COVER SHEET

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SEC Registration Number

WATERFRONT PHILIPPINES, INC

(Company's Full Name)

NO. 1 OFF WATERFRONT DRIVE
LAHUG CEBU CITY

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

MS. IRISH CHARA LAWAS
Contact Person

(02) 559-0130
Company Telephone Number

1	2		3	1

Month *Day*

SEC 20IS PRELIMINARY
FORM TYPE

0	8		1	8

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

505
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

WATERFRONT
PHILIPPINES

July 26, 2012

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of WATERFRONT PHILIPPINES, INC. (the "Corporation"), as fixed by the Board of Directors will be held on Saturday, August 18, 2012, 10:00 a.m. at the Waterfront Hotel, Lahug, Cebu City, for the purpose of transacting the following business:

1. Call to Order
2. Report on Attendance and Quorum
3. Approval of Minutes of Stockholders' Meeting held on August 13, 2011
4. Report to Stockholders for the Year 2011
5. Ratification of Acts of the Board and Management for 2011
6. Election of Board of Directors for the Ensuing Term
7. Appointment of External Auditor
8. Appointment of External Counsel
9. Other Business as may properly come before the Meeting
10. Adjournment

As fixed by the Board of Directors, stockholders of record as of July 26, 2012 shall be entitled to notice of, and vote at, said stockholders' meeting, and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation during the period July 27, 2012 to August 18, 2012.

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

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

ARTHUR R. PONSARAN
Corporate Secretary
7/F Manila Pavilion Hotel
United Nations Ave. corner Ma. Orosa St.
Ermita, Manila

Waterfront Philippines Inc.
7th Floor, Manila Pavilion Hotel
United Nations Avenue corner Ma. Orosa St.
Manila 1000 Philippines
Tel.: (63-2) 559-0888 Fax: (63-2) 559-0129
Email: corporateoffice@waterfronthotels.net
Website: www.waterfronthotels.com.ph
Central Reservations: 1-800-10-6276688

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SEC-CFD RECEIVED JUL 13 2012 BY: TIME 11:20 AM

1. Check the appropriate box:

   [√] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter WATERFRONT PHILIPPINES INCORPORATED

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

4. SEC Identification Number AS-0994-8678

5. BIR Tax Identification Code D80-003-978-254-NV

6. No.1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City — 6000
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code
   (02) 559-0130

8. August 18, 2012 at 10:00 a.m. at Waterfront Cebu City Hotel, Inc. Lahug, Cebu City
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: July 30, 2012

10. *In case of Proxy Solicitations:*

    Name of Person Filing the Statement/Solicitor: ______________________

    Address and Telephone No.: ______________________

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares - P1.00 par value	2,498,991,753

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes X No ______

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    Philippine Stock Exchange - Common shares

PART I.

A. GENERAL INFORMATION

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

a.) The annual meeting of the stockholders of Waterfront Philippines, Incorporated is scheduled to be held on August 18, 2012 at 10:00 a.m. at the Waterfront Cebu City Casino Hotel, Inc. Lahug, Cebu City. The complete mailing address of the principal office of the registrant is No.1 Waterfront Drive, Off Salinas Drive Lahug, Cebu City.

b.) Approximate date on which the Information Statement is first to be sent or given to security holders: July 30, 2012.

Item 2. Dissenter's Right of Appraisal

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

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

- In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition, of all or substantially all of the corporate property and assets as provided in the Corporation Code; and

- In case of merger or consolidation.

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

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

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

1. Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of stockholders on August 18, 2012.

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

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

Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of stockholders on August 18, 2012.

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

B. CONTROL AND OTHER INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

The number of shares outstanding and entitled to vote in the stockholders' meeting is 2,498,991,753 shares as of June 30, 2012. The record date for purposes of determining stockholders entitled to vote is July 26, 2012. Stockholders are entitled to cumulative voting in the election of directors, as provided by the Corporation Code.

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

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

Security Ownership of Certain Record and beneficial Owners:
(As of June 30, 2012)

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

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class
Common	The Wellex Group, Inc. 22nd Flr Citibank Tower Paseo de Roxas, Makati City *TWGI is the holding company and major stockholder of WPI.*	The Wellex Group, Inc. 22nd Flr Citibank Tower Paseo de Roxas, Makati City) • *Represented by Miss Elvira A. Ting, who is a nominee of said company. Directors & Officers are William T. Gatchalian, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur R. Ponsaran & Yolanda T. de La Cruz*	Filipino	1,143,466,800	45.757%
Common	PCD Nominee Corporation (Fil.) 37/F Tower I, The Enterprise Center 6766 Ayala Ave., Paseo de Roxas, Makati City (*PCD Nominee is not related to WPI)*	Various Clients	Filipino	371,115,341	14.851%
Common	PCD Nominee (Non-Filipino) 37/F Tower I, The Enterprise Center	Various Clients	Non Filipino	232,459,100	9.302%

	6766 Ayala Ave., Paseo de Roxas Makati City (*PCD Nominee is not related to WPI*)				
Common	Silver Green Investments LTD. Commence Overseas LTD. Commence Chambers P.O Box 2200, Road Town Tortola, BVI	As of the date of this definitive report the authorized person to vote is not yet known.	Non Filipino	180,230,000	7.212%
Common	Chesa Holding, Inc Unit 401 Joy bldg., No.6 Joy St, Grace Village Brgy. Balingasa	As of the date of this definitive report the authorized person to vote is not yet known.	Filipino	175,924,000	7.040%
Common	Tybalt Investment LTD Scotia Ctr 4/F P.O 2804 George Town Grand Cayman Island British West Indies	As of the date of this definitive report the authorized person to vote is not yet known.	Filipino	135,010,000	5.403%

Security Ownership of Management
(As of June 30, 2012)

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

There is no voting trust holder of 5% or more.
There are no persons holding a certain class of stocks under a voting trust or similar agreement. There are also no arrangements that may result in a change in control of the registrant.

Item 5. Directors and Executive Officers

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

Name	Age	Citizenship
Renato B. Magadia	74	Filipino
Elvira A. Ting	52	Filipino
Lamberto B. Mercado, Jr.	48	Filipino
➢ Sergio R. Ortiz-Luis, Jr.	69	Filipino
➢ Ruben D. Torres	71	Filipino

Reno I. Magadia	42	Filipino
➢ Arthur M. Lopez	66	Filipino
Kenneth T. Gatchalian	36	Filipino
Dee Hua T. Gatchalian	64	Filipino
Arthur R. Ponsaran-Corporate Secretary	69	Filipino

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

Nominations Committee

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

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

Directors and Executive Officers:

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

Office	Name	Age	Citizenship	Position in Other Listed Companies
Chairman of the Board	Renato B. Magadia	74	Filipino	Director-Phil. Estate Corporation, Metro Alliance Holdings, Interphil Laboratories, 2007-2008 Rotary Governor for district 3830, Vice-Chairman and Director of Acesite (Phils.) Hotel 2004-present, Chairman of the Board of Misons Industrial and Development Corp., All Oceans Maritime Agency, Inc., Accette Insurance Brokers, Inc., Lancashire Realty Holding Corporation Executive Officer of CCA Phils.
Director	Kenneth T. Gatchalian	36	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	66	Filipino	Director-Philippine Estates Corp. Independent Director & Chairman- Acesite Phils. Hotel Corp, Currently he is the Hotel Management Consultant of the B Hotel Manila, Bellevue Bohol Resort in Panglao opening (July 2012). Director of Asia Pacific Top Management International Resources Corp
Director	Dee Hua T. Gatchalian	64	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	42	Filipino	Managing Director- Misons Industrial & Development Corp., Metro Combined Logistics Solutions, Inc.; Director – Metro

				Alliance Holdings and Equities Corp.
Director	Lamberto B. Mercado, Jr.	48	Filipino	Director-The Wellex Group, Inc., Metro Alliance Holdings & Equities Corp., Forum Pacific, Inc. Director- Acesite (Phils.) Hotel 2004-present
Director	➢ Sergio R. Ortiz-Luis, Jr.	69	Filipino	Independent Director-Waterfront Philippines, Inc., President - Philippine Exporters Confederation, Inc. (PHILEXPORT); Honorary Chairman - Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines, Integrated Solutions, Inc.; Vice-Chairman – Philippine Small and Medium Enterprises Development, Alliance Global, Inc.; Director – International Chamber of Commerce of the Philippines, Manila Exposition Complex, Inc., Lasaltech Academy, Philippine Estate Corp., BA Securities, Rural Bank of Baguio, GS1.; Gov't Affiliation: Vice-Chairman – Export Development Council; Director – Philippine International Training Corporation. Civic Organizations: Chairman - Rotary Club of Greenmeadows, Council of Advisers Eastern Police District; Director – PILAK Foundation, Universal Access Center for Trade Others: Honorary Consul General – Consulate of Romania in the Philippines
Director	➢ Ruben D. Torres	71	Filipino	Independent Director Waterfront Philippines, Inc., President –RUBENORI, Inc.; Senior Partner –Torres Clemencio Cabochan and Torres Law Offices; Board of Director – Manila Doctors Colleges; Chairman –EACOMM Corporation
Director and Treasurer	Elvira A. Ting	52	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	69	Filipino	Director-Philippine Estate Corporation, Wellex Industries, Inc., Forum Pacific, Inc. Acesite (Phils.) Hotel, Managing Partner-Corporate Counsels, Phils., Chairman of Value Management and Options Corp and Corp Secretary of Producers Rural Banking Corp., The Wellex Group, Inc., MRL Gold Phils., Inc., Village Foundation, Shuylkill Assets Strategists (SPV-AMC), Inc., Petrolift Corp.

Key Officers

Name	Office	Age	Citizenship
Kenneth T. Gatchalian	President	36	Filipino
Alfred Portenschlager	Gen. Manager-WCCCH	62	Austrian
Ma. Theresa S. Fernandez	Hotel Manager-WAH	50	Filipino
Rouel Guanzon	Hotel Manager-WIHD	50	Filipino
Gaye Maureen B. Cenabre	Corporate Human Resources Director	48	Filipino
Precilla O. Toriano	Corporate Finance Director	43	Filipino
Maria Socorro Cotelo	Corporate Planning Director	36	Filipino

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

Renato B. Magadia	Chairman of the Board

A graduate of the University of the Philippines Diliman with a degree in Business Administration, he is concurrently, the Chairman of the Board of ZetaMark, Inc., Consumer Products Distribution Services, Inc., Metro Alliance Holdings and Equities Corporation, Waterfront Philippines, Inc., Mercator Securities Corporation and Zeta Holdings & Management Corp. He is a Director of various companies like Accette Insurance Brokers, Inc., Accette Life & Accident Insurance Brokers, Inc., All Ocean Maritime Agency, Inc., Cunningham Toplis Philippines, Inc., F.E. Zuellig (M), Inc., GAC Logistics, Inc., Golden Eight Holdings Ltd – BVI Company, Harbor Center I & II, Inc., Interphil Laboratories, Inc.,Misons Industrial & Dev't Corp., Phil. Accident Managers, Inc., Phil. Estates Corp., Time Concorde Ltd. Hongkong Company, WTC Club Int'l, ZCM Corp.,ZI-Techasia (Pilipinas). He is also a trustee in The Zuellig Foundation, Inc. He has been a director of Waterfront since April 1999- present and is a CPA by profession. From 2006-2008 he is the Rotary Governor for district 3830. He was also the Vice-Chairman and Director of Acesite (Phils) Hotel Corporation since 2004-present**.**

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 36 years old and holds a Degree in Bachelor of Science in Architecture from University of Texas in San Antonio, Texas, USA. He's been a director of Waterfront since February 2001.

Arthur M. Lopez	Director

Arthur M. Lopez is the Principal Consultant of AML Hotel Consultants, an independent Hotel Consultant. Currently he is the Hotel Management Consultant of the Bellevue Hotel and the B Hotel and the Bellevue Bohol Resort in Panglao (opening July 2012), 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. Currently he has four pre-opening hotel projects in the Philippines and overseas. He was elected as Chairman and Independent Director of Acesite (Phil's.) Hotel Corp., since 2004-present. He is 65 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.

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., 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 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 Philippine Small & Medium Enterprises Development, 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, 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 Greenmeadows Foundation and also a Chairman of Council of Advisers Eastern Police District. He is the Past President of Rotary Club of Greenmeadows 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.

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 71 years old. Presently he is also the President of RUBENORI, Inc., Senior Partner of Torres Clemencio

Cabochan and Torres Law Offices, and Chairman of EACOMM Corporation. 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, Managing Partner of Yulo, Torres, Tarrieta and Bello, Director of the Philippine Long Distance Company, Director of Puerto Azul Beach and Country Club, Director of Center for Research and Special Studies, Commissioner of Social Security System, Director of Land Bank of the Philippines, Board Member of Philippine Crop Insurance Corporation, Board Member of Population Commission, Board Member of National Housing Authority, Trustee of Home Development Mutual Fund, Member of Presidential Agrarian Reform Council, Member of President's Committee on Bases, Vice Chairman of Public Sector Labor-Management Council, Chairman of National Manpower and Youth Council, Chairman of Overseas Workers Welfare Administration, Chairman of National Maritime Polytechnic, Chairman of Employees Compensation Commission and Publisher of DIWALIWAN. 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 52 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)

Alfred Portenschlager	**Gen. Manager-WCCCH**

Mr. Portenschlager, an Austrian national, brings with him vast international hotel experience from across four major continents namely: Asia, Africa, North America and Europe. He was part of the Mandarin Group for eight (8) years with assignments in Mandarin Oriental Hongkong, Mandarin Oriental Manila and then Oriental Singapore. He also spent years of experience in Indonesia and the Bahamas. His stints in the USA also brought him to assignments to Ritz Carlton, Remington Hotel, Pier 66, Hilton in Texas and Opryland Hotel in Tennessee. He spent the earliest years of his career in Europe with Hotels in Switzerland and Austria. In the 1990's , Mr. Portenschlager moved to South Africa to join Sun City Resorts, having carried out a strategic master plan of outlet diversification and marketing plans, established targets and goals pertaining to financial aspect and guest satisfaction in compliance with corporate standards and interfaced with casino operations. Prior to joining Waterfront, Mr. Portenschlager was the Corporate Technical Assistant Director concurrent General Manager of The Lexington Plaza, Lexington Group in Shanghai, China. Then finally he joined Waterfront and was appointed General Manager of Waterfront on June 27, 2011.

Ma. Theresa S. Fernandez	**Hotel Manager-WAH**

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

Rouel Guanzon	**Hotel Manager-WIHD**

Mr. Guanzon can best be described as people oriented and results producing Marketing professional with a proven track record of accomplishments in the Hotel industry. He served for international chain of Hotels such as Manila Peninsula, Shangrila Mactan and Renaissance Makati. He was the Director of Sales and Marketing with Manila Peninsula group before venturing out to US for a resort and golf club as Director of Operations and Marketing. Prior to joining Waterfront, Mr. Guanzon serves as Hotel Manager for several Hotels of an independent local chain in Manila. On December 16, 2011, Ms. Rouel Guanzon was appointed as Hotel Manager of Waterfront Insular Hotel Davao.

Gaye Maureen G. Cenabre	Corporate Human Resources Director

Gaye Cenabre took up Bachelor of Science in Medical Technology in Velez College. She also took up MBA units in the University of San Carlos. She also has a Masters Degree in Organizational Development. Before joining the Waterfront Group, she was a professional medical representative in Roche Philippines, Inc. a Personnel Secretary in Park Place Hotel, a Personnel Supervisor in Pathfinder Holdings, Inc., the Quality Improvement Program Coordinator in Cebu Park Place Hotel before being the Head of HRD in the same company. She also became the HRD Manager in Harbor View Hotel**.** She joined Waterfront in August 1997-present. In 2005 she acquired a Certification in Human Resources and Management at Cornel University School of Hotel Administration in New York, USA. Recently she was sent to Singapore to attend the Strategic Sustainable Cost Control Training.

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.

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.

Significant Employees

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

Family Relationship

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

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

There are no other relationships among the officers listed.

Involvement in Certain Legal Proceedings

As of June 30, 2012, none of the directors and officers/nominees was involved in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceedings, or been subjected to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities or commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

Certain Relationship and Related Transactions

	Relationship to the Issuer	**Nature of Advances**	**Amount of Advances**
The Wellex Group, Inc. (TWGI)	Ultimate Parent	Collateral-free and interest-bearing advances-current portion	2011 – P60,009,832 2010 – P62,443,850
The Wellex Group, Inc. (TWGI)	Ultimate Parent	Collateral-free and interest-bearing advances - non-current portion	2011 – P1,135,579,131 2010 - P1,189,530,435
Metro Alliance Holdings & Equities Corp. (MAHEC)	Stockholder	Collateral-free and interest-bearing advances	2011 – P362,309,579 2010 – P355,548,265
Forum Holdings Corp. (FHC)	Stockholder	Collateral-free and interest-bearing advances - current portion	2011 – P15,363,353 2010 – P15,356,229
Forum Holdings Corp. (FHC)	Stockholder	Collateral-free and interest-bearing advances – non-current portion	2011 – 42,472,146 2010 – 57,661,690
Pacific Rehouse Corporation (PRC)	Stockholder	Collateral-free and interest-bearing advances - current portion	2011 – 40,000,000
Pacific Rehouse Corporation (PRC)	Stockholder	Collateral-free and interest-bearing advances - non-current portion	2011 – 485,0000,000

See notes 9 on Consolidated FS 2011

Term of Office

The Directors of WPI are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until they're respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have been qualified.

Item 6. Compensation of Directors and Executive Officers

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

The aggregate paid to the Six Executives

Aggregate Compensation paid to the 6 highly compensated executive officers	Principal Position	Year	Salary (P)	Bonus (P)	Other annual compensation
Alfred Portenschalger Ma. Theresa Fernandez Rouel Guanzon Gaye Maureen B. Cenabre Precilla O. Toriano Maria Socorro Cotelo	General Manger Hotel Manager Hotel Manager Corporate Peers Resources & Dev't Director Corporate Finance Director Corporate Planning Director	2012 2011 2010	P10,910,605(est) P10,225,504(est) P7,542,206(est)	 None None	 None None

The President has no remuneration benefit.

Item 7. Independent Public Accountants

The external auditor of Waterfront Philippines, Inc. (WPI) for the most recently completed calendar year ending December 2011 is KPMG Manabat Sanagustin and Co., under Mr. Tomas G. Mahinay, Partner in-charge, and they are being recommended by the board of directors for the approval of stockholders for this coming year. The firm also audited the Company's previous calendar year.

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

Audit Committee

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

Duties and Responsibilities of the Audit Committee

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

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

The Board constituted the following committees:

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

Audit and Audit-Related Fees

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,	
	2011	*2010*
Aggregate Fees Billed for the external audit of the Company's financial statements	2,617,000.00	2,427,000.00

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

Item 8. Compensation Plans

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

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

C. ISSUANCE AMD EXCHANGE OF SECURITIES

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

As of June 30, 2012 Waterfront Philippines, Inc. has no plans yet to increase its authorized capital stock.

Item 10. Modification or Exchange of Securities

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

ADDITIONAL REQUIREMENTS AS TO CERTAIN ISSUES AND ISSUER

As of December 31, 2011 the company has a net worth of P3.8 billion and is not planning to issue unsecured bond for 2011.

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. However, it is leasing its office in the City of Manila. Information and terms of the lease are as follows:

Location	7th Flr Manila Pavilion Hotel U.N. Avenue corner Maira Y Orosa St. Ermita Manila
Size	538.7 square meters with parking spaces
Terms of the Lease	From October 1, 2011 to December 31, 2021 (10 years); renewable within 90 days before the lease period expires permissible by the laws of the Philippines.
Rental	On the office spaces: Php250,000 per month with an escalation of 5% per year.
Development	Lease improvements are made for the office space and are being capitalized by the company according to generally accepted accounting principles.

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
Terms of lease	50 years with an option for renewal for another 25 years, permissible by the laws of the Philippines
Rental	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
Development	Phase I, comprising of a 580-room Hotel Block, the *CICC* and an Entertainment Block. *CICC*, the International block, and 156 rooms of the Hotel Block commenced commercial operation on January 5, 1998.

WMCHI Land Lease:

Location	In front of Mactan-Cebu International Airport, Lapu-Lapu City
Size	Approximately 3.2 hectares
Terms of lease	50 years with an option for renewal for another 25 years, permissible by the laws of the Philippines
Rental	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.
Development	Phase I, comprising of 167 deluxe rooms, International Casino building, conference and related facilities that are in commercial operation. As of March 31, 1998, total project development cost, inclusive of furniture, fixtures, and equipment, amounts to Php 722 million.

DIHCI Wholly Owned:

Location	Title	Area (In Sq. Meters)
Lanang, Davao City	TCT 0-255*	2,997
	0-256*	304
	0-257*	113
	0-258*	50
	0-259*	404
	T-10250*	44,511
	T-10250*	47,320

T-10251*	2,091
T-10251*	2,043
T-10252*	643
T-10252*	1,133
T-10252*	300
T-10252*	300
T-10252*	1,580
T-10252*	643
T-10254*	500
T-10254*	400
T-10303*	108
T-10303-A*	4,319
T-10303-A*	304
T-10379*	140
T-30874*	223
T-10264*	18959

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
Terms of lease	Lease is valid until January 2031, renewable for another 20 years.
Rental	Php250,000 per month

CIMA Realty

Location	Title	Area (In Sq. Meters)
Corner of United Nations Ave. & Maria Y. Orosa St., Ermita, Manila	TCT 184100	6,500

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

Legal Proceedings

SSS vs WPI. Et al civil case no. Q-04-52629 at regional trail court, Quezon City. SSS claim for sum of money with damages filed against WPI, Wellex Industries, Inc. and the Wellex Group, Inc. for non payment of the Contract of Loan with Real Estate Mortgage and Assignment of Shares with option to Convert to shares of Stock in the amount of P375,000,000.00. The SSS applied for a preliminary attachment against the properties of WPI. The preliminary attachment was initially granted by the Regional Trial Court but was later on reversed by the Court of Appeals upon appropriate appeal by WPI, et al. Presently, the Parent Company and SSS are locked in negotiations for the restructuring of the loan. However, with the change in management of SSS, The Parent Company plans to activate the proposed restructuring of the said loan which includes the condonation of interest and penalties. The Parent believes that it will be able to restructure the said loan.

BIR Assessment
On April 10, 2007, the Parent Company received a demand letter with notice of assessment from the Bureau of Internal Revenue (BIR) for deficiency taxes for the 2003 taxable year totaling P18.67 million, inclusive of related interest and penalties. On May 9, 2007, the Parent Company sent a letter to the BIR contesting the said assessment. Management and its legal counsel believe that the position of Parent Company is sustainable, and accordingly, believe that the Parent Company does not have a present obligation (legal or constructive) with respect to such assessment. On May 22, 2007, BIR answered in another letter that it maintains its position that the Parent Company has tax deficiencies. On October 10, 2007, the Parent Company again sent a letter to the BIR contesting the assessment. On February 13, 2009, the BIR sent a final demand letter requesting payment for the deficiency taxes. On November 9, 2009, the BIR issued Final Demand Letter (Preparatory to Court Action) on deficiency income tax, documentary stamp tax, expanded withholding tax, and compromise penalties for the 2003 taxable year in the total amount of P27.2 million.

On November 10, 2008, the Parent Company received a preliminary assessment notice from the BIR for deficiency taxes for the 2006 taxable year totaling P305.9 million, inclusive of interest and penalties. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment. Management and its legal counsel believe that the position of Parent Company is sustainable, and accordingly, believe that the Parent Company does not have a present obligation (legal or constructive) with respect to such 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 P3.2 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.

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

Item. 11. Financial and Other Information

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

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

As of June 30, 2012, Waterfront Philippines, Inc. has no plans to merge, and consolidate with other company, to acquire other company's securities, to acquire any other going business or of the assets thereof, to sell or transfer any substantial part of its assets and to liquidate or dissolve the Company.

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatements of Accounts

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

D. Other Matters

Item 15. Action with Respect to Reports

1. Annual report for the year ending December 31, 2011 will be presented to the stockholders for approval.

2. Minutes of the 2011 Annual Stockholders' Meeting will also be presented to the security holder for approval.

3. Interim Report as of June 30, 2012 will be presented to the security holder for information regarding the actual situation of the business.

Item. 16 Matters Not Required to be Submitted-NONE

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

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

Item 18. Other Proposed Action

For the coming Stockholders meeting on August 18, 2012 at Waterfront Cebu City Hotel, these are the following proposed action to be taken:

a. Approval of Minutes of the previous stockholders meeting.

b. Presentation of the Annual Report and Audited Financial Statements for the calendar year 2011 and during the meeting a copy of the 2nd quarterly report for 2012 will be furnished to the stockholders.

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

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

d. Appointment of External Auditors
The board will recommend KPMG Manabat Sanagustin & Co., as the Corporate External Auditor for the year 2011.

e. Appointment of External Counsel
For the year 2012 the board will recommend Corporate Counsels, Philippines as the Legal Counsel of the Company.

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

Acts of Management and resolutions of the Board including:

- To appoint and constitute BOD Trust and Investment Group as our Stock Transfer Agent to issue shares of the company in scrip less or uncertificated form in accordance with

Section 43 of the Securities Regulation Code and to link our database to the EDR(Electronic Direct Registration) system of Pastra Net. Inc.

- Renewal of licenses with government agencies/offices and other contracts and designation of the authorized signatories.

- All other administrative matters concerning Waterfront Philippines, Inc..

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

Item 19. Voting Procedures

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

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

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

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

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

PART II

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

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu on July 9, 2012.

By: ______________________
(Signature)

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

CERTIFICATION OF INDEPENDENT DIRECTORS

I, Sergio Ortiz-Luis Jr., of legal age and a resident of 151 corner 3rd St. and 10th Ave., Riverside Village Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

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

Company/Organization	Position /Relationship	Period of Service
Alliance Global	Director/Vice Chairman	2007 - present
Philex Mining	Director	2009 - 2010
Phil. Chamber of Commerce & Industry	Honorary Chairman/Treasurer	1995 - present
PHILEXPORT	President/CEO	1991 - present
ECOP	President	2006

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Philippines, Inc. as provided for in section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities and Regulation Code.

5. I shall inform the Corporate Secretary of Waterfront Philippines, Inc. in the abovementioned information within five days from its occurrence.

Done this _________ day of JUL 04 2012 At CITY OF MANILA

Affiant

SUBSCRIBED AND SWORN to before me this ________ day of JUL 04 2012 at CITY OF MANILA affiant personally appeared before me and exhibited to me his/her Community tax Certificate No. _______ issued on _______ at Manila.

Doc. No: 96
Page No. 20
Book No. 56
Series of: 2012

ATTY. RAMIL JOSELITO B. TAMAYO
NOTARY PUBLIC
PTR No. 0316067 Issued 12-27-11 Until 12-31-2012
IBP No. 860931 Until 12-31-2013 Comm. No. 2012-018 MANILA
Office Add: Legaspi Towers 300 Roxas Blvd. Cor. Ocampo St. Malate Manila

CERTIFICATION OF INDEPENDENT DIRECTORS

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

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

Company/Organization	Position /Relationship	Period of Service
Rubenori Inc.	President & CEO	2006 - present
EACOMM Corporation	Chairman	2001 - present
Torres Clemencio Cabochan Torres Law Offices	Senior Partner	1998 to present
Manila Doctors College	Member, Board of Advisers	2009 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Philippines, Inc. as provided for in section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities and Regulation Code.

5. I shall inform the Corporate Secretary of Waterfront Philippines, Inc. in the abovementioned information within five days from its occurrence.

Done this 04 JUN 2012 day of ____________ 2012 ____________________.

RUBEN D. TORRES
Affiant

SUBSCRIBED AND SWORN to before me this 04 JUN 2012 day of ____________ 2012 at PASAY CITY affiant personally appeared before me and exhibited to me his Community tax Certificate No. ____________ issued on ____________ 2012 at ____________________

Doc. No: 128 ;
Page No. 27 ;
Book No. V ;
Series of 2012.

ATTY. ROGELIO U. MARAVILE
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
PTR-2621700 # 1-00-2012
ROLL NO. 23259
IBP-NO. 881859 #1-12-11
MCLE NO. II-0012343

CERTIFICATION OF INDEPENDENT DIRECTORS

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

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

Company/Organization	Position /Relationship	Period of Service
Waterfront Phils., Inc.	Independent Director	2002-present
Acesite (Phils) Hotel Corp.	Independent Director	2004-present
Phil. Estates Corp.	Director	1996-present
Phil. Hotel Federation Inc.	Director	2006-present
Asia Pacific Top mgt., Int'l Resources Corp.	Director	2006-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Waterfront Philippines, Inc. as provided for in section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities and Regulation Code.

5. I shall inform the Corporate Secretary of Waterfront Philippines, Inc. in the abovementioned information within five days from its occurrence.

Done this ________ day of JUL 04 2012 At CITY OF MANILA

Arthur M. Lopez

Affiant

SUBSCRIBED AND SWORN to before me this ________ day of JUL 04 2012 at CITY OF MANILA affiant personally appeared before me and exhibited to me his/her Community tax Certificate No. 07020338 issued at Makati on 24 Jan 2012

Doc. No: 97
Page No. 20
Book No. 56
Series of: 2012

ATTY. RAMIL JOSELITO B. TAMAYO
NOTARY PUBLIC
PTR No. 0316957 Issued 12-27-11 Until 12-31-2012
IBP No. 858931 Until 12-31-2013 Comm. No. 2012-018 MANILA
Office Add: Legaspi Towers 300 Roxas Blvd. Cor. Ocampo St. Malate Manila

Financial and Other Information

Management Discussion and Analysis (See Annex I)
Financial Statements (See Annex II)
Changes In and Disagreements with Accounts on Accounting and Financial Disclosure-NONE.

MANAGEMENT REPORT

ANNEX 1
Driving Ahead in Challenging Times

One only has to review the news to know that 2011 has been another trying year for the tourism and travel industry. We have witnessed yet another wave of unforeseen global events that have had a profound impact on us, including the tsunami and nuclear disaster in Japan, conflicts and political upheavals in the Arab region early in the year and the debt crisis in the Euro zone.

Regionally, the repercussions of the 2010 Quirino Grandstand debacle continue to affect travel from the Greater China Market (GCM), with travel bans extending well into the year and political and diplomatic tensions between the Philippines and China far from being at an end. The travel bans from this area and the negative publicity surrounding the tensions have severely affected the hospitality industry in the country.

The decrease in the country's competitiveness as a tourism destination is also a factor contributing to our industry's woes. Much of this is due to the lack of investment in transport and tourism infrastructure and lagging investment in the Information and Communications Technology (ICT) field.

As a result, our industry has not been able to achieve appreciable growth this year, with numbers relatively flat as we struggle to cope with the numerous challenges hurled upon us by both local and world affairs.

As China, Hong Kong and Taiwan are the main feeder markets for Waterfront, we have been adversely affected by trip cancellations from various travel agencies directly resulting from our country's issues with the GCM. The cautious global travel environment has also affected us in other areas, as we navigate through uncertain shifts in travel trends and consumer preferences.

Despite the significant reduction in our main feeder markets and the challenges in the industry, we have managed to generate income and increase our productivity. How did we do it? We achieved our targets by stimulating growth independently and increasing customer satisfaction by improving the product itself.

Our innovative efforts to counteract dwindling tourism figures and create interest in our markets—both existing and potential ones—have allowed us to stay afloat. We continue to drive our marketing efforts along both offline and online channels.

Offline, we continue to expand our distribution channels by forming significant partnerships with numerous travel agencies, forging strong relationships with partners this year.

Online, we have given our production a boost by introducing these innovations to our strategy: 1) Introduction of QR codes for our promotion collaterals. This is to enhance the customer experience, making it more exciting through the use of this trendy and popular technology. 2) Creation of an official E-newsletter. This is to provide timely news and information to our clients, allowing us to promote our hotels in a new way and getting real-time response to our promos.3) Further enhancement of web services. We are continually introducing more efficient ways to serve our customers through our website, making it more user-friendly and informative. This year, our online bookings have contributed 22% of total hotel revenue, representing a 38.50% growth rate from 2010. Some properties outperformed others, with Waterfront Cebu City Hotel and Casino leading the pack with PhP 58.04 million of online sales, followed by Manila Pavilion Hotel with PhP 35.80 million. Other properties also generated significant returns: Waterfront Airport Hotel and Casino with PhP 18.03 million, G Hotel with PhP 12.07 million and Waterfront Insular Hotel Davao with PhP 10.69 million. Overall, online sales represents one of our most promising areas of growth, and it is our goal to keep aggressively focusing on this frontier area.

Our most recent technology 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.

Waterfront Insular Hotel Davao has undergone refurbishments this year, with an upgrade of the facilities for increased guest satisfaction. We have introduced new room amenities, bathroom fixtures and new services. We hope to improve the performance of the facility with these new additions.

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 taste.

Major renovations for the Waterfront Cebu City Hotel and Casino have begun in 2011, promising our biggest move to improve customer satisfaction to date. Our lobby is a major focal point of our hotel, being perhaps one of the most memorable and expansive hotel lobbies in the industry. We understand its iconic meaning and significance, and we believe that this is perfect timing to give it a fresh update. The design has been commissioned by Steven Leach and Associates. The renovation currently costs to PhP 130 million. This extensive re-design of the lobby will allow us to cement our position as the premiere dynamic, business-oriented, upscale hotel in Cebu, creating the opportunity to take advantage of important market segments and priming us for better days ahead.

Taking care of our shareholders is of utmost priority, and through our recent solutions and innovations, we are not just adapting to the times but creating and initiating growth by ourselves. We believe in being at the vanguard of change, and by stimulating positive change, we have managed to turn out positive results amid poorly performing global factors and regional incidents beyond our control.

To ensure long-term stability of the corporation and continuing customer satisfaction, we are steadfast in making new additions and improvements in the quality of our product. Not only does this contribute to improved customer feedback; it also has the great advantage of further differentiating the Waterfront experience, strengthening our brand and making us well positioned to reap the benefits of our measures in the event of an industry recovery.

Management's Discussion and Analysis or Plan of Operation

Reflecting the overall stabilizing trend, Waterfront Philippines this year showed steady figures. Our GOP is at P 567.76 million. Hotel operations generated positive revenue of P 2.0 billion, a positive increase of 3.36% from 2010's P 1.93 million. Rooms contributed 30% or P 607.41 million; F&B put in a share of 29% or P 584.01 million. RevPar was at P 1,183. Group average room rate was at P 1,907.

Below are the results of operations of the Parent Company and its subsidiaries, for the years ending December 31, 2011 and 2010 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS (Amounts in P)

	2011	2010
Revenues	1,995,569,58	1,930,693,824
Less: Costs and Expenses	1,427,813,880	1,541,676,650
Gross Income	**567,755,678**	**389,017,174**
Other Expenses (Income)	541,535,022	454,658,170
EBITDA	**26,220,656**	**(65,640,996)**
Income Tax Expense (Benefit)	28,635,627	(13,483,801)
NET INCOME (LOSS)	**(2,414,971)**	**(52,157,195)**
Earnings (Loss) Per Share	**(P0.008)**	**(P0.020)**

FINANCIAL CONDITION (Amounts in P)

	2011	2010
ASSETS		
Current Assets	769,250,344	736,837,738
Non Current Assets	8,782,754,477	8,854,321,335
Total Assets	**9,552,004,821**	**9,591,159,073**
LIABILITIES		
Current Liabilities	2,230,420,479	2,476,405,070
Non-current Liabilities	2,795,562,051	2,264,514,937
Total Liabilities	**5,025,982,530**	**4,740,920,007**
Total Stockholders' Equity	**3,817,291,906**	**4,161,576,231**
Minority Interest	708,730,385	688,662,835
Total Liabilities & S/H Equity	**9,552,004,821**	**9,591,159,073**

<u>Calendar Year ended December 31, 2011as compared with Calendar Year ended December 31, 2010</u>

RESULTS OF OPERATION

Revenues and Earnings per share

- Despite the hurdle that the tourism industry faces, WPI boasts solid performance for 2011. Total revenues for year ended Dec. 31, 2011, was higher than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2011, is P2.00B compared to 2010's P1.93B; an increase of 3.63%.

- Earnings per share for 2011 is (P0.008) compared to last year's (P0.020). There are no potentially dilutive shares as of December 31, 2010, 2009, 2008.

Cost and expenses

- Cost and expenses is lower by P113M reflecting a 7% decrease from previous year. This is mainly due to cost cutting measures implemented by the company.

FINANCIAL CONDITION

Cash and cash equivalents – This account decreased by P13M, which is more or less 14%.

Receivables – increased by 2%, from P170M in 2010 to P173M in 2011. The company continues to counter the increased credit sales, at the same time increase the collection, generally on a 30 day term.

Inventories – Inventories for the period increased by 12% compared to last year, this year being at P37 million this year and last year at P33 million. This was partly due to higher price of commodities compared to last year; and another reason was there were deliveries made on the last few days of 2011 that were needed immediately for various functions on the first few days of the following year.

Prepaid expenses and other current assets — This decreased by P4M, approximately 18%; from P23M in 2010 to P19M for this year. Prepaid expenses are defined as payment for services and/or benefits yet to be performed or received, it also include prepaid taxes and insurance.

Due from related parties-current portion — This account was increased by P44M an amount equivalent to 10%. This represents interest bearing advances to MAHEC, TWGI and FHI. Due from TWGI and FHI is expected to be fully settled by 2015, while MAHEC is expected to pay in full before 2015.

Property plant & equipment – This account reflected a decrease by P114M or 17% compared to last year. This is mainly due to depreciation. 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 increase of P51M on this account, an amount equivalent to 35% compared to last year's. This was mainly due to deposit to various contractors for the on going renovations of WCCCHI.

Current Liabilities – This account consists of trade payable, income tax payable, accruals and loans payable. The account decreased by 10% from last year; P2.5B in 2010 down to P2.2B in 2011.

Accounts payable & accrued expenses – This account is part of the "Current Liabilities". This includes trade payable to suppliers and accrued interest and penalties from SSS loan. There is an increase of 1.6% compared to last year.

Loans Payable – The total amount consist of current and long term has decreased by 1.2% compared to last year. This represents loan from Philippine Business Bank, Social Security System, and from Industrial Commercial Bank of China – Singapore Branch.

Calendar Year ended December 31, 2010as compared with Calendar Year ended December 31, 2009

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended December 31, 2010, was higher than the previous year. Revenues from hotel operations for the year 2010, is P1.93B compared to 2009's P1.87B, an increase of 3%.

  Earnings per share for 2010 was (P0.020) compared to last year's of (P0.064).

Cost and expenses

- Cost and expenses increased of P90M equivalent 6% compared to last year. This is mainly due to the increase in energy cost. But despite this, the bottom line is better compared to previous year.

FINANCIAL CONDITION

Cash and cash equivalents – This account increased by P53M more or less 136%. Short-term placements earn interest at 2% per annum and maturity of 30 days.

Receivables – receivables increased by 2% from P167M in 2009 to P170M in 2010. The company continues to counter the increased credit sales, at the same time increase the Manila accounts collection, generally on a 30 day term.

Inventories – decrease in inventories by roughly 9% from P36M to P33M.

Prepaid expenses and other current assets – There was an increased of P9M in this account approximately 70% from P13M in 2009 to P22M in 2010.

Due from related parties-current portion – This decreased by P164M or 28%. This represents interest bearing advances with MAHEC, TWGI and FHI at a rate of four percent (4%) per annum for this year. For this year the parent company accepted an offer from TWGI and FHC whereby the latter parties would settle their obligation by a series of term payment from 2010-2015, and recorded as part of the non-current portion of the due from related parties.

Property plant & equipment – This decreased by P232M or more or less 3% compared to last year. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2005.

Other non current assets – There was an increase of P75M or 106%, from P71M in 2009 to P147M in 2010.

Current Liabilities – This account consists of trade payable, income tax payable, accruals and loans payable. This decreased by 12% from last year, P2.8M of 2009 to P2.4B of 2010.

Loans Payable – This decreased by P431M equivalent to 27%. This consists of loan from Cosco Prime Holdings, Social Security System, Philippine Business Bank and from Industrial Commercial Bank of China – Singapore Branch.

TOP 5 PERFORMANCE INDICATORS			
As of December 31, 2011, 2010 and 2009			
	December 2011	December 2010	December 2009
Occupancy percentage	64.12%	67.19%	58.39%
Average Room Rates	1,907.00	2,051.41	2,289.41
Average Food Covers	267,201	252,358	278,940
Average Food Checks	402.90	378.36	367.84
Average Food Costs	35%	36%	37%

Occupancy Percentage

The Company's occupancy percentage for 2011 was 64.12% as compared to last year's 67.19%. This is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

Average Room Rate
Average room rate was decreased by 7%, lower compared to last year's balance, of 2,051.41 went down to 1,907.00, due to decrease in rooms available sold. It is computed by dividing the total rooms revenue over total number of rooms sold.

Average Food Covers
Food covers increased by 6%. This pertains to increasing number of guests that availed of our outlets.

Average Food Checks
The average food checks or the average consumption per guest increased by 6% because the hotels' food and beverage outlets were increasing its prices. Although it remains that the main generator of revenue are the social functions booked and rates are lower as compared to those in outlets, the Company has doubled its efforts in satisfying the eclectic tastes of the guests and marketing them by various promotions.

Average Food Costs
The average food cost was decreased by 1% from last year to this year's balance 36% to 35%. The Company is continually contemplating ways to avoid higher food costs without jeopardizing the quality of its products. Total cost of food sold divided by food revenue.

OPERATIONAL AND FINANCIAL INFORMATION

Market for Registrant's Common Equity and Related Stockholder Matters

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

Peso	**High**	**Low**
2011		
January – March 2011	0.49	0.28
April- June 2011	0.38	0.26
July-September 2011	0.79	0.27
October-December 2011	0.60	0.35

Peso	**High**	**Low**
2010		
January – March 2010	0.35	0.25
April- June 2010	0.29	0.25
July-September 2010	0.30	0.24
October-December 2010	0.32	0.26

The number of stockholders of record as of December 31, 2011 on the Register of Shareholders was 505 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, 2011 were 2,498,991,753. There are no sales for the last three years of unregistered securities.

2. The List of top 20 stockholders of record as of December 31, 2011 is as stated hereunder:

	Name of Stockholder of Record	**No. of Shares**	%
1	The Wellex Group, Inc.	1, 143, 466, 800	45.757
2	PCD Nominee Corporation (Filipino)	371,115,341	14.842
3	PCD Nominee Corporation (Non-Filipino)	232,459,100	9.302
4.	Silver Green Investments LTD	180,230,000	7.212

5.	Chesa Holdings, Inc.	175, 924, 000	7.040
6.	Tybalt Investment LTD	135,010,000	5.403
7.	Pacific Wide Realty Development Corp.	36,445,000	1.458
8.	Kenneth T. Gatchalian	30, 000, 100	1.200
9.	Rexlon T. Gatchalian	30, 000, 000	1.200
10.	Weslie T. Gatchalian	30, 000, 000	1.200
11.	Forum Holdings Corporation	20, 626, 000	0.825
12.	Primary Structures Corporation	16, 212, 500	0.649
13.	Pacific Rehouse Corporation	15, 598, 900	0.624
14.	Rexlon T. Gatchalian	14,740,000	0.590
15.	Metro Alliance Holdings & Equities, Inc.	14, 370, 000	0.575
16.	Mizpah, Holdings Inc.	10,489,200	0.420
17.	Elvira A. Ting	10, 000, 009	0.400
18.	Catalina Roxas Melendres	6, 246, 000	0.250
19.	Renato Chua	2, 749, 000	0.110
20..	William C. Liu	2, 010, 450	0.080

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

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

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

4. Issuance and Exchange of Securities

During 2007, the Parent Company entered into various share swap transactions wherein it issued 553 million of its primary shares at par value of P1 per share in exchange for 45.8 million APHC shares at varying market prices. Exemption from registrant claim under SEC 10.1 (see note 25 of audited financial statement).

Date of Sale and Title and Amount of Securities Sold	Names of Underwriters of Identity to whom it May Sold	Share # of Swap	SEC FORM
September 28, 2007 – Common-15,498,900	Pacific Re House, Inc	1,722,100.00 @ P9.00	10.1
September 28, 2007 – Common-175,824,000	Chesa Holdings, Inc.	19,536,000.00 @ P9.00	10.1
December 14, 2007 – Common-10,389,200	Mizpah, Holding, Inc	1,093,600.00 @ P9.50	10.1
December 17, 2007 – Common-135,000,000	Tybalt Investment LTD	9,000,000.00 @ P15.00	10.1
December 18,2007 - Common – 180,000,000	Silver Green Investments LTD	12,000,000.00 @ P15.00	10.1
December 17, 2007 – Common – 36,345,000	Pacific Wide Realty Development Corp.	2,423,000.00 @ 15.00	10.1

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

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

Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The External Auditor for the year 2010 and 2011 is KPMG Manabat Sanagustin & Co., and was chosen by the Board and approved by the stockholders upon recommendations of the Audit Committee.
The Internal Auditor reporting directly to the Audit Committee provided reasonable assurance that the key organizational and procedural controls were effective, appropriate and complied.
The Manual for Corporate Governance has been made available to discerning stockholders during office hours of Waterfront Philippines, Inc.

The reports required for the Manual were prepared and submitted to the Commission.
All material information that could potentially affect shares were publicly disclosed in accordance with the rules of the Philippine Stock Exchange and the Commission. The Annual Reports were properly disseminated to the stockholders.
The stockholders were given the right to elect, remove and replace directors in accordance with the Corporation Code. Cumulative was used during the last annual stockholders' meeting. They were also provided the power of inspection of the corporate books and records including the minutes of the Board Meetings, without costs and restrictions.

Other Matters

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

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

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

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

The right to dividends has always been in mind of the Company but in the year 2004 and 2005 no dividends have been issued due to financial status of the Company.

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

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

WATERFRONT
PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Waterfront Philippines, Inc.** is responsible for all information and representations contained in the consolidated financial statements for the period ended December 31, 2011. The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regards, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the Stockholders of the Company.

Manabat Sanagustin & Co., the independent auditor and appointed by the Stockholders, has examined the financial statements of the Company in accordance with Philippines Standards on Auditing and has expressed its opinion in its report to the Board of Directors and Stockholders.

Signed under oath by the following:

Precilla O. Toriano
Corporate Finance Director

Elvira A. Ting
Treasurer

Kenneth T. Gatchalian
President

Renato B. Magadia
Chairman of the Board

SUBSCRIBED AND SWORN TO BEFORE ME THIS 15 MAR 2012 IN CEBU CITY, PHILIPPINES

DOC. NO. 254
PAGE NO. 51
BOOK NO. 45
SERIES OF 2012

ATTY. DELON RICHEL RAMON B. UROT
NOTARY PUBLIC
D. JAKOSALEM STREET, CEBU CITY
NOTARIAL COMMISSION NO. 211-06
UNTIL DECEMBER 31, 2013
PTR NO. 9748864/12-5-11/CEBU PROVINCE
IBP NO. 5783/12-5-11/CEBU PROVINCE
ROLL OF ATTORNEY'S NO. 40563
MCLE COMP. NO. III-0010595

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WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011, 2010 and 2009

KPMG

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Makati City 1226, Metro Manila, Philippines

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Branches · Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Waterfront Philippines, Incorporated and Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Waterfront Philippines, Incorporated and Subsidiaries as at December 31, 2011 and 2010, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 9 to the consolidated financial statements which stated that the Group has receivables from Metro Alliance Holdings and Equities Corp., a stockholder of the Group, amounting to P362.3 million and P355.5 million as of December 31, 2011 and 2010, respectively. The said receivables have been the subject of collection efforts by the Group's management but the ultimate amount and timing of collection of these receivables cannot be presently determined. The consolidated financial statements do not include any adjustment that may be necessary to reflect the effects of the ultimate outcome of this uncertainty on the carrying amount and classification of these receivables.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174014MA
Issued January 2, 2012 at Makati City

April 10, 2012
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	*5*	**P78,956,323**	P92,439,449
Receivables - net	*6*	**172,661,982**	170,434,328
Inventories	*7*	**36,718,256**	33,337,638
Due from related parties - current portion	*9.a*	**462,148,879**	417,814,459
Prepaid expenses and other current assets	*8*	**18,764,904**	22,811,864
Total Current Assets		**769,250,344**	736,837,738
Noncurrent Assets			
Receivables from Acesite Limited (BVI)	*10*	**-**	650,000,000
Due from related parties - noncurrent portion	*9.a*	**1,603,431,849**	1,187,572,697
Goodwill	*11*	**142,819,150**	-
Property and equipment - net	*12, 16*	**6,530,010,614**	6,644,429,682
Available-for-sale (AFS) investments	*9.c*	**22,978,150**	6,156,410
Deferred tax assets	*22*	**285,882,779**	219,095,886
Other noncurrent assets	*13*	**197,631,935**	147,066,660
Total Noncurrent Assets		**8,782,754,477**	8,854,321,335
		P9,552,004,821	P9,591,159,073
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*14, 16*	**P1,210,811,796**	P1,192,141,009
Loans payable - current portion	*16*	**867,455,750**	1,186,779,037
Income tax payable	*22*	**53,753,194**	24,837,109
Contract payable	*11*	**86,260,000**	-
Other current liabilities	*15, 25*	**12,139,739**	72,647,915
Total Current Liabilities		**2,230,420,479**	2,476,405,070
Noncurrent Liabilities			
Loans payable - noncurrent portion	*16*	**512,500,000**	174,844,656
Deferred tax liabilities	*22*	**1,246,567,529**	1,236,820,490
Other noncurrent liabilities	*17, 21 ,24, 25*	**1,036,494,522**	852,849,791
Total Noncurrent Liabilities		**2,795,562,051**	2,264,514,937
Total Liabilities		**5,025,982,530**	4,740,920,007
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*19*	**2,498,991,753**	2,498,991,753
Additional paid-in capital		**706,364,357**	706,364,357
Revaluation surplus in property and equipment		**2,085,457,808**	2,508,260,998
Unrealized valuation gain (loss) on AFS investments		**6,329,331**	(4,204,901)
Foreign currency translation adjustment		**37,654,614**	38,915,992
Deficit			
Appropriated	*30*	**130,000,000**	130,000,000
Unappropriated		**(1,647,505,957)**	(1,716,751,968)
Total Equity Attributable to Equity Holders of the Parent Company		**3,817,291,906**	4,161,576,231
Non-controlling Interest		**708,730,385**	688,662,835
		P9,552,004,821	P9,591,159,073

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31	
	Note	**2011**	2010	2009
REVENUES				
Hotel operations				
Rooms		**P607,412,849**	P646,697,823	P646,699,329
Rent and related income	*24, 25*	**750,009,209**	634,913,085	602,034,985
Food and beverage		**584,012,431**	587,640,909	566,424,429
Other operating departments		**22,201,594**	24,323,718	26,927,634
Others		**31,933,475**	37,118,289	31,518,837
		1,995,569,558	1,930,693,824	1,873,605,214
COSTS AND EXPENSES				
Cost of sales				
Food and beverages		**286,142,034**	338,946,599	365,877,738
Rooms		**84,993,292**	85,067,128	49,869,246
Other operating departments		**13,985,511**	23,357,670	18,522,564
Personnel cost	*21*	**271,264,829**	272,877,661	258,046,220
Energy costs		**258,115,655**	257,904,526	215,239,996
Repairs and maintenance		**75,781,942**	67,017,892	78,323,923
Rent	*25*	**104,055,914**	102,906,480	78,833,238
Others	*20*	**333,474,703**	393,598,694	385,284,702
		1,427,813,880	1,541,676,650	1,449,997,627
		567,755,678	389,017,174	423,607,587
OTHER EXPENSES (INCOME)				
Depreciation and amortization	*12, 25*	**275,316,747**	314,016,049	323,277,763
Interest expense	*16*	**89,458,540**	147,422,514	161,531,485
Penalties and other charges	*14, 16*	**60,000,000**	59,162,789	60,593,323
Provision for impairment losses on receivables	*6, 10*	**97,136,612**	39,750,916	83,165,306
Loss on sale of an interest of a subsidiary	*26*	**40,537,836**	-	-
Interest income	*9.a, b*	**(27,039,062)**	(74,055,144)	(36,208,481)
Foreign exchange gains - net		**(1,617,492)**	(37,974,133)	(3,605,376)
Others - net	*29*	**7,741,841**	6,335,179	1,670,787
		541,535,022	454,658,170	590,424,807
INCOME (LOSS) BEFORE INCOME TAX		**26,220,656**	(65,640,996)	(166,817,220)
INCOME TAX EXPENSE (BENEFIT)	*22*	**28,635,627**	(13,483,801)	202,473
NET LOSS		**(2,414,971)**	(52,157,195)	(167,019,693)
OTHER COMPREHENSIVE INCOME				
Net change in fair value of AFS financial assets		**16,821,740**	(2,514,590)	(3,901,950)
Foreign currency translation differences for foreign operations		**(1,261,378)**	(10,120,719)	(4,666,317)
Appraisal increase in property and equipment for the year		**-**	-	1,889,325,575
Income tax on other comprehensive income		-	-	(566,797,672)
		15,560,362	(12,635,309)	1,313,959,636
TOTAL COMPREHENSIVE INCOME (LOSS)		**P13,145,391**	(P64,792,504)	P1,146,939,943

Forward

				Years Ended December 31
	Note	**2011**	2010	2009
Net income (loss) attributable to:				
Equity holders of the Parent Company		**(P20,488,447)**	(P49,371,535)	(P159,223,379)
Non-controlling interest		**18,073,476**	(2,785,660)	(7,796,314)
		(P2,414,971)	(P52,157,195)	(P167,019,693)
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		**(P11,824,998)**	(P65,572,027)	P1,065,054,803
Non-controlling interest		**24,970,389**	779,523	81,885,140
		P13,145,391	(P64,792,504)	P1,146,939,943
LOSS PER SHARE - Basic and Diluted	*23*	**(P0.008)**	(P0.020)	(P0.064)

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2011**	2010	2009
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital stock - P1 par value per share	*19*	**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
Revaluation Surplus in Property and Equipment				
Balance at beginning of year		**2,508,260,998**	2,588,506,511	1,424,556,203
Appraisal increase for the year - net of income tax effect		-	-	1,231,636,845
Derecognition of revaluation surplus related to land previously held under finance lease	*25*	**(333,068,732)**	-	-
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect		**(89,734,458)**	(80,245,513)	(67,686,537)
Balance at end of year		**2,085,457,808**	2,508,260,998	2,588,506,511
Unrealized Valuation Gain (Loss) on AFS Investments				
Balance at beginning of year		**(4,204,901)**	(2,469,834)	222,511
Valuation gain (loss) taken into equity during the year	*9.c*	**9,924,827**	(1,735,067)	(2,692,345)
Effect of the increase in non-controlling interest due to sale of an interest in a subsidiary		**609,405**	-	-
Balance at end of year		**6,329,331**	(4,204,901)	(2,469,834)
Foreign Currency Translation Adjustment				
Balance at beginning of year		**38,915,992**	49,036,711	53,703,028
Translation adjustment during the year		**(1,261,378)**	(10,120,719)	(4,666,317)
Balance at end of year		**37,654,614**	38,915,992	49,036,711

Forward

		Years Ended December 31		
	Note	**2011**	2010	2009
Deficit				
Appropriation for renovation and business expansion	*30*	**P130,000,000**	P130,000,000	P130,000,000
Unappropriated:				
Balance at beginning of year		**(1,716,751,968)**	(1,747,625,946)	(1,526,089,104)
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect		**89,734,458**	80,245,513	67,686,537
Appropriation for the year		**-**	-	(130,000,000)
Net loss for the year		**(20,488,447)**	(49,371,535)	(159,223,379)
Balance at end of year		**(1,647,505,957)**	(1,716,751,968)	(1,747,625,946)
Total deficit		**(1,517,505,957)**	(1,586,751,968)	(1,617,625,946)
		3,817,291,906	4,161,576,231	4,222,803,552
NON-CONTROLLING INTEREST				
Balance at beginning of year		**688,662,835**	692,228,018	610,342,879
Derecognition of the share in revaluation surplus related to land previously held under finance lease	*25*	**(160,720,000)**	-	-
Effect of the increase in non-controlling interest due to sale of an interest in a subsidiary	*26*	**155,817,161**	-	-
Valuation gain (loss) on AFS investments taken into equity during the year	*9.c*	**6,896,913**	(779,523)	(1,209,605)
Appraisal increase in property and equipment - net of income tax effect		**-**	-	90,891,058
Net income (loss) for the year		**18,073,476**	(2,785,660)	(7,796,314)
Balance at end of year		**708,730,385**	688,662,835	692,228,018
		P4,526,022,291	P4,850,239,066	P4,915,031,570

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P26,220,656**	(P65,640,996)	(P166,817,220)
Adjustments for:				
Depreciation and amortization	*12*	**275,316,747**	314,016,049	323,277,763
Interest expense	*16*	**89,458,540**	147,422,514	161,531,485
Loss on sale of an equity interest of a subsidiary	*26*	**40,537,836**	-	-
Tax refund income	*29*	**-**	-	(29,690,348)
Retirement benefit costs	*21*	**21,746,702**	46,066,870	33,224,022
Provision for impairment losses on receivables	*6, 9, 11*	**97,136,612**	39,750,916	83,165,306
Unrealized foreign exchange gain		**(1,661,043)**	(38,432,056)	(8,613,388)
Impairment loss on PPE		**-**	216,936	-
Interest income		**(27,039,062)**	(74,055,144)	(36,208,481)
Operating income before working capital changes		**521,716,988**	369,345,089	359,869,139
Decrease (increase) in:				
Receivables		**16,657,215**	(32,180,259)	(22,909,378)
Inventories		**(3,380,618)**	3,340,055	8,427,282
Prepaid expenses and other current assets		**610,620**	(9,146,066)	16,392,300
Increase (decrease) in:				
Accounts payable and accrued expenses		**61,312,768**	67,173,624	(3,482,475)
Other current liabilities		**3,693,750**	173,628,545	(31,513,254)
Cash generated from operations		**600,610,723**	572,160,988	326,783,614
Interest received		**363,192**	427,993	600,545
Income taxes paid		**(80,747,152)**	(28,978,265)	(41,882,179)
Retirement plan contributions paid	*21*	**(17,505,000)**	(22,000,000)	(4,000,000)
Interest paid		**(84,249,071)**	(140,694,435)	(150,327,364)
Net cash provided by operating activities		**418,472,692**	380,916,281	131,174,616
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	*12*	**(97,525,553)**	(81,739,968)	(51,811,442)
Investment in a subsidiary		**(21,565,000)**	-	-
Due from related parties		-	-	(109,173,807)
Proceeds from sale of an equity interest in a subsidiary		**14,100,000**	-	-
Proceeds from sale of property and equipment		**41,884**	-	842,585
Increase in other noncurrent assets		**(50,439,050)**	(75,676,770)	(2,664,745)
Net cash used in investing activities		**(155,387,719)**	(157,416,738)	(162,807,409)

Forward

	Note	Years Ended December 31		
		2011	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (Decrease) in loans payable		**P18,369,631**	(P229,267,457)	(P383,819,860)
Decrease (Increase) in due from related parties		**(491,967,851)**	108,792,450	423,440,997
Increase (decrease) in other noncurrent liabilities		**199,791,499**	(38,090,616)	(9,293,075)
Payment of obligation under finance lease		**(1,500,000)**	(1,500,000)	(1,500,000)
Net cash provided by (used in) financing activities		**(275,306,721)**	(160,065,623)	28,828,062
DECREASE IN TRANSLATION ADJUSTMENT FOR THE YEAR		**(1,261,378)**	(10,120,719)	(4,666,317)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(13,483,126)**	53,313,201	(7,471,048)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*5*	**92,439,449**	39,126,248	46,597,296
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P78,956,323**	P92,439,449	P39,126,248

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

	Percentage of Ownership	
	Direct	Indirect
Hotels and resorts:		
Waterfront Cebu City Casino Hotel, Incorporated (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Incorporated (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Phils.) Hotel Corporation (APHC)	59*	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real estate:		
CIMA Realty Phil., Inc. (CIMAR)	-	59
Fitness gym:		
W Citigyms & Wellness, Inc. (W Citigym)	100	-
International marketing and promotion of casinos:		
WPL	100	-
Mayo Bonanza, Inc. (MBI)	100	-
CWIL (through direct ownership in WPL)	-	100
Waterfront Entertainment Corporation (WEC)	100	-
Pastries manufacturing:		
Waterfront Food Concepts Inc. (WFC)	100	-
Hotel management and operation:		
Waterfront Management Corporation (WMC)	100	-

**69% in 2010 and 2009*

The Parent Company's percentages of ownership for the above subsidiaries are the same for 2011, 2010 and 2009, except as indicated. Moreover, in 2011, APHC acquired CIMAR, which is engaged in real estate business, making the latter a wholly-owned subsidiary of APHC (see Notes 10 and 11).

At present, WPL and CWIL have temporarily stopped operations. Management decided to temporarily cease the operations of WPL and CWIL on June 2003 and November 2001 respectively, due to unfavorable economic conditions. However, the parent company has given an undertaking to provide necessary support in order for WPL and CWIL to continue as a going concern.

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

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The consolidated financial statements of the Group as at and for the years ended December 31, 2011, 2010 and 2009 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2012.

Basis of Measurement
The consolidated financial statements are prepared on the historical cost basis, except for certain property and equipment which have been measured at revalued amounts and available-for-sale (AFS) investments which have been measured at fair value.

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 4 to the consolidated financial statements.

3. Summary of Significant Accounting Policies

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

Adoption of Revised Standards, Amendments to Standards and Interpretations
The Financial Reporting Standards Council approved the adoption of a number of revised standards, amendments to standards, and interpretations [based on International Financial Reporting Interpretations Committee (IFRIC) Interpretations] as part of PFRSs.

Adopted Effective January 1, 2011
The Group has adopted the following PFRSs starting January 1, 2011 and accordingly, changed its accounting policies in the following areas:

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*, permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after February 1, 2010.

- Philippine Interpretation IFRIC19, *Extinguishing Financial Liabilities with Equity Instruments*, addresses issues in respect of the accounting by the debtor in a debt for equity swap transaction. It clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a debt for equity swap are consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement* paragraph 41. The interpretation is applicable for annual periods beginning on or after July 1, 2010.

- *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters (Amendment to PFRS 1)* provides the same relief to first-time adopters as was given to current users of PFRSs on adoption of the Amendments to PFRS 7, *Financial Instruments: Disclosures*. The amendment also clarifies the transitional provisions of the Amendments to PFRS 7. The amendments to PFRS 1 is effective for annual periods beginning on or after July 1, 2010.

- Revised PAS 24, *Related Party Disclosures* (2009) amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011.

- *Prepayments of a Minimum Funding Requirement (Amendments to Philippine Interpretation IFRIC 14: PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction).* These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. The amendments are effective for annual periods beginning on or after January 1, 2011.

  The adoption of these amendments did not have a material impact on the consolidated financial statements.

- *Improvements to PFRSs 2010* contain 11 amendments to six standards and to one interpretation. The amendments are generally effective for annual periods beginning on or after January 1, 2011. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Group:

  - PFRS 3, *Business Combinations*. The amendments: (i) clarify that contingent consideration arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (ii) limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (iii) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendments are effective for annual periods beginning on or after July 1, 2010.

  - PAS 27, *Consolidated and Separate Financial Statements*. The amendments clarify that the consequential amendments to PAS 21 *The Effects of Changes in Foreign Exchange Rates*, PAS 28 *Investments in Associates* and PAS 31 *Interests in Joint Ventures* resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010.

  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standards Board (IASB) amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - PAS 34, *Interim Financial Reporting*. The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*. The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendments are effective for annual periods beginning on or after January 1, 2011.

New or Revised 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, 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except for PFRS 9, *Financial Instruments*, which becomes mandatory for the Group's 2015 financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The Group will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

To be Adopted on January 1, 2012

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Earlier application is permitted. Entities are not required to provide the disclosures for any period that begins prior to July 1, 2011.

- Presentation of Items of Other Comprehensive Income (Amendments to PAS 1). The amendments:

  - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;

  - do not change the existing option to present profit or loss and other comprehensive income in two statements; and

  - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

  The amendments do not address which items presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.

An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and there is a link between power and returns.

Control is re-assessed as facts and circumstances change.

PFRS 10 supersedes PAS 27 (2008) and Philippine Interpretation SIC-12 *Consolidation - Special Purpose Entities.*

- PFRS 12, *Disclosure of Interest in Other Entities*

  PFRS 1 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

  - the nature of, and risks associated with, an entity's interests in other entities; and
  - the effects of those interests on the entity's financial position, financial performance and cash flows.

- PFRS 13, *Fair Value Measurement*

  PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- PAS 19, *Employee Benefits* (amended 2011)

  The amended PAS 19 includes the following requirements:

  - actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and
  - expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments*

  Standard Issued in November 2009 [PFRS 9 (2009)]
  PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply.

  Standard Issued in October 2010 [PFRS 9 (2010)]
  PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.

  It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation IFRIC 9 *Reassessment of Embedded Derivatives.*

Under the prevailing circumstances, the adoption of the new or revised standards, amendments and improvements to standards and interpretations is not expected to have any material effect on the Group's financial statements. However, additional disclosures will be included when these are adopted in the future.

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

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

Accounting for Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration all potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount generally the fair value of the identifiable assets acquired and the liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the effective settlement of preexisting contractual relationships. Such amounts are generally recognized in profit or loss. The amount recognized in profit or loss is measured between the lesser of the amount by which the contract is favorable or unfavorable compared to market from the perspective of the acquirer, and the amount of any stated settlement provisions in the contract available to the counterparty to whom the contract is unfavorable.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with business combinations are capitalized as part of the cost of the acquisition.

Following initial recognition, goodwill is measured at cost and subsequently reviewed for impairment at least annually, if events or changes in circumstances indicate that its carrying value may be impaired.

Accounting for Non-controlling Interests (NCI)
NCI represents the portion of profit or loss, other comprehensive income and the net assets not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Parent Company's equity.

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

Loss of Control
Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit resulting from loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS financial asset 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 (CODM) 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 and Marketing 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. The following specific recognition criteria must 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.

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 Operating Departments
Revenue from other operating departments is recognized upon execution of service or as contracted.

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

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

Financial Instruments

Date of Recognition
A financial asset or liability is recognized when the Group becomes a party to the contractual provisions of the instrument. In the case of regular way purchase or sale of a financial asset, recognition and derecognition is on the settlement date. Derivatives are recognized on trade date basis.

Initial Recognition of Financial Instruments
All financial assets and liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments and loans and receivables. Financial liabilities are classified as FVPL and other liabilities carried at amortized cost. Financial liabilities at FVPL include financial liabilities held-for-trading and those designated upon recognition as at FVPL. Interest, dividends, gains and losses relating to a financial liability is reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

All regular way purchase or sale of financial assets, recognition and disposals or retirements, as applicable, are recognized on the trade date, which is the date that the Group commits to purchase or dispose the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument, normally in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established.

Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

All loans, borrowings and other liabilities are initially recognized at the fair value of the consideration received less directly attributable transactions costs.

Determination of Fair Value
The fair value of instruments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business at the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques such as recent arm's length market transactions; reference to the current market value of another substantially similar instrument which is discounted cash flow analysis or other valuation models.

(a) Financial Assets or Financial Liabilities at FVPL

Financial assets or financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statements of financial position at fair value. Changes in fair value on financial assets and liabilities designated at FVPL are recorded in a mark-to-market (MTM) gain/loss account in profit or loss. As of December 31, 2011 and 2010, the Group has no financial assets and financial liabilities at FVPL.

(b) HTM Investments

HTM assets are non-derivative quoted financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. If the Group would sell other than an insignificant amount of HTM assets, the entire category would be reclassified as AFS investments.

HTM assets are carried at amortized cost in the consolidated statements of financial position. Amortization is determined by using the effective interest method. Asset under this category are classified as current assets if maturity is within twelve months from the reporting date and noncurrent assets if maturity is more than a year.

As of December 31, 2011 and 2010, the Group has no HTM investments.

(c) AFS Investments

AFS investments are those which are designated as such or do not qualify to be classified as at FVPL, HTM or loans and receivables. These are investments which are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. The unrealized gains and losses arising from the fair valuation of AFS investments are recognized in other comprehensive income and are presented as part of "Unrealized valuation gain (loss) on AFS investments" in the equity section of the consolidated statements of financial position.

When the security is disposed of, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Dividends earned on holding AFS investments are recognized in profit or loss as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognized as "Provisions for impairment losses" in profit or loss.

As of December 31, 2011 and 2010, the Group's AFS investments amounted to P23.0 million and P6.2 million, respectively. The Group designated as AFS investments its investments in shares of stock of Wellex Industries, Incorporated (WII) (see Note 9.c).

(d) Loans and Receivables

Loans and receivable are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as held-for-trading, AFS or financial assets at FVPL. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in "Provision for impairment losses" account in profit or loss.

The Group has designated the following as loans and receivables: cash and cash equivalents, receivables, due from related parties, receivables from Acesite Limited (BVI), Manila Electric Company (MERALCO) refund and refundable deposits.

Receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

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

(e) Other Financial Liabilities at Amortized Cost

This classification includes its interest bearing loan with Industrial Commercial Bank of China Singapore Branch (ICBC), Social Security System (SSS), Philippine Business Bank (PBB) COSCO Prime Holdings, Inc., contract payable, accounts payable and accrued expenses, refundable security deposits, obligations under finance leases and related accrued interest.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- 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: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

Financial Liabilities
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 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.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Financial Assets Carried at Amortized Cost
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. For loans with variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs to sell, whether foreclosure is probable or not.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as industry, collateral type, past-due status and term.

Future cash flows of a group of financial assets which are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the assets is reduced through use of an allowance account and the amount of loss is recognized in profit or loss. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account thereby increasing the carrying amount of the asset to its recoverable amount. The increased amount cannot exceed the amortized cost that would have been determined, net of provisions, if no impairment loss had been recognized for the asset in prior years. If a write-off is later recovered, any amounts formerly charged are credited to the "Provision for impairment losses" account in profit or loss.

Financial Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Quoted AFS Investments
For quoted AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity instruments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that has been recognized in other comprehensive income and presented in equity is transferred to profit or loss. Impairment losses in equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized in other comprehensive income.

Offsetting Financial Assets and Liabilities

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

Inventories

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

Cost which comprises all costs of purchase and other costs that have been incurred in bringing the inventories to their present location and condition is calculated using the first-in, first-out method.

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

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 and operating equipment 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 subsequent accumulated impairment losses. 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 in property and equipment" account (net of corresponding deferred income tax effects) shown under the consolidated statements of changes in equity. Any increase in the revaluation amount is credited to the "Revaluation surplus in 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 in property and equipment". Upon disposal, any related revaluation surplus is transferred to "Retained earnings" account and is not taken into account in arriving at the gain or loss on disposal. Also, the amount of revaluation surplus absorbed through depreciation is being transferred to "Retained earnings" account, net of deferred income tax effect.

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

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

Operating equipment consisting of chinaware, glassware, silverware and linen are stated at cost less accumulated amortization and adjustments based on periodic inventory method. Under this method, the recorded costs of operating equipment are amortized using various rates and adjusted based on periodic inventory count. 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.

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

The estimated useful lives are as follows:

	Number of Years
Land improvements	5 - 10
Leasehold improvements	10
Hotel buildings and improvements	10 - 50
Furniture, fixtures and equipment	3 - 25
Operating equipment	3 - 5
Transportation equipment	3 - 5

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

Fully depreciated assets are retained in the accounts until they are no longer in use, no further charge for depreciation is 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.

Construction in progress is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time 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. The amortization and adjustments are recognized in the profit or loss.

Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit (CGU) in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss of a revalued asset is recognized in the same way as a revaluation decrease. All other impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss in respect of a revalued asset is recognized in the same way as a revaluation increase. All other reversals of impairment are recognized in profit or loss.

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

Borrowing Costs

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

Retirement Benefits

The Group's net obligation in respect of defined retirement benefit plans is calculated by estimating the amount of future benefit that employees will earn in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on treasury bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

In respect of actuarial gains and losses that arise in calculating the Group's obligation under the plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Related Party Relationship

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

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the Group (as lessor) are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease, except for cancellable leases which are recognized at the amount collected or collectible based on the contract provision.

Finance Leases

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

Foreign Currency Transactions and Translation

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

During the translation of the financial statement accounts of the foreign subsidiaries wherein accounts are being maintained in U.S dollar, the differences between the reporting currency and the functional currency are recorded under the "Foreign currency translation adjustment" account in other comprehensive income. The results and financial position of the foreign subsidiaries are translated into Philippine peso using the following procedures:

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

Income Taxes

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

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

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

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

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

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

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

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock and share options are recognized as deduction from equity, net of any tax effects.

Loss Per Share
Loss per share (LPS) and diluted LPS are determined by dividing net 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 declared during the period.

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, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements, unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Any post year-end event that provide additional information about the Group's consolidated financial position at the reporting date (adjusting events) is reflected in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Accounting Estimates and Judgments

The preparation of the consolidated financial statements in accordance with PFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and related disclosures. The estimates and assumptions used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. These estimates and judgments are detailed below:

Judgments
Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of goods and services and the costs of these goods and services.

Operating Lease Commitments (as Lessor)
The Group has leased out its commercial spaces to third parties. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the Group (see Notes 24 and 25).

Finance Leases
Prior to the termination of the finance lease agreement in 2011, it is Group's judgment, based on an evaluation of the terms and conditions of the arrangements, that it has substantially acquired all the significant risks and rewards incidental to ownership of the land. Accordingly, the Group accounted for this as a finance lease and capitalized the cost of the land and recognized the related finance lease obligation prior to 2011 (see Note 25). The land subject to the finance lease agreement had been the subject of the ejectment case filed by the lessor.

As disclosed in Note 25, as part of the global settlement of all cases and controversies, the finance lease was superseded by an operating lease following acquisition by the Group of CIMAR.

Tax Assessments and Legal Claims
The Group has received assessments from the Bureau of Internal Revenue (BIR) for deficiency taxes and is also a defendant in various legal cases which are still pending resolution. The Group's management and legal counsel have made a judgment that the position of the Group is sustainable and, accordingly, believe that the Group does not have a present obligation (legal or constructive) with respect to such assessment and claims (see Note 28).

Transactions with Philippine Amusement and Gaming Operations (PAGCOR)
The Group has significant transactions with PAGCOR. Under Presidential Decree (PD) No. 1869, otherwise known as the PAGCOR Charter, PAGCOR is exempt from payment of any form of taxes other than the 5% franchise tax imposed on the gross revenue or earnings derived by PAGCOR from its operations under the franchise. The amended Revenue Regulation (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 the revocation of PAGCOR's tax exemption privileges as previously provided for in PD No. 1869. The Group's management and its legal counsel have made a judgment that the amended PD No. 1869 prevails over RR No. 16-2005 (see Notes 24 and 28.c).

<u>Estimates</u>
Estimating Allowance for Impairment Losses on Receivables and Due from Related Parties
The Group maintains an allowance for impairment losses on receivables and due from related parties at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with its customers, their payment behavior and known market factors. The Group reviews the age and status of receivable and due from related parties, and identifies accounts that are to be provided with allowance on a regular basis.

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

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

Allowance for impairment losses on receivables and due from related parties as of December 31, 2011 and 2010 amounted to P99.8 million and P103.2 million, respectively. Total receivables and due from related parties, net of valuation allowance, amounted to P2.2 billion and P1.8 billion as of December 31, 2011 and 2010, respectively, (see Notes 6 and 9.a).

Financial Assets not Traded in an Active Market
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not quoted in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimating Impairment of AFS Investments
The Group classifies certain assets as AFS and recognizes movements in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. No impairment losses have been recognized in 2011, 2010 and 2009. The carrying amount of AFS investments as of December 31, 2011 and 2010 amounted to P23.0 million and P6.2 million, respectively, (see Note 9.c).

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

Appraisal Value of Certain Property and Equipment
The appraised value of the Group's property and equipment which carried at revalued amounts is determined from market-based evidence through an appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Group's property and equipment. However, management believes that the carrying amount of property and equipment as of December 31, 2011 and 2010 does not differ materially from that which would be determined using fair value at reporting date. As of December 31, 2011 and 2010, the aggregate carrying amounts of property and equipment carried at revalued amounts are P6.5 billion and P6.6 billion, respectively, (see Note 12).

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

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

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

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

As of December 31, 2011 and 2010, the carrying amounts of property and equipment amounted to P6.5 billion and P6.6 billion, respectively, (see Notes 12 and 25).

Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. The Group recognized deferred tax assets amounting to P285.9 million and P219.1 million as of December 31, 2011 and 2010, respectively. The Group has deferred tax liabilities amounting to P1.2 billion as of December 31, 2011 and 2010 (see Note 22).

Retirement Benefits
The determination of the Group's obligation and cost for retirement benefits is dependent on the Group's selection of certain assumptions used by an actuary in calculating such amounts. Actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore, generally affect the Group's recognized expense and recognized obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's retirement benefit obligations.

The expected rate of return on plan assets of 6% in 2011 and 2010 (9% in 2009) was based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting dates. Details of the assumptions used in the calculation are described in Note 21 to the consolidated financial statements.

Net retirement benefits cost amounted to P21.7 million, P46.1 million and P33.2 million in 2011, 2010 and 2009, respectively. Retirement benefits liability amounted to P206.6 million and P202.3 million as of December 31, 2011 and 2010, respectively, (see Note 21).

5. Cash and Cash Equivalents

This account consists of:

	2011	2010
Cash on hand and in banks	**P78,784,323**	P90,743,224
Short-term placements	**172,000**	1,696,225
	P78,956,323	P92,439,449

Short-term placements earn interest at an average annual rate of 2% with an average maturity of 30 days.

6. Receivables

This account consists of:

	2011	2010
Trade	**P129,370,316**	P149,262,422
Advances to suppliers and employees	**22,474,439**	9,139,226
Others	**43,519,442**	38,169,128
	195,364,197	196,570,776
Less allowance for impairment losses	**22,702,215**	26,136,448
	P172,661,982	P170,434,328

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

The receivables classified as "Others" include the rental receivables from PAGCOR amounting to P28.8 million and P21.0 million as of December 31, 2011 and 2010, respectively.

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

	2011	2010
Beginning balance	**P26,136,448**	P30,704,796
Additional impairment loss during the year	**5,011,182**	2,237,936
Write-off of receivables	**(8,445,415)**	(6,806,284)
Ending balance	**P22,702,215**	P26,136,448

7. Inventories

This account consists of the following inventories carried at cost:

	2011	2010
Operating supplies	**P20,179,940**	P16,220,918
Food and beverage	**14,995,767**	14,920,980
Engineering and maintenance supplies	**1,542,549**	2,195,740
	P36,718,256	P33,337,638

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2011	2010
Prepaid taxes	**P13,916,311**	P11,374,279
Prepaid expenses	**3,055,235**	2,046,206
Others	**1,793,358**	9,391,379
	P18,764,904	P22,811,864

The "Others" account above pertains to prepaid expenses for trainings and seminars, insurance, advertising, association and subscription dues paid by the Group in advance.

9. Related Party Transactions

In the normal course of business, the Group transacts with companies who are considered related parties under PAS 24, *Related Party Disclosures*. These transactions consist of the following:

a. The "Due from related parties - current portion" account consists of:

	Relationship with the Group	***Note***	**2011**	2010
TWGI	Ultimate parent company	*26*	**P60,009,832**	P62,443,850
Metro Alliance Holdings and Equities Corp. (MAHEC)	Stockholder	*9.b*	**362,309,579**	355,548,265
Forum Holdings Corp. (FHC)	Stockholder		**15,363,353**	15,356,229
Pacific Rehouse Corporation (PRC)	Stockholder	*9.d*	**40,000,000**	-
Others	Stockholder		**1,948,716**	1,948,716
			479,631,480	435,297,060
Less allowance for impairment losses			**17,482,601**	17,482,601
			P462,148,879	P417,814,459

The “Due from related parties - noncurrent portion” account consists of:

	Relationship with the Group	*Note*	**2011**	2010
TWGI	Ultimate parent company	*26*	**P1,135,579,131**	P1,189,530,435
FHC	Stockholder		**42,472,146**	57,661,690
PRC	Stockholder	*9.d*	**485,000,000**	-
			1,663,051,277	1,247,192,125
Less allowance for impairment losses			**59,619,428**	59,619,428
			P1,603,431,849	P1,187,572,697

The advances to TWGI include proceeds of loans obtained by WCCCHI and WMCHI from PAGCOR in 2007 amounting to P541.3 million that were subsequently advanced to TWGI, the ultimate parent company, thru WPI. In 2009, the Parent Company recognized the related interests and charges from PAGCOR loan amounting to P8.6 million.

These advances are collateral-free and bear interest at a rate to be re-priced yearly. In 2011, 2010 and 2009, the interest rates charged to TWGI was 2%, 2% and 4%, respectively.

Also, these advances were originally collectible in demand. In 2009, Parent Company and its subsidiary, GIRDI, accepted an offer from TWGI and FHC whereby the parties will settle their obligations by a series of term of payments. TWGI and FHC would pay P190 million and P15 million, respectively, each year until 2014 with the remaining balance to be fully paid in 2015.

In 2010, a new schedule of payments was agreed by both parties whereby TWGI would pay P50 million starting 2010 until 2014 with the remaining balance to be fully paid in 2015.

Shown below are the schedule of payments for these receivables are as follows:

	TWGI	FHC
2012	P50,000,000	P15,363,353
2013	50,000,000	15,000,000
2014	50,000,000	15,000,000
2015	1,035,579,131	12,472,146
	P1,185,579,131	P57,835,499

In 2011, 2010 and 2009, TWGI and FHC paid the advances in accordance with the series of term payments for those years.

Interest income on these advances amounted to P26.7 million, P25.4 million and P35.6 million in 2011, 2010 and 2009, respectively, which are recorded as part of “Interest income” account in the consolidated statements of comprehensive income.

b. In 2004, the Parent Company extended 4% interest-bearing, collateral free advances to MAHEC amounting to P221.2 million as an additional fund infusion used by the latter, through Polymax Worldwide Limited (Polymax), its special purpose entity, and NPC Alliance Corp. (NPCA) a wholly-owned subsidiary of Polymax, in acquiring the petrochemical plant of Bataan Polyethylene Corporation (BPC).
The increase in the advances to MAHEC is due to the yearly accrual of interest. In 2009, the Parent Company provided an allowance for impairment losses on these receivables amounting to P17.5 million. The Parent Company has been actively discussing the possible sale of the petrochemical plant with certain prospective buyers.

   Management believes that the ultimate amount and timing of collection cannot presently be determined. The rates of interest which were charged to MAHEC in 2011, 2010 and 2009 was 2%, 2% and 4%, respectively.

   The collectibility of the receivables from TWGI, MAHEC and FHC is unconditionally guaranteed by a certain stockholder of the Parent Company, representing the majority shareholders.

c. In July and August 2005, APHC's BOD approved the conversion of APHC's net receivables from MAHEC and East Asia Oil Company (EAOC) into 86,710,000 shares of stock of Wellex Industries, Incorporated (WII), an entity under common control, the shares of which are listed in the Philippine Stock Exchange. The net receivable at the time of conversion amounted to P43.3 million. The conversion resulted in a loss on exchange of assets of P31.1 million for APHC. In accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, APHC classified the investment in WII's shares of stocks as an AFS investment. The aggregate fair market values of WII shares based on its closing market price as of December 31, 2011, 2010 and 2009 are P23.0 million, P6.2 million and P8.7 million, respectively, resulting in a valuation gain of P16.8 million in 2011 and valuation loss of P2.5 million and P3.9 million in 2010 and 2009, respectively.

d. In February 16, 2009, APHC assigned its future rental receivables from PAGCOR, arising from the latter's lease commitments to the Parent Company as disclosed in Note 25, in payment of the loan of PRC and the loan of WMCHI from PBB.

e. In 2011, the Parent Company extended a 3% interest-bearing, collateral free advances to PRC amounting to P525.0 million. The series of term payments for such advances is as follows:

2012 - 2015 (at P40.0 million each year)	P160,000,000
2016	365,000,000
	P525,000,000

f. Total key management personnel compensation recognized in the consolidated statements of comprehensive income as part of "Personnel costs" account follow (in thousands):

	2011	2010	2009
Short-term employee benefits	**P39,591**	P36,673	P28,441
Post-employment benefits	**1,142**	1,532	1,367
	P40,733	P38,205	P29,808

10. Receivables from Acesite Limited (BVI)

As disclosed in Note 11, APHC acquired 100% interest of CIMAR, a former subsidiary of Acesite Limited (BVI) or Acesite Limited BVI (ALB), in October 2011. Part of the acquisition cost is the carrying value of the receivables from ALB amounting to P557.9 million.

Prior to the acquisition, management and the BOD of APHC estimated the maximum recoverable amount of the receivables, upon consultations with the legal counsels on the status of the discussions with ALB for an impending amicable settlement, to be not in excess of P557.9 million. Accordingly, in 2011, the Group's BOD approved a write-off of portion of the receivables amounting to P92.13 million recorded as part of "Provision for impairment losses on receivables" account in the consolidated statements of comprehensive income.

The breakdown of the receivables prior to the settlement and the discussions of the events affecting the account follow:

Noninterest-bearing:	
Receivable from sale of investment in Listar Properties Limited (LPL)	P327,587,500
Working capital advances	322,412,500
	650,000,000
Interest-bearing:	
Unsecured loan receivable - granted on August 8, 2002, which bears interest at 2% per annum	-
	650,000,000
Less allowance for impairment losses	-
	P650,000,000

Prior to final settlement in 2011, the details of the write-off and impairment losses recognized as approved by the APHC's BOD upon the consultation with the legal counsels are as follows:

	2010
Balance at beginning of year	P50,143,989
Impairment loss for the year	17,282,545
Write-off against allowance	(67,426,534)
	P -

As disclosed in Note 25, in July 2011, the Regional Trial Court (RTC) of Manila issued and order granting the joint motion to dismiss the ejectment case filed by CIMAR against the APHC.

11. Business Combination

In July 2011, APHC and CIMAR executed a Memorandum of Agreement (MOA), which effectively settle all pending cases and controversies between the two parties (see Note 25). In fulfillment of all the terms and conditions of the MOA, CIMAR's stockholders including all their nominees, agree to assign, sell, transfer and convey all existing shares of stock of CIMAR to APHC. Accordingly, in October 2011, CIMAR's stockholders executed deeds of sale, transfer and assignment of shares representing 100% interest over CIMAR in favor of APHC. In consideration, APHC will pay US$2.5 million plus the carrying value of APHC's receivables from ALB (see Note 10), net of APHC's liability to CIMAR (see Note 25), as of acquisition date. The acquisition resulted to the recognition of goodwill amounting to P142.8 million.

APHC paid the first amortization of US$500 thousand upon the signing of the MOA. The balance of US$2 million (P86.3 million), which is payable in 2012, is presented as "Contract payable" account in the consolidated statements of financial position.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Assets	
Investment in equity securities	**P312,500**
Investment property	**650,000,000**
Liabilities	
Accrued expenses and other current liabilities	**(350,000)**
Deferred tax liability	**(190,200,000)**
Total identifiable net assets at fair value	**P459,762,500**

Goodwill was recognized as a result of the acquisition as follows:

	2011
Total consideration transferred	
Cash	**P21,565,000**
Contract payable	**86,260,000**
Receivable from ALB	**557,874,570**
Liability of APHC to the Subsidiary prior to acquisition	**(63,117,920)**
	602,581,650
Total identifiable net assets at fair value	**(459,762,500)**
Goodwill	**P142,819,150**

Goodwill arising from the acquisition is attributable to the benefit of expected synergies with the APHC's strategic location of the hotel's operation. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill is expected to be deductible for income tax purposes.

12. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2011								
	Land	Land Improvements	Leasehold Improvements	Hotel Buildings and Improvements	Furniture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction In Progress	Total
Measurement Basis:	***Revalued***	***Revalued***	***At Cost***	***Revalued***	***Revalued***	***At Cost***	***Revalued***	***At Cost***	
Gross carrying amount:									
Beginning balance	P926,024,000	P13,406,000	P68,089,360	P8,746,497,745	P1,462,526,528	P248,777,475	P27,493,877	P1,568,412	P11,494,383,397
Additions - net	65,000,000	1,005,148	2,406,888	8,010,603	30,207,099	22,943,311	867,411	32,085,093	162,525,553
Disposals/reclassifications	-	-	(1,568,412)	-	(23,734)	(36,230)	-	-	(1,628,376)
Ending balance	**991,024,000**	**14,411,148**	**68,927,836**	**8,754,508,348**	**1,492,709,893**	**271,684,556**	**28,361,288**	**33,653,505**	**11,655,280,574**
Accumulated depreciation and amortization:									
Beginning balance	-	1,333,119	20,377,122	3,541,414,414	1,080,324,381	180,238,281	26,266,398	-	4,849,953,715
Depreciation and amortization	-	383,659	8,275,626	177,243,016	82,872,358	5,403,605	1,138,483	-	275,316,747
Disposals/reclassifications	-	-	-	-	(502)	-	-	-	(502)
Ending balance	-	**1,716,778**	**28,652,748**	**3,718,657,430**	**1,163,196,237**	**185,641,886**	**27,404,881**	-	**5,125,269,960**
Net carrying value:									
Beginning balance	P926,024,000	P12,072,881	P47,712,238	P5,205,083,331	P382,202,147	P68,539,194	P1,227,479	P1,568,412	P6,644,429,682
Ending balance	**P991,024,000**	**P12,694,370**	**P40,275,088**	**P5,035,850,918**	**P329,513,656**	**P86,042,670**	**P956,407**	**P33,653,505**	**P6,530,010,614**

	For the Year Ended December 31, 2010								
	Land	Land Improvements	Leasehold Improvements	Hotel Buildings and Improvements	Furniture, Fixtures and Equipment	Operating Equipment	Transportation Equipment	Construction In Progress	Total
Measurement Basis:	*Revalued*	*Revalued*	*At Cost*	*Revalued*	*Revalued*	*At Cost*	*Revalued*	*At Cost*	
Gross carrying amount:									
Beginning balance	P926,024,000	P13,406,000	P53,047,174	P8,739,050,513	P1,418,549,895	P234,025,920	P27,436,377	P1,568,412	P11,413,108,291
Additions	-	-	15,042,186	7,447,232	44,441,495	14,751,555	57,500	-	81,739,968
Disposals/reclassifications	-	-	-	-	(464,862)	-	-	-	(464,862)
Ending balance	926,024,000	13,406,000	68,089,360	8,746,497,745	1,462,526,528	248,777,475	27,493,877	1,568,412	11,494,383,397
Accumulated depreciation and amortization:									
Beginning balance	-	1,005,450	12,206,707	3,351,354,904	975,002,305	171,732,505	24,883,721	-	4,536,185,592
Depreciation and amortization	-	327,669	8,170,415	190,059,510	105,570,002	8,505,776	1,382,677	-	314,016,049
Disposals/reclassifications	-	-	-	-	(247,926)	-	-	-	(247,926)
Ending balance	-	1,333,119	20,377,122	3,541,414,414	1,080,324,381	180,238,281	26,266,398	-	4,849,953,715
Net carrying value:									
Beginning balance	P926,024,000	P12,400,550	P40,840,467	P5,387,695,609	P443,547,590	P62,293,415	P2,552,656	P1,568,412	P6,876,922,699
Ending balance	P926,024,000	P12,072,881	P47,712,238	P5,205,083,331	P382,202,147	P68,539,194	P1,227,479	P1,568,412	P6,644,429,682

The carrying amount of property and equipment held under finance lease of WCCCHI and DIHC as of December 31, 2011 and 2010 amounted to P16.5 million and P23.1 million, respectively (see Note 25).

The property and equipment of the four (4) hotel properties, WCCCHI, APHC, WMCHI, and DIHCI are carried at revalued amounts effective March 31, March 24, April 14, and April 6, 2009, respectively. The revaluation in 2009 resulted in the increase in the gross carrying amount of property and equipment amounting to P1.9 billion.

The Group engaged an independent firm of appraisers to determine the fair value of its property and equipment carried at revalued amounts. Fair value was determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

Had the property and equipment been carried at cost less accumulated depreciation and amortization, as well as impairment losses, if any, their carrying amounts would have been as follows:

	2011	2010
Hotel buildings and improvements	**P3,556,697,155**	P3,550,445,836
Furniture, fixtures and equipment	**907,394,122**	899,573,241
Land improvements	**11,134,463**	10,129,315
Transportation equipment	**4,164,316**	3,296,905
	4,479,390,056	4,463,445,297
Less accumulated depreciation and amortization	**2,121,567,261**	2,009,413,137
	2,357,822,795	2,454,032,160
Land	**25,515,909**	25,515,909
	P2,383,338,704	P2,479,548,069

The hotel buildings and improvements owned by WCCCHI and WMCHI, which have a total net carrying amount of about P4.0 billion and P4.1 billion as of December 31, 2010 and 2009, respectively, have been collateralized against the COSCO loan and PNB loan, respectively. In addition, the furniture, fixtures and equipment of WCCCHI and WMCHI, which has a total net carrying amount of about P358.1 million, was mortgaged in favor of Cosco Prime Holdings, Inc. in 2010 (see Note 16).

As discussed also in Note 16 to the consolidated financial statements, the hotel buildings and equipment and furniture, fixtures and equipment of APHC with a total carrying amount of P1.1 billion and P1.2 billion as of December 31, 2010 and 2009, respectively, were used as collateral for APHC's loan with ICBC. However, on June 15, 2011, the said loan was fully settled after WCCCHI entered into a loan agreement with PBB (see Note 16). Effectively, encumbrance on the collateralized hotel buildings and improvements was removed during the year.

13. Other Noncurrent Assets

This account consists of:

	Note	**2011**	2010
Special project deposits		**P97,163,638**	P96,252,711
Rent receivable	*24*	**61,020,140**	5,827,366
Refundable deposits		**23,638,962**	24,429,765
Others		**15,809,195**	20,556,818
		P197,631,935	P147,066,660

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

Others represent input value-added tax (VAT) and deposits to service providers such security and janitorial services.

14. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2011**	2010
Accrued interest and penalties	*16*	**P566,637,313**	P506,759,257
Trade payables		**429,242,006**	374,849,439
Local taxes and output VAT		**51,958,687**	47,209,837
Accrued salaries, wages and employee benefits		**35,429,060**	25,670,348
Deferred income		**22,814,384**	1,702,889
Accrued rent		**22,418,440**	29,465,726
Accrued utilities		**13,418,905**	88,410,247
Withholding taxes payable		**8,407,919**	9,551,061
Guest deposits		**5,753,197**	26,288,340
Service charges		**4,972,156**	5,172,580
Due to contractors		**2,793,657**	8,818,127
Service charges withheld		**2,383,645**	5,879,741
Unclaimed wages		**481,830**	3,060,230
Others		**44,100,597**	59,303,187
		P1,210,811,796	P1,192,141,009

Others include accruals for documentary stamp tax, repairs and maintenance, insurance, professional fees, advertising and other statutory payables (SSS, HDMF, and Philhealth).

15. Other Current Liabilities

This account consists of:

	Note	**2011**	2010
Current portion of obligations under finance lease	*25*	**P5,130,790**	P4,723,572
Accrued interest on obligations under finance lease	*25*	**-**	63,117,920
Others		**7,008,949**	4,806,423
		P12,139,739	P72,647,915

16. Loans Payable

This account consists of liabilities to the following:

	2011	2010
Current Portion:		
ICBC	**P367,098,607**	P367,136,180
Social Security System (SSS)	**375,000,000**	375,000,000
PBB	**125,357,143**	227,142,857
COSCO Prime Holdings, Inc.	-	217,500,000
	P867,455,750	P1,186,779,037
Noncurrent Portion:		
PBB	**P512,500,000**	P37,857,143
COSCO Prime Holdings, Inc.	-	136,987,513
	P512,500,000	P174,844,656

<u>ICBC Loan</u>
This represents the balance of US$15 million loan obtained by APHC from ICBC under the terms and conditions of a Facility Agreement issued on March 27, 1995, which was amended on September 17, 1997 (collectively referred to as the "Existing Facility Agreement"). The loan was restructured in 2000 with interest at prime rate plus 5% spread. The loan is guaranteed by a first legal mortgage over the parcel of land owned by CIMA Realty Philippines, Inc. (CIMAR) where Manila Pavilion Hotel is situated, hotel building and equipment, and furniture, fixtures and all other items thereon belonging to APHC. The loan is also covered by corporate guarantees from Sino-i and CIM Co. Ltd., Hong Kong (former owner of CIMAR) and a personal guarantee from Mr. Yu Pun Hoi, Chairman of Sino-i.

On June 3, 2003, an Amended Agreement was signed by the parties to amend the Existing Facility Agreement. As amended, the balance of the loan amounting to US$14.3 million shall bear an annual interest of 2% above Singapore Interbank Offer Rate (SIBOR) and shall be payable in semi-annual installments up to April 30, 2006.

APHC was not able to pay the installment of US$1.5 million and the related interest that was due on April 30, 2004. On July 6, 2004, the new management of APHC requested ICBC that they will be given two months to review the Amended Agreement and to be allowed to suspend amortization payment for the said period. The new management guaranteed and committed that APHC would honor the amortization payment after two months and also gave its commitment to pay the unpaid interest up to June 30, 2004.

The above requests were not agreed to by ICBC. In addition, ICBC also demanded to effect payment of the overdue loan installment plus interest and legal fees amounting to US$1.7 million as of June 30, 2004 within the next five days. Only upon the receipt of the said payment within the next five days that ICBC will be prepared to discuss the arrangement with APHC on a strictly without prejudice basis; if payment was not received by then, ICBC will declare an event of default and proceed to recover the outstanding balance from APHC under the Amendment Agreement without any further reference. On July 12, 2004, APHC paid interests and legal fees totaling US$164,043 which ICBC accepted.

On July 19, 2004, representatives of APHC and ICBC formally met where APHC requested for the reconsideration of the five-day deadline and allowing a reprieve in paying the loan installment payment due for the period, or any balance thereof, which APHC suggested to be placed at the end of the term of the Amendment Agreement. However, the scheduled loan installment due in October 2004 should resume and the succeeding installment payments thereafter. APHC also offered to pay ten percent (10%) of the loan installment (US$150,000) due for the period and committed to update all interest payments. On July 23, 2004, APHC paid the 10% of the loan installment of US$150,000 which ICBC accepted.

As of reporting date, management is still negotiating with ICBC for the rescheduling of payments of APHC's overdue loan principal installments totaling US$8.38 million as of 2011. In the absence of ICBC's formal agreement to the proposed restructuring, the entire balance of the loan has been classified as current liability in the Group's consolidated statements of financial position as of December 31, 2011, 2010 and 2009.

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

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

On August 7, 2003, the total loan obligation to SSS, including penalties and interest, amounted to P605 million. The Parent Company was considered in default with the payments of the loan obligations, thus, on the same date, SSS executed a foreclosure proceeding on the mortgaged parcels of land. The SSS's winning bid on the foreclosure sale amounting to P198 million was applied to penalties and interest amounting to P74 million and P124 million, respectively. In addition, the Parent Company accrued penalties charged by SSS amounting to P30.5 million covering the month of August until December 2003, and unpaid interest expense of P32 million.

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

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

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

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

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

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

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

On September 12, 2005, the RTC of Quezon City issued its fourth order approving SSS's property bond in the total amount of P452.8 million. Accordingly, the RTC ordered the corresponding issuance of the writ of preliminary attachment. On November 3, 2005, the Parent Company submitted a Petition for Certiorari before the Court of Appeals (CA) seeking the nullification of the orders of the RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005.

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

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

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

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

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

Starting 2006, the Parent Company has been charging WCCCHI on the related interests and penalties on the contention that the latter benefited from the proceeds of the SSS loan. The proceeds of the loan were substantially used in the expansion and improvement of WCCCHI's operations. Penalties are inclusive of legal fees and other related expenses relative to the filing of the deficiency claim against the Parent Company by SSS. As of December 31, 2010, total outstanding loan obligations to SSS amounted to P883 million consisting of the principal of P375 million and interest and penalties of P508 million (presented as part of "Accounts payable and accrued expenses" account).

Presently, the Parent Company and SSS are locked in negotiations for the restructuring of the loan. However, with the change in management of SSS, the Parent Company plans to activate the proposed restructuring of the said loan which includes the condonation of interest and penalties. The Parent Company believes that it will be able to restructure the said loan.

In the absence of a formal restructuring agreement, the entire outstanding principal loan balance amounting P375 million and accrued interest and penalties amounting P566.6 million and P506.8 million as of December 31, 2011 and 2010, respectively, (presented as part of "Accounts payable and accrued expenses" account) have been classified as current in the consolidated statements of financial position.

<u>PBB</u>

On February 10, 2010, WMCHI entered into a term loan agreement with Philippine Business Bank (PBB) amounting to P300 million for the purpose of securing additional working capital. The loan matures in two (2) years, inclusive of a three-month grace period on principal payments. The loan bears interest at 12% per annum, net of gross receipts tax (GRT). The loan is secured by the assignment of rental payments from the Philippine Amusement and Gaming Corporation (PAGCOR) on the leases of the Hotel and Manila Pavillon Hotel, plus a Real Estate Mortgage on the hotel building and other improvements that comprise the Hotel. Subsequently, all the proceeds of the loan were advanced to the Parent Company.

On December 19, 2011, the WMCHI entered into another loan agreement with PBB amounting to P300 million with interest fixed at 12% per annum to be reprised every month, payable in arrears. The proceeds of the loan shall be used exclusively to repay the remaining loans of Wellex Group with Cameron Granville Asset Management, Inc. As of December 31, 2011 the loan proceeds were not yet advanced to Wellex Group.

On June 10, 2011, WCCCHI entered into a term loan agreement with PBB amounting to P300 million for the purpose of taking out the remaining balance of the loan with COSCO Holdings, Inc. The loan matures in two (3) years, inclusive of a one-year grace period on principal payments. The loan bears interest at 12% per annum and is secured by a Mutual Trust Indenture (MTI) covering the Hotel at a minimum of 200% cover, an assignment of PAGCOR rentals and assignment of leasehold rights. Subsequently, all the proceeds of the loan were advanced to WPI for the payment of the COSCO loan

In 2011 and 2010, interest expense incurred from the above loans amounted to P39.0 million and P30.0 million, respectively, and recorded as part of "Interest expense" account in the consolidated statements of comprehensive income .

COSCO Loan

The loan from Cosco Prime Holdings, Inc. (COSCO) originally represents a US$30 million long-term debt from PNB availed by the Parent Company, together with WCCCHI and WMCHI (collectively known as the "Borrowers") on March 26, 1997, to partly finance the construction of the Cebu City Hotel Project. The loan bear interest of 16% per annum.

After several restructuring of the loan with PNB, COSCO assumed the loan through assignment in 2009. The assignment gave COSCO right to initiate extra-judicial foreclosure. COSCO and the Parent Company entered into an agreement to defer the enforcement of judgment in the settlement agreement in order to give the Parent Company the opportunity to pay obligations. In consideration to the deferment of the judgment, the Parent Company agreed to the following:

a. Pledged the Parent Company's investment in shares of stock representing 60% of the outstanding shares of stock of WMCHI and 60% of the outstanding shares of stock of WCCCHI in favor of Cosco Prime Holdings, Inc. with irrevocable proxy in favor of the Assignee and/or its nominee to vote the said shares in any meeting of the stockholders or BOD of WMCHI and WCCCHI.

   However, while the Parent Company abides by the terms of the agreement, it still maintains full control over WMCHI and WCCCHI. All of the BOD and key management personnel of WMCHI and WCCCHI are controlled by the Parent Company, i.e., the Parent Company occupies all the positions in the BOD and officer/management positions of the two said hotels (WMCHI and WCCCHI).

b. Assignment of Leasehold Rights over the parcel of land on which the hotel building of WCCCHI and WMCHI at Cebu and Mactan, is standing.

c. Executed chattel mortgage on the furniture, fixtures and equipment of WCCCHI and WMCHI in favor of Cosco Prime Holdings, Inc.

In accordance with the terms of the payment of the loan, the Parent Company paid P472 million in 2010 and fully paid the loan in 2011.

17. Other Noncurrent Liabilities

The account is broken down as follows:

	Note	**2011**	2010
Rent received in advance	*24, 25*	**P563,035,448**	P318,149,251
PAGCOR and concessionaires' deposits	*24,25*	**253,367,484**	286,596,581
Retirement benefits liability	*21*	**206,577,918**	202,336,216
Noncurrent portion of obligations under finance lease	*25*	**7,041,830**	37,008,589
Others		**6,471,842**	8,759,154
		P1,036,494,522	P852,849,791

Retirement benefits liability pertains to the following:

	2011	2010
APHC	**P134,057,525**	P134,713,345
WCCCHI	**33,465,050**	29,967,648
DIHCI	**18,517,798**	21,940,747
WMCHI	**17,669,983**	14,181,568
WMC	**2,867,562**	1,532,908
	P206,577,918	P202,336,216

18. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit - the Hotel operations and the Marketing operations. The Corporate and Others segment includes general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 3 to the consolidated financial statements.

The following table presents the revenue and profit information regarding industry segments for the years ended December 31, 2010, 2009 and 2008 and certain asset and liability information regarding industry segments as of December 31, 2011, 2010 and 2009 (in millions peso):

	Hotel Operations			Marketing Operations			Corporate and Others			Eliminations			Consolidated		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
TOTAL REVENUES															
External sales	**1,871**	1,805	1,788	-	-	-	**124**	125	86	-	-	-	**1,995**	1,931	1,874
RESULTS															
Segment results	**213**	75	63	**(1)**	(1)	-	**(17)**	(39)	(42)	-	-	-	**195**	35	21
OTHER INCOME (LOSS)															
Interest expense	**(86)**	(144)	(151)	**(2)**	(2)	(2)	**(1)**	(1)	(8)	-	-	-	**(89)**	(147)	(161)
Interest income	**2**	49	-	-	-	-	**27**	25	36	-	-	-	**29**	74	36
Benefit from (provision for) income taxes	**(27)**	20	4	-	-	-	**(39)**	(6)	(5)	-	-	-	**(108)**	14	(1)
Others	**(69)**	(39)	(67)	-	-	5	**(2)**	11	-	-	-	-	**(29)**	(28)	(62)
Total Other income (loss)	**(180)**	(114)	(214)	**(2)**	(2)	3	**(15)**	29	23	-	-	-	**(197)**	(87)	(188)
Net income (loss)	**33**	(39)	(151)	**(3)**	(3)	3	**(32)**	(10)	(19)	-	-	-	**(2)**	(52)	(167)
OTHER INFORMATION															
Segment assets	**8,149**	7,847	8,289	**197**	197	220	**5,587**	5,535	5,671	**(4,667)**	(4,207)	(4,618)	**9,266**	9,372	9,562
Deferred tax asset	**282**	213	161	-	-	-	**4**	6	11	-	-	-	**286**	219	172
Consolidated total assets	**8,431**	8,060	8,450	**197**	197	220	**5,591**	5,541	5,682	**(4,667)**	(4,207)	(4,618)	**9,552**	9,591	9,734
Segment liabilities	**4,478**	4,338	3,510	**22**	19	40	**2,577**	2,508	2,636	**(3,298)**	(3,362)	(3,213)	**3,779**	3,503	2,973
Loans and interest payable	-	-	-	-	-	-	-	-	-	-	-	571	-	-	571
Deferred liability	**1,247**	1,237	1,274	-	-	-	-	-	-	-	-	-	**1,247**	1,237	1,274
Consolidated total liabilities	**5,725**	5,575	4,784	**22**	19	40	**2,577**	2,508	2,636	**(3,298)**	(3,362)	(2,642)	**5,026**	4,740	4,818
Other Segment Information															
Capital expenditures	**159**	66	37	-	-	-	**4**	16	15	-	-	-	**163**	82	52
Depreciation and amortization	**265**	302	315	-	-	-	**10**	12	8	-	-	-	**275**	314	323

19. Capital Stock

Details of capital stock at December 31, 2011, 2010 and 2009 follow:

	Number of Shares		
	2011	2010	2009
Authorized:			
Common shares at P1 par value	**5,000,000,000**	5,000,000,000	5,000,000,000
Issued and outstanding	**2,498,991,753**	2,498,991,753	2,498,991,753

In 2007, the Parent Company entered into various share swap transactions wherein it issued 553 million of its common shares at par value of P1 per share in exchange for 45.8 million APHC shares at varying market prices (see Note 26).

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

In 2009, the BOD passed a resolution temporarily suspending the implementation of the above proposed increase in the authorized capital stock of the Parent Company in abeyance.

20. Other Costs and Expenses

This account consists of:

	2011	2010	2009
Security and other services	**P44,866,679**	P39,073,071	P44,065,596
Corporate expenses	**43,311,460**	43,627,516	58,947,247
Taxes and licenses	**37,861,523**	35,132,550	41,745,829
Advertising	**30,264,484**	49,012,303	43,693,741
Supplies	**27,217,331**	25,759,708	34,886,963
Fuel and oil	**17,528,762**	9,963,025	7,401,650
Representation and entertainment	**17,340,140**	67,525,805	36,890,143
Insurance	**14,448,891**	14,037,327	14,407,340
Professional fees	**11,464,267**	13,220,108	17,150,668
Communications	**11,266,038**	8,362,726	8,552,816
Data processing	**10,652,146**	13,248,227	9,441,713
Commissions	**10,257,763**	13,668,918	7,623,959
Guest amenities	**8,581,517**	4,263,028	4,771,842
Medical expenses	**6,844,698**	5,840,134	8,167,249
Transportation and travel	**5,670,033**	11,573,429	7,519,025
Guest and laundry valet	**5,592,095**	12,230,075	7,624,674
Reservation	**5,493,448**	3,356,327	1,471,099
Documentary stamps	**3,625,000**	-	-
Banquet expenses	**2,754,336**	1,181,624	5,601,600
Recruitment	**2,419,913**	224,610	924,796
Uniforms	**2,317,216**	1,214,747	1,282,369
Trainings and seminars	**2,231,718**	4,920,657	7,677,337
Meeting expenses	**1,752,262**	610,095	308,000
Fines and penalties	**1,530,849**	-	-
Decorations	**1,012,372**	975,871	2,248,935
Membership dues	**377,130**	280,000	477,415
Miscellaneous	**6,792,632**	14,296,813	12,402,696
	P333,474,703	P393,598,694	P385,284,702

21. Retirement Benefits Costs

The Parent Company and certain subsidiaries have non-contributory, defined benefit plan covering substantially all of its regular employees. The benefits are computed based on years of service and percentage of the employee's final monthly salary during the last 5 years of continuous service. Retirement benefits costs recognized in profit or loss for the years ended December 31, 2011, 2010 and 2009 amounted to P21.7 million, P46.1 million and P33.2 million, respectively.

The plan is administered by independent trustees with assets held separately from those of the Group. The actuarial valuation is made on a regular basis.

The reconciliation of the retirement benefits liability included under "Other noncurrent liabilities" account in the consolidated statements of financial position is shown below:

	2011	2010
Present value of defined benefit obligation	**P275,057,649**	P269,660,310
Fair value of plan assets	**(59,920,951)**	(83,502,229)
Net present value of defined benefit obligation	**215,136,698**	186,158,081
Unrecognized actuarial loss (gain)	**(8,558,780)**	16,178,135
Retirement benefits liability at end of year	**P206,577,918**	P202,336,216

Movements in the present value of the defined benefits obligation are shown below:

	2011	2010
Present value of obligation, beginning of year	**P269,660,310**	P236,017,645
Interest cost	**21,282,154**	25,474,163
Current service cost	**26,252,100**	24,786,583
Benefits paid:		
Paid directly from plan assets	**(47,802,532)**	(7,674,024)
Advanced by the Group	**-**	(417,197)
Curtailment gain	**(9,449,079)**	-
Actuarial loss (gain)	**15,114,696**	(8,526,860)
Present value of obligation, end of year	**P275,057,649**	P269,660,310

Movements in the fair value of plan assets are as follows:

	2011	2010
Fair value of plan assets, beginning of year	**P83,502,229**	P58,499,739
Expected return of plan assets	**3,328,262**	4,389,586
Contributions to the plan	**17,505,000**	22,000,000
Benefits paid	**(47,802,532)**	(7,674,024)
Actuarial gain	**3,387,992**	6,286,928
Fair value of plan assets, end of year	**P59,920,951**	P83,502,229

Actual return on plan assets are as follows:

	2011	2010
Income	**P6,716,254**	P10,676,514

Major categories of plan assets as percentages of the fair value of plan assets are follows:

	2011	2010
Deposits in banks	**27%**	31%
Investments in equity securities	**17%**	26%
Investments in bonds and other debt securities	**39%**	26%
Commercial loans	**0%**	3%
Others	**17%**	14%

Net retirement benefits costs recognized in the consolidated statements of comprehensive income as part of "Personnel cost" account are as follows:

	2011	2010	2009
Current service costs	**P26,252,100**	P24,786,583	P15,300,110
Interest cost	**21,282,154**	25,474,163	24,085,478
Expected return on plan assets	**(3,328,262)**	(4,389,586)	(6,203,140)
Effect of curtailment gain	**(21,556,976)**	-	-
Net actuarial loss (gain) recognized during the period	**(902,314)**	195,710	41,574
	P21,746,702	P46,066,870	P33,224,022

The historical information of the amounts for the current and previous four annual periods is as follows (in thousands):

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	**P275,058**	P269,660	P236,018	P218,112	P241,072
Fair value of plan assets	**59,921**	83,502	58,500	72,978	93,185
Net present value of defined benefit obligation	**P215,137**	P186,158	P177,518	P145,134	P147,887

The principal actuarial assumptions used at reporting date are as follows:

	2011	2010	2009
Discount rate	**7%**	8%	11%
Expected rate of return on plan assets	**6%**	6%	9%
Salary increase rate	**10%**	10%	9%

The Group expects to contribute P18.0 million to the plan for 2012.

22. Income Taxes

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

	2011	2010	2009
Current	**P111,197,142**	P71,135,264	P40,099,952
Deferred	**(82,561,515)**	(84,619,065)	(39,897,479)
Income tax expense (benefit)	**P28,635,627**	(P13,483,801)	P202,473

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

	2011	2010	2009
Income (loss) before income tax	**P44,285,175**	(P65,640,996)	(P166,817,220)
Income tax expense (benefit) at 30%	**P13,285,553**	(P19,692,299)	(P50,045,166)
Additions to (reductions in) income tax resulting from the tax effects of:			
Unrecognized deferred tax from impairment losses on receivables	**536,326**	68,334	24,185,254
Unrecognized NOLCO and MCIT	**4,246,649**	4,074,563	18,782,119
Unrecognized income tax expense arising from reversal of accrued rent per PAS 17	**(185,990)**	(142,267)	-
Unrecognized income tax benefit arising from retirement liability	**400,396**	459,873	-
Nondeductible expenses	**10,092,505**	21,922,377	10,952,609
Derecognition of previously recognized DTA and DTL	**798,489**	(9,863,749)	8,199,505
Changes in unrecognized deferred tax assets	-	-	22,592
Income not subjected to income tax	**(538,301)**	(3,455,470)	(11,894,440)
Expired NOLCO and MCIT	-	246,664	-
Realization of previously unrecognized deferred tax on NOLCO	-	(7,101,827)	-
	P28,635,627	(P13,483,801)	P202,473

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2011	2010	**2011**	2010
Revaluation surplus on property and equipment	**P -**	P -	**P1,194,930,430**	P1,216,909,000
Rent receivable	**-**	-	**18,306,042**	5,515,375
Rent received in advance	**150,066,813**	96,673,946	-	-
Retirement liability	**61,113,108**	60,240,992	-	-
Unrealized foreign exchange loss	**45,397,170**	45,476,935	-	-
Allowance for impairment losses on receivables	**6,810,664**	7,840,934	-	-
NOLCO	**1,936,888**	3,719,443	-	-
Unamortized past service cost	**2,351,578**	3,032,931	-	-
MCIT	**124,970**	1,676,368	-	-
Accrued rent expense	**1,579,098**	282,809	-	-
Unearned revenues	**16,502,490**	151,528	-	-
Rental income under PAS 17	**-**	-	**6,021,657**	-
Unamortized premium on security deposits	**-**	-	**27,309,400**	14,396,115
	P285,882,779	P219,095,886	**P1,246,567,529**	P1,236,820,490

Deferred tax assets have not been recognized in respect of the following items:

	2011	2010
NOLCO	**P35,897,937**	P28,010,855
Allowance for impairment losses on receivables	**3,092,755**	3,092,755
Accrued rent expense	**6,959,523**	7,579,490
Retirement liability	**2,867,562**	1,532,908
MCIT	**66,397**	124,994
	P48,884,174	P40,341,002

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilize the benefits therein.

The Group has consolidated NOLCO of P47.6 million, the details of which are as follows:

2011

Taxable Period	Unapplied Balances	Valid Until
December 31, 2011	P19,263,121	December 31, 2014
December 31, 2010	14,819,822	December 31, 2013
December 31, 2009	13,478,229	December 31, 2012
	P47,561,172	

2010

Taxable Period	Unapplied Balances	Valid Until
December 31, 2010	14,819,822	December 31, 2013
December 31, 2009	13,478,229	December 31, 2012
	P28,298,051	

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

Period Paid	Amount	Valid Until
December 31, 2011	P147,018	December 31, 2014
December 31, 2010	142,463	December 31, 2013
	P289,481	

23. Loss Per Share (LPS)

The LPS are computed as follows:

	2011	2010	2009
Net loss attributable to equity holders of the Parent	**(P20,488,447)**	(P49,371,535)	(P159,223,379)
Weighted number of shares outstanding	**2,498,991,753**	2,498,991,753	2,498,991,753
Loss per share - basic and diluted	**(P0.008)**	(P0.020)	(P0.064)

There are no potentially dilutive shares as of December 31, 2011, 2010 and 2009. Accordingly, diluted LPS is the same as basic LPS.

24. Lease Agreements with PAGCOR

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

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

PAGCOR also agreed to pay WCCCHI and WMCHI security deposit equivalent to the one year rental based on monthly rentals for 2004, which amount shall be maintained at all times. The security deposit, which amounted to P162.9 million and P202.0 million on December 31, 2011 and 2010, respectively, is recorded in the consolidated statements of financial position under the “Other noncurrent liabilities” account (see Note 17).

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

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

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

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

APHC also had a lease agreement with PAGCOR which was terminated in April 2008. The lease agreement between APHC and PAGCOR provides for a fixed rental rate per square meter of floor area, subject to a 5% cumulative increase computed on an annual basis.

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

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

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

On December 1, 2010, PAGCOR and APHC amended the lease contract, otherwise known as the Omnibus Amended Lease Contract (OALC) extending the lease term and expanding the lease area. The OALC shall cover the Main Area (7,093.05 sq. m.), Expansion Area A (2,130.36 sq. m.), Expansion Area B (3,069.92 sq. m.) and Air Handling Unit (AHU) Area (402.84 sq. m.) for a total lease area of 12,696.17 square meters. The lease period for the Main Area, Expansion Area A and AHU Area shall commence upon the signing of the lease agreement until December 16, 2016. While Expansion Area B shall commence ten (10) months after the turnover of the Expansion Area B to the lessee or the commencement of commercial gaming operations in the Expansion Area B, whichever comes earlier, and shall terminate on December 31, 2016. The OALC may be renewed at the option of the lessee under such terms and conditions as may be agreed upon by the parties.

The monthly rent to be applied on the leased areas are as follows: Main Area shall be P2,621.78 per square meter, Expansion Area A shall be P1,248.47 per square meter, Expansion Area B shall be P1,600 per square meter and the AHU Area shall be free of rent. Annual escalation rate of 5% shall be applied on the third and fourth year of the lease.

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

Relative to the OALC, the existing refundable security deposits amounting to P131.89 million received by the APHC upon the execution of the prior contracts were retained by the APCH. These deposits were presented as part of "Other noncurrent liabilities" account in the consolidated statements of financial position and were carried at its present value of P84.55 million computed using an effective interest rate of 8% over the term of the OACL. Consequently, a day-one gain, net of the discount amortization, amounting to P47.99 million was recognized in 2010 as accretion income and was presented as part of "Rent and related income" account in the consolidated statements of comprehensive income. The amortized cost of the refundable security deposits was determined by calculating the present value of the cash flows anticipated until the end of the lease term using the interest rate of 8%. As the deposit does not have an active market, the underlying interest rate was determined by reference to market interest rates of comparable financial instruments.

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

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

On March 21, 2011, WCCCHI and PAGCOR renewed the lease contract for the Main Area, Slot Machine Expansion Area, Mezzanine and 5th Floor Junket Area. The lease period for the Main Area and Slot Machine Expansion Area shall be for five (5) years and five (months) and five (5) years and four (4) months, respectively, and shall commence on March 3, 2011 and March 16, 2011 for the Main Area and Slot Machine Expansion Area, respectively. The lease for the Mezzanine shall commence within ten (10) months after the execution of this contract, or simultaneously with the commencement of commercial gaming operations in the said Area. The lease for the 5th Floor Junket Area shall commence upon the execution of this lease contract for an initial period of one (1) year and within the said period, the LESSEE shall inform the LESSOR in writing whether the LESSEE will continue the lease over the said area or terminate the same.

The monthly rental to be applied on the leased areas are as follows: the Main area,Slot Machine Expansion Area and Mezzanine shall be P1,772.96 per square meter . The 5th Floor Junket Area shall be rent free for a period of one (1) year from the execution of the lease contract. In the event that the lease over the 5th Floor Junket Area is continued by the LESSEE, the Parties shall agree on the monthly rent and the duration of the lease for the said area.

The lessee shall pay the lessor a six (6) months advance rental payment totaling P120,653,261 upon execution of the Lease Contract. The advance rental payments shall be applied to the rent due on the Leased Premises for the first six (6) months of the last year of the lease. Starting on January 3, 2013 and every year thereafter, the monthly rent for the Main Area, Slot Machine Expansion Area and the Mezzanine, shall be adjusted by five percent (5%).

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

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

	2011	2010
Less than one year	**P631,400,494**	P522,396,228
Between one and five years	**2,548,359,830**	1,808,464,304
	P3,179,760,324	P2,330,860,532

Rental income from the lease contracts, recognized in the statements of comprehensive income on a straight-line basis consistently in 2011, 2010 and 2009, amounted to P750.0 million, P634.9 million and P602.0 million in 2011, 2010 and 2009, respectively.

25. Other Lease Agreements

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

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

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

	2011	2010
Less than one year	**P13,793,443**	P13,793,443
Between one and five years	**61,573,265**	42,374,786
More than five years	**358,461,863**	391,453,785
	P433,828,571	P447,622,014

Total annual rent expense recognized in profit or loss amounted to P104.1 million, P102.9 million and P78.8 million in 2011, 2010 and 2009, respectively.

Land under Finance Lease
In the period prior to October 2011, the APHC and CIMAR entered into finance lease agreement. Accordingly, the APHC recognized the lease asset, "Land under finance lease", and lease liability, "Obligations under finance lease".

Series of disputes ensued between ALB (former parent company of CIMAR) whereby CIMAR filed ejectment case and demand possession of land plus interest.

As disclosed in Note 11, the APHC executed a MOA with CIMAR to amicably settle all pending cases and controversies between the two parties. As part of the amicable settlement with ALB and CIMAR, the existing accrued interest on lease liability of APHC to CIMAR prior to acquisition date formed part of (netted from) the total net consideration when the APHC acquired CIMAR (see Note 11). Moreover, the land and the corresponding lease liability were derecognized in 2011 as the consequence of the acquisition of CIMAR and the cancellation of the finance lease liability. This resulted to the reduction of the "Revaluation surplus in property and equipment" and of the "Non-controlling interest".

In July 2011, the RTC of Manila issued an order granting the joint motion to dismiss the ejectment case filed by APHC and CIMAR.

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

At the inception of the lease, DIHCI capitalized the equipment and recognized the related lease liability equivalent to the present value of the total expected lease payments determined at P9,763,129. Depreciation expense recognized in the consolidated statements of comprehensive income for the each of the years ended December 31, 2011, 2010 and 2009 related to the leased equipment amounted to P976,319.

Reconciliations between the total of future minimum lease payments and their present value as of December 31, 2011 and 2010 are as follows:

		December 31, 2011		
	Note	**Future Minimum Lease Payments**	**Imputed Finance Charges**	**Present value of Future Minimum Lease Payments**
Less than one year	*15*	**P1,500,000**	**P400,532**	**P1,099,468**
Between one and five years	*17*	**4,250,000**	**523,847**	**3,726,153**
		P5,750,000	**P924,379**	**P4,825,621**

		December 31, 2010		
	Note	Future Minimum Lease Payments	Imputed Finance Charges	Present value of Future Minimum Lease Payments
Less than one year	*15*	P1,500,000	P497,316	P1,002,684
Between one and five years	*17*	5,750,000	924,379	4,825,621
		P7,250,000	P1,421,695	P5,828,305

The carrying amount of the leased asset amounted to P3,742,519 and P4,718,833 as of December 31, 2011 and 2010.

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

Reconciliation between the total of future minimum lease payments and their present value is as follows:

		December 31, 2011		
	Note	**Present Value of Future Minimum Lease Payments**	**Imputed Finance Charges**	**Future Minimum Lease Payments**
Less than one year	*15*	**P4,031,322**	**P408,678**	**P4,440,000**
Between one and five years	*17*	**2,890,475**	**87,286**	**2,977,761**
		P6,921,797	**P495,964**	**P7,417,761**

		December 31, 2010		
	Note	Present Value of Future Minimum Lease Payments	Imputed Finance Charges	Future Minimum Lease Payments
Less than one year	*15*	P3,720,888	P719,112	P4,440,000
Between one and five years	*17*	6,921,797	495,964	7,417,761
		P10,642,685	P1,215,076	P11,857,761

Net carrying amount of PABX equipment as of December 31, 2011 and 2010 is P12.8 million and P18.4 million, respectively (see Note 12).

Lease Agreements with Concessionaires

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

Total rent income with concessionaires amounted to P657.7 million, P546.7 million and P549.8 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Lease Agreements entered into by MBI

a. *Lease of Offices Spaces*
   In May 2006, MBI entered into a contract of lease with TT&T Development, Inc. for the lease of the ground and second floors of its commercial building located at Rizal Avenue, Sta. Cruz, Manila. The covering lease agreement requires MBI to pay a fixed rental of P368,000 per month. The lease is for one (1) year and renewable every year thereafter with 5% annual increase in rent.

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

c. *Lease of Slot Gaming Machines*
   On November 13, 2007, Dynamo, represented by MBI, entered into a Memorandum of Agreement (MOA) with Elixir, for the 10-year lease of 240 new units of electronic gaming machines for installation and operation in Universal Park Mall Building located at Rizal Avenue, Sta. Cruz, Manila. The MOA requires Dynamo to pay rent amounting to 25% of monthly net winnings after 5% franchise tax for the first 36 months and 23% of monthly net winnings after 5% franchise tax for the succeeding months.

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

Total rent expense for lease of slot machine and slot gaming machines amounted to P52.8 million in 2011, P51.4 million in 2010 in 2010 and P29.2 million in 2009.

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

26. Acquisition of APHC Shares

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

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

On November 4, 2006, the Parent Company purchased additional 1.55 million of APHC shares at a total cost of P7,770,925.

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

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

In 2007, the Parent Company entered into various share swap transactions wherein it issued 553 million of its primary shares at par value of P1 per share in exchange for 45.8 million APHC shares at varying market prices (see Note 19). The transaction was taken up by the Parent Company as an increase in its investments in APHC at book value of net assets acquired amounting to P504 million. As a result, the Parent Company’s equity interest in APHC increased to 75% from 24% in 2006.

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

In 2011, the Parent Company sold 4,700,000 shares representing 10% interest at a selling price of P3 per share. Total proceeds from the sale transactions, net of related expenses and taxes, amounted to P14.0 million. Loss on sale of APHC shares amounting to P40.54 million is recognized in the December 31, 2011 consolidated statements of comprehensive income. After the sale, the Parent Company's equity interest in APHC is reduced to 59% from 69% in 2010. The sale resulted to the adjustment of the "Non-controlling interest" by P155.8 million.

27. Financial Risk Management

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investments, receivables from Acesite Limited (BVI), accounts payable and accrued expenses, other current liabilities, due to related parties, loans payable, and other noncurrent liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and market risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized as follows:

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and nontrade receivables.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.
With respect to credit risk from other financial assets of the Group, which mainly comprise of due from related parties and receivables from Acesite Limited (BVI), the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

The aging analyses of the Group's financial assets (in thousands) as of December 31, 2011 and 2010 are as follows:

		Neither	Past due but not impaired					
December 31, 2011	**Total**	**Past Due nor Impaired**	**<30 Days**	**30 - 60 Days**	**61 - 90 Days**	**91 - 120 Days**	**> 120 Days**	**Impaired**
Receivables	**P195,364**	**P117,447**	**P20,224**	**P7,276**	**P7,094**	**P10,675**	**P9,946**	**P22,702**
Due from related parties - current portion	**479,631**	**99,839**	-	-	-	-	**362,310**	**17,482**
Due from related parties - net of current portion	**1,663,051**	**1,603,432**	-	-	-	-	-	**59,619**
Receivable from Acesite Limited (BVI)	-	-	-	-	-	-	-	-
Total	**P2,338,046**	**P1,820,718**	**P20,224**	**P7,276**	**P7,094**	**P10,675**	**P372,256**	**P99,803**

December 31, 2010	Total	Neither Past Due nor Impaired	Past due but not impaired <30 Days	30 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days	Impaired
Receivables	P196,571	P117,181	P18,402	P6,227	P3,669	P12,029	P12,925	P26,138
Due from related parties - current portion	435,297	62,267	-	-	-	-	355,548	17,482
Due from related parties - net of current portion	1,247,192	1,187,573	-	-	-	-	-	59,619
Receivable from Acesite Limited (BVI)	650,000	-	-	-	-	-	650,000	-
Total	P2,529,060	P1,367,021	P18,402	P6,227	P3,669	P12,029	P1,018,473	P103,239

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, 2011 and 2010 and the movement of the allowance used to record the impairment losses are disclosed in Notes 6 and 9 to the consolidated financial statements.

Liquidity Risk

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

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

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

The following table summarizes the maturity profile of the Group's financial liabilities (in thousands) as of December 31, 2011 and 2010 based on contractual undiscounted payments:

December 31, 2011	**Total Carrying Value**	**Contractual Undiscounted Payments** **Total**	**On Demand**	**Less than 1 Year**	**1 to 5 Years**
Accounts payable and accrued expenses*	**P1,159,880**	**P1,159,880**	**P948,327**	**P209,881**	**P1,672**
Loans payable - current portion	**867,456**	**867,456**	**742,099**	**125,357**	**-**
Loans payable - noncurrent portion	**512,500**	**512,500**	**-**	**-**	**512,500**
Contract payable	**86,260**	**86,260**	**-**	**86,260**	**-**
Other current liabilities	**12,139**	**12,139**	**8,108**	**4,031**	**-**
Other noncurrent liabilities	**829,917**	**829,916**	**829,916**	**-**	**-**
	P3,468,152	**P3,468,152**	**P2,528,451**	**P425,529**	**P514,172**

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

December 31, 2010	Total Carrying Value	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	P1,133,677	P1,133,677	P883,717	P249,960	P -
Loans payable - current portion	1,186,779	1,186,779	-	1,186,779	-
Loans payable - noncurrent portion	174,845	174,845	-	-	174,845
Other current liabilities	72,648	72,648	72,648	-	-
Other noncurrent liabilities	650,803	650,803	-	-	650,803
	P3,218,752	P3,218,752	P956,365	P1,436,739	P825,648

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

Market Risk

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

Interest Rate Risk

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

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

	Annual Interest Rate
COSCO	16% per annum
SSS	Prevailing market rate plus 3%, or 14.5% per annum, whichever is higher
PBB	12% per annum
ICBC	2% above SIBOR

The other financial instruments of the Group are either short-term, noninterest-bearing or with fixed rates 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.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of ±50 basis points in 2011 and 2010. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's loan payable held at the reporting date. All other variables are held constant (in thousands).

Increase (decrease)	Income after income tax	
Change in interest rates (in basis points)	**2011**	2010
+50	**(P3,145)**	(P4,933)
-50	**3,145**	4,933

There are no other impact on the Group's equity other than those already affecting profit or loss in 2011 and 2010.

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

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

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

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

December 31, 2011	**US Dollar**	**Philippine Peso**
Cash	**$34,556**	**P1,517,470**
Loan payable	**(8,380,000)**	**(367,098,607)**
Net foreign currency-denominated liability	**$8,345,444**	**P365,581,137**

December 31, 2010	US Dollar	Philippine Peso
Cash	$109,977	P4,818,202
Loan payable	(8,380,000)	(367,136,180)
Net foreign currency-denominated liability	$8,270,023	P362,317,978

The Group recognized foreign exchange gain amounting P1.6 million in 2011, P38.0 million in 2010, and P3.6 million in 2009, arising from the translation of these foreign-currency denominated financial instruments.

The following table demonstrates the sensitivity of the net income for the periods reported to a reasonably possible change in US dollar exchange rate based on past US dollar exchange rates and macroeconomic forecasts for 2011, with all other variables held constant, of the Group's 2011, 2010 and 2009 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items. This analysis assumes a 2.05%, 2.68% and 1.72% strengthening as of December 31, 2011, 2010 and 2009, respectively, and 2.04%, 3.77% and 2.61% weakening as of December 31, 2011, 2010 and 2009, respectively, of the Philippine peso against the US dollar exchange rate:

	Strengthening			Weakening		
	+2.05%	+2.68%	+1.72%	**-2.04%**	-3.77%	-2.61%
	2011	2010	2009	**2011**	2010	2009
Net income	**P5,246,031**	P4,387,345	P4,766,021	**(P5,226,571)**	(P6,666,233)	(P7,241,602)

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

Price Risk
The Group is exposed to equity securities price risk because of the investment in shares of stock of WII held by the Group which are classified as AFS investments in the consolidated statements of financial position. These securities are listed in the PSE.

The Group is not exposed to commodity price risk.

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

The following table illustrates the sensitivity of the Group's equity to a reasonably possible change in equity price. These changes are considered to be reasonably possible based on past equity price performance of the Group's AFS investment and macroeconomic forecast for 2011. This analysis assumes a decrease of 47.10% for 2011, 27.19% for 2010 and 28.86% for 2009 and an increase of 141.83% for 2011, 21.47% 2010 and 19.46% for 2009 of the equity price of the Group's AFS investment. These percentages have been determined based on average market volatility in equity prices of the related investment in the previous 12-month periods ended December 31, 2011, 2010 and 2009, respectively. All other variables are held constant:

	Decrease			Increase		
	-47.07%	-27.19%	-28.86%	**141.83%**	+21.47%	+19.46%
	2011	2010	2009	**2011**	2010	2009
Equity	**(P7,571,431)**	(P74,101)	(P104,367)	**P22,812,148**	P112,590	P158,578

The impact on the Group's equity already excludes the impact on transactions affecting profit or loss in the 2011 and 2010.

Fair Value of Financial Assets and Liabilities
Set out below is a comparison by category of carrying amounts and fair values of the Group's financial assets and liabilities that are carried in the consolidated financial statements (in thousands) as of December 31, 2011 and 2010:

	2011		2010	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial assets				
Cash and cash equivalents	**P78,956**	**P78,956**	P92,439	P92,439
Receivables - net	**172,662**	**172,662**	170,434	170,434
Due from related parties - current portion	**462,149**	**462,149**	417,814	417,814
Due from related parties - noncurrent portion	**1,603,432**	**1,603,432**	1,187,573	1,187,573
AFS investments	**22,978**	**22,978**	6,156	6,156
Receivables from Acesite Limited (BVI)	**-**	**-**	650,000	650,000
Financial liabilities				
Accounts payable and accrued expenses	**1,159,880**	**1,159,880**	1,133,677	1,133,677
Loans payable - current portion	**867,456**	**867,456**	1,186,779	1,186,779
Loans payable - noncurrent portion	**512,500**	**512,500**	174,845	174,845
Other current liabilities	**12,140**	**12,140**	72,648	72,648
Other noncurrent liabilities	**690,130**	**690,130**	650,803	650,803

The carrying amounts of cash and cash equivalents, receivables, due from related parties - current portion, accounts payable and accrued expenses, loans payable - current and other current liabilities approximate their fair values as these have short-term maturities and are considered due and demandable.

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

The fair value of AFS investments was determined using the closing market price of the investment as of December 31, 2011 and 2010.

The fair value of other noncurrent liabilities was calculated by discounting expected future cash flows at prevailing market rates. Discount rates used ranged from 5.8% to 7.7% in 2011 and 2010.

The fair value of the receivables from Acesite Limited (BVI) as of and December 31, 2010 cannot be presently determined due to the uncertainty of the ultimate amount and timing of the collection of the receivables (see Note 10).

Fair Value Hierarchy

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

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

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
WII shares of stocks	**P22,978**	**P -**	**P -**	**P22,978**
	P22,978	**P -**	**P -**	**P22,978**

	2010			
	Level 1	Level 2	Level 3	Total
Financial Assets				
WII shares of stocks	P6,156	P -	P -	P6,156
	P6,156	P -	P -	P6,156

During the year, there were no transfers between levels on this financial asset.

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 2011, 2010 and 2009.

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 2011 and 2010. Capital includes equity less unrealized valuation gain on AFS investments.

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

28. Commitments and Contingencies

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

a. On April 10, 2007, the Parent Company received a demand letter with notice of assessment from the BIR for deficiency taxes for the taxable year 2003 totaling P18.67 million, inclusive of related interest and penalties. On May 9, 2007, the Parent Company sent a letter to the BIR contesting the said assessment. Management and its legal counsel 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 such assessment. On May 22, 2007, BIR answered in another letter that it maintains its position that the Parent Company has tax deficiencies. On October 10, 2007, the Parent Company again sent a letter to the BIR contesting the assessment. On February 13, 2009, the BIR sent a final demand letter requesting payment for the deficiency taxes.

   On August 26, 2011, the Parent Company submitted an application letter for the abatement or cancellation of tax penalties and/or interest of their 2003 tax assessment. The Parent Company paid P1.5 million as willingness to settle their tax liabilities.

b. On November 10, 2008, the Parent Company received a preliminary assessment notice from the BIR for deficiency taxes for the taxable year 2006 totaling P305.9 million, inclusive of interest and penalties. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment. Management and its legal counsel believe that the position of Parent Company is sustainable, and accordingly, believe that the Parent Company does not have a present obligation (legal or constructive) with respect to such assessment. On February 18, 2009, the Regiona 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 P3.2 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.

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

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

d. On July 13, 2007, APHC received a demand letter with notice of assessment from Manila's Treasurer's Office for deficiency business tax for the years 2004 to 2006 totaling P45.6 million, arising principally from alleged underdeclaration of revenues. On September 7, 2007, APHC sent a letter to the Manila City Treasurer indicating that the under declaration of revenue represents income derived from services provided by Hotel in connection with the operation of PAGCOR, thereby, subject to tax exemption.

   On September 10, 2007, the Manila City Treasurer answered in another letter that it maintains its position that APHC has business tax deficiency on the basis that the tax exemption privileges extended to APHC under PD 1869 have been withdrawn by the passage of the Local Government Code. On October 15, 2007, APHC filed a new petition before the RTC of Manila contesting the local tax assessment.

   On December 4, 2007, APHC received the Sheriff's Return dated November 23, 2007 that the original copy of the Summons was duly served.

   On July 30, 2010, the parties were directed by the court to file their respective Memoranda considering that only questions of law were involved. On September 15, 2010, both parties filed their respective Memorandum.

   On a court decision dated December 7, 2010, the appeal filed by APHC was dismissed for lack of merit. Subsequently, the Company filed a motion for reconsideration.

As of the date of the report, the said assessment is pending action of the court on the motion for reconsideration filed by APHC. The APHC's Management and its legal counsel also believe that the APHC does not have a present obligation (legal or constructive) with respect to such assessment.

Also in 2010, APHC is a defendant in other legal cases which are still pending resolution. The APHC's Management and its legal counsel believe that the outcome of these cases will not have any material effect on the APHC's financial position and operating results.

In the opinion of the management of the APHC and in consultation with the legal counsels, the ultimate disposition of these assessments and legal cases, as discussed above, will not have a material adverse effect on the financial position or financial performance of the Group.

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

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

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

29. Other Matters

Meralco Refund

As a customer of Meralco, APHC received a refund for some of Meralco's previous billings under Phase IV-B of Meralco's refund scheme. APHC opted to recover the refund through receipt of quarterly postdated checks of equal amount over 5 years, starting April 2005 up to December 2010. In 2005, APHC recognized a receivable from Meralco amounting to P15.9 million (net of unearned interest income of P6.2 million). Accretion income recognized amounted to nil, P0.3 million and P0.8 million in 2011, 2010 and 2009, respectively. The receivable was discounted using an effective interest rate of 14.0%.

30. Appropriated Retained Earnings

On November 21, 2009, the BOD of WMCHI had approved the appropriation of the P130 million retained earnings for renovation and business expansion.

However, on October 13, 2011, the BOD, upon the recommendation of the President, decided to defer the renovation of the WMCHI and has set aside the amount previously appropriated thereof for stock dividends which the WMCHI plans to declare.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Waterfront Philippines, Incorporated and Subsidiaries (the "Group") as at and for the years ended December 31, 2011, 2010 and 2009, included in this Form 17-A, and have issued our report thereon dated April 10, 2012.

Our audits were 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.

- Schedule of Philippine Financial Reporting Standards *(Annex A)*
- Map of the Conglomerate *(Annex B)*
- Supplementary Schedules of Annex 68-E *(Annex C)*
- Reconciliation of Retained Earnings Available for Dividend Declaration *(Annex D)*

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

MANABAT SANAGUSTIN & CO., CPAs

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174014MA
Issued January 2, 2012 at Makati City

April 10, 2012
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

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Supplementary Schedules of Annex 68-E
Required by the Securities and Exchange Commission
As of December 31, 2011 and for the Year then Ended

NA : **Not applicable**

SEC/PSE ANNUAL FILING REQUIREMENT CHECKLIST
PUBLIC COMPANIES
FORM AND CONTENT OF SCHEDULES

Schedule A. **Financial Assets (e.g., Loans and Receivables, Fair Value Through Profit or Loss, Held to Maturity Investments and Available for Sale Securities)**

Name of Issuing entity and association of each issue (1)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (2)	Valued based on market quotation at balance sheet date (3)	Income received and accrued
LOANS AND RECEIVABLES				
Various Banks		P78,956,323	P78,956,323	P27,039,062
Various Customers		172,661,982	172,661,982	-
Due from TWGI		1,195,588,963	1,195,588,963	14,880,610
Due from MAHEC		362,309,579	362,309,579	6,761,314
Due from FHC		57,835,499	57,835,499	7,125
Due from PRC		525,000,000	525,000,000	6,534,286
Due from Others		1,948,716	1,948,716	-
AVAILABLE FOR SALE INVESTMENT				
Wellex Industries, Inc.	86,710,000 shares	P22,978,150	P22,978,150	P -

(1) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.

(2) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.

(3) This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.

Schedule B. **Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)**

Name and Designation of debtor (1)	Balance at beginning of period	Additions	Amounts collected (2)	Amounts written off (3)	Current	Not Current	Balance at end of period
The Wellex Group, Inc. (parent Company)	P1,251,974,285	P -	P56,385,322	P -	P60,009,832	P1,135,579,131	P1,195,588,963
Metro Alliance Holdings and Equities Corp (stockholder and related party)	355,548,265	6,761,314	-	-	362,309,579	-	362,309,579
Forum Holdings Corp (stockholder and related party)	73,017,919	-	15,182,420	-	15,363,353	42,472,146	57,835,499
Pacific Rehouse Corporation	-	525,000,000	-	-	40,000,000	485,000,000	525,000,000

Refer also to Note 9 of the consolidated financial statements

(1) Show separately accounts receivables and notes receivable. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms of repayment and collateral, if any.
(2) If collection was other than in cash, explain.
(3) Give reasons for write off.

Schedule C. **Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements (in thousands).**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (1)	Amounts written off (2)	Current	Not Current	Balance at end of period
Waterfront Cebu City Casino Hotel Inc. (WCCCHI)	P2,115,511	P -	P440,943	P -	P -	P1,674,568	P1,674,568
Davao Insular Hotel Company, Inc. (DIHCI)	30,031	-	4,998	-	-	25,033	25,033
Mayo Bonanza Inc. (MBI)	44,427	9	-	-	-	44,436	44,436
WCitigym	12,581	183	-	-	-	12,764	12,764
Waterfront Food Concepts (WFC)	5,327	196	-	-	-	5,523	5,523
Waterfront Management Corporation	63,505	9,804	-	-	-	73,309	73,309
Waterfront Entertainment Corporation	396	5,072	-	-	-	5,468	5,468

(1) If collection was other than in cash explain

(2) Give reasons for write off.

Schedule D. Intangible Assets – Other Assets

Description (1)	Beginning balance	Additions at cost (2)	Charged to cost and expenses	Charged to other accounts	Other charges, additions (deductions) (3)	Ending Balance
Goodwill	P -	P142,819,150	P -	P -	P -	P142,819,150

Refer also to Note 11 of the consolidated financial statements

(1) The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Others Assets in the related balance sheet. Show by major classifications.

(2) For each change representing anything other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

(3) If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

Schedule E. Long Term Debt

Title of Issue and type of obligation(1)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (2)	Amount shown under caption "Long-Term Debt" in related balance sheet (3)
COSCO Prime Holdings, Inc.	P -	P -	P -
ICBC Loans Payable	367,098,607	367,098,607	-
SSS Loans Payable	375,000,000	375,000,000	-
PBB Loans Payable	637,857,143	125,357,143	512,500,000

Refer also to Note 16 of the consolidated financial statements

(1) Include in this column each type of obligation authorized.

(2) This column is to be totaled to correspond to the related balance sheet caption.

(3) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.

Schedule F. **Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)**

Not applicable

Name of affiliate (1)	Balance at beginning of period	Balance at end of period (2)

(1) The related parties named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.

(2) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

Schedule G. Guarantees of Securities of Other Issuers (1)

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 (2)	Amount owned by person for which statement is filed	Nature of guarantee (3)

Not applicable

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(1) Indicate in a note any significant changes since the date of the last balance sheet filed. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.

(2) There need be made only a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

Schedule K. Capital Stock (1)

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common stock	5,000,000,000	2,498,991,753	-	-	40,363,630	2,458,628,123

Refer also to Note 19 of the consolidated financial statements

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(1) Indicate in a note any significant changes since the date of the last balance sheet filed.

(2) Include in this column each type of issue authorized.

(3) Affiliates referred to include affiliates for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.

WATERFRONT
PHILIPPINES

UNDERTAKING

Waterfront Philippines, Inc. hereby undertake to distribute a copy of SEC FORM 17-Q for the 2nd quarter of 2012 to WPI Stockholders during the Annual Meeting to be held on August 18, 2012.

KENNETH T. GATCHALIAN
President

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