COVER SHEET

A S 0 9 4 - 8 6 7 8

SEC Registration Number

W A T E R F R O N T P H I L I P P I N E S , I N C .

(Company's Full Name)

N O . 1 W A T E R F R O N T D R I V E

O F F S A L I N A S D R I V E L A H U G

C E B U C I T Y

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

MS. IRISH CHARA LAWAS

Contact Person

(02) 559-0130

Company Telephone Number

1 2	3 1	SEC 17-A	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

Total No. of Stockholders	Domestic	Foreign
452		

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-A, AS AMENDED

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

1. For the calendar year ended
   DECEMBER 31, 2017

2. SEC Identification Number
   AS 094-8678

3. BIR Tax Identification No.
   D80-003-978-254 NV

4. Exact name of issuer as specified in its charter
   WATERFRONT PHILIPPINES, INC.

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

6. Industry Classification Code (SEC Use Only)

7. Address of principal office
   No. 1 WATERFRONT DRIVE OFF SALINAS DRIVE LAHUG, CEBU CITY 6000

8. Issuer's telephone number, including area code
   (02) 559-0130

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:
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

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes

No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

(b) Any information statement filed pursuant to SRC Rule 20

(c) Any prospectus filed pursuant to SRC Rule 8.1

WATERFRONT PHILIPPINES, INCORPORATED

PSE Disclosure Form 17-1 - Annual Report ***References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules***

For the Calendar year ended	**DECEMBER 31, 2017**
Currency (indicate units, if applicable)	PESO

Balance Sheet

	Year Ending DECEMBER 31, 2017	Previous Year Ending DECEMBER 31, 2016
Current Assets	2,502,900,348	2,096,232,446.00
Total Assets	9,352,809,593	9,107,344,314.00
Current Liabilities	1,929,206,522	1,828,565,697.00
Total Liabilities	3,335,294,986	3,272,977,322.00
Retained Earnings/ (Deficit)	(404,632,514)	(760,985,667.00)
Stockholders' Equity	6,017,514,607	5,834,366,992.00
Stockholders' Equity - Parent	5,150,133,268	4,940,346,932.00
Book Value per Share	2.06	1.98

Income Statement

	Year Ending DECEMBER 31, 2017	Previous Year Ending DECEMBER 31, 2016
Operating Revenue	2,057,910,622	2,062,860,765.00
Other Revenue	47,021,801	72,484,476.00
Gross Revenue	2,104,932,423	2,135,345,241.00
Operating Expense	1,420,782,863	1,362,379,137.00
Other Expense	384,967,631	301,577,757.00
Gross Expense	1,805,750,494	1,663,956,894.00
Net Income/(Loss) Before Tax	299,181,929	471,388,347.00
Income Tax Expense	100,448,728	152,503,361.00
Net Income/(Loss) After Tax	198,733,201	318,884,986.00
Net Income Attributable to Parent Equity Holder	217,937,648	287,392,497.00
Earnings/(Loss) Per Share (Basic)	0.087	0.115
Earnings/(Loss) Per Share (Diluted)	0.087	0.115
EFPS Trailing 12 months	-0.028	0.064

Other Relevant Information

Financial Ratios

	Formula	Calendar Year Ended December 31, 2017	Previous Calendar Year December 31, 2016
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.30	1.15
Quick Ratio	(Current Assets - Inventory - Prepayments)/ Current Liabilities	1.23	1.08
Solvency Ratio	Total Assets / Total Liabilities	2.80	2.78
Financial Leverage Ratios:			
Debt Ratio	Total Debt / Total Assets	0.36	0.36
Debt-to-Equity Ratio	Total Debt / Total Stockholders' Equity	0.55	0.56
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	3.97	2.76
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.55	1.56
Profitability Ratios:			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service/ Sales	0.48	0.57
Net Profit Margin	Net Profit / Sales	0.33	0.36
Return on Assets	Net Income before Tax/ Total Assets	0.03	0.05
Return on Equity	Net Income before Tax / Total Stockholders' Equity	0.05	0.08
Price / Earnings Ratio	Price Per Share / Earnings Per Common Share	0.087	0.115

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Waterfront Philippines, Incorporated *(WPI)* was registered with the Securities and Exchange Commission *(SEC)* on September 23, 1994, as an investment holding company for hotel, leisure, and tourism businesses.

To realize the Group's vision of making *WPI* the flagship of the Group's hotel and gaming interests, *TWGI* vended into *WPI's* acquired properties — Waterfront Cebu City Casino Hotel, Inc. (WCCCHI) in Cebu City, Waterfront Mactan Casino Hotel, Inc. (WMCHI) in Mactan, Cebu and Davao Insular Hotel Company, Inc. *(DIHCI)* in Davao City. These properties are significant investments for *WPI.* During 2003, the company started acquiring common shares of *ACESITE (Phils.) Hotel Corporation.* A major coup for WPI for the year 2004 was securing of controlling interest in the management over ACESITE (PHILS.) HOTEL CORP. Consequently, Acesite, operating under the trade name Manila Pavilion Hotel, is now part of the Waterfront group of hotels. *WPI* is now known as the largest Filipino hotel chain in the country.

The hotels fit WPI's continuous geographic diversification strategy and they are appropriate candidates for broad product renovation and operational repositioning. The hotels are well positioned in their respective markets, considering the presence of international airports in their locality. Studies indicate that international airports are major generators of lodging demand.

As a leading operator of first class casino-hotels and convention facilities, we provide much-needed support to the tourism industry's vision for growth. Our hotel experience is highly integrated, offering the best of business and leisure.

The Company has strengthened its brand visibility and continues to expand in innovative ways, using technology and new media to our advantage.

Marketing

Waterfront gives a wide range of business-related conveniences to ensure that our guests enjoy a productive stay. Our special attention to details, well-equipped business centers, accessibility, unrivaled facilities and presence in major cities of the Philippines make us best positioned to cater to the business traveler's needs. As in the previous years, our approach has always been in rejuvenating our hotels and its amenities, promoting the quality of our guest services and programs and empowering our peers. We have much to offer the broad market with the right marketing mix: competitive room rates, premium, value-added guest programs, well-equipped function facilities and professional guest services. Although, extreme competition has always been present with the Waterfront Group and other destinations and hotels, the Company has unfazingly regarded this as a welcome challenge and motivation on increasing its market share with a corresponding increase in average room rates and in actual room occupancies. As part of its marketing strategy, the company exercises flexible rates for contingencies, tie-ups with airlines, special occasion packages and other promos. Also, the massive efforts of our sales and marketing division in creating and implementing dynamic programs designed to search for customers and developing and maintaining their loyalties, have certainly added to the hotels' marketability. Coupled with the efforts of our public relations division in ensuring that the reputation of our hotels are kept free from negative publicity and its awareness of social responsibility, has certainly given marketing strategy a deeper meaning. The Company aims for building a strong relationship with our guests.

Again, considering the successful operations of our Cebu-based hotels, it can be said that Waterfront has already made an impressive dent in the market. Although we continue to discover and learn many new things, we are taking advantage of investment opportunities, which will allow us to be a significant player in the casino and hotel arena nationwide. The Company has strengthened its brand visibility with an integrated marketing communications campaign that would invite continued patronage of its products and services. To complement its marketing and sales efforts, a unified visual advertising tool for all properties was implemented.

Our Central Reservations System has made us the only integrated network of hotels in the country with a powerful presence through our 24/7 booking services. Anyone can book using a single 1-800 number 1-800-WFRONT8 (9376688) for all Waterfront Hotels nationwide.

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

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

By For this year 2016, we established and publicize the Waterfront Hotels and Casinos brand through an effective and strategic advertising effort in various publications such as glossy, local, inflights magazines. Through this, we can create strong presence and awareness of the new branding – "We're at the Center of it All" and maintain visibility of the corporate brand in various publications.

We also made a strong presence abroad – Bangkok, Korea, Japan and Singapore - organized by Tourism Promotions Board and Department of Tourism. Joined with established Asia Pacific's premier M.I.C.E. show which brings together the region's top M.I.C.E. suppliers and key industry players to collectively sell Asia as an exciting and diverse M.I.C.E. destination. Exhibitors and participants have the opportunity to sell, negotiate and secure deals with more than 500 selected buyers and travel managers from regional and international M.I.C.E and corporate travel industries through pre-scheduled appointments.

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

Information Technology

As in all areas of commerce, information technology represents one of the strongest forces for change. They are known to have significant impact in marketing of hotels. It provides an essential tool for hotel organization to keep a hand on the pulse of the customers' wants and needs. The challenge of any corporation is to conduct their operations efficiently and effectively at the least possible cost. Perhaps, one of the major advancement that happened at Waterfront is its tie-up with **Micros Fidelios** - the world leader in providing computer-related technology for hotel and restaurant chains around the world. They upgraded the system of the Company through their newest operating platform called **Opera**. This software will efficiently manage sales and accounting, reservations, point-of-sales and engineering- a first in the Philippines. This integrated system will aggressively keep track of inventory and manage revenues. The *"Fidelio"* system permits online monitoring of clients in the hotels. To date, here is a summary of the major systems used by Waterfront Hotels:

	WCCCHI	WAH	WIHD	MPH	WEC	WFC	GYM
Micros-Fidelio Point-Of-Sale System (POS)	X	X	X	X			
Micros-Fidelio Engineering Management System	X						
Micros-Fidelio Opera Sales and Catering System	X						
Opera Property Management System (PMS)	X	X	X	X			
SUN SYSTEM	X	X	X	X			
Human Resource Information System (ACLT)	X	X		X			
Mitech Payroll System					X	X	X
HR Payroll Trax			X				
Actatek Biometric Finger scan System	X	X	X	X	X	X	X
Lotus Email System	X	X	X	X	X	X	X
Micros Materials Control	X	X	X	X			
Online Automation System	X	X	X	X	X		
Call Center System					X		
Waterfront Recipe Guide System	X	X	X	X			

Employees' Training

Service is the hotels' most important product and first class service doesn't just happen overnight. It is a team effort, requiring constant attention, training and supervision. In an ongoing endeavor to carry on with this ideal, the Company continues to increase in-house and external training of its personnel to endow the employees with the competence essential to cope with the increasing standards and demands of the market.

For the past years the Company's employees have undergone training in various skill-building seminars and workshops for F&B, Housekeeping, and Front Office and even in Administrative functions. Year-to-date training index for the following are:

Property	Training Index
WCCHI	161.09
WMCHI	149.37
DIHCI	130.41
APHC	107.30
WWGI	127.45
WEC	106.22

The company takes pride in its training and development programs. In fact, Waterfront sets a high standard of achieving 70 training hours per person every year. In order to ensure that such passion for never ending quest for improvement and excellence, Waterfront makes People Development an integral Key Performance Index, among others which is Quest Satisfaction Index and Financial Index.

Waterfront is run by its highly competent Peers- the people who make a difference in every aspect of its organization. The company ensures that the quality of the Waterfront experience is maintained through excellent service, and undergoes constant training to ensure service quality and efficiency in all aspects of operations.

Waterfront's various seminars, trainings, and workshops are classified into five major categories: Inductive Program, Basic Skills Program, Upgraded and Advanced Skills, Supervisory and Management Programs, and other Wellness-related Programs.

Upon Joining the Waterfronts family newly-hired peers undergo a comprehensive Inductive Program to orient them to the Hotels Culture. Front liners undergo basic Skills Certification Program for their respective areas of assignment to ensure that hotel service standards are maintained. Supervisors and managers are enrolled in our Supervisory and Managerial Development Programs which equip them with both basic and advanced skills to help them effectively perform their roles as leaders of the organization.

Programs offered do not only stop at improving the brain functioning as well as managing emotions and attitude. The wellness related programs are programs that are also designed and made a party of the entire Peers training and development with the aiming of maintaining a healthy lifestyle, physically, mentally and spiritually.

Waterfront also puts itself at par with the global hospitality industry by partnering with International learning Institutions such as Development Dimensions International (DDI), Ivy League member Cornell University, and the Educational Institute of the America Hotel Lodging Association (AHLA).

The Company also conducted The Skills and Operations Audit that seeks to examine the effectiveness and validity of the SOPs. With this the Company is able to ensure property compliance to established standards. The American Council on Exercise (ACE) trainer's certification which is the only trainer's certification rooted in 30 years of science-based research from ACE, the world's largest nonprofit health and fitness organization. An ACE certification prepared trainers with the knowledge and skills to serve diverse clients.

We also have sponsored trainings from DOT like "The Tourism and Hospitality Skills Training Program by Workskills Australia. Is a 5-day training program which covers (1) Customer Service, (2) 5 Star Executive Housekeeping Services and (3) Professional Customer Care Specialist for Front Office Services. This programs runs as an interactive workshop for all tourism and hospitality professionals so they develop the industry culture and be at the top in customer service. Workskills Australia, an international training provider, will issue a certificate of competence aligned to ASEAN framework upon completion of the training program. This is one of 6 programs approved under the Tourism Industry Skills Training Support Scheme from the Department of Tourism, Asian Development bank and the Government of Canada.

Level Up Leadership Seminar - this two-day seminar-workshop is a comprehensive course on leadership training designed to equip current as well as high potential leaders with effective and proven principles, behaviors and applications with the objective to develop the business organization's most important asset – their valued people. This is based on the philosophy that as leaders develops themselves they lead their people better and as a winning team grow the business.

Employees

As the reputation of the hotels rise and the volume of clientele grow, so will their expectations and demands. The fundamental key to clients' satisfaction will always be the delivery of the best service from the employees. It is a team effort, requiring constant attention, training and supervision. The Company continues to increase in-house and external training of its employees. A salary structure has been implemented to ensure more competitive compensation packages, which are at par with the industry's standards and the department of Labor and Employment's mandated requirements.

The Company believes that after all, happy employees translate into happy customers, and happy customers would be tantamount to greater satisfaction, sales and income for the Company.

As of the end of the calendar year 2017, *WPI* Group has a total of 779 employees that were distributed as follows:

WCCCHI:

	Filipinos	*Foreigners*	*Total*
Executive	30	4	34
Non-Executive	283	0	283
Total	313	4	317

WMCHI:

	Filipinos	*Foreigners*	*Total*
Executive	10	1	11
Non-Executive	92	0	92
Total	102	1	103

DIHCI:

	Filipinos	*Foreigners*	*Total*
Executive	12	0	12
Non-Executive	76	0	76
Total	88	0	88

APHC:

	Filipinos	*Foreigners*	*Total*
Executive	27	3	30
Non-Executive	194	0	194
Total	221	3	224

WWGI:

	Filipinos	*Foreigners*	*Total*
Executive	1	0	1
Non-Executive	24	0	24
Total	25	0	25

WFCI:

	Filipinos	*Foreigners*	*Total*
Executive	1	0	1
Non-Executive	8	0	8
Total	9	0	9

WEC:

	Filipinos	*Foreigners*	*Total*
Executive	1	0	1
Non-Executive	12	0	12
Total	13	0	13

Grand Total	771	8	779

There is no existing union under the Company except for Davao Insular Hotel and Manila Pavilion Hotel. On April 01, 2011, Waterfront Insular Hotel Davao Employees Association (WIHDEA) and renewal on the agreement shall be in full force and effect from April 1, 2016 to March 31, 2021 all other provision of the CBA are not modified by the foregoing agreement and shall remain between the parties.

The Manila Pavilion Hotel has not experienced any strikes since 2006. The Collective Bargaining Agreement (CBA) for the line employees was concluded on December 12, 2017, covering a period of five (5) years, July 01, 2017 to June 30, 2022. However, the economic provisions of the Agreement shall be subject to renegotiation after the 3rd year of its affectivity or 60 days prior to June 30, 2020.

The CBA for supervisors signed on November 17, 2016 covers a period of five (5) years, April 01, 2016 to March 31, 2021. MAPSA (Manila Pavilion Supervisors' Association) is the one who represented the supervisor during the bargaining. The economic provision of the Agreement shall be subject to renegotiation after the 3rd year of its affectivity or 60 days prior to March 31, 2019.

<u>Business of WPI and Its Subsidiaries</u>

- ***WPI***

Being an investment holding company in hotel and gaming businesses, *WPI* has a strategic advantage in the marketplace. It can move and position itself to grab opportunities in hospitality industry, which is known to be highly competitive. The world-class facilities that it brings to the Province of Cebu are designed to provide a diverse and complete entertainment system that will attract local, regional, and international visitors.

Despite the unforgiving economic situation and the Company's relative infant stage in the industry, both *WCCCHI* and *WMCHI* enjoyed favorable occupancy rate, successfully inviting both corporate and individual travel accounts.

Subsidiaries

The Company has the following subsidiaries, which are briefly described in the next pages:
1. Waterfront Cebu City Casino Hotel, Inc. (WCCCHI)
2. Waterfront Mactan Casino Hotel, Inc. (WMCHI)
3. Waterfront Insular Hotel Davao, Inc.
4. ACESITE (Phils.) Hotel Corporation
5. Waterfront Hotel Management Corporation
6. Mayo Bonanza, Inc.
7. Waterfront Entertainment Corporation
8. Waterfront Food Concepts, Inc.
9. Waterfront Wellness Group, Inc.
10. Grand Ilocandia Resort Development Incorporated
11. Waterfront Promotions Limited

- ***Waterfront Cebu City Casino Hotel, Inc.***

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

-Waterfront Convention Center-(WCC)

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

- *Entertainment Block*

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

- *Hotel Tower Block*

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

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

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

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

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

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

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

- *Waterfront Mactan Casino Hotel, Inc.*

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

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

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 trade 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.

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

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.

- *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 El Rey (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.)*

The newly opened 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. Formerly, W Citigyms and Wellness, Inc. is a fully equipped gym with specialized trainers and state of the art equipments. The gym offers variety of services from aerobic instructions to belly dancing, boxing, yoga classes and a lot more. It also has its own nutritionist/dietician. Its highly trained therapists perform massage and spa services to guests within the hotel. The management has plan of opening Citigyms in all its hotels.

- ***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 High Roller 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 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.

Business Development

In 1995, Waterfront Philippines, Inc. (WPI) set out to complete two major objectives in the province of Cebu- to focus on hotel and resort development and to promote tourism in the Philippines. Four years later, this vision became a reality with the full operation of the Waterfront Mactan Island Hotel and Casino, Inc, and Waterfront Cebu City Hotel. At present, WPI would like to establish itself as the premiere tourism organization with leisure and entertainment activities, not only in Cebu, but also in the various provinces nationwide.

Year 2015

The race is not always to the quick. Leaders of the company make it to the top by dint of hardwork, resourcefulness and a healthy streak of creativity. To go beyond outside traditional markets and develop new revenue streams. And further enhance measures to decrease our operating cost without sacrificing the need and satisfaction of our guest.

The company also works hard to tap into alternative opportunities available, such as reaching out to the local market, which has been provided us with a remarkable revenue stream that should be further nurtured and explored.

This year also marks the second time the Philippines is playing host to the Asia-Pacific Economic Cooperation (APEC), having hosted the vent previously in 1996. The meeting aims to solicit proposals and share best practices in boosting connectivity and mobility within and across member-economies, particularly through more active capital markets. Organizers plan also to use something else that will make the Philippines stand out: its hospitality.

Despite the intense competition, the Group was able to bring in significant revenue growth and positioned to reap the fruits of all hardwork.

Year 2016

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

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

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

Year 2017

This year, continuous to become the usual host of some of the country's biggest events, the "castlesque" establishment has become one of the city's most iconic monuments and has established itself as a primary entertainment destination through the years. Being truly at the "center of it all", our hotels serve up a combination of refinement and comfort like no other, as each property expresses elegance with beautiful furnishings, exquisite interior design details and state-of-the-art amenities.

The Group has spent two decades of dedication in delivering nothing but excellent service and top-notch rooms and facilities to all its valued guests thus, with this overwhelming recognition to be chosen as one of the Philippine recipients for the ASEAN's prestigious MICE Venue Standard Award in the Hotel Category Setting, the hotel offers this success also to its patrons and loyal guests.

Strategies

The hotel properties are centrally located in the central business districts of three prime Philippine destinations, Manila, Cebu and Davao. These are the key cities of the country with the highest tourism traffic. As such our location gives us access to a greater number of foreign and local travelers.

The management team has a substantial management experience in the acquisition of equity interests in hotels in the Philippines. We have enjoyed considerable success in formulating and implementing clear acquisition strategies, and seizing opportunities to explore market potential of the hotel industry.

The acquisition strategy remains sound as it takes half the time to acquire and renovate properties as it does to conceptualize, construct and pre-open new properties. With the expertise in the hotel management, and the partnership with an investment group that is premised on the transfer of clean properties with minimal business risks, the company is confident enough the ability to improve operations and enhance value of acquired assets.

As to price, the Company offers competitive rates and packages catering to the different markets, practices flexible schemes to respond to the dynamic market. As to product/services, consistent excellent service is the key. Moreover, well maintained facilities and equipment, impressive, exciting and value for money promotions in the F&B outlets would definitely make a difference.

The Central Reservations System has made it the only integrated network of hotels in the country with a powerful presence through 24/7 booking service. As the company strives towards further convenience and accessibility, the company has introduced its outline booking facility. The newly redesigned website offers highly efficient online reservations facility that allows customers from all over the world to book real time and receive real time confirmation. This high-speed reservations feature enables the company to fully cater to the online market, whether the purpose is for travel research or convenient booking. All in all the company continue to expand in innovative ways, using technology and new media as a cost effective way to expand its market share, explore new markets and ensure the strength locally and internationally.

In a addition to advancement concerning our operations is the upgrading of our property Management Systems (PMS). These are multi-million Peso investments to upgrade our efficiency, and ensuring that our operations remain steady in the years to come. The Waterfront Recipe Guide

System is a savvy new strategy to give our F&B operations a boost. This will enable us to standardize our best-selling dishes, aiming to be more consistent in preparation and waste.

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

Our greatest software, are our People.

Item 2. Properties

The Company, being a holding company, has no real properties in its name. Properties under the WPI Group are under the ownership or lease holdings of the respective subsidiaries.

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

WCCCHI Land Lease:

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

WMCHI Land Lease:

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

DIHCI Wholly Owned:

Location	Title	Area (In Sq. Meters)
▪ Lanang, Davao City	TCT 0-255*	2,997
Size: Approximately	0-256*	304
12.29 hectares but with offshore area of 4.3 hectares	0-257*	113
	0-258*	50
	0-259*	404

T-10250*	43,881
T-10250*	47,320
T-10251*	2,091
T-102510*	2,043
T-10252*	1,133
T-10252*	300
T-10252*	300
T-10252*	1,580
T-10254*	500
T-10254*	400
T-10303-A*	304
T-30874*	223
T-10264*	18,959

ACESITE Land Lease

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

Event After the Reporting Period

On March 18, 2018, a fire broke out in Acesite (Phils.) Hotel Corporation's hotel property that damaged the lower floors of the main building as well as the Podium building occupied by the casino area and restaurants in the APHC's hotel property that resulted to the suspension of its hotel operations. Based on the Fire Certification issued by the Bureau of Fire Protection - National Headquarters on April 23, 2018, the cause of the subject fire has been declared and classified as "accidental in nature."

Item 3. Legal Proceedings

3.1 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.

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.

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.

On February 27, 2017, a Second Notice to Appear issued by the PMCU-CA directing all parties to appear on February 27, 2017 at a specified time was received by the Parent Company only on February 27, 2017 after the specified time of the meeting. The Parent Company failed to appear.

On June 30, 2017, a Resolution issued by CA, resolved to submit the appeal for decision. As at the report date, there had been no updates on the matter.

As of December 31, 2017, there had been no updates on the matter.

3.2. BIR Assessment

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

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

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

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

The CTA En Banc decision was appealed to the SC on February 5, 2015 covering the VAT assessment only. As at December 31, 2017, 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.

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

4.1 During the annual stockholders' meeting held last September 23, 2017, the stockholders approved and ratified the following matters:

4.2

a. Election of the members of the Board of Directors to serve for the term 2017-2018. Those elected regular members of the Board were:
    1. Mr. Renato B. Magadia
    2. Mr. Reno I. Magadia
    3. Mr. Kenneth T. Gatchalian
    4. Mr. Arthur M. Lopez
    5. Mr. Dee Hua T. Gatchalian
    6. Ms. Elvira A. Ting
    7. Atty. Lamberto B. Mercado, Jr.
    8. Mr. Sergio R. Ortiz-Luis, Jr.
    9. Ruben D. Torres

    Atty. Arthur R. Ponsaran acts as the Corporate Secretary of the Company.

b. The designation of KPMG R.G. Manabat and Co. as the Corporation's external auditor. In compliance with SRC Rule 68, Paragraph 3(b)(iv) which states that external auditors shall be rotated every after 5 years of engagement, the signing partner of the company for the past 5 years Mr. Virgilio L. Manguilimotan was replaced by the current partner, Mr. Tireso Randy F. Lapidez.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

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

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

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

Peso	High	Low
2017		
January – March 2017	0.650	0.335
April- June 2017	1.080	0.375
July- September 2017	1.520	0.810
October- December 2017	1.230	0.870

Peso	High	Low
2016		
January – March 2016	0.360	0.305
April- June 2016	0.410	0.320
July- September 2016	0.380	0.320
October- December 2016	0.365	0.320

The price of the stock is P 0.211 and P 0.194 as of March 31, 2018.

5.1 The number of stockholders of record as of December 31, 2017 on the Register of Shareholders was 452 but the company is not able to identify the actual number of beneficial owners who are registered under the name of the member companies of the Philippine Stock Exchange (PSE). Common shares outstanding as of December 31, 2017 were 2,498,991,753. There are no sales for the last three years of unregistered securities.

5.2 The list of top 20 stockholders of record as of December 31, 2017 is as stated hereunder:

	Name of Stockholder of Record	No. of Shares	%
1	The Wellex Group, Inc.	1, 128, 466, 800	0.4516
2	PCD Nominee Corporation (Filipino)	580, 381, 575	0.2322
3	Silver Green Investment LTD	180, 230, 000	0.0721
4	Chesa Holdings, Inc.	175, 924, 000	0.0704
5	Tybalt Investment LTD	135, 010, 000	0.0540
6	PCD Nominee Corp. (Non-Filipino)	46, 981, 699	0.0188
7	Pacific Wide Realty Development Corp.	36, 445, 000	0.0146
8	Kenneth T. Gatchalian	30, 000, 100	0.0120
9	Rexlon T. Gatchalian	30, 000, 000	0.0120

9	Weslie T. Gatchalian	30, 000, 000	0.0120
11	Forum Holdings Corporation	20, 626, 000	0.0083
12	Primary Structures Corporation	16, 212, 500	0.0065
13	Pacific Rehouse Corporation	15, 598, 900	0.0062
14	Rexlon T. Gatchalian	14, 740, 000	0.0059
15	Metro Alliance Holdings and Equities	14, 370, 000	0.0058
16	Mizpah Holdings, Inc.	10, 489, 200	0.0042
17	Elvira A. Ting	10, 000, 009	0.0040
18	Catalina Roxas Melendres	6, 246, 000	0.0025
19	Manuel H. Osmena	1, 400, 000	0.0006
20	Rolando M. Lim	1, 142, 500	0.0005

Item 6. Management's Discussion and Analysis or Plan of Operation

Below are the results of operations of the Parent Company and its subsidiaries, for the years ending December 31, 2017 and 2016 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS (Amounts in P)

	2017	2016
Revenues	2,104,932,423	2,135,345,241
Less: Costs and Expenses	1,420,782,863	1,362,379,137
Gross Income	**684,149,560**	**772,966,104**
Other Expenses (Income)	384,967,631	301,577,757
Net Income (Loss) Before Income Tax	**299,181,929**	**471,388,347**
Income Tax Expense (Benefit)	100,448,728	152,503,361
NET INCOME (LOSS)	**198,733,201**	**318,884,986**
Earnings (Loss) Per Share	**0.087**	**0.115**

FINANCIAL CONDITION (Amounts in P)

	2017	2016
ASSETS		
Current Assets	2,502,900,348	2,096,232,446
Non Current Assets	6,849,909,245	7,011,111,868
Total Assets	**9,352,809,593**	**9,107,344,314**
LIABILITIES		
Current Liabilities	1,929,206,522	1,828,565,697
Non-current Liabilities	1,406,088,464	1,444,411,625
Total Liabilities	3,335,294,986	3,272,977,322
Total Stockholders' Equity	**5,150,133,268**	**4,940,346,932**
Minority Interest	867,381,339	894,020,060
Total Liabilities & S/H Equity	**9,352,809,593**	**9,107,344,314**

Calendar Year -ended December 31, 2017 as compared with Calendar Year ended December 31, 2016

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended Dec. 31, 2017, was lower than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2017 is at P2.10B compared to 2016's P2.14B, decreased by 1.42%

  Earnings per share for 2017, P0.087 and P0.115 for 2016. There are no potentially dilutive shares as of December 31, 2017, 2016, 2015.

Cost and expenses

- Cost and expenses of 2017 is at 1.42B with 4.29% increased from last year.

FINANCIAL CONDITION

Cash and cash equivalents - This account increased by P141.63M which is higher from last year by 69.33%.

Receivables - Decreased by 3.01% from P235.45M in 2016 to P228.36M in 2017.

Notes Receivable - The Group extended loans to Acesite Leisure and Entertainment Corporation (ALEC) amounting to P195.01 million payable on December 31, 2018, and bear interest at 4% per annum (see Note 21). The loan is guaranteed by another entity in behalf of ALEC.

Inventories - Inventories increased by 20.33% from last year.

Due from related parties-current portion - The account increased to P64.22M an amount equivalent to 4.18%. This represents interest bearing advances to TWGI, PRC and Crisanta Realty. It also includes from PHES which is non-interest bearing. This year of 2017, these advances are due in one year, subject to yearly renewal and re-pricing.

Prepaid expenses and other current assets - An increased of P7.16M from last year's P90.40M. Prepaid expenses are defined as payment for services and/or benefits yet to be performed or received; it also includes prepaid taxes and insurance.

Property plant & equipment - This year at 2.95% decreased from last year's P6.59B. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

Other non current assets - There is an increased of P2.56M on this account, an amount equivalent to 9.14% compared from last year.

Current Liabilities - The account consisted of trade payable, income tax payable, accruals and loans payable. The account increased by 5.50% from last year; P1.83B in 2016 to P1.93B in 2017.

Loans Payable - Remained static at P375M.This consisted of SSS Loan only. PBB loan was fully paid on April 29, 2016 while ICBC loan was also fully paid March 31, 2016.

Other current liabilities - The account resulted a decreased of 40.03%. This refers to concessionaire, other deposits and deferred income.

Calendar Year ended December 31, 2016 as compared with Calendar Year ended December 31, 2015

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended Dec. 31, 2016, was higher than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2016 is at P2.14B compared to 2015's P2.10B. Increase of 34.44M or 1.90%

  Earnings per share for 2016, P0.115 compared to 2015 at P0.051. There are no potentially dilutive shares as of December 31, 2016, 2015, 2014.

Cost and expenses

- Cost and expenses of 2016 is at 1.36B with 42M decrease from last year or 2.99%.

FINANCIAL CONDITION

Cash and cash equivalents - This account increased by P31.13M which is higher from last year by 17.97%.

Receivables - Increased by 10.33% from P213.71M in 2015 to P235.45M in 2016.

Inventories - Inventories decreased by 3.79% from last year's P29.30M.

Due from related parties-current portion - The account decreased to P72.31M an amount equivalent to 4.49%. This represents interest bearing advances to TWGI, PRC and Crisanta Realty. It also includes from PHES which is non-interest bearing. This year of 2016, these advances are due in one year, subject to yearly renewal and re-pricing.

Prepaid expenses and other current assets - An increased of P13.42M from last year's P76.98M.Prepaid expenses are defined as payment for services and/or benefits yet to be performed or received; it also includes prepaid taxes and insurance.

Property plant & equipment - This year at 11.13% increased from last year P5.93B. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

Available for sale investments - 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.

Other non current assets - There is a decreased of P12.71M on this account, an amount equivalent to 31.24% compared from last year.

Current Liabilities - The account consists of trade payable, income tax payable, accruals and loans payable. The account decreased by 25.16% from last year; P2.44B in 2015 to P1.83B in 2016.

Loans Payable - Decreased by 24.40% or P121.03M. This consists of SSS Loan only. PBB loan was fully paid on April 29, 2016 while ICBC loan was also fully paid March 31, 2016.

Other current liabilities **–** The account resulted a decreased of 95.27%. Decreased of P516.91M was attributable to Concessionaires' and other deposits and Current portion of advance rental.

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 relationship of the company with unconsolidated entities or other persons created during the reporting period.
d. The group is not subject to externally-imposed capital requirements.
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.

Financial Risk and Capital Management Objectives and Policies

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

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 are 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 P375.00 million loan from SSS, as well as the stock rights offering of the Parent Company. Since 2006, the Parent Company charged WCCCHI on the related interests and penalties on the contention that the latter benefited from the proceeds of the SSS loan (see Note 13). Starting 2017, WCCCHI was not anymore charged with the interest on SSS loan because the Parent Company has assessed that if it has already fulfilled its obligations related to its use of proceeds from such 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 86.71 million shares as at December 31, 2017 and 2016 (see Note 8f).

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, 2017 and 2016.

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

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

Capital Management
The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Group's overall strategy remains unchanged from 2017 and 2016.

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 2017 and 2016. 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.

Item 7. Financial Statements

The consolidated financial statements are filed as part of this Form 17-A, attached hereto and marked as Annex 'A'.

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

1) External Audit Fees and Services

KPMG R.G. Manabat & Co. began the external audit of the financial statements of Waterfront Philippines, Inc. and its subsidiaries for the calendar year ended December 31, 2002 until present, December 31, 2017.

A) Audit and Audit-Related Fees, net of Tax

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,	
	2017	***2016***
Aggregate Fees Billed for the external audit of the Company's financial statements	3, 770, 000.00	3, 755, 000.00

B) Tax Fees

None

C) All Other Fees

None

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

9.1 The names and ages of the Directors and Executive Officers as of December 31, 2017 are as follows:

Office	Name	Age	Citizenship	Position in Other Listed Companies
Chairman of the Board	Renato B. Magadia	79	Filipino	Director-Phil. Estate Corporation, Chairman of the Board of Metro Alliance Holdings and Equities Corporation, Mercator Holdings and Equities Corporation, 2007-2008 Rotary Governor for district 3930; Vice-Chairman of Acesite (Phils.) Hotel Corp.; Director of Misons Industrial and Development Corp., All Oceans Maritime Agency, Inc., Howden Insurance and Reinsurance Brokers (Phils.), Inc., Cunningham Toplis Philippines, Inc., Metro Combined Logistics Solutions, Inc. and President of The Zuellig Corporation. An active member of Rotary Club of Makati North.
Director	Kenneth T. Gatchalian	41	Filipino	Director-Wellex Industries Inc.; President & CEO of Acesite (Phils.) Hotel 2007-present; President and Chief Excutive Officer of Philippine Estates Corporation 2010-2011; Director-Forum Pacific Inc.
Director	➢ Arthur M.Lopez	71	Filipino	Owner and Principal Consultant of AML Hotel Consultancy, Management and Technical Services Consultant of Federal Land and owner of Grand Hyatt Projects and Marco Polo Cebu; Director-Philippine Estates Corp., Chairman- Acesite Phils. Hotel Corp, Hotel Management Consultant of the B Hotel Manila, Bellevue Bohol Resort in Panglao, B Hotel Quezon City, Bellevue Baguio (opening in 2018) and Bloomberry Casino Hotels & Resorts; Regional Director of Asia Pacific Top Management International Resources Corp.; Hotel Management Consultant of Double Dragon properties Corporation. President of

				Legoli Holdings Inc and Arleff Holdings Inc. and President of Phil. Hotel Federation Inc.
Director	Dee Hua T. Gatchalian	69	Filipino	Director- Philippine Estates Corporation, Acesite (Philippines) Hotel Corporation; EVP-Finance and Admin The Wellex Group, Inc., & Plastic City Corporation. Chairperson of Jesus Our Life Ministries, Inc.
Director	Reno I. Magadia	47	Filipino	Managing Director- Misons Industrial & Development Corp., Metro Combined Logistics Solutions, Inc.; Director - Metro Alliance Holdings and Equities Corp. Vice-President and Director of Mercator Filter Manufacturing Corporation.
Director	Lamberto B. Mercado, Jr.	53	Filipino	Director-The Wellex Group, Inc., Metro Alliance Holdings & Equities Corp., Forum Pacific, Inc. Director- Acesite (Phils.) Hotel 2004-present, Air Philippines Corporation and Philippine International Airways, Inc.
Director	➢ Sergio R. Ortiz-Luis, Jr.	74	Filipino	Independent Director-Waterfront Philippines, Inc., President & CEO - Philippine Exporters Confederation, Inc. (PHILEXPORT); Honorary Chairman - Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines, Integrated Concepts and Solutions, Inc., Vice-Chairman of Alliance Global, Inc.; Director - International Chamber of Commerce of the Philippines, Manila Exposition Complex, Inc., Lasaltech Academy, BA Securities, Rural Bank of Baguio, GS1.; Gov't Affiliations: Vice-Chairman - Export Development Council; Civic Organizations: Chairman - Rotary Club of Green Meadows, Director - PILAK Foundation, Universal Access Center for Trade Others: Honorary Consul General - Consulate of Romania in the Philippines.
Director	➢ Ruben D. Torres	76	Filipino	Independent Director Waterfront Philippines, Inc., President -BPO Workers Association of the Phils..; Senior Partner - Torres Caparas Torres Law Offices; Secretary General-Katipunan ng Manggagawa at Magsasaka ng Pilipinas; Chairman/CEO - Service Exporters Risk Management & Consultancy Co., Towers Corporation and Optimus Medical Care and Trading Corporation.
Director and Treasurer	Elvira A. Ting	57	Filipino	President & CEO - Philippine Estates Corporation; Director-Wellex Industries, Inc., Forum Pacific, Inc., Orient Pacific Corporation, Crisanta Realty and Development Corporation, Recovery Development Corporation, The Wellex Group, Inc., Plastic City Industrial Corporation.
Corporate Secretary	Arthur R. Ponsaran	74	Filipino	Director-Philippine Estate Corporation, Wellex Industries, Inc., Forum Pacific, Inc. Acesite

				(Phils.) Hotel, Managing Partner-Corporate Counsels, Phils., Chairman of Value Management and Options Corp and Corp Secretary of Producers Rural Banking Corp., The Wellex Group, Inc., MRL Gold Phils., Inc., Village Foundation, Shuylkill Assets Strategists (SPV-AMC), Inc., Petrolift Corp.

- ***Independent Directors***

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

Renato B. Magadia	Chairman of the Board

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

Kenneth T. Gatchalian	President

Mr. Kenneth T. Gatchalian is a President of the Company. He is a member of the Board of Forum Pacific, Inc. and Wellex Industries, Inc., and The Wellex Group, Inc. He is 41 years old and holds a Degree in Bachelor of Science in Architecture from University of Texas in San Antonio, Texas, USA. He's been a director of Waterfront since February 2001.

Arthur M. Lopez	Director

Arthur M. Lopez is the Principal Consultant of AML Hotel Consultancy, an independent Hotel Consultant. The President of the Philippine Hotel Federation Inc. Currently he is the Hotel Management Consultant of Jin Jiang Inn Ortigas, Jin Jiang Inn Makati, Hotel 101 Manila, Injap Tower Iloilo, Hotel 101 Fort; Hotel Management Consultant of B Hotel in Manila, B Hotel Quezon City, Bellevue Bohol Resort in Panglao and Bellevue Baguio(opening in 2018). Hotel Advisor of Cathay International Resources Corp., Hotel Technical Services Adviser and Management Consultant of Hotel of Asia Inc., Director of Asia Pacific Top Management International Resources Corp. and, Chairman of Acesite Philippines Hotel Corporation and Director of Philippine Estates Corporation. He is the Owner's Representative and Advisor of the Sheraton Langkawi Beach Resort in Malaysia, Four Points by Sheraton Kuching, Malaysia, the Santubong Resort in Kuching, Malaysia and Helang Hotel, Langkawi, Malaysia. He was the Management Consultant at the Rarotongan Beach Resort & Spa and the Aitutaki Lagoon Resort and Spa in Cook Islands and has done hotel and club consultancy work in Japan, Palau, China and Indonesia. He was the Management and Technical Services Consultant of Federal Land's Grand Hyatt Manila project and assisted in the negotiation of the management and technical services agreement with Hyatt Hotels. Pre-opening Management and Technical Services Consultant Bloomberry Casino Hotels and Resorts/Solaire Hotel and Casino. He was elected as Chairman of Acesite (Phil's.) Hotel Corp., since 2004-present.

He is 71 years old and a Masters Degree holder in Business Administration from the University of Santo Tomas. He's been a director of Waterfront Philippines, Inc. since October 2000-present. In 21st September 2013, he received the Certificate of Recognition in the Field of Business Management BSC Management 1968, "in grateful appreciation for giving pride, honor and prestige to UST College Alumni Foundation as well as living the true Thomasian legacy". He was one of the UST Commerce Outstanding Alumni

2013 in the field of Business Management given in 19th September 2013. This was in recognition of his having shown professional excellence, exemplary moral and Christian conduct in his chosen field, living the true Thomasian legacy. On 2014, Rotary Club of Manila 10th Tourism Awards, Hotel Tourism Category, in recognition of his extraordinary contribution to the promotion and advancement of the tourism industry in the Philippines.

Dee Hua T. Gatchalian	**Director**

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

Reno I. Magadia	Director

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

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

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

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

He has degrees of Bachelor of Arts and Bachelor of Science in Business Administration from De La Salle University; PhD Humanities from Central Luzon State University, and PhD Business Technology from Eulogio "Amang" Rodriguez Institute of Science and Technology. He is the President and CEO of Philippine Exporters Confederation, Inc. An Honorary Chairman of Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines as well as Integrated Concepts & Solutions, Inc. He is the Vice Chairman of Alliance Global, Inc., Export Development Council. He is a Director of Manila Exposition Complex, Inc., Lasaltech Academy, Philippine Estate Corporation, BA Securities, Rural Bank of Baguio, PILAK Foundation, and Universal Access Center for Trade and Philippine International Training Corporation. He is a Council Adviser Member of Philippine Foundation, Inc., a Founding Director of International Chamber of Commerce of the Philippines and GS1. He is also a member of the Board of Advisers of Southville International School and Colleges. He is a commissioner of Patrol 117, a Financing Champion of National Competitiveness Council and a Private Sector Representative of Bamboo Council. He is also a Chairman of Rotary Club of Green Meadows Foundation and also a Chairman of Council of Advisers Eastern Police District. He is the Past President of Rotary Club of Green Meadows Quezon City RI District 3780; a Board of Advisers Member of Council of Advisers Philippine National Police, a senator of Philippine Jaycee Senate, Captain of Philippine Coastguard Auxiliary and a member of the League of Corporate Foundation. He is the Honorary Consul General of Consulate of Romania in the Philippines, a Treasurer of Consular Corps of the Philippines and an Honorary Adviser of International Association of Education for World Peace. Some awards that he received were International Peace Award for Economic Development in 2005, Most Outstanding Citizen of Nueva Ecija in the Field of Business in 2005 also, Most Outstanding Pasigueno in 2006, Ulirang Ama also in 2006 and Presidential Merit Award Medal in 2007. He became an Independent Director of Waterfront Philippines, Inc. since August 2006-present. This 2014, he attended Exporter's Partner in Gearing the Country for the AEC Markets of the World 2, Technology Innovation and Entrepreneurship as Competitive Strategies PHILAAS 63rd Annual Convention and lastly, Bringing the Buy Pinoy Campaign to the Next Level.

Ruben D. Torres	**Director**

Mr. Ruben Torres graduated in the University of the Philippines with a degree of Bachelor of Arts (Political Science) after which, he finished the degree of Bachelor of Laws at the same university. He is 76 years old. Presently he is also the President of BPO Workers Association of the Philippines and Senior Partner of Torres Caparas Torres Law Office. He is also the Secretary General of Katipunan ng Manggagawa at Magsasaka ng Pilipinas. He is associated with the Integrated Bar of the Philippines and Philippine Academy of Professional Arbitrators. His former positions include being a Member of the House of Representatives of the 2nd District of Zambales, Executive Secretary of the Office of the President in Malacañang, Secretary of the Department of Labor and Employment. Mr. Torres became an Independent Director of Waterfront Philippines, Inc. since August 2006-present.

Elvira A. Ting	**Director and Treasurer**

Ms. Elvira A. Ting earned her Bachelor's Degree in Business Administration major in Management from the Philippine School of Business Administration. She's 57 years old and has been a Director of Waterfront Philippines, Inc., since October 2000-present. She is also the President/Director of Philippine Estates Corp., a director Wellex Industries, Inc., The Wellex Group, Inc., and Forum Pacific, Inc. She is also a Director/CFO of Acesite Phils. Inc. since 2004-present.

Executive

Kenneth T. Gatchalian	**President**

(see above description)

Precilla O. Toriano	**Corporate Finance Director**

Ms. Toriano joined Waterfront in September 10, 2001 as Asst. Financial Controller of Waterfront Cebu City Casino Hotel. After five (5) months, she became the Financial Controller before she was promoted as Corporate Finance Director for the group. Before joining Waterfront, she has already been working with the group; she worked as Internal Auditor at Air Philippines Corp. and eventually transferred to The Wellex Group, Inc. to join the Corporate Internal Audit team, which paved the way for her coming in the Waterfront Hotels and Casinos. She is a CPA by profession; she graduated at the University of the East with a degree of Bachelor of Science in Business Administration Major in Accounting. She took up MBA units in the Polytechnic University of the Philippines. After graduation, she worked as an accounting staff at Liberty Corrugated Boxes Manufacturing, Inc. Then, she moved to Control Management Inc. as an Internal Auditor. After which, she worked for Philippine Remnants Corp. as an Accounting Manager. She had several trainings in the following fields: Managerial Leadership and Decision Making Skills, the Basics of Management Audit, Supervisory Effectiveness, Accounting and BIR Regulations, Accounting and Bookkeeping Audit, Operations Audit, Living and Working in Balance, Management Development Program, Accounting & Administrative Control, and Lean Six Sigma. In 2005 she acquired a Certification in Financial Management for Hotels at Cornell University School of Hotel Administration, in New York USA focusing on High Performance Financial Management For Hotels Operations, Hospitality Financial Management & Operations Decision Making, and Fraud Controls for Managers. She attended the CFO Congress 2007 at Malaysia. In 2010 she was sent to Singapore to attend the Strategic & Sustainable Cost Control Training. She attended the Financial Modeling Seminar in Singapore in 2011. In the year 2012 in June-July, she was sent by the company to New York to attend the

Management Development Program at Cornell University thus granting her the "Certification in Strategic Management". This June 2015, she took the 3-day MBA for Chief Finance Officers held in Kuala Lumpur, Malaysia.

Maria Socorro Cotelo	Corporate Planning Director

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

Ricky L. Ricardo- *Corporate Affairs Officer*

Mr. Ricardo is the Corporate Affairs Officer. He is currently the Vice President for Corporate Affairs of APHC and Vice President for Strategic Initiatives of the Wellex Group, Inc. Mr. Ricardo is a graduate of the Ateneo de Manila University with a degree in Management Economics. He started in banking and lending industry with the Far East Bank and Trust Company, 2nd later handled corporate planning for the Philippine Banking Corporation. He was previously worked with AEA Development, an investment house and he has also served in the government under both the office of the Prime Minister and the Department of Finance.

9.2 The Directors of WPI are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified. For the year 2017 the Board of Directors' meeting for the election of the Executive Officers was held on last September 23, 2017. The Directors are to serve one year from then. The last annual stockholders' meeting was held at the Waterfront Cebu City Hotel.

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

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

There are no other relationships among the officers listed.

9.4 None of the Directors and Executive Officers of the Corporation is engaged in any material litigation either as Plaintiff or Defendant, and the Directors and Executive Officers do not have any knowledge of any proceedings pending or threatened against them for the past five years that are material to evaluation of the integrity and ability of any director including but not limited to the following: (a) Any bankruptcy petition filed by or against any business of which such person was a general partner; (b) any conviction by final judgment, including the nature of the offense, including in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and minor offenses; (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

9.5 There is no significant employee to the Company who is not an executive officer but who is expected by the Company to make a significant contribution to the business except for the Training Consultant and Legal Consultants, the organic pool of trainors as of the moment. In order to protect the long-term viability of the firm with regard to these people, the Company has included in their contracts a provision for conflict of interest, provision for lock in period and non-duplication of documents and developments with WPI copyrights.

Item 10. Executive Compensation

10.1 None of the directors receive compensation for serving as directors of the company.

10.2 The aggregate compensation paid to the four.

	Fiscal Year Ending December 31		
	2017	2016	2015
a) Aggregate compensation paid to four most highly compensated executive officers: -estimated i) Anders Hallden ii) Precilla Toriano iii) Maria Socorro Cotelo iv) Lanelle Barba	11,249,070.00	10,713,400.00	10,912,500.00
b) Aggregate compensation paid to other Officers as a group unnamed -estimated	7,907,456.90	7,677,142.62	7,311,564.40

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

10.4 There is no issuance of warrants or options for the year 2017 to the directors or executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1 **Security Ownership of Certain Record and Beneficial Owners**
As of December 31, 2017, WPI has no knowledge of any individual or any party who beneficially owns in excess of 10% of WPI's common stock except as set forth in the table below:

Title of Class	Name of Record/ Beneficial Owner	Amount & Nature of Record/Beneficial Ownership ("r" or "b")	Percent Of Class
Common	The Wellex Group, Inc.	1,128, 466, 800 "r" *	45.16
Common	PCD Nominee Corp.(Fil)	580, 381, 575 "r" **	23.22
Common	Silver Green Investments Ltd.	180, 230, 000 "r" **	7.21

*Ms. Elvira A. Ting, the Treasurer, represents The Wellex Group, Inc.

11.2 **Security Ownership of Management**

Title Of Class	Name of Owner	Amount and Nature of Ownership ("r" or "b")	Percent of Class
Common	Renato B. Magadia	200 r&b	0.000
Common	Kenneth T. Gatchalian	30, 000, 100 r&b	1.200
Common	Arthur M. Lopez	1 r&b	0.000
Common	Elvira A. Ting	10, 000, 009 r&b	0.400
Common	Lamberto Mercado	100 r&b	0.000
Common	Arthur R. Ponsaran	110 r&b	0.000
Common	Dee Hua T. Gatchalian	350, 000 r&b	0.014
Common	Reno Magadia	10, 000 r&b	0.000
Common	Sergio R. Otiz-Luis Jr.	110 r&b	0.000
Common	Ruben Torres	1, 000 r&b	0.000

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

Item 12. Certain Relationships and Related Transactions

The Directors by virtue of their interest in the shares of the Company are deemed to have interests in the shares of its subsidiary companies and associated companies to the extent the Company have an interest.

During the fiscal year, no director of WPI has received or become entitled to receive any benefit by reason of:

i) a contract made with WPI or
ii) a contract made with a related corporation or
iii) a contract made with a firm of which the director is a member or
iv) a contract made with a company in which the director has a substantial financial interest.

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

(b) Reports on SEC Form 17-C

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code , this report is signed on behalf of the issue by the undersigned; thereunto duly authorized, in the City of CITY OF MANILA on APR 2 5 2018 2018.

KENNETH T. GATCHALIAN
President/ CEO/COO

ELVIRA A. TING
Treasurer/CFO

ARTHUR R. PONSARAN
Corporate Secretary

PRECILLA O. TORIANO
Corporate Finance Director

SUBSCRIBED AND SWORN to before me this ____dayof APR 2 5 2018 2018 affiant(s) exhibiting to me his/their Passport.

NOTARY PUBLIC

ATTY. GILBERTO B. PASIMANERO
Notary Public Until Dec. 31, 2019
Notarial Commission 2018-015 Mla.
IBP# 012434 Pasig 7-27-17 until 2019
PTR# Mla 6993997 - 1-4-2018
Roll# 25473, TIN# 103-098-346
MCLE Compl. No. V-0006269 until 4-14-19

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Page No. 94
Book No. 9
Series of 2018

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
A F S 1 7		

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

No. 1 Waterfront Drive, Off Salinas Drive, Lahug

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 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, 2017**. 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, 2017** 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

Signed this __th day of APR 2 4 2018 2018

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 2 4 2018 AT CEBU CITY

Doc. No. 334
Page No. 68
Book No. 40
Series of 2018

JOSELITO RAMON O. CASTILLO
NOTARY PUBLIC FOR CEBU CITY
NOTARIAL COMMISSION NO. 76-08: UNTIL DEC. 31, 2
LOWER LEVEL, WATERFRONT CEBU CITY HOTEL
ONE SALINAS DRIVE, LAHUG, CEBU CITY
ROLL OF ATTORNEY'S NO. 40417
PTR NO 1433813/CEBU CITY/12/28/17
IBP LIFETIME MEMBER NO. 05244

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

REPUBLIC OF THE PHILIPPINES)
) S.S

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 24 2018 day of ____ 2018 at CEBU CITY.

ELVIRA A. TING
Treasurer

APR 24 2018

SUBSCRIBED AND SWORN to before me on this ___ day of _________ at CEBU CITY. Affiant exhibited to me her **Community Tax Certificate No. 23493219** issued on **January 10, 2018.**

Doc. No 336.
Page No 69.
Book No 46.
Series of 2018.

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

NOTARIAL C...
LOWER ... DEC. 31, 2018
ONE ... HOTEL
ROLL ... 40417
PTR NO. 143... CEBU CITY 12/28/17
IBP LIFETIME MEMBER NO. 03244

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 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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017, 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.

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
(P2.10 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
As part of our audit procedures, 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, 2017, 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, 2017 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.

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 April 30, 2018
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2017
 Issued September 4, 2017; valid until September 3, 2020
PTR No. 6615138MD
 Issued January 3, 2018 at Makati City

April 25, 2018
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2017**	2016
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 21*	**P345,929,975**	P204,295,153
Receivables - net	*5, 21*	**228,360,959**	235,447,147
Notes receivable	*8, 21*	**195,007,214**	-
Inventories	*6*	**33,918,796**	28,187,104
Due from related parties - current portion	*8, 21*	**1,602,120,064**	1,537,900,077
Prepaid expenses and other current assets	*7, 21*	**97,563,340**	90,402,965
Total Current Assets		**2,502,900,348**	2,096,232,446
Noncurrent Assets			
Available-for-sale investment	*8, 21*	**15,954,640**	16,821,740
Due from related parties - noncurrent portion	*8, 21*	**347,927,681**	340,197,163
Property and equipment - net	*9*	**6,390,497,964**	6,585,028,850
Deferred tax assets	*19*	**64,994,497**	41,086,003
Other noncurrent assets	*10, 21*	**30,534,463**	27,978,112
Total Noncurrent Assets		**6,849,909,245**	7,011,111,868
		P9,352,809,593	P9,107,344,314
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*11, 21*	**P1,468,215,052**	P1,358,365,891
Loan payable	*13, 21*	**375,000,000**	375,000,000
Income tax payable		**70,613,726**	69,555,622
Other current liabilities	*12, 21*	**15,377,744**	25,644,184
Total Current Liabilities		**1,929,206,522**	1,828,565,697
Noncurrent Liabilities			
Deferred tax liabilities	*19*	**1,275,069,230**	1,339,315,801
Retirement benefits liability	*18*	**124,481,905**	98,517,865
Other noncurrent liabilities	*14, 21*	**6,537,329**	6,577,959
Total Noncurrent Liabilities		**1,406,088,464**	1,444,411,625
		3,335,294,986	3,272,977,322

Forward

	Note	December 31 2017	2016
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*	**2,211,108,991**	2,349,524,496
Retirement benefits reserve		**83,695,458**	102,082,569
Foreign currency translation adjustment		**52,542,000**	41,686,179
Fair value reserve		**2,063,223**	2,683,245
Accumulated deficit		**(404,632,514)**	(760,985,667)
Total Equity Attributable to Equity Holders of the Parent Company		**5,150,133,268**	4,940,346,932
Noncontrolling Interests	*16*	**867,381,339**	894,020,060
Total Equity		**6,017,514,607**	5,834,366,992
		P9,352,809,593	P9,107,344,314

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	**2017**	2016	2015
REVENUES				
Rooms		**P752,685,023**	P662,116,109	P606,473,995
Rent and related income	*22, 23*	**675,827,680**	805,703,911	827,620,396
Food and beverage		**629,397,919**	595,040,745	585,764,307
Others		**47,021,801**	72,484,476	81,049,092
		2,104,932,423	2,135,345,241	2,100,907,790
COSTS AND EXPENSES OTHER THAN INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE				
Energy costs		**339,742,550**	330,679,391	333,238,825
Personnel costs	*18*	**326,883,250**	336,524,229	354,949,699
Food and beverage	*6*	**222,565,682**	208,718,438	173,788,840
Repairs and maintenance	*6*	**48,696,483**	48,610,121	75,627,236
Rooms		**30,336,459**	37,016,392	48,926,506
Rent	*23*	**37,408,179**	47,932,759	66,778,509
Others	*17*	**415,150,260**	352,897,807	351,064,421
		1,420,782,863	1,362,379,137	1,404,374,036
INCOME BEFORE INTEREST, DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSSES AND INCOME TAX EXPENSE		**684,149,560**	772,966,104	696,533,754
DEPRECIATION AND AMORTIZATION, INTEREST AND IMPAIRMENT LOSSES				
Depreciation and amortization	*9*	**355,307,819**	255,392,265	333,683,900
Interest expense	*13, 22*	**60,222,509**	80,144,299	136,933,256
Foreign exchange losses - net		**10,365,853**	12,007,679	18,318,204
Impairment losses, bad debts written off and provisions	*5*	**632,751**	3,442,842	2,587,635
Interest income	*4, 8*	**(42,276,067)**	(39,859,178)	(33,711,906)
Others - net		**714,766**	(9,550,150)	3,207,862
		384,967,631	301,577,757	461,018,951
INCOME BEFORE INCOME TAX EXPENSE		**299,181,929**	471,388,347	235,514,803
INCOME TAX EXPENSE	*19*	**100,448,728**	152,503,361	76,807,708
NET INCOME		**198,733,201**	318,884,986	158,707,095

Forward

	Note	2017	2016	2015
		Years Ended December 31		
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will never be reclassified to profit or loss				
Appraisal increase on property and equipment	*9*	**P -**	P913,101,845	P -
Actuarial (losses) gains on defined benefit plan	*18*	**(36,534,724)**	8,322,675	19,796,982
Deferred tax effect	*19*	**10,960,417**	(276,427,356)	(5,939,095)
		(25,574,307)	644,997,164	13,857,887
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations		**10,855,821**	9,243,210	8,272,530
Net change in fair value of available-for-sale investment	*8, 21*	**(867,100)**	(1,387,360)	(4,769,050)
		9,988,721	7,855,850	3,503,480
		(15,585,586)	652,853,014	17,361,367
TOTAL COMPREHENSIVE INCOME		**P183,147,615**	P971,738,000	P176,068,462
Net income attributable to:				
Equity holders of the Parent Company		**P217,937,648**	P287,392,497	P127,211,459
Noncontrolling interests	*16*	**(19,204,447)**	31,492,489	31,495,636
		P198,733,201	P318,884,986	P158,707,095
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P209,786,336**	P854,154,052	P144,747,910
Noncontrolling interests	*16*	**(26,638,721)**	117,583,948	31,320,552
		P183,147,615	P971,738,000	P176,068,462
EARNINGS PER SHARE - Basic and Diluted	*20*	**P0.087**	P0.115	P0.051

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	Foreign Currency Translation Adjustment	Fair Value Reserve	Deficit	Total	Non-controlling Interests (Note 16)	Total Equity
As at January 1, 2017	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
Total Comprehensive Income for the Year										
Net income for the year	-	-	-	-	-	-	217,937,648	217,937,648	(19,204,447)	198,733,201
Other comprehensive income - net of tax effect	-	-	-	(18,387,111)	10,855,821	(620,022)	-	(8,151,312)	(7,434,274)	(15,585,586)
	-	-	-	(18,387,111)	10,855,821	(620,022)	217,937,648	209,786,336	(26,638,721)	183,147,615
Transfer of revaluation surplus absorbed through depreciation for the year - net of tax effect	-	-	(138,415,505)	-	-	-	138,415,505	-	-	-
As at December 31, 2017	P2,498,991,753	P706,364,357	P2,211,108,991	P83,695,458	P52,542,000	P2,063,223	(P404,632,514)	P5,150,133,268	P867,381,339	P6,017,514,607

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	Foreign Currency Translation Adjustment	Fair Value Reserve	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.

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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	Foreign Currency Translation Adjustment	Fair Value Reserve	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	(P1,097,460,908)	P4,086,192,880	P776,436,112	P4,862,628,992

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2017	2016	2015
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P299,181,929**	P471,388,347	P235,514,803
Adjustments for:				
Depreciation and amortization	*9*	**355,307,819**	255,392,265	333,683,900
Interest expense	*13, 22*	**60,222,509**	80,144,299	136,933,256
Retirement benefits cost	*18*	**21,196,913**	20,814,752	40,342,055
Unrealized foreign exchange loss - net		**10,855,821**	9,243,210	8,272,530
Impairment losses	*5*	**632,751**	3,442,842	2,587,635
Provisions	*25*	**-**	-	(45,575,012)
Gain on disposal of property and equipment		**-**	(947,110)	-
Interest income	*4, 8*	**(42,276,067)**	(39,859,178)	(33,711,906)
		705,121,675	799,619,427	678,047,261
Changes in:				
Receivables		**6,453,437**	(25,188,037)	(16,328,580)
Inventories		**(5,731,692)**	1,111,077	(1,482,280)
Prepaid expenses and other current assets		**(7,160,375)**	(13,420,759)	(26,858,888)
Accounts payable and accrued expenses		**49,626,652**	(14,410,832)	64,127,114
Other current liabilities		**(10,266,440)**	(523,576,556)	468,612,863
		738,043,257	224,134,320	1,166,117,490
Interest received	*4*	**1,902,783**	505,729	3,456,946
Retirement benefits paid	*18*	**(10,317,597)**	(9,606,808)	(8,945,198)
Retirement contributions paid	*18*	**(21,450,000)**	(21,050,000)	(11,250,000)
Income taxes paid		**(176,585,272)**	(85,130,822)	(50,947,041)
Interest paid		**-**	(63,195,329)	(96,477,022)
Net cash provided by operating activities		**531,593,171**	45,657,090	1,001,955,175
CASH FLOWS FROM INVESTING ACTIVITIES				
Changes in:				
Due from related parties		**(31,577,221)**	99,298,558	30,892,282
Other noncurrent assets		**(2,556,351)**	12,710,611	26,002,418
Additions to property and equipment	*9*	**(160,776,933)**	(9,668,747)	(25,043,772)
Notes receivable	*8*	**(195,007,214)**	-	-
Proceeds from sale of property and equipment		**-**	8,928,615	-
Net cash (used in) provided by investing activities		**(389,917,719)**	111,269,037	31,850,928

Forward

	Note	2017	2016	2015
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Changes in:				
Loans payable		**P -**	(P121,030,050)	(P351,776,392)
Other noncurrent liabilities		**(40,630)**	(4,769,144)	(648,551,702)
Cash used in financing activities		**(40,630)**	(125,799,194)	(1,000,328,094)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**141,634,822**	31,126,933	33,478,009
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**204,295,153**	173,168,220	139,690,211
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P345,929,975**	P204,295,153	P173,168,220

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Waterfront Philippines, Incorporated (the Parent Company) was incorporated and 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, 2017 and 2016 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.	-	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 Corporation (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 and 2000, respectively, due to unfavorable economic conditions.

On March 18, 2018, a fire broke out in APHC's hotel property that damaged the lower floors of the main building as well as the Podium building occupied by the casino area and restaurants in the APHC's hotel property resulting to the suspension of its hotel operations. Based on the Fire Certification issued by the Bureau of Fire Protection - National Headquarters on April 23, 2018, the cause of the subject fire has been declared and classified as "accidental in nature." APHC is in the process of preparing the requirements for its insurance claims, the proceeds of which shall be used to restore APHC's hotel for its continued operation.

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 approved and authorized for issue by the Parent Company's Board of Directors (BOD) on April 25, 2018.

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, land improvements, hotel buildings and improvements, furniture, fixtures and equipment, and transportation	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, unless otherwise stated.

3. Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgments, 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 Group's transactions with PAGCOR, the Group's management and its legal counsel have made a judgment that the amended PD No. 1869 prevails over the amended RR No. 16-2005 (see Note 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 (see Note 23).

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 (see Note 8).

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 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.

Further details on the allowance for impairment losses are disclosed in 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 carrying value of the inventories are disclosed in 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.

The carrying amounts of property and equipment are disclosed in 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.

As at December 31, 2017 and 2016, there is no indication of impairment on the Group's prepaid expenses and other current assets, property and equipment and other noncurrent assets.

Fair Value Estimation
If the financial instruments are not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel, independent of the area calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Change in assumptions about these factors could affect reported fair values of financial instruments.

Retirement Benefit Cost
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 DBO 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 DBO.

Further details about pension obligations are provided in Note 18.

Taxes
Deferred tax assets are recognized for consolidated 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.

Further details on deferred taxes are disclosed in Note 19.

4. Cash and Cash Equivalents

This account consists of:

	Note	2017	2016
Cash in banks	*21*	**P214,768,039**	P159,803,886
Short-term placements	*21*	**128,090,117**	26,407,387
Cash on hand		**3,071,819**	18,083,880
		P345,929,975	P204,295,153

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.

Related interest income recognized in profit or loss amounted to P1.90 million, P2.03 million and P1.98 million in 2017, 2016 and 2015, respectively.

5. Receivables

This account consists of:

	Note	2017	2016
Trade		**P237,612,791**	P248,757,489
Advances to employees		**3,751,079**	6,852,387
Others		**8,581,003**	2,148,399
	21	**249,944,873**	257,758,275
Less allowance for impairment losses on trade receivables		**21,583,914**	22,311,128
	21	**P228,360,959**	P235,447,147

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:

	2017	2016	2015
Beginning balance	**P22,311,128**	P20,024,340	P17,436,705
Impairment loss during the year	**632,751**	3,442,842	2,587,635
Write-off during the year	**(1,359,965)**	(1,156,054)	-
Ending balance	**P21,583,914**	P22,311,128	P20,024,340

6. Inventories

This account consists of:

	2017	2016
Food and beverage	**P16,992,646**	P16,196,062
Operating supplies	**16,487,829**	10,624,757
Engineering and maintenance supplies	**438,321**	1,366,285
	P33,918,796	P28,187,104

The cost of food and beverage charged to profit or loss amounted to P222.57 million, P208.72 million and P173.79 million in 2017, 2016 and 2015, respectively, and is presented as "Food and beverage" account in the consolidated statements of profit or loss and other comprehensive income.

The Group recognized expenses for operating supplies amounting to P27.54 million, P28.82 million and P41.30 million in 2017, 2016 and 2015, respectively, and are presented as "Supplies", which is part of expenses under "Others" account in the consolidated statements of profit or loss and other comprehensive income (see Note 17), while the expenses for engineering and maintenance supplies amounting to P48.70 million, P48.61 million and P75.63 million in 2017, 2016 and 2015, respectively, are included under "Repairs and maintenance" account in the consolidated statements of profit or loss and other comprehensive income.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2017	2016
Input VAT		**P40,313,479**	P43,455,636
Prepaid taxes		**27,000,775**	20,769,412
Short-term investment	*21*	**12,359,747**	12,251,466
Advances to suppliers		**11,316,104**	8,311,836
Prepaid expenses		**4,597,307**	5,001,755
Others		**1,975,928**	612,860
		P97,563,340	P90,402,965

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
Crisanta Realty Development Corp. (CRDC)	Stockholder
Philippine Estates Corporation (PHES)	Stockholder
Metro Alliance Holdings and Equities Corp. (MAHEC)	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
Acesite Leisure Entertainment Corporation (ALEC)	Subsidiary*

**ALEC is an unconsolidated pre-operating subsidiary incorporated in 2017 that is immaterial to the Group's consolidated financial statements as at December 31, 2017.*

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 Current	Due from Related Parties Noncurrent	Notes Receivable	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
Ultimate Parent									
▪ TWGI									
Advances, interest and settlement	**2017**	*8a*	**P20,639**	**P882,189**	**P -**	**P -**	**P -**	**P -**	Secured; interest-bearing; subject to repricing; due in one year subject to renewal; net of allowance for impairment
	2016	*8a*	24,301	861,550	-	-	-	-	
	2015	*8a*	13,245	945,471	-	-	-	-	
Stockholders									
▪ PRC									
Advances, interest and settlement	**2017**	*8a*	**10,623**	**541,781**	-	-	-	-	Secured; interest-bearing; subject to repricing; due in one year subject to renewal
	2016	*8a*	10,415	531,158	-	-	-	-	
	2015	*8a*	10,211	520,743	-	-	-	-	
▪ CRDC									
Advances and interest settlements	**2017**	*8a*	**15,196**	**14,930**	**347,928**	-	-	-	Unsecured; interest-bearing; subject to repricing; due in five years
	2016	*8a*	14,865	7,465	340,197	-	-	-	
	2015	*8a*	332,797	-	332,797	-	-	-	
▪ MAHEC									
Advances and interest	2015	*8a*	365,933	-	-	-	-	-	Secured; interest bearing; subject to repricing; due in one year subject to renewal
▪ PHES									
Advances and interest	**2017**	*8b*	**12,500**	**104,554**	-	-	-	-	Unsecured; noninterest-bearing; subject to repricing; due on demand
	2016	*8b*	-	92,054	-	-	-	-	
	2015	*8b*	5,700	92,054	-	-	-	-	
▪ Others									
Advances and interest	**2017**	*8b*	**12,993**	**58,666**	-	-	-	-	Unsecured; noninterest-bearing; subject to reprcing; due on demand
	2016	*8b*	-	45,673	-	-	-	-	
	2015	*8b*	776	51,943	-	-	-	-	
Subsidiaries									
▪ WCCCHI									
Advances and settlement	**2017**	*8c*	**199,974**	-	-	-	**310,847**	-	Unsecured; noninterest-bearing; due on demand
	2016	*8c*	560,525	-	-	-	510,821	-	
	2015	*8c*	135,053	-	-	-	560,525	-	
Deposits for future stock subscription	**2017**	*8d*	-	-	-	-	**1,000,000**	-	Unsecured; noninterest-bearing
	2016	*8d*	-	-	-	-	1,000,000	-	
	2015	*8d*	-	-	-	-	1,000,000	-	
▪ ALEC									
Notes receivable	**2017**	*8g*	**195,007**	-	-	**195,007**	-	-	Unsecured; noninterest-bearing; subject to repricing; due on demand

**Eliminated during consolidation*

Forward

Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties Current	Due from Related Parties Noncurrent	Notes Receivable	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
Subsidiaries									
▪ DIHCI									
Advances and settlements	**2017**	*8c*	**P7,171**	**P -**	**P -**	**P -**	**P1,746**	**P -**	
	2016	*8e*	10,257	-	-	-	-	5,425	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	5,167	-	-	-	-	15,682	
▪ APHC									
Advances and settlements	**2017**	*8c*	**173,570**	-	-	-	**123**	**-**	
	2016	*8e*	196,967	-	-	-	-	173,447	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	43,776	-	-	-	-	370,414	
▪ GIRDI									
Advances and settlement	**2017**	*8e*	**1,942**	-	-	-	-	**205,896**	
	2016	*8e*	1,803	-	-	-	-	207,838	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	1,739	-	-	-	-	209,641	
▪ WHMC									
Advances and settlement	**2017**	*8c*	**72**	-	-	-	-	-	
	2016	*8c*	1,303	-	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	11,029	-	-	-	-	-	
▪ MBI									
Advances and settlement	**2017**	*8c*	**344**	-	-	-	-	-	
	2016	*8c*	6,097	-	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	2,999	-	-	-	13,241	-	
Deposits for future stock subscription	**2017**	*8d*	**-**	-	-	-	-	-	
	2016	*8d*	-	-	-	-	-	-	Unsecured; noninterest-bearing
	2015	*8d*	-	-	-	-	35,000	-	
▪ WWGI									
Advances and settlement	**2017**	*8c*	**165**	-	-	-	-	-	
	2016	*8c*	185	-	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	146	-	-	-	462	-	
Deposits for future stock subscription	**2017**	*8d*	**-**	-	-	-	-	-	
	2016	*8d*	-	-	-	-	-	-	Unsecured; noninterest-bearing
	2015	*8d*	-	-	-	-	13,000	-	
▪ WMCHI									
Advances and settlement	**2017**	*8e*	**25,995**	-	-	-	-	**215,530**	
	2016	*8e*	16,039	-	-	-	-	189,535	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	163,895	-	-	-	-	173,496	
▪ WEC									
Advances and settlement	**2017**	*8c*	**2,439**	-	-	-	-	**2,348**	
	2016	*8c*	6,681	-	-	-	91	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	73	-	-	-	6,773	-	
▪ WFC									
Advances and settlement	**2017**	*8c*	**166**	-	-	-	-	-	
	2016	*8c*	184	-	-	-	-	-	Unsecured; noninterest-bearing; due on demand
	2015	*8c*	153	-	-	-	57	-	

**Eliminated during consolidation*

Forward

Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties Current	Due from Related Parties Noncurrent	Notes Receivable	Advances to Subsidiaries*	Due to Subsidiaries*	Terms and Conditions
Deposits for future stock subscription	**2017**	*8d*	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	
	2016	*8d*	-	-	-	-	-	-	Unsecured; noninterest-bearing
	2015	*8d*	-	-	-	-	6,000	-	
▪ WPL									
Advances and settlement	**2017**	*8e*	**127**	**-**	**-**	**-**	**-**	**194,999**	
	2016	*8e*	283	-	-	-	-	195,126	Unsecured; noninterest-bearing; due on demand
	2015	*8e*	212	-	-	-	-	195,409	
KMP									
▪ Short-term employee benefits	**2017**		**32,921**	**-**	**-**	**-**	**-**	**-**	
	2016		26,681	-	-	-	-	-	
	2015		22,153	-	-	-	-	-	
▪ Post-employment benefits	**2017**		**7,807**	**-**	**-**	**-**	**-**	**-**	
	2016		6,105	-	-	-	-	-	
	2015		11,189	-	-	-	-	-	
TOTAL	**2017**	*21*		**P1,602,120**	**P347,928**	**P195,007**	**P1,312,716**	**P618,773**	
TOTAL	2016	*21*		P1,537,900	P340,197	P -	P1,510,912	P771,371	

**Eliminated during consolidation*

a. Interest-bearing Advances to Related Parties

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

TWGI, PRC and MAHEC
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 P25.49 million in 2017 and P82.33 million in 2016 while PRC had no payments in 2017 and 2016.

In a Resolution dated 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, 2017, 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 April 11, 2018, TWGI initiated to transfer certain parcels of land located in Puerto Princesa, Palawan as partial settlement of the advances.

Interest receivable from TWGI amounted to P137.85 million and P124.86 million as at December 31, 2017 and 2016, respectively, while interest receivable from PRC amounted to P66.27 million and P55.64 million as at December 31, 2017 and 2016, respectively. Allowance for impairment losses on receivables from TWGI amounted to P61.19 million as at December 31, 2017 and 2016.

CRDC
On December 21, 2015, the Parent Company granted advances to CRDC with an interest of 2% and maturity on December 21, 2020. Interest receivable from CRDC amounted to P14.93 million and P7.47 million as at December 31, 2017 and 2016, respectively. It was agreed that CRDC 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 of P7.73 million, and P7.40 million was recognized in 2017 and 2016, respectively and accretion expense of P40.46 million was recognized in 2015 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.

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 (see Note 21).

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. The above advances are due and demandable at anytime.

f. AFS Investment

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, 2017 and 2016 amounted to P15.95 million and P16.82 million, respectively (see Note 21). Valuation loss recognized in OCI in 2017, 2016 and 2015 amounted to P0.87 million, P1.39 million and P4.77 million, respectively.

g. Notes Receivable

The Group extended loans to Acesite Leisure and Entertainment Corporation (ALEC) amounting to P195.01 million payable on December 31, 2018, and bear interest at 4% per annum (see Note 21).

The outstanding balance of related party transactions are generally settled in cash.

9. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2017								
	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	**P1,076,280,000**	**P17,021,145**	**P24,853,124**	**P8,802,539,197**	**P1,067,622,077**	**P266,231,654**	**P14,780,038**	**P -**	**P11,269,327,235**
Additions	**-**	**-**	**47,768**	**5,261,527**	**4,341,841**	**4,710,219**	**8,868,944**	**137,546,634**	**160,776,933**
Disposals	**-**	**-**	**-**	**(19,743,385)**	**-**	**-**	**-**	**-**	**(19,743,385)**
Ending balance	**1,076,280,000**	**17,021,145**	**24,900,892**	**8,788,057,339**	**1,071,963,918**	**270,941,873**	**23,648,982**	**137,546,634**	**11,410,360,783**
Accumulated Depreciation and Amortization									
Beginning balance	**-**	**15,039,578**	**17,372,270**	**3,588,227,909**	**796,392,934**	**256,295,061**	**10,970,633**	**-**	**4,684,298,385**
Depreciation and amortization	**-**	**430,763**	**1,877,491**	**240,813,046**	**100,854,708**	**8,796,653**	**2,535,158**	**-**	**355,307,819**
Disposals	**-**	**-**	**-**	**(19,743,385)**	**-**	**-**	**-**	**-**	**(19,743,385)**
Ending balance	**-**	**15,470,341**	**19,249,761**	**3,809,297,570**	**897,247,642**	**265,091,714**	**13,505,791**	**-**	**5,019,862,819**
Carrying Amount	**P1,076,280,000**	**P1,550,804**	**P5,651,131**	**P4,978,759,769**	**P174,716,276**	**P5,850,159**	**P10,143,191**	**P137,546,634**	**P6,390,497,964**

	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	3,519,561,083	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

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, land, furniture, fixtures and equipment, transportation equipment and land improvements, 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 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 been as follows:

	2017	2016
Hotel buildings and improvements	**P1,860,144,558**	P1,946,061,894
Land	**650,515,909**	650,515,909
Furniture, fixtures and equipment	**106,081,301**	133,061,735
Transportation equipment	**3,438,967**	982,809
Land improvements	**1,144,493**	8,622,705
	P2,621,325,228	P2,739,245,052

Depreciation on cost charged to profit or loss amounted to P141.15 million, P161.15 million and P175.36 million in 2017, 2016 and 2015, respectively. Depreciation on appraisal increase charged to profit or loss amounted to P214.16 million, P94.24 million and P158.32 million in 2017, 2016 and 2015, respectively.

The revaluation increment absorbed through depreciation and transferred directly to retained earnings, net of deferred tax effect, amounted to P138.42 million and P48.88 million in 2017 and 2016, respectively. The carrying amount of the revaluation surplus amounting to P2.21 billion and P2.35 billion as at December 31, 2017 and 2016, respectively, is not available for distribution to shareholders.

10. Other Noncurrent Assets

This account consists of:

	Note	**2017**	2016
Refundable deposits	*21*	**P15,276,436**	P15,752,437
Special project deposits		**7,515,468**	636,721
Others	*21*	**7,742,559**	11,588,954
		P30,534,463	P27,978,112

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

Special project deposits pertain to deposits 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	**2017**	2016
Trade payables	*21*	**P350,726,958**	P319,713,743
Accrued:			
Interest and penalties	*13, 21*	**926,355,691**	866,355,691
Salaries, wages and employee benefits	*21*	**36,737,784**	14,319,024
Utilities	*21*	**12,265,564**	11,577,999
Rent	*21*	**482,568**	517,815
Other accruals	*21*	**17,871,872**	38,911,795
Local taxes and output VAT		**34,514,014**	26,340,803
Unclaimed wages	*21*	**11,158,500**	870,886
Guest deposits	*21*	**10,922,577**	4,556,859
Service charges	*21*	**8,033,523**	7,777,827
Withholding taxes payable		**2,044,557**	2,642,044
Other payables	*21*	**57,101,444**	64,781,405
		P1,468,215,052	P1,358,365,891

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

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

12. Other Current Liabilities

This account consists of:

	Note	**2017**	2016
Concessionaires' and other deposits	*21*	**P12,623,373**	P20,027,801
Deferred income		**1,754,371**	4,616,383
Others	*21*	**1,000,000**	1,000,000
		P15,377,744	P25,644,184

Others represent a P1.00 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, 2017 and 2016 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. Loan Payable

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

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

On August 7, 2003, 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 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 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 30 day extension to post the said attachment bond. Accordingly, on August 25, 2005, the Parent Company filed a Motion for Reconsideration (MR).

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.

On 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.

On February 27, 2017, a Second Notice to Appear issued by the PMCU-CA directing all parties to appear on February 27, 2017 at a specified time was received by the Parent Company only on February 27, 2017 after the specified time of the meeting. The Parent Company failed to appear.

On June 30, 2017, a resolution issued by the CA, resolved to submit the appeal for decision.

As at the report date, there had been no updates on the matter.

Outstanding principal balance of the loan amounted to P375.00 million as at December 31, 2017 and 2016. Interest expense related to the SSS loan recognized in the consolidated statement of profit or loss and other comprehensive income amounted to P60.00 million, P60.04 million and P59.88 million in 2017, 2016 and 2015, respectively. 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 P926.36 million and P866.36 million as at December 31, 2017 and 2016, respectively (see Note 11).

14. Other Noncurrent Liabilities

The account consists of:

	Note	**2017**	2016
Concessionaires' deposit	*21*	**P5,342,247**	P4,548,003
Accrued rent		**1,195,082**	2,029,956
		P6,537,329	P6,577,959

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, 2017, 2016 and 2015 and certain asset and liability information regarding industry segments as at December 31, 2017, 2016 and 2015 (in millions):

	Hotel Operations			Marketing Operations			Corporate and Other Operations			Eliminations			Consolidated		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
TOTAL REVENUES															
External sales	P2,095	P2,095	P2,023	P -	P -	P -	P19	P49	P89	(P9)	(P9)	(P11)	P2,105	P2,135	P2,101
RESULTS															
Segment results	P369	P646	P132	(P1)	(P1)	(P1)	(P40)	(P40)	(P24)	P -	P -	P254	P328	P605	P361
OTHER INCOME (LOSS)															
Interest expense	-	(80)	(97)	-	-	-	(60)	-	(40)	-	-	-	(60)	(80)	(137)
Interest income	2	1	1	-	-	-	40	39	33	-	-	-	42	40	34
Benefit from (provision for) income taxes	(114)	(145)	(72)	-	-	-	14	(7)	(5)	-	-	-	(100)	(152)	(77)
Others	-	(94)	(10)	(10)	(11)	(10)	-	(51)	(2)	(1)	62	-	(11)	(94)	(22)
Total Other Income (Loss)	(112)	(318)	(178)	(10)	(11)	(10)	(6)	(19)	(14)	(1)	62	-	(129)	(286)	(202)
Net Income (Loss)	P257	P328	(P46)	(P11)	(P12)	(P11)	(P46)	(P59)	(P38)	(P1)	P62	P254	P199	P319	P159
OTHER INFORMATION															
Segment assets	P7,594	P7,569	P7,032	P219	P220	P220	P4,593	P4,737	P4,929	(P3,118)	(P3,460)	(P3,760)	P9,288	P9,066	P8,421
Deferred tax assets	46	40	120	-	-	-	19	1	4	-	-	-	65	41	124
Consolidated Total Assets	P7,640	P7,609	P7,152	P219	P220	P220	P4,612	P4,738	P4,933	(P3,118)	(P3,460)	(P3,760)	P9,353	P9,107	P8,545
Segment liabilities	P2,080	P2,079	P2,942	P65	P64	P62	P2,105	P2,321	P2,336	(P2,190)	(P2,530)	(P2,768)	P2,060	P1,934	P2,572
Deferred tax liabilities	1,275	1,339	1,110	-	-	-	-	-	-	-	-	-	1,275	1,339	1,110
Consolidated Total Liabilities	P3,355	P3,418	P4,052	P65	P64	P62	P2,105	P2,321	P2,336	(P2,190)	(P2,530)	(P2,768)	P3,335	P3,273	P3,682
Other Segment Information															
Capital expenditures	P160	P8	P22	P -	P -	P -	P1	P1	P3	P -	P -	P -	P161	P9	P25
Depreciation and amortization	353	250	327	-	-	-	2	5	7	-	-	-	355	255	334

16. Capital Stock and Noncontrolling Interests

Capital Stock

Details of capital stock of the Parent Company as at December 31, 2017 and 2016 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	112.50 million shares
(Initial Public Offering)	On October 7, 1994, the SEC approved the increase in the authorized capital stock of the Parent Company to P450.00 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 P2.00 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 P5.00 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 3 years. As at December 31, 2017, 1.95 billion shares of the Parent Company are listed in the PSE and has a total of 464 shareholders.

On July 20, 2007, the BOD resolved to increase the authorized capital stock of the Parent Company to P10.00 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, 2017, 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, 2017		December 31, 2016	
	APHC	GIRDI	APHC	GIRDI
Percentage of NCI	44%	46%	44%	46%
Carrying amount of NCI	P657,656	P198,708	P685,239	P198,682
Net income attributable to NCI	(P19,473)	P26	P31,218	P26
Other comprehensive (loss) income attributable to NCIs	(P8,110)	P -	P85,055	P -

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

	December 31, 2017		December 31, 2016	
	APHC	GIRDI	APHC	GIRDI
Total assets	P2,273,527	P470,658	P2,316,169	P471,034
Total liabilities	(718,644)	(38,683)	(699,022)	(39,116)
Net assets	P1,554,883	P431,975	P1,617,147	P431,918
Revenue	P436,556	P1,566	P589,238	P1,521
Net (loss) income	(P43,956)	P57	P70,470	P57
Other comprehensive income	(18,308)	-	191,999	-
	(P62,264)	P57	P262,469	P57
Cash flows provided by (used in) operating activities	P94,889	P -	(P108,587)	P -
Cash flows provided by investing activities	24,468	-	199,830	-
Cash flows used in financing activities	(129,107)	-	(76,500)	-
Net (Decrease) Increase in Cash	(P9,750)	P -	P14,743	P -

17. Other Costs and Expenses

This account consists of:

	Note	**2017**	2016	2015
Laundry, valet and other hotel services		**P121,177,477**	P82,858,545	P79,973,865
Taxes and licenses		**58,872,008**	63,209,790	37,706,467
Security and other related services		**40,176,231**	34,136,908	32,841,759
Corporate expenses		**31,017,805**	15,657,090	26,250,954
Supplies	*6*	**27,541,398**	28,820,855	41,296,252
Insurance		**20,891,793**	21,855,434	21,543,413
Advertising		**20,672,986**	17,146,883	17,958,548
Representation and entertainment		**15,089,343**	15,395,969	6,671,351
Commissions		**13,434,997**	11,559,966	11,227,322
Data processing		**12,789,344**	11,827,756	11,685,323
Professional fees		**12,120,384**	11,410,836	10,642,820
Transportation and travel		**12,045,579**	10,587,514	13,180,135
Fuel and oil		**9,652,240**	8,498,026	10,899,829
Communications		**5,366,245**	6,190,749	7,080,404
Guest amenities		**2,299,279**	3,174,403	3,478,861
Guest and laundry valet		**1,760,207**	1,598,388	1,249,281
Meeting expenses		**1,344,423**	1,580,499	193,801
Miscellaneous		**8,898,521**	7,388,196	17,184,036
		P415,150,260	P352,897,807	P351,064,421

Miscellaneous include recruitment expense and employee association dues.

18. Retirement Benefits Cost

Certain subsidiaries have noncontributory, defined benefit plans (the Plans) covering substantially all of their regular employees with at least five (5) 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.

The latest independent actuarial valuation of the Plans was as at December 31, 2017, which was prepared using the projected unit credit method. The Plans are administered by independent trustees (the Retirement Plan 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, otherwise known as "An Act Providing that Retirement Benefits of Employees of Private Firms shall not be Subject to Attachment, Levy, Execution, or any Tax whatsoever."

The reconciliation of the present value of the DBO and the FVPA to the recognized retirement benefits liability as presented in the consolidated statement of financial position is as follows:

2017	**DBO**	**FVPA**	**Asset Ceiling Adjustment**	**Retirement Benefits Liability**
Balance, January 1, 2017	P207,266,594	(P119,020,367)	P10,271,638	P98,517,865
Included in Profit or Loss				
Current service cost	16,393,560	-	-	16,393,560
Net interest income (cost)	11,312,948	(7,073,508)	563,913	4,803,353
	27,706,508	(7,073,508)	563,913	21,196,913
Included in OCI				
Remeasurement gains on plan assets:				
1. Actuarial gains (losses) arising from:				
▪ Changes in financial assumptions	(10,544,372)	-	-	(10,544,372)
▪ Changes in demographic assumptions	37,463,028	-	-	37,463,028
▪ Experience adjustments	1,183,682	-	-	1,183,682
2. Return on plan assets excluding interest income	-	5,593,574	-	5,593,574
3. Effect of asset ceiling	-	-	2,838,812	2,838,812
	28,102,338	5,593,574	2,838,812	36,534,724
Others				
Contributions paid by the employer	-	(21,450,000)	-	(21,450,000)
Benefits paid from:				
Book reserves	(10,317,597)	-	-	(10,317,597)
Plan assets	(2,061,863)	2,061,863	-	-
Balance, December 31, 2017	P250,695,980	(P139,888,438)	P13,674,363	P124,481,905

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 OCI				
Remeasurement losses on plan assets:				
1. Actuarial (losses) gains 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

The retirement benefits cost recognized in profit or loss for the years ended December 31, 2017, 2016 and 2015 amounted to P21.20 million, P20.81 million and P40.34 million, respectively, and is presented as part of "Personnel costs" account in the consolidated statement of profit or loss and other comprehensive income.

Personnel costs comprise the following:

	2017	2016	2015
Salaries and wages	**P281,286,064**	P296,403,578	P294,365,171
Retirement benefits expense	**21,196,913**	20,814,752	40,342,055
Other employee benefits	**24,400,273**	19,305,899	20,242,473
	P326,883,250	P336,524,229	P354,949,699

The Group's plan assets consist of the following:

	2017	2016
Debt instruments - government bonds	**P87,860,624**	P1,407,398
Cash and cash equivalents	**30,496,250**	879,667
Investment in government securities	**12,890,795**	90,400,862
Deposit in banks	**4,923,694**	18,430,283
Investment in other securities and debt instruments	**1,178,515**	1,076,225
Equity instruments	**300,333**	-
Debt instruments - other bonds	**200,105**	-
Other receivables	**2,038,122**	6,825,932
	P139,888,438	P119,020,367

The principal actuarial assumptions at reporting date are as follows:

	2017	2016
Discount rate	**5.70% - 6.00%**	5.43% - 5.49%
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 DBO is 13.4 years and 12.6 years as at December 31, 2017 and 2016, respectively.

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

	2017	2016
Carrying amount	**P250,695,980**	P207,266,594
Within one (1) year	**P12,316,420**	P8,327,180
Within 1 - 5 years	**58,599,384**	25,044,008
Within 5 - ten (10) Years	**134,689,361**	96,729,656
Contractual cash flows	**P205,605,165**	P130,100,844

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

	2017		2016	
	+1%	**-1%**	+1%	-1%
Discount rate	**(P24,044,673)**	**P26,049,596**	(P15,464,129)	P17,620,401
Salary increase rate	**26,865,716**	**(21,914,771)**	15,438,990	(13,891,841)

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

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

Asset-liability Matching
The Retirement Plan Trustees have 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. However, in the event a benefit claim arises and the respective Plans' fund is insufficient to pay the claim, the shortfall will be paid by the Group directly to the employee-retiree. Hence, the amount and timing of contributions to the respective Plans are at the Group's discretion.

19. Income Taxes

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

	2017	2016	2015
Recognized in Profit or Loss			
Current tax expense	**P177,643,376**	P116,624,221	P71,347,136
Deferred tax (benefit) expense	**(77,194,648)**	35,879,140	5,460,572
	P100,448,728	P152,503,361	P76,807,708
Recognized in OCI			
Deferred tax (benefit) expense	**(P10,960,417)**	P276,427,356	P5,939,095

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:

	2017	2016	2015
Income before income tax	**P299,181,929**	P471,388,347	P235,514,803
Income tax expense at 30%	**P89,754,579**	P141,416,504	P70,654,441
Additions to (reductions in) Income tax resulting from the tax effects of:			
Nondeductible expenses	**7,968,948**	10,863,786	13,430,934
Unrecognized deferred tax assets during the year	**5,632,258**	3,678,457	2,067,312
Income not subjected to income tax	**(2,907,057)**	(3,455,386)	(9,344,979)
	P100,448,728	P152,503,361	P76,807,708

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

December 31, 2017	Balance January 1, 2017	Recognized in Profit or Loss	Recognized in OCI	Balance December 31, 2017
Deferred tax liability:				
Revaluation surplus on property and equipment	P1,339,315,801	(P64,246,571)	P -	P1,275,069,230
Deferred tax assets:				
Retirement liability	29,555,359	(3,171,205)	10,960,417	37,344,571
Allowance for impairment losses on receivables	6,285,350	189,824	-	6,475,174
Unamortized past service cost	2,660,988	(515,842)	-	2,145,146
Unrealized foreign exchange loss	1,584,569	(1,584,569)	-	-
Accrued rent expense	616,383	(113,088)	-	503,295
Unearned revenues	348,206	178,105	-	526,311
Minimum corporate income tax (MCIT)	35,148	(35,148)	-	-
Accrued interest expense on loan	-	18,000,000	-	18,000,000
	41,086,003	12,948,077	10,960,417	64,994,497
	P1,298,229,798	(P77,194,648)	(P10,960,417)	P1,210,074,733

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
MCIT	517,891	(482,743)	-	35,148
Rent received in advance	64,125,456	(64,125,456)	-	-
Net operating loss carry-over (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

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.

	2017		2016	
	Tax Base	Tax Effect	Tax Base	Tax Effect
NOLCO	P39,404,286	P11,821,286	P43,537,477	P13,061,243
MCIT	489,211	489,211	725,383	725,383
Less allowance for impairment losses	(3,427,734)	(1,275,686)	(530,528)	(159,158)
	P36,465,763	P11,034,811	P43,732,332	P13,627,468

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

	2017	2016
Balance at beginning of year	**P13,627,468**	P17,809,208
Unrecognized deferred tax asset during the year:		
NOLCO	**5,620,492**	3,429,246
MCIT	**11,766**	249,211
Impairment losses	**(1,116,528)**	(159,158)
Expiration of unrecognized deferred tax assets:		
NOLCO	**(6,860,449)**	(6,859,312)
MCIT	**(247,938)**	(89,005)
Unrecognized deferred tax asset applied during the year:		
NOLCO	**-**	(752,722)
Balance at end of year	**P11,034,811**	P13,627,468

Details of unrecognized NOLCO are as follows:

Year Incurred	Expiry Date	NOLCO	Applied	Expired Amount	Remaining Amount
2017	December 31, 2020	P18,734,973	P -	P -	P18,734,973
2016	December 31, 2019	11,430,821	-	-	11,430,821
2015	December 31, 2018	9,238,492	-	-	9,238,492
2014	December 31, 2017	23,141,865	(273,701)	(22,868,164)	-
		P62,546,151	(P273,701)	(P22,868,164)	P39,404,286

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 payable are shown below:

Year Incurred	Expiry Date	MCIT	Applied	Expired Amount	Remaining Amount
2017	December 31, 2020	P11,766	P -	P -	P11,766
2016	December 31, 2019	249,211	-	-	249,211
2015	December 31, 2018	228,234	-	-	228,234
2014	December 31, 2017	247,938	-	(247,938)	-
		P737,149	P -	(P247,938)	P489,211

20. Earnings Per Share

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

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	**P217,937,648**	P287,392,497	P127,211,459
Weighted number of shares outstanding	**2,498,991,753**	2,498,991,753	2,498,991,753
Earnings per share - basic and diluted	**P0.087**	P0.115	P0.051

There are no potentially dilutive shares as at December 31, 2017, 2016 and 2015. Accordingly, diluted EPS is the same as basic EPS.

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, notes receivable, due from related parties, short-term investment, AFS investment, other noncurrent assets (except special project deposits), accounts payable and accrued expenses, loan payable, other current liabilities and concessionaires' deposits. 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 due from 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, 2017 and 2016 are as follows (in thousands):

December 31, 2017	Note	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Cash and cash equivalents*	4	P342,858	P342,858	P -	P -	P -	P -	P -	P -
Receivables	5	249,945	143,006	56,991	7,680	4,994	3,900	11,790	21,584
Notes receivable	8	195,007	195,007	-	-	-	-	-	-
Short-term investment	7	12,360	12,360	-	-	-	-	-	-
Due from related parties	8	2,011,233	1,950,048	-	-	-	-	-	61,185
AFS investment	8	15,955	15,955	-	-	-	-	-	-
Other noncurrent assets **	10	23,019	23,019	-	-	-	-	-	-
Total		P2,850,377	P2,682,253	P56,991	P7,680	P4,994	P3,900	P11,790	P82,769

Excluding cash on hand
***Excluding special project deposits*

December 31, 2016	Note	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Cash and cash equivalents*	4	P186,211	P186,211	P -	P -	P -	P -	P -	P -
Receivables	5	257,758	173,542	27,253	12,088	8,154	6,055	8,355	22,311
Short-term investment	7	12,251	12,251	-	-	-	-	-	-
Due from related parties	8	1,939,282	1,878,097	-	-	-	-	-	61,185
AFS investment	8	16,822	16,822	-	-	-	-	-	-
Other noncurrent assets **	10	27,341	27,341	-	-	-	-	-	-
Total		P2,439,665	P2,294,264	P27,253	P12,088	P8,154	P6,055	P8,355	P83,496

Excluding cash on hand
***Excluding special project deposits*

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, 2017 and 2016 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, 2017 and 2016 based on contractual undiscounted payments (in thousands):

		Total	Contractual Undiscounted Payments			
December 31, 2017	***Note***	**Carrying Amount**	**Total**	**On Demand**	**Less than 1 Year**	**1 to 5 Years**
Accounts payable and accrued expenses*	*11*	**P1,431,656**	**P1,431,656**	**P1,240,216**	**P180,263**	**P11,177**
Other current liabilities**	*12*	**13,623**	**13,623**	**13,623**	**-**	**-**
Loans payable	*13*	**375,000**	**375,000**	**375,000**	**-**	**-**
Concessionaires' deposits - net of current portion	*14*	**5,342**	**5,342**	**5,342**	**-**	**-**
		P1,825,621	**P1,825,621**	**P1,634,181**	**P180,263**	**P11,177**

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

		Total	Contractual Undiscounted Payments			
December 31, 2016	*Note*	Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	*11*	P1,329,383	P1,329,383	P866,356	P446,608	P16,419
Other current liabilities**	*12*	21,028	21,028	21,028	-	-
Loans payable	*13*	375,000	375,000	375,000	-	-
Concessionaires' deposits - net of current portion	*14*	4,548	4,548	4,548	-	-
		P1,729,959	P1,729,959	P1,266,932	P446,608	P16,419

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

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

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 P375.00 million loan from SSS, as well as the stock rights offering of the Parent Company. Since 2006, the Parent Company charged WCCCHI on the related interests and penalties on the contention that the latter benefited from the proceeds of the SSS loan (see Note 13). Starting 2017, WCCCHI was not anymore charged with the interest on SSS loan because the Parent Company has assessed that if it has already fulfilled its obligations related to its use of proceeds from such loan.

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 2017 and 2016, 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 loan payable held at the reporting date. All other variables are held constant.

	2017	
Changes in Interest Rates (in Basis Points)	**+10**	**-10**
Net income	**(P6,000,000)**	**P6,000,000**

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

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 86.71 million shares as at December 31, 2017 and 2016 (see Note 8f).

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 2017 and 2016. This analysis assumes an increase of 10% for 2017 and 2016 and a decrease of 10% for 2017 and 2016 of the equity price of the Group's AFS investment. All other variables are held constant:

	2017		2016	
	10%	**-10%**	10%	-10%
Equity	**P1,116,825**	**(P1,116,825)**	P1,177,522	(P1,177,522)

Fair Value of Financial Assets and Liabilities
The table below summarizes the carrying amounts and fair values of the Group's financial assets and liabilities as at December 31, 2017 and 2016 (in thousands):

	2017		2016	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Cash and cash equivalents*	**P342,858**	**P342,858**	P186,211	P186,211
Receivables	**228,361**	**228,361**	235,447	235,447
Notes receivable	**195,007**	**195,007**	-	-
Due from related parties	**2,011,233**	**2,011,233**	1,939,282	1,939,282
Short-term investment	**12,360**	**12,360**	12,251	12,251
Available-for-sale investment	**15,955**	**15,955**	16,822	16,822
Other noncurrent assets **	**23,019**	**23,019**	27,341	27,341
	P2,828,793	**P2,828,793**	P2,417,354	P2,417,354

**Excluding cash on hand*
***Excluding special project deposits*

	2017		2016	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Liabilities				
Accounts payable and accrued expenses***	**P1,431,656**	**P1,431,656**	P1,329,383	P1,329,383
Other current liabilities****	**13,623**	**13,623**	21,028	21,028
Loans payable	**375,000**	**375,000**	375,000	375,000
Concessionaires' deposits - net of current portion	**5,342**	**5,342**	4,548	4,548
	P1,825,621	**P1,825,621**	P1,729,959	P1,729,959

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

The carrying amount of cash and cash equivalents, receivables, notes receivable, current portion of due from related parties, short-term investment, other noncurrent assets, accounts payable and accrued expenses, other current liabilities and concessionaires' deposits approximate their fair values due to the short-term maturity of these instruments.

The fair value of interest-bearing due from related parties and loan 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, 2017 and 2016.

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 2017 and 2016.

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 2017 and 2016.

On March 13, 2018, the WCCCHI's BOD approved the increase in the WCCCHI's authorized capital stock from P13.80 million divided into 13.80 million shares with a par value of P1 per share to P2.00 billion divided into 2 billion shares with a par value of P1 per share.

Further, the WCCCHI's BOD approved the proposal to convert the existing deposit on future subscriptions which currently amounts to P1.00 billion into equity, in tranches, the first tranche in the amount of P500.00 million and subsequent tranches as the WCCCHI's BOD shall decide.

As at the date of the approval of the consolidated financial statements, WCCCHI has yet to file its application for the increase in authorized capital stock with the SEC.

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 as at December 31, 2017.

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. Thereafter, PAGCOR paid the WCCCHI and WMCHI rental on a month-to-month basis. The lease was renewed on February 15, 2018, for a period of 1 year.

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. As at December 31, 2017, PAGCOR continued to operate a portion of the lease area on a month-to-month basis while completing its pullout from APHC.

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 the consolidated statements of profit or loss and amounted to nil, P19.01 million and P20.31 million in 2017, 2016 and 2015, 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.

Total rental income from the above PAGCOR lease contracts recognized as part of "Rent and related income" in the consolidated statements of profit or loss amounted to P619.44 million, P720.41 million and P691.99 million in 2017, 2016 and 2015, 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 profit or loss and amounted to P56.39 million, P85.29 million and P135.63 million in 2017, 2016 and 2015, 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 (the Agreement) 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 Agreement. The leases are for a period of fifty (50) years, subject to automatic renewal for another twenty-five (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:

	2017	2016
Less than 1 year	**P17,741,933**	P17,741,933
Between 1 and 5 years	**60,341,346**	60,341,346
More than 5 years	**276,271,062**	286,619,044
	P354,354,341	P364,702,323

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 expired 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 P37.41 million, P47.93 million and P66.78 million in 2017, 2016 and 2015, respectively in the consolidated statements of profit or loss and other comprehensive income.

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 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, 2017, 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. 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 MR 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, 2017, WMCHI is still awaiting the SC's decision.

c. *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 15 Years" under ITB No. 09-16-2014 for being violative of the laws and rules on government procurement.

Subsequently, VMC filed its "Motion to Admit Attached Supplemental Comment/Answer with Compulsory Counterclaim" (the Motion to Admit) on August 10, 2015, to which APHC filed an opposition to VMC's Motion to Admit. In an order dated September 5, 2016, the Court denied VMC's Motion to Admit. The Regional Trial Court of Manila, Branch 36, (the Court) likewise denied the MR filed by VMC in an order dated February 28, 2017.

In a resolution dated June 18, 2015, the Court denied the APHC's application for TRO. The APHC thereafter filed a MR on July 6, 2015. The said MR was denied by the Court on August 1, 2016. APHC filed with the CA a Petition for Certiorari (the 2nd petition), with application for TRO and/or writ of preliminary injunction, to assail the Court's resolutions dated June 18, 2015 and August 1, 2016. VMC and PAGCOR filed their respective comments to the 2nd petition, to which APHC filed its Consolidated Reply on December 19, 2016.

At the pre-trial conference on October 4, 2016, the Court referred the parties to the Philippine Mediation Center for mediation proceedings. After the termination of the mediation proceedings, the case was returned to the Court for the Judicial Dispute Resolution (JDR) proceedings. The JDR conference was set on May 2, 2017 and was reset to February 6, 2018. No update conference has yet been issued.

In a resolution dated January 25, 2017, the CA denied the APHC's applications for the TRO and writ of preliminary injunction, and directed the parties to submit their respective memoranda. In compliance with the CA's directive, APHC filed its memorandum on February 13, 2017. VMC also filed its memorandum dated February 16, 2017, while PAGCOR filed its memorandum dated February 14, 2017.

In a resolution dated March 3, 2017, the CA considered APHC's Petition for Certiorari as submitted for decision. To date, no decision has yet been issued.

d. 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 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 statements 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. Omnibus and Security Loan Agreement

On December 21, 2017, the Parent Company, WCCCHI, WMCHI, DIHCI, CRDC and PRC (collectively, the Borrowers) entered into an Omnibus Loan and Security Agreement (the Agreement) with Philippine Bank of Communications (PBCOM) for the latter to provide the Borrowers multiple term loan facilities (the Loan Facilities) for general corporate purposes in the maximum aggregate amount of up to P1.50 billion. The Loan Facilities consist of the following:

Facility 1 - represents secured term loan facility in the amount of P850.00 million available through a single or multiple drawdowns with term of fifty-four (54) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated. Commitment period means the period commencing from the date of the agreement and terminating on the earliest of: (a) six (6) months from the signing of the Agreement; (b) the date when the commitment is fully drawn or availed by mutual agreement of the parties; or (c) the date when the commitment is terminated or cancelled in accordance with the terms of the Agreement.

Facility 2 - represents secured term loan facility in the amount of P200.00 million available through a single or multiple drawdowns with term of fifty-four (54) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated.

Facility 3 - represents secured term loan facility in the amount of P450.00 million available through a single or multiple drawdowns with term of forty-two (42) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated. Facility 3 requires, on or before the initial drawdown date, the borrower to cause the relevant mortgagors to constitute in favor of PBCOM a first ranking real estate mortgage over Davao Agricultural Property located at Matina, Pangi, Tolomo, Davao City consisting of parcels of agricultural real property containing an aggregate area of seventy (70) hectares registered in the names of CRDC and PRC, and Locob property still registered in the name of an individual, and register such security interest with appropriate Registry of Deeds.

The loan principal is repayable on equal monthly installments to commence at the end of sixth (6th) month from the initial drawdown date subject to balloon payment upon maturity. Interest is charged at the higher of four (4)-year PDSTR2 rate on the date of availment and spread of 3.25% per annum or 7.75% per annum, and repayable monthly from the drawdown date.

The Loan Facilities are secured by chattel and real mortgages over various operating assets of WCCCHI and DIHCI; real estate mortgages over Davao Agricultural Property; assignment over leasehold rights on the land owned by MCIAA on which WCCCHI stands; and pledge of shares of stocks representing ownership of the Parent Company in WCCCHI and DIHCI.

Each of the Borrowers is required to comply with certain covenants during the term of the Agreement and until the full payment of the amounts due which include, among others:

1. Debt to Equity Ratio of not higher than 2.5:1;
2. Debt Service Coverage Ratio of at least 1.25x; and
3. Negative covenants which prohibit each of the Borrowers to:
    - Change the nature or scope of its business as presently conducted, or liquidate or dissolve, or enter into any consolidation, merger, pool, joint venture, syndicate or other combination, or sell, lease or dispose of a substantial portion (as determined by PBCOM) of its business or assets, with market or book value of P500.00 million or more;
    - Permit any change in ownership (direct or indirect), management or control of its business, which results in the present majority stockholders ceasing to hold, whether directly or indirectly through any person beneficially, at least sixty-eight percent (68%) of the direct or indirect beneficial or economic interest in each of the Borrowers;
    - Declare or pay dividends to stockholders and make any capital or asset distribution to stockholders;
    - Purchase, redeem, retire or otherwise acquire for value any of capital stock now or hereafter outstanding (other than as a result of the conversion of any shares of capital stock into shares of any other class of capital stock), return any capital to its stockholders as such, or make any distribution of assets to its stockholders as such (other than distribution payable in shares of its own outstanding capital stock);
    - File any legal action to question any corporate act or transaction;
    - Extend any loans, advances or subsidies to any corporation, partnership or entity owned by the Borrowers or in which it may have equity, other than advances in the ordinary course of business; and
    - Extend any loans or advances to any of its directors, officers, stockholders, affiliates and partners other than advances in the ordinary course of business.

On March 13, 2018, the Borrowers made the drawdowns of Facility 1 and Facility 2 amounting to P850.00 million and P200.00 million, respectively. On April 10, 2018, the Borrowers made the drawdown of Facility 3 amounting to P450.00 million.

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 accounting policies as explained below:

Adoption of Amendments to Standards
The Group has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. The adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *Disclosure initiative (Amendments to Philippine Accounting Standard (PAS) 7, Statement of Cash Flows).* 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, Income Taxes).* 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.

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 investments 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 twelve (12) months after the financial reporting date, in which case, these are classified as noncurrent assets. The Group's cash and cash equivalents, receivables, short-term investment, 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, 2017 and 2016.

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.

Short-term investment is a certificate of deposit which is highly liquid with maturity of more than three (3) months but less than one (1) year from date of acquisition and subject to an 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, 2017 and 2016 is based on Level 1. Further information about the assumption made in measuring the recurring fair value of AFS investment is included in Note 8f 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.

Property and Equipment

Measurement at Initial Recognition

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

Measurement Subsequent to Initial Recognition

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

The net appraisal surplus resulting from the revaluation is credited to "Revaluation surplus on property and equipment" account (net of corresponding deferred income tax 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 "Accumulated 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 "Accumulated 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, 2017 and 2016 is based on level 3. Further information about the assumption made in measuring fair value of property and equipment is included in Note 8 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.

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), are recognized immediately in OCI and presented under "Retirement Benefits Reserve" under equity. 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 Party Relationship

A related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its 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.

Operating Lease - Group as Lessee

Lease in which a significant portion of the risk and rewards of ownership is retained by the lessor are classified as operating lease. Payments made under non-cancellable operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

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.

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

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

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

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

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

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

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

New Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after January 1, 2017. However, the Group has not applied the following new or amended standards and interpretations in preparing these consolidated financial statements. The Group is currently assessing and has yet to reasonably estimate the impact of these, if any, on its consolidated financial statements.

To be Adopted on 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. The Parent Company is still completing its assessment of the impact of PFRS 9 on its consolidated financial statements.

- PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretations Committee-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 PFRS. 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. The new standard is to be applied retrospectively.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration.* The interpretation 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 on 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 twelve 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. The new standard is to be applied retrospectively.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Group's chosen tax treatment. If it is not probable that the tax authority will accept the Group's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

KPMG

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

The Board of Directors and Stockholders
Waterfront Philippines, Incorporated and Subsidiaries
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, 2017, included in this Form 17-A, on which we have rendered our report thereon dated April 25, 2018.

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)*

The above 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 consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

Tireso Randy F. Lapidez

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Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. 6615138MD
Issued January 3, 2018 at Makati City

April 25, 2018
Makati City, Metro Manila

WATEFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE REQUIRED UNDER SECURITIES REGULATION CODE RULE 68, AS AMENDED

Schedule of Philippine Financial Reporting Standards (PFRS) and Interpretations Effective as at December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
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 PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 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 PFRSs 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 PFRSs 2010 – 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Operations			
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✓
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			✓
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):			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Investment Entities			
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
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 PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
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 PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	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 PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements to PFRSs 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	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	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	✓		
IFRIC 23	Uncertainty over Income Tax Treatments	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations 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 PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
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			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A	PAS 24 - Related party relationships between parents,	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
2017-04	subsidiary, associate and non-controlling shareholder			
PIC Q&A 2017-05	PFRS 7 – Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✓
PIC Q&A 2017-06	PAS 2, 16 and 40 – Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 – Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✓		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost	✓		
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓

Legend:

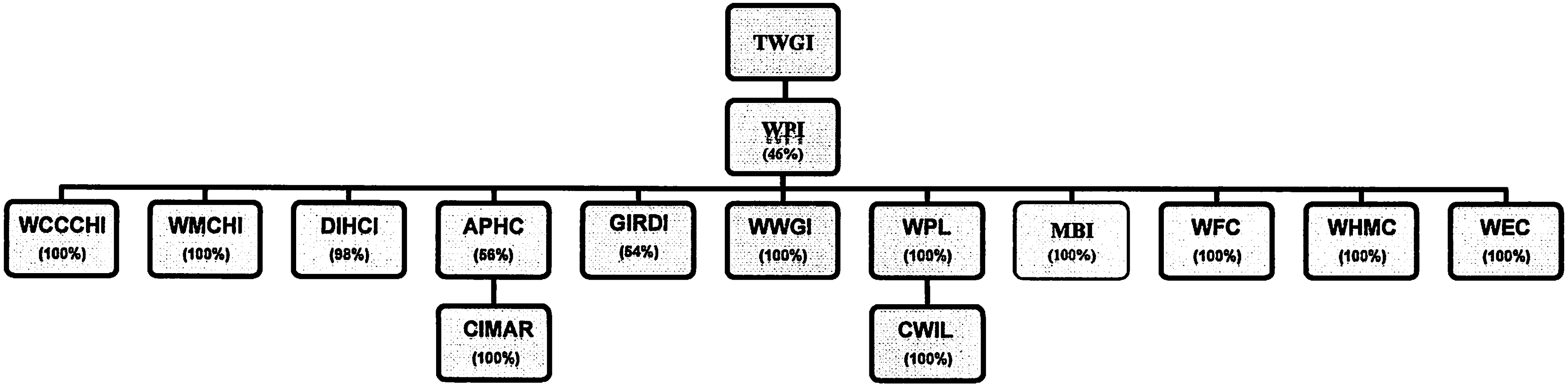
Adopted *– means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

Not Adopted *– means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

Not Applicable *– means the standard or interpretation is not relevant at all to the operations of the entity.*

ANNEX B

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68, AS AMENDED
Map of Conglomerate
December 31, 2017



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 (Phils.) 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 Securities Regulations Code Rule 68, As Amended (2011)
December 31, 2017

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2017
(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, 2017	Income Received and Accrued
Loans and receivables				
Due from The Wellex Group, Inc.	-	P882,189	P882,189	P13,000
Due from Pacific Rehouse Corp.	-	541,781	541,781	10,623
Due from Crisanta Realty Development Corp.	-	362,858	362,858	7,465
Due from Philippine Estate Corp.	-	104,554	104,554	-
Due from Others	-	58,666	58,666	-
Cash on hand	-	3,072	3,072	-
Various banks	-	355,218	355,218	1,902
Receivables from various customers	-	216,029	216,029	-
Other receivables	-	12,332	12,332	-
Notes receivable	195,007	195,007	195,007	-
Refundable deposits	-	23,019	23,019	-
Available-for-sale investment	86,710	15,955	15,955	-
		P2,770,680	P2,770,680	P32,990

See Notes 4, 5, 7, 8 and 10 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, 2017
(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.	P861,550	P46,127	P25,488	P -	P882,189	P -	P882,189
Pacific Rehouse Corp.	531,158	10,623	-	-	541,781	-	541,781
Crisanta Realty Development Corp.	347,662	15,196	-	-	14,930	347,928	362,858
Philippine Estate Corp.	92,054	12,500	-	-	104,554	-	104,554
Acesite Leisure Entertainment Corporation	-	195,007	-	-	195,007	-	195,007

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, 2017

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	P1,510,820,507	P -	P199,973,327	P -	P1,310,847,180	P -	P1,310,847,180
Waterfront Hotel Management Corp.	-	72,040	-	-	-	-	-
Mayo Bonanza, Inc.	-	343,547	-	-	-	-	-
Waterfront Wellness Group, Inc.	-	165,453	-	-	-	-	-
Waterfront Food Concepts, Inc.	-	166,373	-	-	-	-	-
Davao Insular Hotel Company, Inc.	(5,425,438)	1,745,863	5,425,438	-	1,745,863	-	1,745,863
Acesite (Phils.) Hotel Corp.	-	123,072	-	-	-	-	123,072

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2017

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, 2017

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, 2017

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

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2017

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

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2017

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	-	1,128,466,800	41,790,430	1,328,734,523

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 consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2017 and 2016,** 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. Gathalian
President

Precilla O. Toriano
Corporate Finance Director

Elvira A. Ting
Treasurer

Signed this ______ day of APR 2 4 2018 ______ 2018

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 2 4 2018 CEBU CITY

Doc. No. 331
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Book No. 40
Series of 2018

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

JOSELITO RAMON O. CASTILLO
NOTARY PUBLIC FOR CEBU CITY
NOTARIAL COMMISSION ... UNTIL DEC. 31, 2019
LOWER LEVEL ... CEBU CITY HOTEL
ONE SALINAS ... CEBU CITY
ROLL OF ATTORNEYS NO. 40417
PTR NO. 143383/CEBU CITY/12/28/17
IBP LIFETIME MEMBER NO. 05244

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, 2017**. 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, 2017** 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

Signed this __th day of APR 2 4 2018 2018

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 2 4 2018 AT CEBU CITY

Doc. No. 333
Page No. 68
Book No. 40
Series of 2018

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. 3[illegible]
LOWER LEVEL, WATERFRONT CEBU CITY HOTEL
ONE SALINAS DRIVE, LAHUG, CEBU CITY
ROLL OF ATTORNEY'S NO. 40417
PTR NO. 1432810; CEBU CITY/12/28/17
IBP LIFETIME MEMBER NO. 05244

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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, 2017, on which we have rendered our report dated April 25, 2018.

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, members of the Board of Directors or principal stockholders of the Company.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-A, Group A, valid until April 30, 2018
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. 6615138MD
Issued January 3, 2018 at Makati City

April 25, 2018
Makati City, Metro Manila

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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, 2017 and 2016, and the separate statements of profit or loss and other comprehensive loss, 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, 2017 and 2016, 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.

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.

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- 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.

Tireso Randy F. Lapidez

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-A, Group A, valid until April 30, 2018
Tax Identification No. 162-411-175
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Issued September 4, 2017; valid until September 3, 2020
PTR No. 6615138MD
Issued January 3, 2018 at Makati City

April 25, 2018
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED

SEPARATE FINANCIAL STATEMENTS
December 31, 2017 and 2016

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2017**	2016
ASSETS			
Current Assets			
Cash in bank	*13*	**P282,506**	P672,364
Due from related parties - current portion	*5, 13*	**1,325,607,906**	1,272,815,404
Total Current Assets		**1,325,890,412**	1,273,487,768
Noncurrent Assets			
Due from related parties - noncurrent portion	*5, 13*	**347,927,681**	340,197,163
Investments and advances to subsidiaries	*4, 13*	**2,404,031,559**	2,602,228,098
Property and equipment - net	*6*	**802,741**	1,031,848
Deferred tax asset	*10*	**18,000,000**	-
Other noncurrent assets		**2,539,000**	2,539,000
Total Noncurrent Assets		**2,773,300,981**	2,945,996,109
		P4,099,191,393	P4,219,483,877
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other payables	*7, 13*	**P927,550,444**	P867,682,163
Due to related parties	*5, 13*	**618,772,875**	771,371,108
Loan payable	*8, 13*	**375,000,000**	375,000,000
Income tax payable		**4,499,223**	4,172,068
Total Current Liabilities		**1,925,822,542**	2,018,225,339
Equity			
Capital stock	*12*	**2,498,991,753**	2,498,991,753
Additional paid-in capital		**706,364,357**	706,364,357
Accumulated deficit		**(1,031,987,259)**	(1,004,097,572)
Total Equity		**2,173,368,851**	2,201,258,538
		P4,099,191,393	P4,219,483,877

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED

SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

		Years Ended December 31		
	Note	**2017**	2016	2015
REVENUES				
Interest income	*5*	**P31,076,335**	P30,432,660	P31,731,471
Other income		-	1,303,556	610,761
		31,076,335	31,736,216	32,342,232
GENERAL AND ADMINISTRATIVE EXPENSES				
Transportation and travel		**8,357,566**	8,540,091	9,103,852
Representation and entertainment		**3,681,742**	6,688,980	1,615,962
Professional fees		**2,005,532**	2,321,489	1,547,800
Supplies		**1,923,483**	1,730,502	1,945,270
Impairment losses	*4, 5*	**747,412**	62,806,762	253,666,551
Data processing expenses		**656,731**	798,098	973,059
Taxes and licenses		**397,215**	249,352	183,750
Annual meeting expenses		**105,000**	164,881	187,687
Accretion (income) expense	*5*	**(7,730,518)**	(7,399,983)	40,456,234
Others	*9*	**2,322,636**	2,417,027	2,688,874
		12,466,799	78,317,199	312,369,039
INCOME (LOSS) BEFORE INTEREST AND INCOME TAX EXPENSE		**18,609,536**	(46,580,983)	(280,026,807)
Interest expense	*8*	**60,000,000**	-	-
LOSS BEFORE INCOME TAX EXPENSE		**(41,390,464)**	(46,580,983)	(280,026,807)
INCOME TAX (BENEFIT) EXPENSE	*10*	**(13,500,777)**	4,172,068	4,435,160
NET LOSS/TOTAL COMPREHENSIVE LOSS		**(P27,889,687)**	(P50,753,051)	(P284,461,967)

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2017**	2016	2015
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
ACCUMULATED DEFICIT				
Balance at beginning of year		**(1,004,097,572)**	(953,344,521)	(668,882,554)
Net loss for the year		**(27,889,687)**	(50,753,051)	(284,461,967)
Balance at end of year		**(1,031,987,259)**	(1,004,097,572)	(953,344,521)
		P2,173,368,851	P2,201,258,538	P2,252,011,589

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2017**	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(P41,390,464)**	(P46,580,983)	(P280,026,807)
Adjustments for:				
Interest expense	*8*	**60,000,000**	-	-
Impairment losses	*4, 5*	**747,412**	62,806,762	253,666,551
Depreciation	*6*	**229,107**	300,222	312,393
Accretion (income) expense	*5*	**(7,730,518)**	(7,399,983)	40,456,234
Interest income	*5*	**(31,076,335)**	(30,432,660)	(31,731,471)
		(19,220,798)	(21,306,642)	(17,323,100)
Changes in accrued expenses and other payables		**(131,719)**	60,824,278	59,947,947
		(19,352,517)	39,517,636	42,624,847
Income taxes paid		**(4,172,068)**	(4,435,160)	(4,258,224)
Net cash (used in) provided by operating activities		**(23,524,585)**	35,082,476	38,366,623
CASH FLOWS FROM A FINANCING ACTIVITY				
Net advances to related parties	*4, 5*	**23,134,727**	(34,482,162)	(38,885,497)
NET (DECREASE) INCREASE IN CASH IN BANK		**(389,858)**	600,314	(518,874)
CASH IN BANK AT BEGINNING OF YEAR		**672,364**	72,050	590,924
CASH IN BANK AT END OF YEAR		**P282,506**	P672,364	P72,050

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

Waterfront Philippines, Incorporated (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. The Company is 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 Company in its subsidiaries as at December 31, 2017 and 2016 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. (through direct ownership in APHC)	**-**	**56**
Fitness Gym		
Waterfront Wellness Group, Inc. (WWGI)	**100**	**-**
International Marketing and Promotion of Casinos		
Waterfront Promotion Ltd. (WPL)	**100**	**-**
Mayo Bonanza, Inc. (MBI)	**100**	**-**
Club Waterfront International Limited (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 and all of the above subsidiaries (collectively referred to as the Group) were incorporated in the Philippines, except for WPL and CWIL, which were registered in the Cayman Islands.

The Company's percentages of ownership for the above subsidiaries are the same in 2017, 2016 and 2015.

On March 18, 2018, a fire broke out in APHC's hotel property that damaged the lower floors of the main building as well as the Podium building occupied by the casino area and restaurants in the APHC's hotel property resulting to the suspension of its hotel operations. Based on the Fire Certification issued by the Bureau of Fire Protection - National Headquarters on April 23, 2018, the cause of the subject fire has been declared and classified as "accidental in nature." APHC is in the process of preparing the requirements for its insurance claims, the proceeds of which shall be used to restore APHC's hotel for its continued operation.

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 approved and authorized for issue by the Company's Board of Directors (BOD) on April 25, 2018.

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 at and for the year ended December 31, 2017 in order to obtain full information on the consolidated financial position, statements of profit or loss and other 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 is rounded off to the nearest peso, unless otherwise stated.

3. Use of Judgment and Estimates

In preparing these financial statements, management has made judgment, 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.

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

Provision and Contingency
The Company has received assessment from the Bureau of Internal Revenue (BIR) for deficiency taxes which is still pending for 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.

Further details on impairment losses on advances to subsidiaries and due from related parties are disclosed in Notes 4 and 5, respectively.

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.

Further details on the carrying amount of property and equipment are disclosed in Note 6.

Impairment of Nonfinancial Assets
The Company's policy on estimating the impairment of nonfinancial assets is discussed in Note 16. The Company assesses at each reporting date whether there is an indication that the carrying amount of nonfinancial assets may be impaired or that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

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

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

As at December 31, 2017 and 2016, no indication of impairment exists for the Company's nonfinancial assets.

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.

Further details on deferred taxes are disclosed in Note 10.

4. Investments and Advances to Subsidiaries

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

	December 31, 2017										
	WCCCHI	**WMCHI**	**DIHCI**	**APHC**	**GIRDI**	**WWGI**	**MBI**	**WFC**	**WHMC**	**WEC**	**Total**
Investment cost	**P13,800**	**P13,800**	**P584,363**	**P479,228**	**P253,667**	**P625**	**P25**	**P125**	**P125**	**P125**	**P1,345,883**
Advances	**310,847**	**-**	**1,746**	**123**	**-**	**812**	**7,488**	**407**	**87,380**	**-**	**408,803**
Deposit for stock subscription	**1,000,000**	**-**	**-**	**-**	**-**	**13,000**	**35,000**	**6,000**	**-**	**-**	**1,054,000**
Total	**1,324,647**	**13,800**	**586,109**	**479,351**	**253,667**	**14,437**	**42,513**	**6,532**	**87,505**	**125**	**2,808,686**
Allowance for impairment losses	**-**	**-**	**-**	**-**	**(253,667)**	**(14,437)**	**(42,513)**	**(6,532)**	**(87,505)**	**-**	**(404,654)**
	P1,324,647	**P13,800**	**P586,109**	**P479,351**	**P -**	**P -**	**P -**	**P -**	**P -**	**P125**	**P2,404,032**

	December 31, 2016										
	WCCCHI	WMCHI	DIHCI	APHC	GIRDI	WWGI	MBI	WFC	WHMC	WEC	Total
Investment cost	P13,800	P13,800	P584,363	P479,228	P253,667	P625	P25	P125	P125	P125	P1,345,883
Advances	510,821	-	-	-	-	647	7,144	241	87,308	91	606,252
Deposit for stock subscription	1,000,000	-	-	-	-	13,000	35,000	6,000	-	-	1,054,000
Total	1,524,621	13,800	584,363	479,228	253,667	14,272	42,169	6,366	87,433	216	3,006,135
Allowance for impairment losses	-	-	-	-	(253,667)	(14,272)	(42,169)	(6,366)	(87,433)	-	(403,907)
	P1,524,621	P13,800	P584,363	P479,228	P -	P -	P -	P -	P -	P216	P2,602,228

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 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 include 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 is as follows (in thousands):

	2017	2016
Total current assets	**P377,294**	P255,463
Total assets	**3,251,979**	3,280,947
Total current liabilities	**560,112**	1,759,515
Total liabilities	**1,996,408**	2,220,860
Revenue	**1,053,510**	951,438
Net income	**184,288**	139,183

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 is as follows (in thousands):

	2017	2016
Total current assets	**P406,152**	P274,925
Total assets	**1,362,424**	1,280,558
Total current liabilities	**70,835**	81,143
Total liabilities	**266,806**	288,159
Revenue	**408,025**	363,170
Net income	**103,858**	87,525

DIHCI

DIHCI was incorporated and registered with the 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 is as follows (in thousands):

	2017	2016
Total current assets	**P138,510**	P115,224
Total assets	**727,110**	711,089
Total current liabilities	**48,661**	44,130
Total liabilities	**210,327**	206,121
Revenue	**196,627**	191,538
Net income	**12,091**	12,397

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 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 is as follows (in thousands):

	2017	2016
Total current assets	**P243,748**	P306,381
Total assets	**2,273,527**	2,316,169
Total current liabilities	**134,138**	110,643
Total liabilities	**718,644**	699,022
Revenue	**436,556**	589,238
Net (loss) income	**(43,956)**	70,470

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. 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, 2017 and 2016.

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

	2017	2016
Total assets	**P470,858**	P471,234
Total liabilities	**38,883**	39,316
Revenue	**1,566**	1,521
Net income	**57**	57

WWGI

WWGI, formerly known as 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 P26.13 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, P0.81 million and P13.00 million as at December 31, 2017, respectively and P0.63 million, P0.64 million and P13.00 million as at December 31, 2016, respectively.

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

	2017	2016
Total current assets	**P17,629**	P18,157
Total assets	**23,128**	24,763
Total current liabilities	**43,004**	48,462
Total liabilities	**58,378**	50,892
Revenue	**10,481**	11,621
Net loss	**(9,050)**	(6,717)

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 Philippine Amusement and Gaming Corporation (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 is as follows (in thousands of U.S. dollar):

	2017	2016
Total assets	**$4,396**	$4,386
Total liabilities	**1,293**	1,329
Net loss	**(208)**	(270)

<u>MBI</u>
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 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 P40.57 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, P7.48 million and P35.00 million as at December 31, 2017, respectively and P0.03 million, P7.14 million and P35.00 million as at December 31, 2016, respectively.

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

	2017	2016
Total current assets	**P5,010**	P4,640
Total assets	**5,797**	6,105
Total current liabilities	**11,875**	11,680
Total liabilities	**46,875**	46,680
Revenue	**-**	29,073
Net loss	**(503)**	(116)

<u>WFC</u>
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 P37.83 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, P0.40 million and P6.00 million as at December 31, 2017, respectively and P0.13 million, P0.24 million and P6.00 million as at December 31, 2016, respectively.

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

	2017	2016
Total current assets	**P6,291**	P6,590
Total assets	**6,360**	6,692
Total current liabilities	**44,683**	38,028
Total liabilities	**51,062**	44,518
Revenue	**2,503**	1,929
Net loss	**(6,876)**	(3,869)

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 entities.

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

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 P87.38 million as at December 31, 2017, respectively and P0.13 million and P87.30 million as at December 31, 2016, respectively.

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

	2017	2016
Total current assets	**P101**	P107
Total assets	**101**	107
Total current liabilities	**118,652**	118,593
Total liabilities	**118,652**	118,593
Net (loss) income	**(65)**	2,949

WEC

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

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

	2017	2016
Total current assets	**P9,848**	P9,368
Total assets	**10,128**	9,671
Total current liabilities	**5,699**	2,814
Total liabilities	**6,051**	3,106
Revenue	**5,721**	6,492
Net loss	**(2,582)**	(401)

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. (CRDC)	Stockholder
Philippine Estates Corporation (PHES)	Stockholder
East Asia Oil & Mining Company, Inc. (East Asia)	Stockholder

Significant Transactions with Related Parties

The Company's transactions with related parties consist of (in thousands):

Category/ Transaction	Year	*Note*	Amount of the Transaction	Due from Related Parties Current	Due from Related Parties Noncurrent	Due to Related Parties	Investment and Advances to Subsidiaries	Terms and Conditions
Parent								
▪ TWGI								
- Advances, interest and settlement	**2017**	*5a*	**P22,204**	**P722,013**	**P -**	**P -**	**P -**	Secured; interest-bearing; due in one year subject to renewal; subject to repricing
	2016	*5a*	84,121	699,809	-	-	-	
	2015	*5a*	13,984	783,930	-	-	-	
Stockholders								
▪ PRC								
- Advances, interest and settlement	**2017**	*5a*	**10,623**	**541,781**	**-**	**-**	**-**	Secured; interest-bearing; due in one year subject to renewal; subject to repricing
	2016	*5a*	10,415	531,158	-	-	-	
	2015	*5a*	10,211	520,743	-	-	-	
▪ CRDC								
- Advances	**2017**	*5a*	**15,196**	**14,930**	**347,928**	**-**	**-**	Unsecured; interest-bearing; subject to repricing; due in five years
	2016	*5a*	14,865	7,465	340,197	-	-	
▪ MAHEC								
- Advances and interest	2015	*5a*	365,933	-	-	-	-	Secured; interest bearing; subject to repricing; due in one year subject to renewal
▪ Others								
- Advances and interest	**2017**	*5b*	**12,500**	**108,069**	**-**	**-**	**-**	Unsecured; noninterest-bearing; subject to repricing; due on demand
	2016	*5b*	-	95,568	-	-	-	
	2015	*5b*	5,700	95,568	-	-	-	
Subsidiaries								
▪ WCCCHI								
- Advances and settlement	**2017**	*4, 5d*	**199,974**	**-**	**-**	**-**	**310,847**	Unsecured; noninterest-bearing; due on demand
	2016	*4, 5d*	560,525	-	-	-	510,821	
	2015	*4, 5d*	135,053	-	-	-	560,525	
- Deposit	**2017**	*4, 5e*	**-**	**-**	**-**	**-**	**1,000,000**	Unsecured; noninterest-bearing
	2016	*4, 5e*	-	-	-	-	1,000,000	
	2015	*4, 5e*	-	-	-	-	1,000,000	
▪ DIHCI								
- Advances and settlement	**2017**	*4, 5c*	**7,171**	**-**	**-**	**-**	**1,746**	Unsecured; noninterest-bearing; due on demand
	2016	*4, 5c*	10,257	-	-	5,425	-	
	2015	*4, 5c*	5,167	-	-	15,682	-	
▪ APHC								
- Advances and settlement	**2017**	*4, 5c*	**173,570**	**-**	**-**	**-**	**123**	Unsecured; noninterest-bearing; due on demand
	2016	*4, 5c*	196,967	-	-	173,447	-	
	2015	*4, 5c*	43,776	-	-	370,414	-	
▪ GIRDI								
- Advances and settlement	**2017**	*4, 5c*	**1,942**	**-**	**-**	**205,896**	**-**	Unsecured; noninterest-bearing; due on demand
	2016	*4, 5c*	1,803	-	-	207,838	-	
	2015	*4, 5c*	1,739	-	-	209,641	-	
▪ WHMC								
- Advances and settlement	**2017**	*4, 5d*	**72**	**-**	**-**	**-**	**87,380**	Unsecured; noninterest-bearing; due on demand
	2016	*4, 5d*	1,303	-	-	-	87,308	
	2015	*4, 5d*	11,029	-	-	-	88,611	

Forward

Category/ Transaction	Year	*Note*	Amount of the Transaction	Due from Related Parties Current	Due from Related Parties Noncurrent	Due to Related Parties	Investment and Advances to Subsidiaries	Terms and Conditions
▪ MBI								
- Advances	**2017**	*4, 5d*	**P344**	**P -**	**P -**	**P -**	**P7,488**	Unsecured;
and	2016	*4, 5d*	6,097	-	-	-	7,144	noninterest-bearing;
settlement	2015	*4, 5d*	2,999	-	-	-	13,241	due on demand
- Deposit	**2017**	*4, 5e*	**-**	**-**	**-**	**-**	**35,000**	Unsecured;
	2016	*4, 5e*	-	-	-	-	35,000	noninterest-bearing
	2015	*4, 5e*	-	-	-	-	35,000	
▪ WWGI								
- Advances	**2017**	*4, 5d*	**165**	**-**	**-**	**-**	**812**	Unsecured;
and	2016	*4, 5d*	185	-	-	-	647	noninterest-bearing;
settlement	2015	*4, 5d*	146	-	-	-	462	due on demand
- Deposit	**2017**	*4, 5e*	**-**	**-**	**-**	**-**	**13,000**	Unsecured;
	2016	*4, 5e*	-	-	-	-	13,000	noninterest-bearing
	2015	*4, 5e*	-	-	-	-	13,000	
▪ WMCHI								
- Advances	**2017**	*4, 5c*	**25,995**	**-**	**-**	**215,530**	**-**	Unsecured;
and	2016	*4, 5c*	16,039	-	-	189,535	-	noninterest-bearing;
settlement	2015	*4, 5c*	16,039	-	-	173,496	-	due on demand
▪ WEC								
- Advances	**2017**	*4, 5d*	**2,439**	**-**	**-**	**2,348**	**-**	Unsecured;
and	2016	*4, 5d*	6,681	-	-	-	91	noninterest-bearing;
settlement	2015	*4, 5d*	73	-	-	-	6,773	due on demand
▪ WFC								
- Advances	**2017**	*4, 5d*	**166**	**-**	**-**	**-**	**407**	Unsecured;
and	2016	*4, 5d*	184	-	-	-	241	noninterest- bearing;
settlement	2015	*4, 5d*	153	-	-	-	57	due on demand
- Deposit	**2017**	*4, 5e*	**-**	**-**	**-**	**-**	**6,000**	Unsecured;
	2016	*4, 5e*	-	-	-	-	6,000	noninterest-bearing
	2015	*4, 5e*	-	-	-	-	6,000	
▪ WPL								
- Advances	**2017**	*4, 5c*	**127**	**-**	**-**	**194,999**	**-**	Unsecured;
and	2016	*4, 5c*	283	-	-	195,126	-	noninterest-bearing;
settlement	2015	*4, 5c*	212	-	-	195,409	-	due on demand
- Allowance for	**2017**	*5g*		**(61,185)**	**-**	**-**	**(150,087)**	
impairment	2016	*5g*		(61,185)	-	-	(149,340)	
losses	2016	*5g*		(61,185)	-	-	88,611	
TOTAL	**2017**			**P1,325,608**	**P347,928**	**P618,773**	**P1,312,716**	
TOTAL	2016			P1,272,815	P340,197	P771,371	P1,510,912	

a. Interest-bearing Advances to Related Parties

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

TWGI, PRC and MAHEC
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 P25.49 million and P82.33 million in 2017 and 2016, respectively, while PRC had no payments in 2017 and 2016.

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, 2017, 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 April 11, 2018, TWGI initiated to transfer certain parcels of land located in Puerto Princesa, Palawan as partial settlement of the advances.

Interest receivable from TWGI amounted to P137.85 million and P124.86 million as at December 31, 2017 and 2016, respectively, while interest receivable from PRC amounted to P66.27 million and P55.64 million as at December 31, 2017 and 2016, respectively. Allowance for impairment losses on receivables from TWGI amounted to P61.19 million as at December 31, 2017 and 2016.

CRDC
On December 21, 2015, the Company granted advances to CRDC with an interest of 2% per annum and maturity on December 21, 2020. Interest receivable from CRDC amounted to P14.93 million and P7.47 million as at December 31, 2017 and 2016, respectively. It was agreed that CRDC 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 of P7.73 million and P7.40 million was recognized in 2017 and 2016, respectively and accretion expense of P40.46 million was recognized in 2015 in the separate statements of profit or loss and other comprehensive 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 will materialize (see Note 12).

f. KMP

Currently, the Company is being managed by the Hotels' KMP. Hence, there is no key management compensation and benefits being recorded by the Company.

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

	2017	2016
WHMC	**P87,379,670**	P87,307,630
TWGI	**59,619,429**	59,619,429
MBI	**42,487,620**	42,144,074
WWGI	**13,812,237**	13,646,784
WFC	**6,407,282**	6,240,909
Others	**1,565,778**	1,565,778
	P211,272,016	P210,524,604

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

Total interest income on the abovementioned advances amounted to P31.08 million, P30.43 million and P31.73 million in 2017, 2016 and 2015, respectively.

6. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2017		
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Total**
Cost	**P4,815,980**	**P1,767,795**	**P6,583,775**
Accumulated Depreciation			
Beginning balance	**3,806,989**	**1,744,938**	**5,551,927**
Depreciation	**206,250**	**22,857**	**229,107**
Ending balance	**4,013,239**	**1,767,795**	**5,781,034**
Carrying Amount	**P802,741**	**P -**	**P802,741**

	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

7. Accrued Expenses and Other Payables

This account consists of:

	Note	2017	2016
Accrued interest and penalties - SSS loan	8	**P926,355,691**	P866,355,691
Others		**1,194,753**	1,326,472
	13	**P927,550,444**	P867,682,163

8. Loan Payable

SSS Loan

On October 28, 1999, the Company obtained a five-year term loan from SSS amounting to P375.00 million (see Note 13) 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 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 30 days extension to post the said attachment bond. Accordingly, on August 25, 2005, the Company filed a Motion for Reconsideration (MR).

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 charged 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 P375.00 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 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.

On February 27, 2017, a Second Notice to Appear issued by the PMCU-CA directing all parties to appear on February 27, 2017 at a specified time was received by the Parent Company only on February 27, 2017 after the specified time of the meeting. The Parent Company failed to appear.

On June 30, 2017, a Resolution issued by CA, resolved to submit the appeal for decision.

As at the report date, there had been no updates on the matter.

Outstanding principal balance of the loan amounted to P375.00 million as at December 31, 2017 and 2016. Starting 2017, WCCCHI was not anymore charged with the interest on SSS loan because the Company has assessed that WCCCHI has already fulfilled its obligations related to its use of proceeds from such loan. Interest expense related to the SSS loan recognized in the separate statements of profit or loss and other comprehensive loss amounted to P60.00 million in 2017. Accrued interest and penalties, presented as "Accrued interest and penalties - SSS loan" under "Accrued expenses and other payables" in the separate statement of financial position, amounted to P926.36 million and P866.36 million as at December 31, 2017 and 2016, respectively (see Note 7).

9. Other General and Administrative Expenses

This account is broken down as follows:

	Note	**2017**	2016	2015
Utilities		**P1,196,429**	P1,353,214	P1,371,129
Depreciation	6	**229,107**	300,222	312,393
Directors' fees		**200,000**	200,000	200,000
Security		**-**	-	45,040
Others		**697,100**	563,591	760,312
		P2,322,636	P2,417,027	P2,688,874

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

10. Income Taxes

The Company's current income tax expense in 2017, 2016 and 2015 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 components of the income tax (benefit) expense are as follows:

	2017	2016	2015
Recognized in Profit or Loss			
Current tax expense	**P4,499,223**	P4,172,068	P4,435,160
Deferred benefit expense	**(18,000,000)**	-	-
	(P13,500,777)	P4,172,068	P4,435,160

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:

	2017	2016	2015
Loss before income tax	**(P41,390,464)**	(P46,580,983)	(P280,026,807)
Income tax benefit at 30%	**(P12,417,139)**	(P13,974,295)	(P84,008,042)
Tax effects of:			
Nondeductible expenses	**1,235,518**	20,757,425	88,443,202
Income not subjected to income tax	**(2,319,156)**	(2,611,062)	-
	(P13,500,777)	P4,172,068	P4,435,160

The recognized deferred tax asset as at December 31, 2017 amounting to P18.00 million pertains to the tax effect on the accrued interest expense (see Note 7 and 8).

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 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. Thereafter, PAGCOR paid the WCCCHI and WMCHI rental on a month-to-month basis. The lease was renewed on February 15, 2018, for a period of 1 year. For APHC, the lease agreement with PAGCOR covered 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. As at December 31, 2017, PAGCOR continued to operate a portion of the lease area on a month-to-month basis while completing its pullout from APHC.

12. Equity

Capital Stock
Details of capital stock as at December 31, 2017 and 2016 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	112.50 million shares
(Initial Public Offering)	On October 7, 1994, the SEC approved the increase in the authorized capital stock of the Company to P450.00 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 P2.00 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 P5.00 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 3 years. As at December 31, 2017, 1.95 billion shares of the Company are listed in the PSE and has a total of 464 shareholders.

On July 20, 2007, the BOD resolved to increase the authorized capital stock of the Company to P10.00 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, 2017, 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.

Capital Management

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 2017 and 2016.

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 2017 and 2016.

On March 13, 2018, the WCCCHI's BOD approved the increase in the WCCCHI's authorized common stock from P13.80 million divided into 13.80 million common stock with a par value of P1 per share to P2.00 billion divided into 2.00 billion common stock with a par value of P1 per share.

Further, in connection with the increase in the authorized capital, the WCCCHI's BOD approved the proposal to convert the existing deposit on future subscriptions which currently amounts to P1.00 billion into equity, in tranches, the first tranche in the amount of P500.00 million and subsequent tranches as the WCCCHI's BOD shall decide.

As at the date of approval of the separate financial statements, WCCCHI has yet to file its application for the increase in authorized capital stock with the SEC.

For purposes of the Company's capital management, capital includes all equity items that are presented in the separate statement of changes in equity.

The Company is not subject to externally-imposed capital requirements as at December 31, 2017.

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's principal financial instruments comprise of cash in bank, advances to subsidiaries, deposits for future stock subscription, due from related parties, accrued expenses and other payables, loan payable and due to related parties. These financial instruments arise directly from operations.

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. There has been no change to the Company's exposure to risks or the manner in which it manages and measures the risks in prior financial year. The Company'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 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 separate statement of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below:

	Note	**2017**	2016
Cash in bank		**P282,506**	P672,364
Advances to subsidiaries	*4*	**408,803,000**	606,252,051
Deposits for future stock subscription	*4*	**1,054,000,000**	1,054,000,000
Due from related parties	5	**1,734,720,794**	1,674,197,774
		P3,197,806,300	P3,335,122,189

Except for the impaired advances to subsidiaries and deposits amounting to P150.09 million and due from related parties amounting to P61.19 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 (in thousands):

		Neither	Past Due but not Impaired				
2017	**Total**	**Past Due nor Impaired**	**<30 Days**	**31-60 Days**	**61-90 Days**	**>90 Days**	**Impaired**
Cash in bank	P283	P283	P -	P -	P -	P -	P -
Advances to subsidiaries	408,803	312,716	-	-	-	-	96,087
Deposits for future stock subscription	1,054,000	1,000,000	-	-	-	-	54,000
Due from related parties	1,734,721	347,928	-	-	-	1,325,608	61,185
	P3,197,807	P1,660,927	P -	P -	P -	P1,325,608	P211,272

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2016	Total	Neither Past Due nor Impaired	Past Due but not 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	606,252	510,912	-	-	-	-	95,340
Deposits for future stock subscription	1,054,000	1,000,000	-	-	-	-	54,000
Due from related parties	1,674,197	340,197	-	-	-	1,272,815	61,185
	P3,335,121	P1,851,781	P -	P -	P -	P1,272,815	P210,525

Allowance for impairment losses of P404.65 million and P403.91 million on its investments, advances and deposits was recognized by the Company as at December 31, 2017 and 2016 (see Note 4).

The table below shows the credit quality of the Company's financial assets based on their historical experience with the corresponding debtors and subsidiaries (in thousands).

	As at December 31, 2017			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in bank	**P283**	**P -**	**P -**	**P283**
Advances to subsidiaries	**312,716**	**-**	**96,087**	**408,803**
Deposits for future stock subscription	**1,000,000**	**-**	**54,000**	**1,054,000**
Due from related parties	**347,928**	**1,325,608**	**61,185**	**1,734,721**
	P1,660,927	**P1,325,608**	**P211,272**	**P3,197,807**

	As at December 31, 2016			
	Grade A	Grade B	Grade C	Total
Cash in bank	P672	P -	P -	P672
Advances to subsidiaries	510,912	-	95,340	606,252
Deposits for future stock subscription	1,000,000	-	54,000	1,054,000
Due from related parties	340,197	1,272,815	61,185	1,674,197
	P1,851,781	P1,272,815	P210,525	P3,335,121

Grade A receivables pertain to receivables that are neither past due nor impaired which have good collection status. These receivables are those which have high probability of collection, as evidenced by counterparties having ability to satisfy their obligations. Grade B receivables are those past due but not impaired receivables and with fair collection status. These receivables include 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 length of time. Those receivables which have continuous default collection issues are included under Grade C receivables. These receivables have counterparties that are most likely not capable of honoring their financial obligations.

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):

		Total	Contractual Undiscounted Payments				
2017	*Note*	**Carrying Amount**	**Total**	**On Demand**	**< 1 Year**	**1 to 5 Years**	**> 5 Years**
Accrued expenses and other payables	*7*	**P927,550**	**P927,550**	**P927,550**	**P -**	**P -**	**P -**
Loan payable	*8*	**375,000**	**375,000**	**375,000**	**-**	**-**	**-**
Due to related parties	*5*	**618,773**	**618,773**	**618,773**	**-**	**-**	**-**
		P1,921,323	**P1,921,323**	**P1,921,323**	**P -**	**P -**	**P -**

		Total	Contractual Undiscounted Payments				
2016	*Note*	Carrying Amount	Total	On Demand	< 1 Year	1 to 5 Years	> 5 Years
Accrued expenses and other payables	*7*	P867,682	P867,682	P867,682	P -	P -	P -
Loan payable	*8*	375,000	375,000	375,000	-	-	-
Due to related parties	*5*	771,371	771,371	771,371	-	-	-
		P2,014,053	P2,014,053	P2,014,053	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, 2017 and 2016 (in thousands):

	2017		2016	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables:				
Cash in bank	**P283**	**P283**	P672	P672
Advances to subsidiaries - net	**312,716**	**312,716**	510,913	510,913
Deposits for future stock subscription	**1,000,000**	**1,000,000**	1,000,000	1,000,000
Due from related parties - net	**1,673,536**	**1,673,536**	1,613,012	1,613,012
	P2,986,535	**P2,986,535**	P3,124,597	P3,124,597

	2017		2016	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Liabilities				
Other financial liabilities:				
Accrued expenses and other payables	**P927,550**	**P927,550**	P867,682	P867,682
Loan payable	**375,000**	**375,000**	375,000	375,000
Due to related parties	**618,773**	**618,773**	771,371	771,371
	P1,921,323	**P1,921,323**	P2,014,053	P2,014,053

The carrying amount of cash, current portion of due from and to related parties, advances to subsidiaries, deposits for future stock subscription and accrued expenses and other payables approximate their fair values due to the short-term maturity of these instruments.

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

14. BIR 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 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 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, 2017, 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 have a present obligation (legal or constructive) with respect to the assessment.

15. Omnibus and Security Loan Agreement

On December 21, 2017, the Parent Company, WCCCHI, WMCHI, DIHCI, CRDC and PRC (collectively, the Borrowers) entered into an Omnibus Loan and Security Agreement (the Agreement) with Philippine Bank of Communications (PBCOM) for the latter to provide the Borrowers multiple term loan facilities (the Loan Facilities) for general corporate purposes in the maximum aggregate amount of up to P1.50 billion. The Loan Facilities consists of the following:

Facility 1 - represents secured term loan facility in the amount of P850.00 million available through a single or multiple drawdowns with term of fifty-four (54) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated. Commitment period means the period commencing from the date of the agreement and terminating on the earliest of: (a) six (6) months from the signing of the Agreement; (b) the date when the commitment is fully drawn or availed by mutual agreement of the parties; or (c) the date when the commitment is terminated or cancelled in accordance with the terms of the Agreement.

Facility 2 - represents secured term loan facility in the amount of P200.00 million available through a single or multiple drawdowns with term of fifty-four (54) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated.

Facility 3 - represents secured term loan facility in the amount of P450.00 million available through a single or multiple drawdowns with term of forty-two (42) months from the initial drawdown date, regardless of the number of drawdowns. Any amount not drawn after the expiration of the commitment period shall be automatically cancelled and may not be reinstated. Facility 3 requires, on or before the initial drawdown date, the borrower to cause the relevant mortgagors to constitute in favor of PBCOM a first ranking real estate mortgage over Davao Agricultural Property located at Matina, Pangi, Tolomo, Davao City consisting of parcels of agricultural real property containing an aggregate area of seventy (70) hectares registered in the names of CRDC and PRC, and Locob property still registered in the name of an individual, and register such security interest with appropriate Registry of Deeds.

The loan principal is repayable on equal monthly installments to commence at the end of sixth (6th) month from the initial drawdown date subject to balloon payment upon maturity. Interest is charged at the higher of four (4)-year PDSTR2 rate on the date of availment and spread of 3.25% per annum or 7.75% per annum, and repayable monthly from the drawdown date.

The Loan Facilities are secured by chattel and real mortgages over various operating assets of WCCCHI and DIHCI; real estate mortgages over Davao Agricultural Property; assignment over leasehold rights on the land owned by Mactan Cebu International Airport Authority on which WCCCHI stands; and pledge of shares of stocks representing ownership of the Parent Company in WCCCHI and DIHCI.

Each of the Borrowers is required to comply with certain covenants during the term of the Agreement and until the full payment of the amounts due which include, among others:

1. Debt to Equity Ratio of not higher than 2.5:1;
2. Debt Service Coverage Ratio of at least 1.25x; and

3. Negative covenants which prohibit each of the Borrowers to:
    - Change the nature or scope of its business as presently conducted, or liquidate or dissolve, or enter into any consolidation, merger, pool, joint venture, syndicate or other combination, or sell, lease or dispose of a substantial portion (as determined by PBCOM) of its business or assets, with market or book value of P500.00 million or more;

    - Permit any change in ownership (direct or indirect), management or control of its business, which results in the present majority stockholders ceasing to hold, whether directly or indirectly through any person beneficially, at least sixty-eight percent (68%) of the direct or indirect beneficial or economic interest in each of the Borrowers;

    - Declare or pay dividends to stockholders and make any capital or asset distribution to stockholders;

    - Purchase, redeem, retire or otherwise acquire for value any of capital stock now or hereafter outstanding (other than as a result of the conversion of any shares of capital stock into shares of any other class of capital stock), return any capital to its stockholders as such, or make any distribution of assets to its stockholders as such (other than distribution payable in shares of its own outstanding capital stock);

    - File any legal action to question any corporate act or transaction;

    - Extend any loans, advances or subsidies to any corporation, partnership or entity owned by the Borrowers or in which it may have equity, other than advances in the ordinary course of business; and

    - Extend any loans or advances to any of its directors, officers, stockholders, affiliates and partners other than advances in the ordinary course of business.

On March 13, 2018, the Borrowers made the drawdowns of Facility 1 and Facility 2 amounting to P850.00 million and P200.00 million, respectively. On April 10, 2018, the Borrowers made the drawdown of Facility 3 amounting to P450.00 million.

16. 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 amendments to standards as discussed below.

Adoption of Amendments to Standards
The Company has adopted the following amendment to standards starting January 1, 2017 and accordingly, changed its accounting policies. The adoption of these amendment to standards did not have any significant impact on the Company's financial statements.

- *Disclosure initiative (Amendments to* PAS 7, *Statement of Cash Flows).* 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 separate statement of financial position for liabilities arising from financing activities.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to* PAS 12, *Income Taxes).* 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.

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 financial assets, and available-for-sale 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 twelve (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, 2017 and 2016.

(b) Initial Recognition and Derecognition

Financial assets are recognized in the separate statement of financial position when the Company 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 Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the timeframe generally established by regulations or convention in the marketplace. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Financial assets are derecognized when:

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

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

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

(c) Subsequent Measurement

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

(d) Determination of Fair Value

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

(e) Impairment

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

Impairment of advances to and due from related parties financial assets is described in Note 4 and 5 to the separate financial statements. For those carried at amortized cost, individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognized in profit or loss and the carrying amount is reduced through the use of allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

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
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 Company's financial liabilities categorized under other financial liabilities include loan payable, accrued expenses and other payables and due to related parties.

(b) Initial Recognition and Derecognition

Financial liabilities are recognized in the separate statements 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 statements 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 statements of financial position.

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

The Company carries its investments in shares of stock of its subsidiaries under the cost method of accounting for investments. Under this method, investments are carried at cost less impairment losses. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of the acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Measurement at Recognition

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

Measurement Subsequent to Recognition

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

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 Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and Amortization

Depreciation is computed using the straight-line method over the estimated useful lives of furniture, fixtures and equipment ranging from five (5) to ten (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 value in use, 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.

A reversal of an impairment loss on a revalued asset is recognized in the separate statements of changes in equity and increases the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognized in the profit or loss, a reversal of that impairment loss is also recognized in the profit or loss.

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. Interest expense are reported on an accrual basis.

Related Party Relationship

A related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its 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 comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income, in which case they are recognized in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Current tax assets and liabilities are offset only if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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 joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and 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 assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax assets and liabilities on a net basis or either tax assets and liabilities will be realised simultaneously.

Equity

Capital stock is classified as equity and is determined using the nominal value of share that have been issued. Capital stock is recognized at par value for all issued shares. Consideration received in excess of par value is recognized as additional paid-in capital net of incremental costs that are directly attributable to the issuance of new shares.

Accumulated deficit includes accumulated results of operations as reported in the separate statements of profit or loss and other comprehensive loss 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 year-end events as events that occurred after the reporting date but before the date when the separate financial statements were authorized for issue. Any post year-end 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. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

New Standards, Amendments 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, 2017. However, the Company has not applied the following new or amended standards and interpretations in preparing these separate financial statements. The Company is currently assessing and has yet to reasonably estimate the potential impact of these, if any, on its separate financial statements.

To be Adopted on 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. The new standard is to be applied retrospectively.

- PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretations Committee-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 PFRS. 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. The new standard is to be applied retrospectively.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration.* The interpretation 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 on 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 twelve 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. The new standard is to be applied retrospectively.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

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 separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2017:

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	**P397,215**

C. Deficiency Tax Assessments

As at December 31, 2017, the Company is still awaiting SC's decision on its appeal related to the VAT assessment.

COMPANY NAME : WATERFRONT PHILS., INC.

LIST OF TOP 100 STOCKHOLDERS
As Of December 31, 2017

:KHOLDER'S NAME	TOTAL HOLDINGS (SUBSCRIBED)
THE WELLEX GROUP, INC.	1,128,466,800
PCD NOMINEE CORP. (FILIPINO)	580,381,575
SILVER GREEN INVESTMENTS LTD.	180,230,000
CHESA HOLDINGS, INC.	175,924,000
TYBALT INVESTMENT LTD.	135,010,000
PCD NOMINEE CORP. (NON-FILIPINO)	46,981,699
PACIFIC WIDE REALTY DEVELOPMENT CORP.	36,445,000
KENNETH T. GATCHALIAN	30,000,100
REXLON T. GATCHALIAN	30,000,000
WESLIE T. GATCHALIAN	30,000,000
FORUM HOLDINGS CORPORATION	20,626,000
PRIMARY STRUCTURES CORPORATION	16,212,500
PACIFIC REHOUSE CORPORATION	15,598,900
REXLON GATCHALIAN	14,740,000
METRO ALLIANCE HOLDINGS & EQUITIES, INC.	14,370,000
MIZPAH HOLDINGS, INC.	10,489,200
ELVIRA A. TING	10,000,009
CATALINA ROXAS MELENDRES	6,246,000
MANUEL H. OSMENA &/OR MANUEL L. OSMENA II	1,400,000
ROLANDO M. LIM	1,142,500
FELIPE A CRUZ JR.	1,100,000
MARIA CONCEPCION CRUZ	876,000
FREYSSINET PHILIPPINES, INC.	770,000
BENSON COYUCO	605,000
LUCENA B. ENRIQUEZ	552,000
EMILY LIM	500,000
DEE HUA T. GATCHALIAN	350,000
MARVIN J. GIROUARD	330,000
ARTHUR H. OSMENA &/OR JANE Y. OSMENA	330,000
JOSE YAP &/OR CONCHITA YAP	330,000
DAVID LAO OSMENA	314,600
ANA L. GO	300,000
SEGUNDO SEANGIO &/OR VIRGINIA SEANGIO	297,000
CHARTERED COMMODITIES CORPORATION	294,999
DOMINGO C GO	275,000
DAVID LAO OSMENA	275,000
GARY GO DYCHIAO	200,000
MERIDIAN SEC., INC. A/C# 844	200,000
CRISTINO NAGUIAT, JR.	181,500
WILLIE TIO	159,500

BETO Y. LIM	150,000
PIERCE INTERLINK SECURITIES, INC.	150,000
AURORA V. SAN JOSE	143,000
YAN TO A. CHUA	132,000
CELY S. LIM	112,200
DEWEY CHOACHUY, JR.	111,300
WILSON CHUA &/OR BECKY QUE CHUA	110,000
WANG YU HUEI	110,000
KENSTAR INDUSTRIAL CORPORATION	110,000
JOHN CRHISTOPHER D. WEIGEL	110,000
WATERFRONT NOMINEES SDN BHD A/C#6	107,800
CATHAY SEC. CO., INC. A/C# 1030	100,000
CARRIE LIM	100,000
MANUEL H. OSMENA &/OR GRELINA L. OSMENA	100,000
PACIFIC CONCORDE CORPORATION	100,000
PACIFIC IMAGES, INC.	100,000
HANSON G. SO &/OR LARCY MARICHI Y. SO	100,000
CHONG PENG YNG	100,000
ALVIN TAN UNJO	88,000
TERESITA GO &/OR SATURNINA GO	87,000
GEORGE U. YOUNG, JR.	82,500
ROLANDO D. DE LEON	66,000
LIPPO SECURITIES, INC.	56,500
PRIMITIVO C. CAL	55,000
VICKY L. CHAN	55,000
MA. TERESA P. CRUZ	55,000
RENATO C. GENDRANO &/OR GENDRANO BERNADETTE	55,000
L.M. GARCIA & ASS., INC. A/C# 160	55,000
LUISA CO LI	55,000
KIRBY YU LIM	55,000
LYDIA J. SY	55,000
EDILBERTO &/OR ROSITA TANYU &/OR WELLINGTON HO VELASC	55,000
LIM TAY	55,000
FRUTO M. TEODORICO, JR.	55,000
LEONG JEE VAN	55,000
UY TIAK ENG	50,000
SANDRA E. PASCUAL	50,000
FRANCISCO C. SAN DIEGO	50,000
ROBERTO L. UY	50,000
RAMESES VICTORIUS G. VILLAGONZALO	50,000
NEIL JOHN A. YU	50,000
EBC SECURITIES CORPORATION	48,400
TAN DAISY TIENG	46,500
EAST ASIA OIL & MINING COMPANY, INC.	40,000
OCBC SECURITIES PHILS., INC.	40,000
JAY JACOBS	39,600
ROBERT KLING	39,600
ADRIAN LONG	39,600
GLADYS MAY L. OSMENA	39,600
MANILYNN L. OSMENA	39,600
MEGHANN GAIL L. OSMENA	39,600

MANUEL L. OSMENA, II	39,600
STEVE WOODWARD	39,600
LUZ YAMANE	38,500
LILY S. HO	36,300
ABACUS SECURITIES CORPORATION	35,200
LILIAN HONG	34,000
ARTURO GUANZON	33,000
INTERNATIONAL POLYMER CORPORATION	33,000
VICENTE JOAQUIN	33,000
SEAFRONT RESOURCES CORP.	33,000
LEONCIO TIU	33,000
RAMONCITO ARCEO	30,000
TAN LIN LAY	30,000
RODOLFO B. LEDESMA	30,000
MA. YOLANDA MALLARI	30,000
YVETTE LEE	27,500
ONG YU LING	27,500
DELFIN R. SUPAPO JR.	27,500
EDGAR M. ALFEREZ	25,000
RAMON A. TINIO	25,000
RAYMOND TONG	23,300
IMELDA L. ACIDERA	22,000
PHILIP NG CLARIN & EVELYN NG LEE	22,000
CHIOTI HSU	22,000
ANITA LIM	22,000
CONSUELO A. MOPAS	22,000
MARCELO S. NUGUID	22,000
VICKY ONG	22,000
QUALITY INVESTMENTS & SECURITIES CORP.	22,000
RICARDA B. QUIROS	22,000
ERNESTO R. SALAS, JR.	22,000
YU SIOK HUI	22,000
PABLO SON KENG PO	22,000
ROBERT C. TING	22,000
CLIFFORD LAO YOUNG	22,000
WATERFRONT NOMINEES SDN BHD A/C#9	20,900
JIM HO KHE BIN	20,000
FRANCIS S. CHOA	20,000
NELIA CO	20,000
VENUS DE OCAMPO	20,000
GUILLERMO F. GILI, JR.	20,000
RUBY PING GO	20,000
ALEXANDER C. LEE	20,000
REGINA CAPITAL DEVT., CORP. A/C#1845	20,000
TRITON SECURITIES CORPORATION	20,000
CATHERINE LAO YOUNG	19,800
RAMON JAIME VILA BIROSEL	17,600
ARISTEO O. FERAREN, JR.	17,600
REXLON INDUSTRIAL CORPORATION	17,000
ELVIN CHAN	16,500
KATHLEEN COPON	16,500

JOSEFINA DINSAY	16,500
ERIC JAO	16,500
CARMELITA KONG KIAT	16,500
MATEO H. LUGA	16,500
GRACE MAGNAYE	16,500
AMANDO J. PONSARAN, JR.	16,500
GLENN ANTHONY O. SOCO	16,500
JAY DEXTER A. LIM	16,200
G & L SECURITIES CO., INC.	15,000
REMEDIOS S. ORBETA	14,300
AH LAY OH	13,750
IBURI TADAFUMI	13,750
MONINA GRACE S. LIM	13,200
AURELIO P. VENDIVEL, JR.	13,200
PEDRO DOMINGO	12,100
RICARDO R. AGUADO	11,000
EVELYN ARCENAL	11,000
DAXIM-REY L. BANAGUDOS	11,000
ARIEL M. CONCEJERO &/OR MA. CONSUELO G. CONCEJERO	11,000
ANITA T. DAVID	11,000
ROY A. DE LOS REYES	11,000
MANUEL DY	11,000
HUNG CHUEN FEI	11,000
MARLENE S. GUEVARA	11,000
ROY CECIL D. IBAY	11,000
CONSUELO DY KHU	11,000
YU PEK KIAN	11,000
PHILIP KIONG	11,000
RICARDO P. LAZARO	11,000
KATHERINE LIM &/OR MARSHA LIM	11,000
JOSEFA T. LUA	11,000
ALBERTO MENDOZA &/OR JEANIE MENDOZA	11,000
ELIZABETH MERCADO	11,000
CARMEN ONG	11,000
HARVEY OSMENA	11,000
VENUS PACIA	11,000
GAUDENCIO H. PANALIGAN	11,000
CIRILO E. PASUCAL	11,000
MA. THERESA C. PE	11,000
NERISSA C. QUINTANA	11,000
R. COYIUTO SECURITIES, INC.	11,000
SEIICHIRO TAKAHASHI	11,000
CARLOS S. TAN	11,000
CHEAH TUCK	11,000
PHILIP L. UY	11,000
EDGARDO YAMBAO &/OR MARIA ISABEL YAMBAO	11,000
JEFFERSON Y. YAO	11,000
RODERICK ALAIN ALVAREZ	10,000
CARINA H. BALONES	10,000
GARRY BOOC	10,000
FRANKLIN M. COSTALES	10,000

ARSENIO L. LIM &/OR RUBY O. LIM		10,000
GIOVANNI JOSEF B. LIM		10,000
ROLANDO I. LOMBOY &/OR MILAGROS R.LOMBOY		10,000
RENO I. MAGADIA		10,000
JAMES O. NG &/OR ELSIE Y. NG		10,000
LAWRENCE C. NG		10,000
NOBLE ARCH REALTY AND CONSTRUCTION CORP.		10,000
CARMELO OBCEMEA		10,000
BARTHOLOMEW DY BUNCIO YOUNG		10,000
JOHN BENEDICT O. YU		10,000
CARMELITA P. CRUEL		8,800
MA. ISABEL H. ERMITA		8,800
FATIMA A. FARRALES		8,800
MAXIMO V. LUCAS		8,800
ILDEFONSO REYNOSO II		8,800
RUFINO B. TIANGCO		8,800
CHARISSA YLAYA		8,800
MARIA A. GARCIA		8,000
LIPPO SECURITIES, INC.	FAC	8,000
MA. CYNTHIA AMIGO ALCANTARA		7,700
WILLIAM N. CHUA CO KIONG		7,700
E.N. MADRAZO CORPORATION		7,700
RAPHAEL T. JUAN		7,700
JUANA M. REYES		7,700
SALVADOR T. RIGOR, JR.		7,700
EUFEMIA ZULUAGA		7,700
BING ROJO		6,700
HANNAH JALECO ALLANIGUE		6,600
EXUPERTO P. CABATANA		6,600
CLEOFE D.V. CANETE		6,600
JOCELYN FULACHE		6,600
ROZANA C. GUTIERREZ		6,600
LESLIE A. LAVA		6,600
STEVEN M. ONG		6,600
PROSERFINA SIGUENZA		6,600
AGAPITO R. VALENCIA		6,600
SALUD VELORIA		6,600
ROBERTO ABELLO &/OR MA. ANTONIA ABELLO		5,500
RENATO C. ALARCON &/OR VIRGINIA M. ALARCON		5,500
MA. WINNINAH S. ANCHETA		5,500
GENEROSA A. ARENAS		5,500
RUBEN BALBASTRO &/OR ROSARIO TORRES		5,500
BELINDA CHUA		5,500
LUIS W. CHUA		5,500
MA. REGINA CLIMACO		5,500
TERESITA I. DE LOS SANTOS		5,500
ERIBERTO E. ESTEBAN		5,500
BILLY KHU &/OR WARREN KHU		5,500
BILLY GO KHU		5,500
CONSUELO C. KON		5,500
LOLITA LABACLADO		5,500

ALEXANDRIA M. LACSON	5,500
KAROLYN LIU	5,500
GRACE MAGNAYE	5,500
CARMENCITA MIRANDA &/OR DONNA DEL ROSARIO	5,500
BELINDA NGO	5,500
JUANA ONGKA	5,500
VIRGIE R. ORTEGA	5,500
ANTONIO MAPUA OSTREA	5,500
CHARLES M. PRATT	5,500
DEREK PUERTOLLANO	5,500
LINDA TAN	5,500
ROBERTO S. UY	5,500
WEALTH SECURITIES, INC.	5,500
GRACIANO AUDWIN T. GARZON	5,000
HSBC SECURITIES (PHILIPPINES), INC.	5,000
MA. MADONNA M. MEDENILLA	5,000
IMELDA M. PRECION	5,000
MAHALIA C. QUINONES	5,000
SIMEON SAMSON &/OR CHARLIE RAVALO	5,000
LEOPOLDO SY-QUIA JR.	5,000
HELEN F. WILLIMANN	5,000
MINERVA R. ALIAZON	4,400
ADELAIDA ZITA R. CARLOS	4,400
ANGELES MORALES DE LEON	4,400
KERRY SECURITIES (PHILS.), INC. -GJ01	4,400
MUI SIN KOH-SEAH	4,400
MANUEL S. MILAN	4,400
NATIVIDAD C. NGUI	4,400
JIMMY G. ONG	4,400
MA. TERESITA M. PALO	4,400
NG GHIM HWA	4,000
JORGE P. LONTOC OR PACITA L. LONTOC	4,000
SAPPHIRE SECURITIES, INC.	4,000
ROBERTO C. VILLEGAS	4,000
CECILIA CO YU	4,000
JOCELYN L. ZARATE	4,000
JUN M. BORRES	3,300
ELEANOR P. CALIMAG	3,300
MA. ROSARIO FRANCO	3,300
EUGENE GALICIA	3,300
SARAH SAN JOSE HAIN	3,300
BRENDA SOLIDUM HERNANDEZ	3,300
MUI SIN KOH-SEAH &/OR DENNIS CHEE CHIANG SEAH	3,300
CHRISTOPHER D. LO	3,300
JUAN ANTONIO LOPEZ	3,300
LUKE MACABABBAD	3,300
PATRICIA MIADO &/OR MARIO ANGEL MIADO	3,300
PANTALEON NIEVA &/OR ANGELITA NIEVA	3,300
PAUL PESTANO	3,300
ELENETTE C. PINGUL	3,300
JAIME R. QUIJANO	3,300

JESUS ROBERTO SAENZ &/OR AURORA E.	3,300
MA. TERESA T. SAN AGUSTIN	3,300
EDWARD W. TAN	3,300
EPIFANIA G. SANTOS	2,750
JESUS B. MARAMARA	2,700
MA. LEYLANI V. GAMBOA	2,500
ROGELIO GANZON	2,500
ROGER CORRO	2,300
ROSIE TAN	2,300
CARLO ARCHES	2,200
MA. ROSARIO T. BARRETTO	2,200
AIDA BELLESTEROS	2,200
RAY CELIS	2,200
CLARO CENIZA	2,200
AMELIA CERVANTES	2,200
ELMER DELA CRUZ	2,200
NARISA BERLIN R. DURAN	2,200
LEONARDO ERMITA	2,200
AMANDA B. FLORES	2,200
FLORENTINO A. GONZALEZ, JR. &/OR LOURDJEAN T. GONZALE	2,200
JOSEPH EDWARD HANNEN	2,200
LUCILA D. ICBAN	2,200
MYRNA LOU F. ISIP	2,200
JOCELYN O. LIM	2,200
VILMA LUMANOG	2,200
LEVI Q. MAGNAYE	2,200
MELVIN M. MANALO	2,200
BENJAMIN MOMBAY &/OR ELYSIA DELA LLANA	2,200
CONSUELO G. OSI	2,200
ROLANDO R. RABARA	2,200
MELITA G. RAGAS	2,200
JOHN PATRICK REGNER	2,200
EDNA T. ROGANDO &/OR ESTER T. JUCO	2,200
ROLANDO S. SANTOS, JR.	2,200
MICHELLE T. SY	2,200
MERLINDO R. TINAPAY	2,200
RUBY TING	2,200
ZITA O. UY-TIOCO	2,200
ANTONIO VERZOSA	2,200
BENEDICTO V. VIARDO	2,200
BANING P. ANG	2,000
BANING P. ANG	2,000
ERVERT AVANZADO &/OR LIAZLE AVANZADO	2,000
EDUVEGES O. BATALAN	2,000
BONIFACIO M. CABATIT	2,000
AUGURIO P. DE VERA	2,000
EDMUNDO Z. GREGORIO	2,000
GLORIA GUINTU	2,000
I.B. GIMENEZ SEC., INC. A/C DPA-003	2,000
TERESITO P. OCAMPO	2,000
FLORENCIO SANTOS	2,000

WINSTON P. PUNZALAN	1,500
JOSELITO C. HERRERA	1,300
ALBERTO MOGUEL	1,200
STELLA TANSENGCO-SCHAPERO	1,200
ROMMEL C. AQUINO	1,100
GERALDINE BAD-AY	1,100
VIVIEN BILBAO	1,100
LUZVIMINDA E CABIBIJAN	1,100
JENNIFER CASAS	1,100
JOHN PETER CHICK B. CASTELO	1,100
CATHAY SEC. CO., INC. A/C# 1684	1,100
BEDY DU CO	1,100
CYNTHIA ROXAS DEL CASTILLO	1,100
CAROLINE DY	1,100
GRACE M. GALANG	1,100
GUILD SECURITIES, INC.	1,100
REBECCA TAN LIM	1,100
ROMEO S. LINDAIN	1,100
ARMANDO S. LLARINAS	1,100
PORFIRIO G. MACARAEG &/OR MICHAEL MACARAEG	1,100
BENJAMIN G. MAGBANUA	1,100
EMILIA MANANON	1,100
VIDA MARIE E. NISPEROS	1,100
LYDIA C. PASCUA	1,100
ARACELI P. PENAS	1,100
MABEL POBLETE	1,100
OMAR C. POLINTAN &/OR MELITA POLINTAN	1,100
BEVERLY G. REJANTE	1,100
DAISY S.A REYES	1,100
LETICIA ROXAS	1,100
DOUGLAS TAN	1,100
FATIMA L. TAN	1,100
MIRABEL TAN	1,100
RAYMOND G. TAN	1,100
SUZETTE TAN	1,100
LOLITA TANSENGCO	1,100
YEOH CHEAW TAU	1,100
IRMINIA A. TIPGOS	1,100
LUISIANA DELOS SANTOS TONDO	1,100
ELIZABETH TUBALE	1,100
FEDELIZA R. VARGAS	1,100
ABACUS CAPITAL INVESTMENT CORP. A/C 583002	1,000
MA. LUISA AQUINO	1,000
RAYMOND AZCARATE	1,000
JULIE YAP CHUA	1,000
ARISTEO R. CRUZ	1,000
MILAGROS ONG MAGAT	1,000
VICENTE LIM PANG	1,000
FIDELINA B. REYES	1,000
RODOLFO V. SAEZ	1,000
REYNALDO NAVARRA TECECHIAN	1,000

RUBEN D. TORRES	1,000
JESUS SAN LUIS VALENCIA	1,000
GUIDO VILLANUEVA &/OR AMELIA VILLANUEVA	1,000
MA. SALOME VILLASIS	1,000
ALFREDO COLLADO	900
GRAND TOTAL (402)	2,498,982,332

THIS IS A COMPUTER GENERATED REPORT AND IF ISSUED WITHOUT ALTERATION, DOES NOT REQUIRE ANY SIGNATURE.

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY
Company Code - WPI000000000 - Waterfront Phils. Inc.

Business Date: December 29, 2017

BP NAME	HOLDING
UPCC SECURITIES CORP.	2,080,500
A & A SECURITIES, INC.	1,132,200
ABACUS SECURITIES CORPORATION	11,655,386
PHILSTOCKS FINANCIAL INC	59,651,204
A. T. DE CASTRO SECURITIES CORP.	2,122,000
ALL ASIA SECURITIES MANAGEMENT CORP.	202,500
ALPHA SECURITIES CORP.	1,259,000
BA SECURITIES, INC.	1,485,200
AP SECURITIES INCORPORATED	20,497,000
ANSALDO, GODINEZ & CO., INC.	2,036,700
AB CAPITAL SECURITIES, INC.	4,819,500
SB EQUITIES,INC.	2,395,100
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	832,800
ASIASEC EQUITIES, INC.	353,000
ASTRA SECURITIES CORPORATION	5,000
BELSON SECURITIES, INC.	1,335,100
BENJAMIN CO CA & CO., INC.	334,000
B. H. CHUA SECURITIES CORPORATION	2,250,500
JAKA SECURITIES CORP.	8,659,500
BPI SECURITIES CORPORATION	50,603,690
CAMPOS, LANUZA & COMPANY, INC.	1,952,702
SINCERE SECURITIES CORPORATION	1,155,000
BDO NOMURA SECURITIES INC	13,780,798
CITISECURITIES, INC.	1,408,350
TRITON SECURITIES CORP.	956,450
IGC SECURITIES INC.	2,052,000
CUALOPING SECURITIES CORPORATION	176,500
DBP-DAIWA CAPITAL MARKETS PHILPPINES, INC.	2,200
DAVID GO SECURITIES CORP.	467,000
DIVERSIFIED SECURITIES, INC.	4,823,800
E. CHUA CHIACO SECURITIES, INC.	3,166,100
EQUITABLE SECURIITES (PHILS.) INC.	27,200
EAST WEST CAPITAL CORPORATION	400,000
EASTERN SECURITIES DEVELOPMENT CORPORATION	2,982,200
EQUITIWORLD SECURITIES, INC.	1,879,600
EVERGREEN STOCK BROKERAGE & SEC., INC.	3,147,298
FIRST ORIENT SECURITIES, INC.	1,417,100
FIRST INTEGRATED CAPITAL SECURITIES, INC.	100
F. YAP SECURITIES, INC.	1,066,000
AURORA SECURITIES, INC.	819,700
GLOBALINKS SECURITIES & STOCKS, INC.	1,384,400

JSG SECURITIES, INC.	51,650
GOLDSTAR SECURITIES, INC.	417,300
GUILD SECURITIES, INC.	115,100
HDI SECURITIES, INC.	1,200,500
H. E. BENNETT SECURITIES, INC.	50,000
HK SECURITIES, INC.	9,100
I. ACKERMAN & CO., INC.	30,000
I. B. GIMENEZ SECURITIES, INC.	228,097
INVESTORS SECURITIES, INC,	627,000
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	183,800
INTRA-INVEST SECURITIES, INC.	564,400
ASIAN CAPITAL EQUITIES, INC.	56,100
J.M. BARCELON & CO., INC.	927,000
VALUE QUEST SECURITIES CORPORATION	877,000
STRATEGIC EQUITIES CORP.	899,900
LARRGO SECURITIES CO., INC.	272,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	3,300
LUCKY SECURITIES, INC.	598,500
LUYS SECURITIES COMPANY, INC.	15,500
MANDARIN SECURITIES CORPORATION	1,173,200
COL Financial Group, Inc.	167,105,746
DA MARKET SECURITIES, INC.	222,200
MERCANTILE SECURITIES CORP.	38,800
MERIDIAN SECURITIES, INC.	295,700
MDR SECURITIES, INC.	587,000
DEUTSCHE REGIS PARTNERS, INC.	871,300
MOUNT PEAK SECURITIES, INC.	111,000
NEW WORLD SECURITIES CO., INC.	1,251,000
NIEVES SECURITIES, INC.	200,000
OPTIMUM SECURITIES CORPORATION	1,201,250
RCBC SECURITIES, INC.	5,341,300
PAN ASIA SECURITIES CORP.	375,000
PAPA SECURITIES CORPORATION	6,635,500
MAYBANK ATR KIM ENG SECURITIES, INC.	20,744,098
PLATINUM SECURITIES, INC.	178,000
PNB SECURITIES, INC.	954,260
PREMIUM SECURITIES, INC.	1,953,600
PRYCE SECURITIES, INC.	12,124
SALISBURY BKT SECURITIES CORPORATION	15,300
QUALITY INVESTMENTS & SECURITIES CORPORATION	9,896,300
R & L INVESTMENTS, INC.	336,000
R. COYIUTO SECURITIES, INC.	4,922,100
REGINA CAPITAL DEVELOPMENT CORPORATION	4,485,976
R. NUBLA SECURITIES, INC.	3,495,100
AAA SOUTHEAST EQUITIES, INCORPORATED	2,260,200
R. S. LIM & CO., INC.	748,400
RTG & COMPANY, INC.	216,100

S.J. ROXAS & CO., INC.	522,500
SECURITIES SPECIALISTS, INC.	472,200
FIDELITY SECURITIES, INC.	244,500
SUMMIT SECURITIES, INC.	942,300
STANDARD SECURITIES CORPORATION	1,731,200
SUPREME STOCKBROKERS, INC	31,350
TANSENGCO & CO., INC.	847,200
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	353,200
TOWER SECURITIES, INC.	20,859,100
TRANS-ASIA SECURITIES, INC.	725,500
APEX PHILIPPINES EQUITIES CORPORATION	7,000
TRENDLINE SECURITIES CORPORATION	11,200
TRI-STATE SECURITIES, INC.	115,500
UCPB SECURITIES, INC.	2,274,700
E.SECURITIES, INC.	3,300
VENTURE SECURITIES, INC.	244,900
FIRST METRO SECURITIES BROKERAGE CORP.	28,549,389
WEALTH SECURITIES, INC.	6,962,490
WESTLINK GLOBAL EQUITIES, INC.	46,019,540
BERNAD SECURITIES, INC.	677,100
WONG SECURITIES CORPORATION	44,000
YAO & ZIALCITA, INC.	1,755,500
YU & COMPANY, INC.	3,622,000
BDO SECURITIES CORPORATION	4,356,000
PCCI SECURITIES BROKERS CORP.	4,773,000
EAGLE EQUITIES, INC.	835,800
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	3,343,576
SOLAR SECURITIES, INC.	2,942,600
G.D. TAN & COMPANY, INC.	919,300
DW CAPITAL INC.	100,000
PHILIPPINE EQUITY PARTNERS, INC.	2,151,950
UNICAPITAL SECURITIES INC.	5,861,000
SunSecurities, Inc.	1,070,000
ARMSTRONG SECURITIES, INC.	5,300
KING'S POWER SECURITIES, INC.	172,000
TIMSON SECURITIES, INC.	1,467,000
STAR ALLIANCE SECURITIES CORP.	2,045,000
CITIBANK N.A.	300,000
DEUTSCHE BANK MANILA-CLIENTS A/C	19,340,000
STANDARD CHARTERED BANK	1,139,000
TOTAL	627,364,374

Reference No : 121800024672576
Date Filed : April 11, 2018 10:35 AM
Batch Number : 0

For BIR Use Only BCS/ Item

1702-RT06/13P1

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No. **1702-RT** June 2013 Page 1

1 For ✕ Calendar Fiscal

2 Year Ended (MM/20YY) 12 2017

3 Amended Return? Yes ✕ No

4 Short Period Return? Yes ✕ No

5 Alphanumeric Tax Code (ATC)

IC055	Minimum Corporate Income Tax (MCIT)
IC010	CORPORATION IN GENERAL - JAN 1, 2009

Part I - Background Information

6 Taxpayer Identification Number (TIN) 003 - 978 - 254 - 000

7 RDO Code 080

8 Date of Incorporation/Organization (MM/DD/YYYY) 09/23/1994

9 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*
WATERFRONT PHILIPPINES INCORPORATED

10 Registered Address *(Indicate complete registered address)*
IPT BLDG.PRE-DEP AREA MCIAA MACTAN LAPULAPU CITY

11 Contact Number 3404888

12 Email Address r.wasawas@waterfronthotels.net

13 Main Line of Business FINANCIAL HOLDING COMPANY ACTIVITIES

14 PSIC Code 6694

15 Method of Deductions ✕ Itemized Deductions [Section 34 (A-J), NIRC] Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

16 Total Income Tax Due (Overpayment) *(From Part IV Item 44)*	4,499,223
17 Less: Total Tax Credits/Payments *(From Part IV Item 45)*	0
18 Net Tax Payable (Overpayment) *(Item 16 Less Item 17) (From Part IV Item 46)*	4,499,223
19 Add: Total Penalties *(From Part IV Item 50)*	0
20 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 18 and 19) (From Part IV Item 51)*	4,499,223

21 If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*
To be refunded To be issued a Tax Credit Certificate (TCC) To be carried over as tax credit next year/quarter

We declare under the penalties of perjury that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

MR. KENNETH T. GATCHALIAN
Signature over printed name of President/Principal Officer/Authorized Representative

MS. PRECILLA O. TORIANO
Signature over printed name of Treasurer/Assistant Treasurer

Title of Signatory PRESIDENT CORP. FIN. DIRECTOR Number of pages filed 8

22 Community Tax Certificate (CTC) Number ✕ SEC Reg No. AS094-8678

23 Date of Issue (MM/DD/YYYY) 09/23/1994

24 Place of Issue CEBU CITY

25 Amount, if CTC 0

Part III - Details of Payment

Details of Payment	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo				
27 Check				0
28 Tax Debit Memo				0
29 Others *(Specify Below)*				0
				0

Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)*

Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

RECEIVED
PNB-CEBU I.T. PARK BR.
DATE APR 13 2018
BRANCH CODE 033254
TELLER'S CODE/ INITIALS

CESAR B. PADILLA
Assistant Revenue District Officer

Reference No : 121800024672576
Date Filed : April 11, 2018 10:35 AM
Batch Number : 0

For BIR Use Only | BCS/ Item

1702-RT06/13P1

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No. **1702-RT** June 2013 Page 1

1 For	Calendar · Fiscal
2 Year Ended (MM/20YY)	12 / 2017
3 Amended Return?	Yes · No
4 Short Period Return?	Yes · No
5 Alphanumeric Tax Code (ATC)	IC055 Minimum Corporate Income Tax (MCIT); IC010 CORPORATION IN GENERAL - JAN 1, 2009

Part I - Background Information

6 Taxpayer Identification Number (TIN)	003 - 978 - 254 - 000
7 RDO Code	080
8 Date of Incorporation/Organization (MM/DD/YYYY)	09/23/1994
9 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*	WATERFRONT PHILIPPINES INCORPORATED
10 Registered Address *(Indicate complete registered address)*	IPT BLDG.PRE-DEP AREA MCIAA MACTAN LAPULAPU CITY
11 Contact Number	3404888
12 Email Address	r.wasawas@waterfronthotels.net
13 Main Line of Business	FINANCIAL HOLDING COMPANY ACTIVITIES
14 PSIC Code	6694
15 Method of Deductions	· Itemized Deductions [Section 34 (A-J), NIRC] / Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

16 Total Income Tax Due (Overpayment) *(From Part IV Item 44)*	4,499,223
17 Less: Total Tax Credits/Payments *(From Part IV Item 45)*	0
18 Net Tax Payable (Overpayment) *(Item 16 Less Item 17) (From Part IV Item 46)*	4,499,223
19 Add: Total Penalties *(From Part IV Item 50)*	0
20 **TOTAL AMOUNT PAYABLE (Overpayment)** *(Sum of Item 18 and 19) (From Part IV Item 51)*	4,499,223

21 If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*

To be refunded | To be issued a Tax Credit Certificate (TCC) | To be carried over as tax credit next year/quarter

We declare under the penalties of perjury that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

MR. KENNETH T. GATCHALIAN — Signature over printed name of President/Principal Officer/Authorized Representative

MS. PRECILLA O. TORIANO — Signature over printed name of Treasurer/Assistant Treasurer

Title of Signatory: PRESIDENT / CORP. FIN DIRECTOR | Number of pages filed: 8

22 Community Tax Certificate (CTC) Number · SEC Reg No.	AS094-8678
23 Date of Issue (MM/DD/YYYY)	09/23/1994
24 Place of Issue	CEBU CITY
25 Amount, if CTC	0

Part III - Details of Payment

Details of Payment	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo				0
27 Check				0
28 Tax Debit Memo				0
29 Others *(Specify Below)*				0

Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)*

Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

RECEIVED
DATE APR 11 2018
BRANCH CODE 03325
TELLER'S CODE/ INITIALS

Annual Income Tax Return
Page 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P2

Taxpayer Identification Number (TIN)	Registered Name
003 - 978 - 254 - 000	WATERFRONT PHILIPPINES INCORPORATED

Part IV - Computation of Tax *(Do NOT enter Centavos)*

30 Net Sales/Revenues/Receipts/Fees *(From Schedule 1 Item 6)*		0
31 Less: Cost of Sales/Services *(From Schedule 2 Item 27)*		0
32 Gross Income from Operation *(Item 30 Less Item 31)*		0
33 Add: Other Taxable Income Not Subjected to Final Tax *(From Schedule 3 Item 4)*		31,076,335
34 Total Gross Income *(Sum of Items 32 & 33)*		31,076,335
Less: Deductions Allowable under Existing Law		
35 Ordinary Allowable Itemized Deductions *(From Schedule 4 Item 40)*	16,078,926	
36 Special Allowable Itemized Deductions *(From Schedule 5 Item 5)*	0	
37 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)*	0	
38 Total Itemized Deductions *(Sum of Items 35 to 37)*	16,078,926	
***OR** [in case taxable under Sec 27(A) & 28(A)(1)]*		
39 Optional Standard Deduction *(40% of Item 34)*	0	
40 Net Taxable Income *(Item 34 Less Item 38 OR 39)*		14,997,409
41 Income Tax Rate		**30.0%**
42 Income Tax Due other than MCIT *(Item 40 x Item 41)*		4,499,223
43 Minimum Corporate Income Tax (MCIT) *(2% of Gross Income in Item 34)*		621,527
44 Total Income Tax Due *(Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)*		4,499,223
45 Less: Total Tax Credits/Payments *(From Schedule 7 Item 12) (To Part II Item 17)*		0
46 Net Tax Payable (Overpayment) *(Item 44 Less Item 45) (To Part II Item 18)*		4,499,223
Add Penalties		
47 Surcharge	0	
48 Interest	0	
49 Compromise	0	
50 Total Penalties *(Sum of Items 47 to 49) (To part II Item 19)*		0
51 Total Amount Payable (Overpayment) *(Sum Item 46 & 50) (To Part II Item 20)*		4,499,223

Part V - Tax Relief Availment *(Do NOT enter Centavos)*

52 Special Allowable Itemized Deductions *(30% of Item 36)*	0
53 Add: Special Tax Credits *(From Schedule 7 Item 9)*	0
54 Total Tax Relief Availment *(Sum of Items 52 & 53)*	0

Part VI - Information - External Auditor/Accredited Tax Agent

55 Name of External Auditor/Accredited Tax Agent

R.G. MANABAT AND CO.

56 TIN 000 - 470 - 727 - 000

57 Name of Signing Partner *(If External Auditor is a Partnership)*

TIRESO RANDY F. LAPIDEZ

58 TIN 162 - 411 - 175 - 000

59 BIR Accreditation No.	60 Issue Date *(MM/DD/YYYY)*	61 Expiry Date *(MM/DD/YYYY)*
08 - 001987 - 034 - 2017	09/04/2017	09/03/2020

RECEIVED
PNB-CEBU I.T. PARK BR.
DATE APR 13 2018
BRANCH CODE 033254
TELLER'S CODE/
INITIALS

Annual Income Tax Return

Page 3 - Schedules 1 & 2

BIR Form No. 1702-RT June 2013

1702-RT06/13P3

Taxpayer Identification Number (TIN)	Registered Name
003 - 978 - 254 - 000	WATERFRONT PHILIPPINES INCORPORATED

Schedule 1 - Sales/Revenues/Receipts/Fees *(Attach additional sheet/s, if necessary)*

1 Sale of Goods/Properties	0
2 Sale of Services	0
3 Lease of Properties	0
4 Total *(Sum of Items 1 to 3)*	0
5 Less: Sales Returns, Allowances and Discounts	0
6 **Net Sales/Revenues/Receipts/Fees** *(Item 4 Less Item 5) (To Part IV Item 30)*	0

Schedule 2 - Cost of Sales *(Attach additional sheet/s, if necessary)*

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale *(Sum of Items 1 & 2)*	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales *(Item 3 Less Item 4) (To Schedule 2 Item 27)*	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use *(Sum of Items 6 & 7)*	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used *(Item 8 Less Item 9)*	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost *(Sum of Items 10, 11 & 12)*	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured *(Sum of Items 13 & 14 Less Item 15)*	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 **Cost of Goods Manufactured and Sold** *(Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)*	0

Schedule 2C - Cost of Services
(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	0
21 Direct Charges - Materials, Supplies and Facilities	0
22 Direct Charges - Depreciation	0
23 Direct Charges - Rental	0
24 Direct Charges - Outside Services	0
25 Direct Charges - Others	0
26 **Total Cost of Services** *(Sum of Items 20 to 25) (To Item 27)*	0

27 **Total Cost of Sales/Services** *(Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)*	0

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Annual Income Tax Return
Page 4 - Schedules 3 & 4

BIR Form No. **1702-RT** June 2013

1702-RT06/13P4

Taxpayer Identification Number (TIN)	Registered Name
003 - 978 - 254 - 000	WATERFRONT PHILIPPINES INCORPORATED

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*

1 INTEREST INCOME	31,076,335
2	0
3	0
4 Total Other Taxable Income Not Subjected to Final Tax *(Sum of Items 1 to 3) (To Part IV Item 33)*	31,076,335

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Advertising and Promotions	0
Amortizations *(Specify on Items 2, 3 & 4)*	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	0
7 Commissions	0
8 Communication, Light and Water	1,242,519
9 Depletion	0
10 Depreciation	229,107
11 Director's Fees	200,000
12 Fringe Benefits	0
13 Fuel and Oil	0
14 Insurance	0
15 Interest	0
16 Janitorial and Messengerial Services	0
17 Losses	0
18 Management and Consultancy Fee	540,000
19 Miscellaneous	756,010
20 Office Supplies	1,923,483
21 Other Services	0
22 Professional Fees	1,465,532
23 Rental	0
24 Repairs and Maintenance - (Labor or Labor & Materials)	0
25 Repairs and Maintenance - (Materials/Supplies)	0
26 Representation and Entertainment	310,763
27 Research and Development	0
28 Royalties	0
29 Salaries and Allowances	0

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Annual Income Tax Return
Page 5 - Schedules 4, 5 & 6

BIR Form No. **1702-RT** June 2013

1702-RT06/13P5

Taxpayer Identification Number (TIN)	Registered Name
003 - 978 - 254 - 000	WATERFRONT PHILIPPINES INCORPORATED

Schedule 4 - Ordinary Allowable Itemized Deductions *(Continued from Previous Page)*

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	0
32 Taxes and Licenses	397,215
33 Tolling Fees	0
34 Training and Seminars	0
35 Transportation and Travel	8,357,566
Others *[Specify below; Add additional sheet(s), if necessary]*	
36 DATA PROCESSING	656,731
37	0
38	0
39	0
40 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 39) (To Part IV Item 35)*	16,078,926

Schedule 5 - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 36)*		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 34)*	0
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	0
3 Net Operating Loss *(To Schedule 6A)*	0

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

Net Operating Loss		
Year Incurred	A) Amount	B) NOLCO Applied Previous Year
4	0	0
5	0	0
6	0	0
7	0	0

Continuation of Schedule 6A *(Item numbers continue from the table above)*

	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4	0	0	0
5	0	0	0
6	0	0	0
7	0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV Item 37)*		0	

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Annual Income Tax Return Page 6 - Schedules 7, 8 & 9	BIR Form No. **1702-RT** June 2013	1702-RT06/13P6

Taxpayer Identification Number (TIN)	Registered Name
003 - 978 - 254 - 000	WATERFRONT PHILIPPINES INCORPORATED

Schedule 7 - Tax Credits/Payments (attach proof) *(Attach additional sheet/s, if necessary)*

1 Prior Year's Excess Credits Other Than MCIT	0
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year *(From Schedule 8 Item 4F)*	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	0
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	0
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits *(To Part V Item 53)*	0
Other Credits/Payments *(Specify)*	
10	0
11	0
12 Total Tax Credits/Payments *(Sum of Items 1 to 11) (To Part IV Item 45)*	0

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0	0	0
2		0	0	0
3		0	0	0

Continuation of Schedule 8 *(Line numbers continue from table above)*

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	**F) Excess MCIT Applied this Current Taxable Year**	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
4	**Total Excess MCIT** *(Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)*		0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books	(41,390,464)
Add: Non-deductible Expenses/Taxable Other Income	
2 NONDEDUCTIBLE EXPENSES	63,370,979
3 NONDEDUCTIBLE IMPAIRMENT LOSSES ON RECEIVABLES	747,412
4 **Total** *(Sum of Items 1 to 3)*	22,727,927
Less: A) Non-taxable Income and Income Subjected to Final Tax	
5 INCOME NOT SUBJECT TO TAX	7,730,518
6	0
B) Special Deductions	
7	0
8	0
9 **Total** *(Sum of Items 5 to 8)*	7,730,518
10 Net Taxable Income (Loss) *(Item 4 Less Item 9)*	14,997,409

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Annual Income Tax Return

Page 7 - Schedules 10 & 11

BIR Form No. 1702-RT June 2013

1702-RT06/13P7

Taxpayer Identification Number (TIN)	Registered Name
003 - 978 - 254 - 000	WATERFRONT PHILIPPINES INCORPORATED

Schedule 10 - BALANCE SHEET

Assets	
1 Current Assets	1,327,759,346
2 Long-Term Investment	2,399,814,949
3 Property, Plant and Equipment - Net	802,741
4 Long-Term Receivables	347,927,681
5 Intangible Assets	0
6 Other Assets	20,539,000
7 Total Assets *(Sum of Items 1 to 6)*	4,096,843,717

Liabilities and Equity	
8 Current Liabilities	1,923,474,866
9 Long-Term Liabilities	0
10 Deferred Credits	0
11 Other Liabilities	0
12 Total Liabilities *(Sum of Items 8 to 11)*	1,923,474,866
13 Capital Stock	2,498,991,753
14 Additional Paid-in Capital	706,364,357
15 Retained Earnings	(1,031,987,259)
16 Total Equity *(Sum of Items 13 to 15)*	2,173,368,851
17 Total Liabilities and Equity *(Sum of Items 12 & 16)*	4,096,843,717

Schedule 11- ☑ **Stockholders** ☐ **Partners** ☐ **Members Information** (Top 20 Stockholders, partners or Members)

(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
THE WELLEX GROUP, INC.	004 - 740 - 001 - 000	1,128,466,800	45.16
PCD NOMINEE CORP (FILIPINO)	004 - 774 - 849 - 000	580,381,575	23.22
SILVER GREEN INVESTMENT LTD	004 - 774 - 349 - 000	180,230,000	7.21
CHESA HOLDINGS INC	215 - 735 - 394 - 000	175,924,000	7.04
TYBALT INVESTMENT LTD	000 - 000 - 000 - 000	135,010,000	5.4
PCD NOMINEE CORP (NON-FILIPINO)	004 - 774 - 849 - 000	46,981,699	1.88
PACIFIC WIDE REALTY DEVELOPMENT	002 - 646 - 682 - 000	36,445,000	1.46
KENNETH T. GATCHALIAN	167 - 406 - 528 - 000	30,000,100	1.2
REXLON T. GATCHALIAN	216 - 509 - 340 - 000	30,000,000	1.2
WESLIE T. GATCHALIAN	235 - 807 - 295 - 000	30,000,000	1.2
FORUM HOLDINGS CORPORATION	002 - 646 - 691 - 000	20,626,000	0.83
PRIMARY STRUCTURES CORPORATION	000 - 309 - 963 - 000	16,212,500	0.65
PACIFIC REHOUSE CORP	002 - 646 - 682 - 000	15,598,900	0.62
REXLON T. GATCHALIAN	216 - 509 - 340 - 000	14,740,000	0.59
METRO ALLIANCE HOLDINGS AND EQUITI	000 - 130 - 411 - 000	14,370,000	0.58
MIZPAH HOLDINGS, INC.	206 - 176 - 422 - 000	10,489,200	0.42
ELVIRA A. TING	117 - 922 - 153 - 000	10,000,009	0.4
CATALINA ROXAS MELENDRES	202 - 311 - 523 - 000	6,246,000	0.25
MANUEL H. OSMENA	100 - 071 - 962 - 000	1,400,000	0.06
ROLANDO M. LIM	004 - 806 - 001 - 000	1,142,500	0.05

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Annual Income Tax Return Page 8 - Schedules 12 & 13	BIR Form No. 1702-RT June 2013	1702-RT06/13P8

Taxpayer Identification Number (TIN)	Registered Name
003 - 978 - 254 - 000	WATERFRONT PHILIPPINES INCORPORATED

Schedule 12 - Supplemental Information *(Attach additional sheet/s, if necessary)*

I) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	0	0
2 Royalties	0	0	0
3 Dividends	0	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property *(e.g. land, improvement, etc.)*		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind*(PS/CS)*/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income *(Specify)*	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended *(Specify)*		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid *(Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)*	0

Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium *(Actual Amount/Fair Market Value)*	0

I) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property *(e.g. land, improvement, etc.)*		
3 Modes of Transfer *(e.g Donation)*		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended *(Specify)*		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax *(Sum of Items 1, 5A, 5B, 7A & 7B)*	0

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PNB BTR-BIR PAYMENT SLIP

1st copy - Taxpayer's copy
2nd copy - Bank's copy
3rd copy - Attachment to Tax Return

I.T. PARK
BRANCH

DATE: 4/13/18

PLEASE WRITE HEAVILY, YOU ARE MAKING THREE COPIES

ACCOUNT NO.	377285800010
ACCOUNT NAME	BTR - BIR
TAXPAYER'S NAME	WATERFRONT PHILIPPINES, INC.
TIN	003-978-254-000
TAX TYPE	1702 - YTR
TAX PERIOD	DEC 2017
TAX FORM	1702

MODE OF PAYMENT

- [x] Cash
- [ ] Check
- [ ] Bank Debit System
- [ ] Tax Debit Memo

(Debit Advice Number)

CASH BREAKDOWN

PESOS	NO. OF PCS.	AMOUNT	
1000			
500			
100			
50			
20			
10			
5			
coins			
TOTAL CASH		P4,499,223	00

LIST ALL CHECKS INDIVIDUALLY AND ENDORSE EACH PROPERLY

DETAILS OF CHECK PAYMENT

BANK INITIALS / BRANCH	CHECK NO.	AMOUNT	
TOTAL CHECKS			
TOTAL PAYMENT			

APPROVED BY

VALIDATION

```
Online
CEBU I.T. PARK BRANCH is happy to serve you
You have made a BILLS PAYMENT
of PHP 4,499,223.00          on 04-13-2018 15:07:57
to BUREAU OF INTERNAL REVENUE
Payor : WATERFRONT PHILIPPINES INC
Account no. 003978254000
Txn Ref#: BBS3011971018041300036
Mode of Payment: Cash
Service Charge: PHP 0.00
Processed by PAREDES, FRITZIE      Seq# 212
Thank you for banking with us. With PNB, You First !
```

INSTRUCTIONS

1. In case of payment partly thru TDM, a photocopy of Tax Credit Certificate (TCC) and TDM must be attached to the BIR Tax Return/Payment Form.
2. This Slip shall be used exclusively for payment of Internal Revenue Taxes.
3. This Slip is not valid without machine validation and initial of the receiving teller.
4. Taxpayer may confirm their Tax Payment with their Home RDO/LTDO where they are required to file tax returns and pay internal revenue taxes.

Member: PDIC

FORM 2030 Rev 10/09

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 003-978-254-000
Name	: WATERFRONT PHILIPPINES INCORPORATED
RDO	: 080
Form Type	: 1702
Reference No.	: 121800024672576
Amount Payable (Over Remittance)	: 4,499,223.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2017
Date Filed	: 04/11/2018
Tax Type	: IT

Proceed to Payment

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WATERFRONT
PHILIPPINES, INC.

April 12, 2018

BUREAU OF INTERNAL REVENUE
RDO 080

SUBJECT: BIR PAYMENT FROM EFPS TO MANUAL
FOR INCOME TAX PAYABLE ONLY

Dear Sir/Madam,

Good day!

We would like to ask your permission to grant our request to have our income tax paid for 2017 thru over the counter. PNB's unacceptable system upgrade in this busiest season of ours causes so much inconvenience on their clients. System down since April 11, 2018, System Up on some portion of the filing on April 12-morning but totally down in the Authorization portion where disbursement have to be approved.

We have been communicating with the branch and refer us to Corporate Care. Corporate Care not taking calls and branch cannot give us a definite solution or timeline as to when this will be ok.

Our maintaining branch is in PNB-Ortigas and I cannot take any chances or rely with them anymore.

Please consider our request of paying Waterfront Philippines, Inc.'s income tax payable of Php 4,499,223.00 be done thru over the counter.

PNB is down

Sincerely,

Robilyn L. Wasawas
Group Finance Services Manager
Waterfront Philippines, Inc.

APPROVED

CESAR B. PADILLA
Assistant Revenue District Officer
REVENUE DISTRICT OFFICE
APR 13 2018

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