000	375,000	-	-	-
Due to related parties	771,371	771,371	771,371	-	-	-
	P2,014,053	P2,014,053	P2,014,053	P -	P -	P -

2015	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Accrued expenses and other payables	P806,858	P806,858	P806,858	P -	P -	P -
Loan payable	375,000	375,000	375,000	-	-	-
Due to related parties	964,642	964,642	964,642	-	-	-
	P2,146,500	P2,146,500	P2,146,500	P -	P -	P -

Fair Value of Financial Instruments
The table below summarizes the carrying amounts and fair values of the Company's financial assets and liabilities as at December 31, 2016 and 2015 (in thousands):

	2016		2015	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables:				
Cash	P672	P672	P72	P72
Advances to subsidiaries - net	510,913	510,913	581,058	581,058
Deposits for future stock subscription	1,000,000	1,000,000	1,054,000	1,054,000
Due from related parties - net	1,613,012	1,613,012	1,671,854	1,671,854
	P3,124,597	P3,124,597	P3,306,984	P3,306,984

	2016		2015	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Liabilities				
Other financial liabilities:				
Accrued expenses and other payables	P867,682	P867,682	P806,858	P806,858
Loan payable	375,000	375,000	375,000	375,000
Due to related parties	771,371	771,371	964,642	964,642
	P2,014,053	P2,014,053	P2,146,500	P2,146,500

The carrying amount of cash, current portion of due from related parties, advances to subsidiaries and accrued expenses and other payables approximate their fair values due to their short-term maturities. The carrying amount of the noncurrent portion of due from related parties is based on its discounted future cash flows using prevailing market interest rates and therefore approximates its fair value. Due to related parties have no fixed terms of repayment yet and are therefore payable on demand. The loan from SSS is payable immediately as a result of the RTC of Quezon City's decision as discussed in Note 8.

14. Bureau of Internal Revenue Assessment

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

On December 8, 2009, the Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.30 million. However, on January 15, 2010, the Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

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

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

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2016, the Company is still awaiting SC's decision.

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

15. Event After the Reporting Period

In relation to the Company's case against SSS as discussed in Note 8, on February 27, 2017, a Second Notice to Appear was issued by PMCU-CA directing the representatives of the Company and SSS to appear on February 27, 2017 at about 11 in the morning. However, the representatives of the Company and the SSS again failed to appear. As a result, PMCU-CA will return the records of the case to the CA and the case will proceed unless the parties will request for another setting for mediation.

16. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company adopted the following amendments to standards starting January 1, 2016, and accordingly, changed its accounting policies. The adoption of these amendments to standards did not have any significant impact on the Company's separate financial statements.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

    - Information should not be obscured by aggregating or by providing immaterial information.

    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

    - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

    - An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

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

(a) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the financial reporting date, in which case, these are classified as noncurrent assets. The Company's cash, due from related parties and advances to subsidiaries are classified as loans and receivables as at December 31, 2016 and 2015.

(b) Initial Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade date when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when:

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

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

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

(c) Subsequent Measurement

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

(d) Determination of Fair Value

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

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

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

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

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

(e) Impairment

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

Impairment of advances to and due from related parties financial assets is described in Note 4 and 5 to the separate financial statements. For those carried at amortized cost, individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognized in profit or loss and the carrying amount is reduced through the use of allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Financial Liabilities

(a) Classification

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

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

This classification includes the Company's loan payable, accrued expenses and other payables and due to related parties.

(b) Initial Recognition and Derecognition

Financial liabilities are recognized in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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

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

(c) Subsequent Measurement

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

Offsetting Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position when, and only when, the Company currently has a legally enforceable legal right to offset the amounts and intends either to settle them 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 separate statement of financial position.

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

The Company carries its investments in shares of stock of its subsidiaries under the cost method of accounting for investments. Under this method, investments are carried at cost less impairment losses. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of the acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

<u>Property and Equipment</u>
Property and equipment are carried at cost less accumulated depreciation and amortization, as well as impairment losses.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are recognized as expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of furniture, fixtures and equipment ranging from 5 to 10 years. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Interest Income

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

Other Income

Other Income is recognized when earned.

Expense Recognition

Expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred.

Related Parties

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

Income Taxes

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

Capital Stock
Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock and share options are recognized as deduction from equity, net of any tax effects.

Deficit
Deficit includes accumulated results of operations as reported in the separate statement of comprehensive income less any dividends declared. Dividends are recorded in the period in which the dividends are approved by the BOD.

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

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

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

Contingent assets are not recognized in the separate financial statements but are disclosed when the inflow of economic benefits is virtually certain.

Events After the End of the Reporting Date
The Company identifies post-yearend events as events that occurred after the reporting date but before the date when the separate financial statements were authorized for issue. Any post-yearend events that provide additional information on conditions that existed at the end of a reporting period (adjusting events) are recognized in the separate financial statements. Events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

New Standards, Amendment to Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards and interpretations in preparing these separate financial statements. The Company has not yet accounted for and is assessing the impact of these, if any, on the financial statements.

To be Adopted January 1, 2017

- *Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

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.

17. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2016:

A. Withholding Taxes

During the year, the Company withheld expanded withholding tax amounting to P94,000.

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
License and other fees	**P249,352**

C. Deficiency Tax Assessments

As at December 31, 2016, the Company is still awaiting SC's decision on its appeal related to the VAT assessment.