COVER SHEET

A S 0 9 4 - 8 6 7 8

SEC Registration Number

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

(Company's Full Name)

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

L A H U G C E B U C I T Y

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

MS. IRISH CHARA LAWAS

Contact Person

(02) 559-0130

Company Telephone Number

1 2 | 3 1

Month *Day*

AMENDED
SEC 20IS PRELIMINARY

FORM TYPE

0 9 | 1 4

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

482

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

WATERFRONT
PHILIPPINES

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: 1-800-10-0276688

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [/] Preliminary Information Statement

   [ ] Definitive Information Statement

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

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

4. SEC Identification Number **AS-0994-8678**

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

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

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

8. **September 14, 2013 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: **August 23, 2013**

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 September 14, 2013 at 10:00 a.m. at the Waterfront Cebu City Casino Hotel, Inc. Lahug, Cebu City. The complete mailing address of the principal office of the registrant is No.1 Waterfront Drive, Off Salinas Drive Lahug, Cebu City.

b.) Approximate date on which the Information Statement is first to be sent or given to security holders: August 23, 2013.

Item 2. Dissenter's Right of Appraisal

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

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

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

- In case of merger or consolidation.

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

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

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

1. Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of stockholders on September 14, 2013.

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

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

Other than election to office, no director or officer has any substantial interest in any matter to be acted upon during the Annual Meeting of stockholders on September 14, 2013.

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 July 31, 2013. The record date for purposes of determining stockholders entitled to vote is August 20, 2013. 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 July 31, 2013)

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

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class
Common	**The Wellex Group, Inc. 35th Flr One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas** *TWGI is the holding company and major stockholder of WPI.*	**The Wellex Group, Inc. 35th Flr One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas** • *Represented by Miss Elvira A. Ting, who is a nominee of said company. Directors & Officers are William T. Gatchalian, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur R. Ponsaran & Yolanda T. de La Cruz*	**Filipino**	**1,143,466,800**	**45.757%**
Common	**PCD Nominee Corporation (Fil.) 37/F Tower I, The Enterprise Center 6766 Ayala Ave., Paseo de Roxas, Makati City** (*PCD Nominee is not related to WPI)*	**Various Clients**	**Filipino**	**545,626,324**	**21.834%**
Common	**Silver Green Investments LTD. Commence Overseas LTD.**	**As of the date of this definitive report the authorized person to vote is not yet known.**	**Non Filipino**	**180,230,000**	**7.212%**

	Commence Chambers P.O Box 2200, Road Town Tortola, BVI				
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 July 31, 2013)

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**	**1.201**
Common	**Weslie T. Gatchalian**	**30,000,000 direct**	**Filipino**	**1.201**
Common	**Arthur M. Lopez**	**1direct**	**Filipino**	**0.000**
Common	**Elvira A. Ting**	**10, 000, 009 direct**	**Filipino**	**0.400**
Common	**Lamberto B. Mercado, Jr.**	**100 direct**	**Filipino**	**0.000**
Common	**Arthur R. Ponsaran**	**110 direct**	**Filipino**	**0.000**
Common	**Dee Hua T. Gatchalian**	**350,000 direct**	**Filipino**	**0.014**
Common	**Reno I. Magadia**	**10,000 direct**	**Filipino**	**0.000**
Common	**Sergio R. Ortiz-Luis Jr.**	**110 direct**	**Filipino**	**0.000**
Common	**Ruben D. Torres**	**1,000 direct**	**Filipino**	**0.000**
	Total Beneficial Ownership	**70,361,630**		**2.814**

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

Item 5. Directors and Executive Officers

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

Name	Position	Age	Citizenship
Renato B. Magadia	Chairman of the Board	75	Filipino
Elvira A. Ting	Treasurer/Director	53	Filipino
Lamberto B. Mercado, Jr.	Director	49	Filipino
➢ Sergio R. Ortiz-Luis, Jr.	Independent Director	70	Filipino
➢ Ruben D. Torres	Independent Director	72	Filipino
Reno I. Magadia	Director	43	Filipino
➢ Arthur M. Lopez	Independent Director	67	Filipino
Kenneth T. Gatchalian	President/Director	37	Filipino
Dee Hua T. Gatchalian	Director	65	Filipino
Arthur R. Ponsaran	Corporate Secretary	70	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	75	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	37	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	67	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) and Bloomberry Casino Hotels&Resorts. Director of Asia Pacific Top Management International Resources Corp. President of Phil. Hotel Federation Inc.
Director	Dee Hua T. Gatchalian	65	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	43	Filipino	Managing Director- Misons Industrial & Development Corp., Metro Combined Logistics Solutions, Inc.; Director – Metro Alliance Holdings and Equities Corp.
Director	Lamberto B. Mercado, Jr.	49	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.	70	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	72	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	53	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	70	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	37	Filipino
Alfred Portenschlager	Gen. Manager-WCCCH	63	Austrian
Ma. Theresa S. Fernandez	Hotel Manager-WAH	51	Filipino
Rouel Guanzon	Hotel Manager-WIHD	51	Filipino
Gaye Maureen B. Cenabre	Corporate Human Resources Director	49	Filipino
Precilla O. Toriano	Corporate Finance Director	44	Filipino
Maria Socorro Cotelo	Corporate Planning Director	37	Filipino

The previous officers Mr. Marco E. Protacio, Mr. Hembler B. Mendoza and Mr. Alessio Loddo have tendered their resignation. On June 11, 2012, during the Board Meeting, Mr. Alfred Portenschlager and Mr. Rouel Guanzon were elected to take their positions as officers for the remaining terms. Said previous officers resigned without any disagreements on any proposed action of the Board.

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

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

Arthur M. Lopez	**Director**

Arthur M. Lopez is the Principal Consultant of AML Hotel Consultants, an independent Hotel Consultant. The President of the Philippine Hotel federation Inc. Currently he is the Hotel Management Consultant of the Bellevue Hotel and the B Hotel and the Bellevue Bohol Resort in Panglao (opening July 2012), Hotel Advisor of Cathay International Resources Corp., Hotel Technical Services Adviser and Management Consultant of Hotel of Asia Inc., Owner of Jin Jiang Inn Ortigas, Jian Jiang Inn Makati. 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 67 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 and CEO of Philippine Exporters Confederation, Inc. An Honorary Chairman of Philippine Chamber of Commerce & Industry, Employers Confederation of the Philippines as well as Integrated Concepts & Solutions, Inc. He is the Vice Chairman of 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, and Universal Access Center for Trade and Philippine International Training Corporation. He is a Council Adviser Member of Philippine Foundation, Inc., a Founding Director of International Chamber of Commerce of the Philippines and GS1. He is also a member of the Board of Advisers of Southville International School and Colleges. He is a commissioner of Patrol 117, a Financing Champion of National Competitiveness Council and a Private Sector Representative of Bamboo Council. He is also a Chairman of Rotary Club of 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 72 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 53 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, Mr. 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. In the year 2012 in June-July, she was sent by the company to New York to attend the Management Development Program at Cornell University thus granting her the “Certification in Strategic Management”.

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 July 31, 2013, 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; subject to re-pricing; due in one year subject to renewal	2012 – P1,102,234,000 2011 - P1,135,970,000
Metro Alliance Holdings & Equities Corp. (MAHEC)	Stockholder	Collateral-free and interest-bearing advances; subject to re-pricing; due in one year subject to renewal	2012 – P351,724,000 2011 – P344,827,000
Forum Holdings Corp. (FHC)	Stockholder	Collateral-free and interest-bearing advances - current portion ; subject to re-pricing; due in one year subject to renewal	2011 – P15,363,353 2012 – P58,206,000
Forum Holdings Corp. (FHC)	Stockholder	Collateral-free and interest-bearing advances – non-current portion	2011 – 42,472,146
Pacific Rehouse Corporation (PRC)	Stockholder	Collateral-free and interest-bearing advances; subject to re-pricing; due in one year subject to renewal	2012 – 615,708,000 2011 – 525,000,00
Philippine Estate (PHES)	Stockholder	Collateral-free and non-interest bearing; due on demand	2012 – 46,550,000

See notes 9 on Consolidated FS 2012

Term of Office

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

Item 6. Compensation of Directors and Executive Officers

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

The aggregate paid to the Four

Aggregate Compensation paid to the 4 highly compensated executive officers	Principal Position	Year	Salary (P)	Bonus (P)	Other annual compensation
Alfred Portenschlager Gaye Maureen B. Cenabre Precilla O. Toriano Maria Socorro Cotelo	General Manger Corporate Peers Resources & Dev't Director Corporate Finance Director Corporate Planning Director	**2013** 2012 2011	**P6,801,335.00** P4,334,072.50 P2,925,504.00	 None None	 None None

The President has no remuneration benefit.

Compensation Plan of Directors

The members of the Board of Director are elected for a term of one year. Director per diem are at a rate of Php8,000.00 (net of 10% ewt) per board meeting. Except for the Chairman and the CEO, Directors, are not entitled to compensation package. Except as herein mentioned, no director received bonuses or profit sharing plans for the years ended 31 December 2012 and December 2011.

Item 7. Independent Public Accountants

The external auditor of Waterfront Philippines, Inc. (WPI) for the most recently completed calendar year ending December 2012 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.
In compliance with SRC Rule 68, Paragraph 3(b)(iv) which states that external auditors shall be rotated every after five (5) years of engagement, the signing partner of the company for the past 5 years Mr. Virgilio L. Manguilimotan was then superseded by the current partner in-charge, Mr. Tomas G. Mahinay.

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,	
	2012	*2011*
Aggregate Fees Billed for the external audit of the Company's financial statements	2,660,000.00	2,617,000.00

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, 2013 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, 2012 the company has a net worth of P3.7 billion and is not planning to issue unsecured bond for 2012.

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 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.

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 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, 2013, 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, 2012 will be presented to the stockholders for approval.

2. Minutes of the 2012 Annual Stockholders' Meeting will also be presented to the security holder for approval.

3. Interim Report as of June 30, 2013 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 September 14, 2013 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 2012 and during the meeting a copy of the 2nd quarterly report for 2013 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 2013.

e. Appointment of External Counsel
For the year 2013 the board will recommend Corporate Counsels, Philippines as the Legal Counsel of the Company.

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

Acts of Management and resolutions of the Board including:

- To appoint and constitute BOD Trust and Investment Group as our Stock Transfer Agent to issue shares of the company in scrip less or uncertificated form in accordance with Section 43 of the Securities Regulation Code and to link our database to the EDR(Electronic Direct Registration) system of Pastra Net. Inc.

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

- All other administrative matters concerning Waterfront Philippines, Inc.

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

Item 19. Voting Procedures

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

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

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

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

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

PART II

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

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu on August 05, 2013.

By: ______________________________
(Signature)

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

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, 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. 6316657 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, 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

Tamayo

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

Internal Catalysts for Growth

In 2012, global tourism and travel has demonstrated impressive resilience despite unstable economic factors; its growth driven mainly by Asia and other emerging markets.

While the Philippines appears poised to benefit from this upsurge, the hospitality industry remains in a quandary, affected by many factors such as the country's tense diplomatic relations with its Asian neighbors, particularly Hong Kong and China, inadequate tourism infrastructure and overall decrease in tourism competitiveness.

In past years, we have identified the botched hostage crisis in Manila as one of the main factors wreaking havoc on our main feeder markets. This year it remains the case.

The lack of resolution and enduring sentiments of Hong Kong residents continue to affect arrivals from Hong Kong and China. Increasing tension in the Southeast Asian region, caused by territorial disputes and other diplomatic differences, has only added to the decline of tourist interest in the Philippines.

Apart from a drop in our main feeder markets, we also experienced a secondary decline in bookings from the European region; which is understandable as travel from that part of the world is quite low, with citizens from countries in crisis opting to spend their vacations locally.

It is quite difficult to navigate this inauspicious environment; yet our organization continues to strive beyond what is negative to accentuate what is constructive.

Gross Revenue this year is at PHP 2.0 billion, reflecting an increase of 0.19% from 2011. GOP is PHP 474.56 million. NOP is at PHP 7.69 million that resulted to 105.30% increase. The group performs well with gross revenue for hotel operations steady at PHP 1.88 billion, and stable, consolidated revenue for our subsidiaries at PHP 120.27 million.

The China market being soft, we have devised initiatives to spur growth. Our current strategy focuses on continuing to expand our distribution networks and improving guest satisfaction to increase revenue.

We have expanded our distribution offline and online, and this has yielded appreciable returns. Conscious of the rising popularity of technology and social media, the group has been increasingly tapping the web for its booking and promotions.

Online production is the star this year: increasing steadily and contributing as much as 22% of the total hotel room revenue. Total online production is at PHP 58.19 million for the Lahug property alone, reflecting the importance of this channel.

This year, Waterfront Cebu City Hotel & Casino (WCCHC) has undergone a dramatic change. A major renovation of the famous hotel lobby has been undertaken, transforming the rich, traditional look into one that is now modern and sophisticated.

We have traded some of the gilt for restraint, yet the ambience is still distinctly Waterfront - a place for worldly travelers who prefer a cozy, luxurious and elegant experience. The group has spent PHP 100 million for the renovation - a massive undertaking that took almost a year to complete. The results are impressive and very polished. Guest satisfaction has never been higher.

Our constant improvement of F&B has also yielded positive results. This, accompanied by the constant training and development of our team, assures that we deliver a consistent, pleasing and personalized guest experience throughout.

We also see that there is great promise in this new dynamism Asia. There is unmistakable potential in resurgent markets like Japan, strong markets like Korea, and untapped markets such as Russia. The availability of cheap flights and the ubiquity of budget airlines, plus the big trend of fast and easy online bookings, only add to the vibrancy of the picture.

With the improvement of our product and continuing innovations in technology and service, we wish to capture the interest of this next wave of travelers.

Since we cannot depend on the unstable global economic and political factors, we are creating what I would call "internal catalysts for growth" - self-initiated stimuli that spark profitability in our enterprise, and innovations that enable us to reach our profitability goals.

We hope that with these new improvements in our facilities, service and ambience, we will continue to capture the opportunities that come our way. And by stabilizing and enhancing the Waterfront brand, we then assure ourselves of profitability in the years to come.

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 474.56 million. Hotel operations generated positive revenue of P 2.0 billion, a positive increase of 0.19% from 2011's P 1.995 million. Rooms contributed 29% or P 585.39 million; F&B put in a share of 29% or P 588.29 million. RevPar was at P 1,144.77. Group average room rate was at P 2,022.62.

Below are the results of operations of the Parent Company and its subsidiaries, for the years ending December 31, 2012 and 2011 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS (Amounts in P)

	2012	**2011**
Revenues	1,999,265,946	1,995,569,558
Less: Costs and Expenses	1,524,704,146	1,427,813,880
Gross Income	**474,561,800**	**567,755,678**
Other Expenses (Income)	428,306,676	684,354,172
EBITDA	**46,255,124**	**(116,598,494)**
Income Tax Expense (Benefit)	38,566,769	28,635,627
NET INCOME (LOSS)	**7,688,355**	**(145,234,121)**
Earnings (Loss) Per Share	**(P0.003)**	**(P0.042)**

FINANCIAL CONDITION (Amounts in P)

	2012	**2011**
ASSETS		
Current Assets	2,475,215,576	761,758,614
Non Current Assets	6,896,397,101	8,639,935,327
Total Assets	**9,371,397,101**	**9,401,693,941**
LIABILITIES		
Current Liabilities	1,994,471,919	2,222,928,749
Non-current Liabilities	2,972,033,122	2,795,562,051
Total Liabilities	**4,966,505,041**	**5,018,490,800**

Total Stockholders' Equity	**3,718,815,286**	**3,733,028,607**
Minority Interest	686,076,774	650,174,534
Total Liabilities & S/H Equity	**9,371,397,101**	**9,401,693,941**

Calendar Year ended December 31, 2012 as compared with Calendar Year ended December 31, 2011

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended December 31, 2012, was higher than the previous year. Revenues from hotel operations for the year 2012, is P1.999B compared to 2011's P1.996B, an increase of 0.19%.

  Earnings per share for 2012 was (P0.003) compared to last year's of (P0.042).

Cost and expenses

- Cost and expenses increased of P96M equivalent 7% 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 P2.2M more or less 2.8% decrease..

Receivables – receivables decreased by 0.31% from P165.17M in 2011 to P165.12M in 2012. 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 19% from P37M to P30M.

Prepaid expenses and other current assets – There was an increased of P8M in this account approximately 45% from P19M in 2011 to P27M in 2012.

Due from related parties-current portion – This increased by 1.7B or 370%. This represents interest bearing advances with MAHEC, TWGI, FHI, PRC and PHES at a rate of four percent 4%, 2%, 3%, 3% respectively per annum for this year except for PHES. For this year, this account was being subject for re-pricing; due in one year subject to renewal. As for PHES, it will be due on demand. This will be recorded as part of the current portion of the due from related parties.

Property plant & equipment – This decreased by P68M or more or less 1.05% compared to last year. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2005.

Available for sale (AFS) investments – This account reflected an increased of P3.03M.
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. 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, 2012, 2011 and 2010 are P26.0 million, P23.0 million and P6.2 million, respectively, resulting in a valuation gain of P3.0 million and P16.8 million in 2012 and 2011, respectively, and valuation loss of P2.5 million in 2010.

Deferred tax assets – This account decreased by P7.36M, which is more or less 2.6%.

	Assets	
	2012	**2011**
Revaluation surplus on property and equipment	-	-
Rent receivable	-	-
Rent received in advance	146,902,223.00	150,066,813.00
Retirement liability	68,089,673.00	61,113,108.00
Unrealized foreign exchange loss	35,301,532.00	45,397,170.00
Allowance for impairment losses on receivables	6,084,949.00	6,810,664.00
NOLCO	1,383,305.00	1,936,888.00
Unamortized past service cost	1,670,225.00	2,351,578.00
MCIT	991,920.00	124,970.00
Accrued rent expense	1,594,587.00	1,579,098.00
Unearned revenues	16,504,256.00	16,502,490.00
Rental income under PAS 17	-	-
Unamortized premium on security deposits	-	-
	278,522,670.00	**285,882,779.00**

Deferred tax liabilities – This account decreased by P31.8M, which is more or less 2.5%.

	Liabilities	
	2012	**2011**
Revaluation surplus on property and equipment	1,158,090,533.00	1,194,930,430.00
Rent receivable	21,061,944.00	18,306,042.00
Rent received in advance	-	-
Retirement liability	-	-
Unrealized foreign exchange loss	-	-
Allowance for impairment losses on receivables	-	-
NOLCO	-	-
Unamortized past service cost	-	-
MCIT	-	-
Accrued rent expense	-	-
Unearned revenues	-	-
Rental income under PAS 17	13,270,505.00	6,021,657.00
Unamortized premium on security deposits	22,334,927.00	27,309,400.00
	1,214,757,909.00	**1,246,567,529.00**

Other non current assets – There was an increase of P67M or 34%, from 198M in 2011 to P130M in 2012.

Current Liabilities – This account consists of trade payable, income tax payable, accruals and loans payable. This decreased by 10% from last year, P2.2B of 2011 to P2.0B of 2010.

Loans Payable – This decreased by P178M equivalent to 21%. This consists of loan from Social Security System, Philippine Business Bank and from Industrial Commercial Bank of China – Singapore Branch.

Income tax payable – This account which comprises current and deferred taxes decreased by P39.44M, which is 73% as compared to last year.

Other non-current liabities – The account showed an increased of P20.78M or 2%. The increase was caused by the non-contributory, defined benefit plan offered to employees and security deposits from leases with PAGCOR.

Calendar Year ended December 31, 2011 as compared with Calendar Year ended December 31, 2010

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%. Through product innovation, resolute cost cutting measures and continuous improvement in guest satisfaction we manage to keep our revenues higher than that of last year's.

- 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 includes 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.

Goodwill – The acquisition of CIMAR by APHC resulted to the recognition of goodwill amounting to P142.8 million. 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 , net of APHC's liability to CIMAR, as of acquisition date.

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.

Available for sale (AFS) investments – This account reflected an increase of P16.8M or 273% as compared to last year due to valuation gain. 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.

Deferred tax assets – This account increased by P66M, which is more or less 30%.
And attributable to the following:

	Assets	
	2011	**2010**
Revaluation surplus on property and equipment	P -	P -
Rent receivable	-	-
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	-	-
Unamortized premium on security deposits	-	-
	P285,882,779	**P219,095,886**

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.

Income tax payable – This account which comprises current and deferred taxes increased by P29M, which is 116% as compared to last year.

Contract payable – This balance of US$2 million which is P86.3 million and is payable in 2012 resulted after from the first amortization of US$500 thousand paid by APHC upon the signing of the MOA.

Deferred tax liabilities – This account increased to 9.7M compared to last year.
And attributable to the following:

	Liabilities	
	2011	**2010**
Revaluation surplus on property and equipment	P1,194,930,430	P1,216,909,000
Rent receivable	18,306,042	5,515,375
Rent received in advance	-	-
Retirement liability	-	-
Unrealized foreign exchange loss	-	-
Allowance for impairment losses on receivables	-	-
NOLCO	-	-
Unamortized past service cost	-	-
MCIT	-	-
Accrued rent expense	-	-
Unearned revenues	-	-
Rental income under PAS 17	6,021,657	-
Unamortized premium on security deposits	27,309,400	14,396,115
	P1,246,567,529	**P1,236,820,490**

Other non-current liabities – The account showed an increased of P183M or 22%. The increase was caused by the non-contributory, defined benefit plan offered to employees and security deposits from leases with PAGCOR.

TOP 5 PERFORMANCE INDICATORS			
As of December 31, 2012, 2011 and 2010			
	December 2012	**December 2011**	**December 2010**
Occupancy percentage	56.60%	64.12%	67.19%
Average Room Rates	1,144.77	1,907.00	2,051.41
Average Food Covers	281,103.20	267,201	252,358
Average Food Checks	415.35	402.90	378.36
Average Food Costs	31%	35%	36%

Occupancy Percentage
The Company's occupancy percentage for 2012 was 56.60% as compared to last year's 64.12%. 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 40%, lower compared to last year's balance, of 1,907.00 went down to 1,144.77, 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 5.20%. 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 3.04% 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 4% from last year to this year's balance 35% to 31%. The Company is continually contemplating ways to avoid higher food costs without jeopardizing the quality of its products. Total cost of food sold divided by food revenue.

Key Variable and Other Qualitative and Quantitative Factors:

(i) Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE

(ii) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

(v) From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.

(vi) Causes of material changes in the items in the financial statements from the year ending 31 December 2012 – NONE

Interim Periods and Comparable Discussions to Assess Material Changes:

Discussion and analysis on the operating results for the 1st quarter of 2013 is briefly discussed on the attached SEC Form 17Q while for the 2nd quarter ended June 30, 2013 will be attached on or before the scheduled date of 2012 Annual Stockholders Meeting which is duly received by SEC before its deadline on August 14, 2013. Attached herewith in this report is a Letter of Undertaking which states the distribution of SEC Form 17-Q 2nd quarter of 2013 during the Annual Stockholders Meeting.

OPERATIONAL AND FINANCIAL INFORMATION

Market for Registrant's Common Equity and Related Stockholder Matters
1. The stocks of WPI shares which are listed on the Philippine Stock Exchange for the last two calendar years are as set out hereunder:

Peso	High	Low
2013		
January – March 2013	0.48	0.385
April- June 2013	0.42	0.315
July 2013	0.42	0.315

Peso	High	Low
2012		
January – March 2012	0.72	0.475
April- June 2012	0.60	0.35
July-September 2012	0.48	0.415
October-December 2012	0.46	0.40

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

The number of stockholders of record as of December 31, 2012 on the Register of Shareholders was 4832but 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, 2012 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 July 31, 2013 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)	545,626,324	21.834
3	Silver Green Investments LTD	180,230,000	7.212
4.	Chesa Holdings, Inc.	175, 924, 000	7.040
5.	Tybalt Investment LTD	135,010,000	5.403
6.	PCD Nominee Corporation (Non-Filipino)	60,514,100	2.422
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.	**Renato Yao Chua**	**1,704,500**	**0.068**

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

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

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

4. Issuance and Exchange of Securities

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

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

Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The External Auditor for the year 2013 and 2012 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 the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the Stockholders of the Company.

Manabat Sanagustin & Co., the independent auditor and appointed by the Stockholders, has audited the financial statements of the Company in accordance with Philippines Standards on Auditing and in its reports to the Stockholders of the Company, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

Renato B. Magadia
Chairman of the Board

Kenneth T. Gatchalian
President

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 26 2013

Precilla O. Toriano
Corporate Finance Director

Elvira A. Ting
Treasurer

17 APR 2013

Signed this __th day of __________2013

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Doc. No. 271
Page No. 47

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NOTARY PUBLIC
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NOTARIAL COMMISSION No. 211-06
UNTIL DECEMBER 31, 2013
PTR No. 2580872/1-2-13/Cebu Province

KPMG

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REPORT OF INDEPENDENT AUDITORS

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

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, 2012 and 2011, 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, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Waterfront Philippines, Incorporated and Subsidiaries as at December 31, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2012 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 P351.7 million and P344.8 million as of December 31, 2012 and 2011, respectively, which has been the subject of collection efforts by the Group's management. The ultimate amount and timing of collection of these receivables cannot presently be 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 this receivable.

MANABAT SANAGUSTIN & CO., CPAs

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Partner
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BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3669516MC
Issued January 2, 2013 at Makati City

April 12, 2013
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2012**	2011 (As restated - Note 11)
ASSETS			
Current Assets			
Cash and cash equivalents	*5*	**P76,723,180**	P78,956,323
Receivables - net	*6*	**165,119,561**	165,170,252
Inventories	*7*	**29,840,571**	36,718,256
Due from related parties - current portion	*9.a*	**2,176,371,031**	462,148,879
Prepaid expenses and other current assets	*8*	**27,161,233**	18,764,904
Total Current Assets		**2,475,215,576**	761,758,614
Noncurrent Assets			
Due from related parties - noncurrent portion	*9.a*	**-**	1,603,431,849
Property and equipment - net	*12, 16*	**6,461,224,021**	6,530,010,614
Available-for-sale (AFS) investments	*9.e*	**26,013,000**	22,978,150
Deferred tax assets	*22*	**278,522,670**	285,882,779
Other noncurrent assets	*13*	**130,421,834**	197,631,935
Total Noncurrent Assets		**6,896,181,525**	8,639,935,327
		P9,371,397,101	P9,401,693,941
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*14, 16*	**P1,276,945,998**	P1,203,320,066
Loans payable - current portion	*16*	**689,128,747**	867,455,750
Income tax payable	*22*	**14,313,966**	53,753,194
Contract payable	*11*	**-**	86,260,000
Other current liabilities	*15, 25*	**14,083,208**	12,139,739
Total Current Liabilities		**1,994,471,919**	2,222,928,749
Noncurrent Liabilities			
Loans payable - noncurrent portion	*16*	**700,000,000**	512,500,000
Deferred tax liabilities	*22*	**1,214,757,909**	1,246,567,529
Other noncurrent liabilities	*17, 21, 24, 25*	**1,057,275,213**	1,036,494,522
Total Noncurrent Liabilities		**2,972,033,122**	2,795,562,051
Total Liabilities		**4,966,505,041**	5,018,490,800
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		**1,982,306,439**	2,085,457,808
Unrealized valuation gain on AFS investments		**7,982,267**	6,329,331
Foreign currency translation adjustment		**35,801,255**	37,654,614
Deficit			
Appropriated	*30*	**140,000,000**	130,000,000
Unappropriated		**(1,652,630,785)**	(1,731,769,256)
Total Equity Attributable to Equity Holders of the Parent Company		**3,718,815,286**	3,733,028,607
Non-controlling Interest		**686,076,774**	650,174,534
		P9,371,397,101	P9,401,693,941

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2012	2011 (As restated - Note 11)	2010
		Years Ended December 31		
REVENUES				
Hotel operations				
Rooms		**P585,389,143**	P607,412,849	P646,697,823
Rent and related income	*24, 25*	**777,980,444**	750,009,209	634,913,085
Food and beverage		**588,290,692**	584,012,431	587,640,909
Other operating departments		**19,132,964**	22,201,594	24,323,718
Others		**28,472,703**	31,933,475	37,118,289
		1,999,265,946	1,995,569,558	1,930,693,824
COSTS AND EXPENSES				
Cost of sales				
Food and beverages		**262,902,128**	286,142,034	338,946,599
Rooms		**78,664,810**	84,993,292	85,067,128
Other operating departments		**14,425,786**	13,985,511	23,357,670
Personnel cost	*21*	**290,201,333**	271,264,829	272,877,661
Energy costs		**276,050,281**	258,115,655	257,904,526
Repairs and maintenance		**149,568,502**	75,781,942	67,017,892
Rent	*25*	**102,698,604**	104,055,914	102,906,480
Others	*20*	**350,192,702**	333,474,703	393,598,694
		1,524,704,146	1,427,813,880	1,541,676,650
		474,561,800	567,755,678	389,017,174
OTHER EXPENSES (INCOME)				
Depreciation and amortization	*12, 25*	**323,723,574**	275,316,747	314,016,049
Interest expense	*16*	**162,940,594**	89,458,540	147,422,514
Penalties and other charges	*14, 16*	**-**	60,000,000	59,162,789
Provision for impairment losses	*6, 10, 11*	**796,995**	239,955,762	39,750,916
Loss on sale of an interest of a subsidiary	*26*	**9,169,071**	40,537,836	-
Interest income	*9.a, b*	**(41,274,304)**	(27,039,062)	(74,055,144)
Foreign exchange gains - net		**(34,942,933)**	(1,617,492)	(37,974,133)
Others - net	*29*	**7,893,679**	7,741,841	6,335,179
		428,306,676	684,354,172	454,658,170
INCOME (LOSS) BEFORE INCOME TAX		**46,255,124**	(116,598,494)	(65,640,996)
INCOME TAX EXPENSE (BENEFIT)	*22*	**38,566,769**	28,635,627	(13,483,801)
NET INCOME (LOSS)		**7,688,355**	(145,234,121)	(52,157,195)
OTHER COMPREHENSIVE INCOME				
Net change in fair value of AFS financial assets		**3,034,850**	16,821,740	(2,514,590)
Foreign currency translation differences for foreign operations		**(11,853,359)**	(1,261,378)	(10,120,719)
		(8,818,509)	15,560,362	(12,635,309)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P1,130,154)**	(P129,673,759)	(P64,792,504)

Forward

	Note	2012	2011 (As restated - Note 11)	2010
			Years Ended December 31	
Net income (loss) attributable to:				
Equity holders of the Parent Company		**(P7,249,664)**	(P104,751,746)	(P49,371,535)
Non-controlling interest		**14,938,019**	(40,482,375)	(2,785,660)
		P7,688,355	(P145,234,121)	(P52,157,195)
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		**(P17,342,810)**	(P96,088,297)	(P65,572,027)
Non-controlling interest		**16,212,656**	(33,585,462)	779,523
		(P1,130,154)	(P129,673,759)	(P64,792,504)
LOSS PER SHARE - Basic and Diluted	*23*	**(P0.003)**	(P0.042)	(P0.020)

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2012**	2011 (As restated - Note 11)	2010
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		**2,085,457,808**	2,508,260,998	2,588,506,511
Derecognition of revaluation surplus related to land previously held under finance lease	*25*	**-**	(262,184,024)	-
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect		**(96,388,135)**	(89,734,458)	(80,245,513)
Effect of the increase in non-controlling interest due to sale of an interest in a subsidiary		**(6,763,234)**	(70,884,708)	-
Balance at end of year		**1,982,306,439**	2,085,457,808	2,508,260,998
Unrealized Valuation Gain (Loss) on AFS Investments				
Balance at beginning of year		**6,329,331**	(4,204,901)	(2,469,834)
Valuation gain (loss) taken into equity during the year	*9.e*	**1,760,213**	9,924,827	(1,735,067)
Effect of the increase in non-controlling interest due to sale of an interest in a subsidiary		**(107,277)**	609,405	-
Balance at end of year		**7,982,267**	6,329,331	(4,204,901)
Foreign Currency Translation Adjustment				
Balance at beginning of year		**37,654,614**	38,915,992	49,036,711
Translation adjustment during the year		**(1,853,359)**	(1,261,378)	(10,120,719)
Balance at end of year		**35,801,255**	37,654,614	38,915,992
Deficit				
Appropriation for renovation and business expansion	*30*	**130,000,000**	130,000,000	130,000,000
Appropriation for the year		**10,000,000**	-	-
Balance at end of year		**140,000,000**	130,000,000	130,000,000
Unappropriated:				
Balance at beginning of year		**(1,731,769,256)**	(1,716,751,968)	(1,747,625,946)
Appropriation for the year		**(10,000,000)**	-	-
Transfer of revaluation surplus absorbed through depreciation for the year - net of income tax effect		**96,388,135**	89,734,458	80,245,513
Net loss for the year		**(7,249,664)**	(104,751,746)	(49,371,535)
Balance at end of year		**(1,652,630,785)**	(1,731,769,256)	(1,716,751,968)
Total deficit		**(1,512,630,785)**	(1,601,769,256)	(1,586,751,968)
		3,718,815,286	3,733,028,607	4,161,576,231

Forward

		Years Ended December 31		
	Note	**2012**	2011 (As restated - Note 11)	2010
NON-CONTROLLING INTEREST				
Balance at beginning of year		**P650,174,534**	P688,662,835	P692,228,018
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*	**19,689,584**	155,817,161	-
Valuation gain (loss) on AFS investments taken into equity during the year	*9.e*	**1,274,637**	6,896,913	(779,523)
Net income (loss) for the year		**14,938,019**	(40,482,375)	(2,785,660)
Balance at end of year		**686,076,774**	650,174,534	688,662,835
		P4,404,892,060	P4,383,203,141	P4,850,239,066

See Notes to the Consolidated Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2012**	2011 (As restated - Note 11)	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P46,255,124**	(P116,598,494)	(P65,640,996)
Adjustments for:				
Depreciation and amortization	*12*	**323,723,574**	275,316,747	314,016,049
Interest expense	*16*	**162,940,594**	89,458,540	147,422,514
Loss on sale of an equity interest of a subsidiary	*26*	**9,169,071**	40,537,836	-
Retirement benefit costs	*21*	**44,306,329**	21,746,702	46,066,870
Provision for impairment losses	*6, 10, 11*	**796,995**	239,955,762	39,750,916
Unrealized foreign exchange gain		**(21,172,420)**	(1,661,043)	(38,432,056)
Loss on disposal of property and equipment		**88,605**	-	-
Impairment loss on property and equipment		**-**	-	216,936
Interest income		**(41,274,304)**	(27,039,062)	(74,055,144)
Operating income before working capital changes		**524,833,568**	521,716,988	369,345,089
Decrease (increase) in:				
Receivables		**(746,305)**	16,657,215	(32,180,259)
Inventories		**6,877,685**	(3,380,618)	3,340,055
Prepaid expenses and other current assets		**(10,973,124)**	610,620	(9,146,066)
Increase in:				
Accounts payable and accrued expenses		**78,280,229**	61,312,768	67,173,624
Other current liabilities		**10,628,902**	3,693,750	173,628,545
Cash generated from operations		**608,900,955**	600,610,723	572,160,988
Interest received		**196,478**	363,192	427,993
Income taxes paid		**(102,418,152)**	(80,747,152)	(28,978,265)
Retirement plan contributions paid	*21*	**(13,800,000)**	(17,505,000)	(22,000,000)
Benefits paid	*21*	**(5,667,600)**	-	-
Interest paid		**(151,871,417)**	(84,249,071)	(140,694,435)
Net cash provided by operating activities		**335,340,264**	418,472,692	380,916,281
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	*12*	**(262,303,663)**	(97,525,553)	(81,739,968)
Investment in a subsidiary		**(22,819,071)**	(21,565,000)	-
Payment of contract payable		**(86,260,000)**	-	-
Proceeds from sale of an equity interest in a subsidiary		**13,650,000**	14,100,000	-
Proceeds from sale of property and equipment		**135,200**	41,884	-
Decrease (increase) in other noncurrent assets		**67,210,101**	(50,439,050)	(75,676,770)
Net cash used in investing activities		**(290,387,433)**	(155,387,719)	(157,416,738)

Forward

	Years Ended December 31		
	2012	2011 (As restated - Note 11)	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in loans payable	**P30,976,955**	P18,369,631	(P229,267,457
Decrease (increase) in due from related parties	**(44,985,501)**	(491,967,851)	108,792,450
Increase (decrease) in other noncurrent liabilities	**(19,824,067)**	199,791,499	(38,090,616
Payment of obligation under finance lease	**(1,500,000)**	(1,500,000)	(1,500,000
Net cash used in financing activities	**(35,332,613)**	(275,306,721)	(160,065,623
DECREASE IN TRANSLATION ADJUSTMENT FOR THE YEAR	**(11,853,361)**	(1,261,378)	(10,120,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,233,143)**	(13,483,126)	53,313,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**78,956,323**	92,439,449	39,126,248
CASH AND CASH EQUIVALENTS AT END OF YEAR	**P76,723,180**	P78,956,323	P92,439,449

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, and hotel management and operations.

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

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

**59% in 2011 and 69% 2010*

The Parent Company's percentages of ownership for the above subsidiaries are the same for 2012, 2011 and 2010, except as indicated. 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 compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements of the Group as at and for the years ended December 31, 2012, 2011 and 2010 were approved and authorized for issue by the Board of Directors (BOD) on April 12, 2013.

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 Group's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise stated.

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

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

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

3. Summary of Significant Accounting Policies

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

Adoption of Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following amendments to standards and interpretations starting January 1, 2012 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *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.

- Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02 *PFRS 3.2 - Common Control Business Combinations* provides guidance on how should business combinations involving entities under common control be accounted for, given that these are outside the scope of PFRS 3, *Business Combinations.*

- PIC Q&A No. 2011-03 *Accounting for Inter-company Loans* provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/stand-alone financial statements of the lender and the borrower: (i) on the initial recognition of the loan; and (ii) during the periods to repayment.

- PIC Q&A No. 2011-05 *PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost* provides guidance on how should the revaluation increment of property, plant and equipment when revalued amounts are accounted for as "deemed cost" at the date of transition to PFRS (or PFRS for SMEs) be accounted for; what are the additional disclosures required in order to comply with the relevant provisions of PAS 8 and the requirements of the Securities and Exchange Commission (SEC); whether a third statement of financial position is required in compliance with PAS 1.10(f); and how should the adjustment of the Revaluation Reserve against retained earnings affect an entity's compliance with SEC Memorandum Circular 11 Series of 2008.

- PIC Q&A No. 2011-06 *PFRS 3, Business Combinations (2008), and* PAS 40, *Investment Property - Acquisition of investment properties - asset acquisition or business combination?* provides guidance on how should the transaction be accounted for (as an asset acquisition or as a business combination?) if one entity acquires: (a) directly an investment property or properties or (b) another entity that holds one or more investment properties; and what are the relevant factors that should be considered in determining whether a transaction is an asset acquisition or a business combination.

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, 2012, and have not been applied in preparing these consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

To be Adopted on January 1, 2013

- *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.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

  They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

- 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.

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

  PFRS 12 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.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*

  The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- 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.

  Upon adoption by the Group of PAS 19 (amended 2011) on January 1, 2013, the Group's retirement liability will increase due to the recognition of actuarial losses amounting to P6.4 million (see Note 21).

- PAS 27, *Separate Financial Statements* (2011)

  PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1*. The amendment clarifies the applicability of PFRS 1 to an entity that has applied PFRSs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with PFRSs. If such an entity presents its financial statements in accordance with PFRSs again, then it is now allowed, rather than required, to apply PFRS 1. A repeated adopter that elects not to apply PFRS 1 in the above situation has to apply PFRSs retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, as if it had never stopped applying PFRSs. Such an entity should also disclose the reason for electing to apply PFRSs on a continuous basis. Irrespective of whether the repeated adopter applies PFRS 1, it is required to disclose the reasons why it stopped applying PFRSs and is resuming the application of PFRSs. The IASB has also clarified that the above option is available regardless of whether PFRS 1 existed at the time the entity previously applied PFRSs. For example, the above option is available to a repeated adopter that previously applied Philippine Interpretation SIC-8, *First-time Application of PASs as the Primary Basis of Accounting*.

  - PFRS 1 - *Borrowing Cost Exemption*. This is amended to clarify how the exemption should be applied for borrowing costs relating to qualifying assets for which the commencement date of capitalization is before the date of transition to PFRSs.

    After the amendment, if a first-time adopter of PFRSs chooses to apply the exemption, then:

    - it should not restate the borrowing cost component that was capitalized under previous GAAP; and
    - it should account for borrowing costs incurred on or after the date of transition (or an earlier date, as permitted by PAS 23 *Borrowing Costs*) in accordance with PAS 23. This includes those borrowing costs that have been incurred on qualifying assets already under construction at that date.

  - PAS 1, *Presentation of Financial Statements - Comparative Information beyond Minimum Requirements*. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs.

For example, if an entity elects to present a third statement of comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRSs. However, the entity need not present:

- other primary statements for that additional comparative period, such as a third statement of cash flows; or
- the notes related to these other primary statements.

- PAS 1 - *Presentation of the Opening Statement of Financial Position and Related Notes*. This is amended to clarify that:

  - the opening statement of financial position is required only if:
    - a change in accounting policy;
    - a retrospective restatement; or
    - a reclassification

    has a material effect upon the information in that statement of financial position;
  - except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and
  - the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

  The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial statements are different, because the underlying objectives are different.

  Consequential amendments have been made to PFRS 1 and PAS 34 *Interim Financial Reporting.*

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*. This is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

- PAS 32, *Financial Instruments Presentation - Income Tax Consequences of Distributions*. This is amended to clarify that PAS 12 *Income Taxes* applies to the accounting for income taxes relating to:

  - distributions to holders of an equity instrument; and
  - transaction costs of an equity transaction.

  This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss.

A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments.*

To be Adopted on January 1, 2014

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

  - An entity currently has a legally enforceable right to set-off if that right is:

    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

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

- *Investment Entities [Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)].* These amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory.

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments (2010),* PFRS 9 *Financial Instruments (2009)*

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

<u>Principles of Consolidation</u>
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.

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. Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

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 investment depending on the level of influence.

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

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Group's BOD, the chief operating decision maker (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 and Other Revenues

Revenue from other operating departments and other revenues are recognized upon execution of service or as contracted.

Interest Income

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

Cost and Expense Recognition

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

Financial Instruments

Date of Recognition

A financial asset or a financial liability is recognized in the consolidated statements of financial position 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, as applicable, 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 financial liabilities at FVPL and other financial 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) AFS Investments

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

AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS investments are recognized in other comprehensive income and are presented as 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, 2012 and 2011, the Group's AFS investments amounted to P26.0 million and P23.0 million, respectively. The Group designated as AFS investments its investments in shares of stock of Wellex Industries, Incorporated (WII) (see Note 9.e).

(b) 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 investments 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, 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.

(c) Other Financial Liabilities

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

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 investment, 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.

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 income 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 income 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 income 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 income 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 2012 (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, 2012 and 2011 amounted to P97.4 million and P99.8 million, respectively. Total receivables and due from related parties, net of valuation allowance, amounted to P2.3 billion and P2.2 billion as of December 31, 2012 and 2011, 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 2012, 2011 and 2010. The carrying amount of AFS investments as of December 31, 2012 and 2011 amounted to P26 million and P23.0 million, respectively (see Note 9.e).

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, 2012 and 2011 does not differ materially from that which would be determined using fair value at reporting date. As of December 31, 2012 and 2011, the aggregate carrying amounts of property and equipment carried at revalued amounts are P6.5 billion and P6.5 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, 2012 and 2011, the carrying amounts of property and equipment amounted to P6.5 billion and P6.5 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 P278.5 million and P285.9 million as of December 31, 2012 and 2011, respectively. The Group has deferred tax liabilities amounting to P1.2 billion as of December 31, 2012 and 2011 (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 2012, 2011 and 2010 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 P44.3 million, P21.7 million and P46.1 million in 2012, 2011 and 2010, respectively. Retirement benefits liability amounted to P231.4 million and P206.6 million as of December 31, 2012 and 2011, respectively (see Note 21).

5. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand and in banks	**P72,725,258**	P77,229,261
Short-term placements	**3,997,922**	1,727,062
	P76,723,180	P78,956,323

Short-term placements earned interest at annual average rates of 0.10% to 2.88% in 2012 and 2011 and have average maturities ranging from 30 to 35 days in both years. Cash in banks earn interest at the respective bank deposit rates.

6. Receivables

This account consists of:

	2012	2011
Trade	**P166,477,325**	P141,950,779
Advances to suppliers and employees	**6,789,811**	22,474,439
Others	**12,135,593**	23,447,249
	185,402,729	187,872,467
Less allowance for impairment losses	**20,283,168**	22,702,215
	P165,119,561	P165,170,252

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

The receivables classified as "Others" include other receivables from PAGCOR such as for rooms and food and beverage services.

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

	2012	2011
Beginning balance	**P22,702,215**	P26,136,448
Additional impairment loss during the year	**796,995**	5,011,182
Write-off of receivables	**(3,216,042)**	(8,445,415)
Ending balance	**P20,283,168**	P22,702,215

7. Inventories

This account consists of the following inventories carried at cost:

	2012	2011
Food and beverage	**P14,690,166**	P14,995,767
Operating supplies	**12,002,795**	18,507,578
Engineering and maintenance supplies	**3,147,610**	3,214,911
	P29,840,571	P36,718,256

The reconciliation of food and beverage inventory as at the beginning and end of the year are presented as follows:

	2012	2011
Beginning inventory	**P14,995,767**	P14,920,980
Purchases	**262,596,527**	286,216,821
	277,592,294	301,137,801
Sold and consumed during the year	**262,902,128**	286,142,034
Ending inventory	**P14,690,166**	P14,995,767

The amount of operating supplies and engineering and maintenance supplies recognized as expense for the period are presented in the consolidated statements of comprehensive income as part of "Other operating departments" and "Repairs and maintenance" accounts, respectively.

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2012	2011
Prepaid taxes	**P19,358,509**	P12,182,858
Prepaid expenses	**7,179,426**	5,426,825
Others	**623,298**	1,155,221
	P27,161,233	P18,764,904

9. Related Party Transactions

Identity of Related Parties

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

Related Party	Relationship with the Company
The Wellex Group, Inc. (TWGI)	Stockholder
Pacific Rehouse Corp. (PRC)	Stockholder
Metro Alliance Holdings and Equities Corp. (MAHEC)	Stockholder
Forum Holdings Corporation (FHC)	Stockholder
Philippine Estate (PHES)	Stockholder

Balances and Transactions with Related Parties

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

Category/Transaction	Year	*Note*	Amount of the Transaction	Outstanding Balance Due from Related Parties	Terms and Conditions
Stockholders					
▪ TWGI (Advances, interest and settlement)	**2012** 2011	*9.a*	**(P33,736)** (116,004)	**P1,102,234** 1,135,970	**Unsecured; interest bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment**
▪ PRC (Advances, interest and settlement)	**2012** 2011	*9.a*	**90,708** 525,000	**615,708** 525,000	**Unsecured; interest bearing; subject to re-pricing; due in one year subject to renewal**
▪ MAHEC (Advances and interest)	**2012** 2011	*9.b*	**6,898** 6,760	**351,724** 344,827	**Unsecured; interest bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment**
▪ PHES (Advances)	**2012** 2011	*9.c*	**46,550** -	**46,550** -	**Unsecured; non-interest bearing; and due on demand**
▪ Others (Advances, interest and settlement)	**2012** 2011	*9.d*	**371** (15,183)	**60,155** 59,784	**Unsecured; interest bearing; subject to re-pricing; due in one year subject to renewal**
Key Management Personnel					
▪ Short-term employee benefits	**2012** 2011 2010		**40,729** 39,591 36,673	- - -	- - -
▪ Post employment benefits	**2012** 2011 2010		**642** 1,142 1,532	- - -	- - -
TOTAL	**2012**			**P2,176,371**	
TOTAL	2011			P2,065,581	

a. Prior to 2012, advances from TWGI, PRC and FHC (part of "Others") are payable in series of payments until 2015 and 2016, respectively. TWGI, PRC and FHC paid P50.0 million, P18.5 million and nil in 2012 and P71.7 million, nil and P15.2 million in 2011, respectively.

In 2012, however, a revised payment term was agreed by the parties wherein the advances are due within one year subject to renewal and re-pricing.

Accordingly, the total outstanding receivables from TWGI, PRC and FHC are presented as part of "Due from related parties (net) - current portion" as at December 31, 2012.

As of December 31, 2011, the details of the current and non-current portions of "Due from related parties" are as follow (in thousands):

	Current	Non-current	Total
TWGI	P60,010	P1,135,579	P1,195,589
PRC	40,000	485,000	525,000
MAHEC	362,310	-	362,310
FHC	15,363	42,472	57,835
Other stockholders	1,949	-	1,949
	479,632	1,663,051	2,142,683
Less allowance for impairment losses	17,483	59,619	77,102
	P462,149	P1,603,432	P2,065,581

Interest charged to TWGI, PRC and FHC was 2%, 3% and 3% in 2012, 2%, 3% and 3% in 2011 and 2%, nil and 3% in 2010, respectively. Outstanding allowance for impairment loss on receivables from TWGI amounted to P59.6 million as of December 31, 2012, 2011 and 2010.

Interest income on these advances amounted to P34.2 million, P26.7 million and P25.4 million in 2012, 2011 and 2010, respectively, which are recorded as part of "Interest income" account in the consolidated statements of comprehensive income.

b. In 2004, the Parent Company extended a 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 P17.2 million. The interest charged to MAHEC in 2012, 2011 and 2010 was 2%.

The advances to MAHEC, which is due and demandable and is interest-bearing, is subjected to the collection efforts by the Parent Company but management believes that the ultimate amount and timing of collection cannot presently be determined. The Parent Company has been actively discussing the possible sale of the petrochemical plant with certain prospective buyers.

c. During the year, the Parent Company extended a non-interest bearing, collateral free advances to PHES amounting to P46.5 million with no fixed term of repayment. The said advances to PHES are due and demandable at anytime.

d. The Parent Company also has outstanding receivables from other stockholders representing advances. The outstanding advances are non-interest bearing and are due on demand.

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

e. 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. 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, 2012, 2011 and 2010 are P26.0 million, P23.0 million and P6.2 million, respectively, resulting in a valuation gain of P3.0 million and P16.8 million in 2012 and 2011, respectively, and valuation loss of P2.5 million in 2010.

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
	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 -

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 APHC (see Note 25).

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**

Measurement Period Adjustments
The consolidated financial statements as at and for the year 2011 were retrospectively adjusted for new information obtained during the measurement period relating to the fair value at date of acquisition of assets transferred by the APHC as consideration for the business combination. The retrospective adjustment resulted to the re-measurement of the previously reported goodwill from P142.8 million to nil and the recognition of additional impairment loss of the receivables from ALB amounting to P142.8 million in 2011.

A summary of the effects of the adjustments as of December 31, 2011 follows:

	As Previously Reported	Net Adjustments	As Restated
Consolidated Statement of Financial Position			
Goodwill	P142,819,150	(P142,819,150)	P -
Deficit: Unappropriated	(1,647,505,957)	(84,263,299)	(1,731,769,256)
Non-controlling interest	708,730,385	(58,555,851)	650,174,534
Consolidated Statement of Comprehensive Income			
Net loss	(2,414,971)	(142,819,150)	(145,234,121)

After the retrospective adjustment, the details of the consideration transferred follow:

	Note	
Total consideration transferred		
Cash		P21,565,000
Contract payable		86,260,000
Net carrying value of receivable from ALB	*10*	351,937,500
		P459,762,500

12. Property and Equipment

Movements in this account are as follows:

	For the Year Ended December 31, 2012								
	Land	**Land Improvements**	**Leasehold Improvements**	**Hotel Buildings and Improvements**	**Furniture, Fixtures and Equipment**	**Operating Equipment**	**Transportation Equipment**	**Construction in Progress**	
Measurement Basis	***Revalued***	***Revalued***	***At Cost***	***Revalued***	***Revalued***	***At Cost***	***Revalued***	***At Cost***	**Total**
Gross carrying amount:									
Beginning balance	**P991,024,000**	**P14,411,148**	**P68,927,836**	**P8,754,508,348**	**P1,492,709,893**	**P271,684,556**	**P28,361,288**	**P33,653,505**	**P11,655,280,574**
Additions - net	**-**	**130,950**	**208,035**	**87,199,924**	**35,424,681**	**14,145,980**	**1,039,966**	**124,154,127**	**262,303,663**
Completed projects	**-**	**-**	**-**	**64,071,161**	**20,571,279**	**(52,203,465)**	**-**	**(32,438,975)**	**-**
Disposals	**-**	**-**	**(7,142,877)**	**(148,996,173)**	**(202,916,935)**	**(12,213,363)**	**(140,000)**	**-**	**(371,409,348)**
Ending balance	**991,024,000**	**14,542,098**	**61,992,994**	**8,756,783,260**	**1,345,788,918**	**221,413,708**	**29,261,254**	**125,368,657**	**11,546,174,889**
Accumulated depreciation and amortization:									
Beginning 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**
Depreciation and amortization	**-**	**541,793**	**6,042,972**	**167,375,699**	**122,967,775**	**25,946,423**	**848,912**	**-**	**323,723,574**
Disposals	**-**	**-**	**(7,142,877)**	**(141,629,491)**	**(202,916,935)**	**(12,213,363)**	**(140,000)**	**-**	**(364,042,666)**
Ending balance	**-**	**2,258,571**	**27,552,843**	**3,744,403,638**	**1,083,247,077**	**199,374,946**	**28,113,793**	**-**	**5,084,950,868**
Net carrying value:									
Beginning balance	**P991,024,000**	**P12,694,370**	**P40,275,088**	**P5,035,850,918**	**P329,513,656**	**P86,042,670**	**P956,407**	**PP33,653,505**	**P6,530,010,614**
Ending balance	**P991,024,000**	**P12,283,527**	**P34,440,151**	**P5,012,379,622**	**P262,541,841**	**P22,038,762**	**P1,147,461**	**P125,368,657**	**P6,461,224,021**

	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	
Measurement Basis	*Revalued*	*Revalued*	*At Cost*	*Revalued*	*Revalued*	*At Cost*	*Revalued*	*At Cost*	Total
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	-	-	(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	-	-	-	-	(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

The carrying amount of property and equipment held under finance lease of WCCCHI and DIHC as of December 31, 2012 and 2011 amounted to P14.2 million and P17.5 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:

	2012	2011
Hotel buildings and improvements	**P3,655,561,685**	P3,556,697,155
Furniture, fixtures and equipment	**963,351,096**	907,394,122
Land improvements	**11,265,413**	11,134,463
Transportation equipment	**4,201,226**	4,164,316
	4,634,379,420	4,479,390,056
Less accumulated depreciation and amortization	**2,255,767,118**	2,121,567,261
	2,378,612,302	2,357,822,795
Land	**515,909**	515,909
	P2,379,128,211	P2,358,338,704

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 P1.0 billion as of December 31, 2012 and 2011, respectively, were used as collateral for APHC's loan with ICBC.

13. Other Noncurrent Assets

This account consists of:

	Note	**2012**	2011
Rent receivable	*24*	**P70,206,479**	P61,020,140
Refundable deposits		**25,333,514**	23,638,962
Special project deposits		**16,729,329**	97,163,638
Others		**18,152,512**	15,809,195
		P130,421,834	P197,631,935

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), advances to officers and employees, and deposits to service providers such as security and janitorial services.

14. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2012**	2011
Trade payables		**P461,100,405**	P421,750,276
Local taxes and output VAT		**42,596,035**	51,958,687
Deferred income		**23,660,775**	22,814,384
Withholding taxes payable		**16,753,647**	8,407,919
Service charges		**3,455,403**	4,972,156
Guest deposits		**2,910,724**	5,753,197
Due to contractors		**2,793,657**	2,793,657
Service charges withheld		**2,189,660**	2,383,645
Unclaimed wages		**868,616**	481,830
Accrued:			
Interest and penalties	*16*	**627,850,359**	566,637,313
Salaries, wages and employee benefits		**27,657,990**	35,429,060
Rent		**17,420,099**	22,418,440
Utilities		**6,722,762**	13,418,905
Others		**40,965,866**	44,100,597
		P1,276,945,998	P1,203,320,066

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	**2012**	2011
Concessionaires and other deposits		**P8,987,140**	P6,008,949
Current portion of obligations under finance lease	*25*	**4,096,068**	5,130,790
Others		**1,000,000**	1,000,000
		P14,083,208	P12,139,739

Others represent an unsecured short-term loan obtained from a local bank in 1996 with interest at prevailing market rate. The proceeds of the loan were used for the working capital requirements of GIRDI.

GIRDI is a defendant in a case filed by a local bank (the plaintiff) involving the abovementioned loan. While this is a routine collection case, the plaintiff has encountered difficulties in producing documentary evidence in support of its claim considering its merger with another local bank during which, GIRDI's legal counsel believes that the paper trail may have been lost or now beyond recovery. In view of the status of the case, the Company did not accrue additional liabilities on the interest, penalties, and other charges that might be meted out by the plaintiff.

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

16. Loans Payable

This account consists of liabilities to the following:

	2012	2011
Current Portion:		
ICBC	**P314,128,747**	P367,098,607
Social Security System (SSS)	**375,000,000**	375,000,000
PBB	**-**	125,357,143
	P689,128,747	P867,455,750
Noncurrent Portion:		
PBB	**P700,000,000**	P512,500,000

ICBC Loan

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 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 the date of this report, management is still negotiating with ICBC for the rescheduling of payments of the APHC's overdue loan principal installments totaling US$7.36 million. In the absence of ICBC's formal agreement to the proposed restructuring, the entire balance of the loan has been classified as a current liability in the consolidated statements of financial position as of December 31, 2012 and 2011.

SSS Loan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Starting 2006, the Parent Company 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.

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 P375.0 million and accrued interest and penalties (presented as part of "Accounts payable and accrued expenses" account) amounting P626.7 million and P566.6 million as of December 31, 2012 and 2011, respectively, have been classified as current in the consolidated statements of financial position.

PBB

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 February 8, 2012, the said loan was fully settled by 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 2012, WCCCHI entered into another term loan agreement with PBB amounting to P250 million. The loan matures in three years and shall bear an interest rate of 10% per annum to be reprised every month payable in arrears. WCCCHI, however, is allowed to fully or partially pre-terminate the loan. The loan is secured by the assignment of rental payments from PAGCOR on the leases of hotels, plus real estate mortgage on the hotel building and other improvements.

In 2012 and 2011, interest expense incurred from the above loans amounted to P77.32 million and P39.0 million, respectively, and recorded as part of "Interest expense" account in the consolidated statements of comprehensive income.

17. Other Noncurrent Liabilities

The account is broken down as follows:

	Note	**2012**	2011
Rent received in advance	*24, 25*	**P556,429,006**	P563,035,448
PAGCOR and concessionaires' deposits	*24, 25*	**263,935,202**	257,680,782
Retirement benefits liability	*21*	**231,416,647**	206,577,918
Noncurrent portion of obligations under finance lease	*25*	**2,520,560**	6,616,628
Others		**2,973,798**	2,583,746
		P1,057,275,213	P1,036,494,522

Retirement benefits liability pertains to the following:

	2012	2011
APHC	**P143,930,110**	P134,057,525
WCCCHI	**48,969,488**	33,465,050
WMCHI	**19,635,271**	17,669,983
DIHCI	**14,430,705**	18,517,798
WMC	**4,451,073**	2,867,562
	P231,416,647	P206,577,918

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, 2012, 2011 and 2010 and certain asset and liability information regarding industry segments as of December 31, 2012, 2011 and 2010:

	Hotel Operations			Marketing Operations			Corporate and Others			Eliminations			Consolidated		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
							(In Millions of Peso)								
TOTAL REVENUES															
External sales	**1,879**	1,871	1,805	**-**	-	-	**120**	124	125	**-**	-	-	**1,999**	1,995	1,930
RESULTS															
Segment results	**182**	213	75	**-**	(1)	(1)	**(32)**	(17)	(39)	**-**	-	-	**150**	195	35
OTHER INCOME (LOSS)															
Interest expense	**(160)**	(86)	(144)	**(3)**	(2)	(2)	**-**	(1)	(1)	**-**	-	-	**(163)**	(89)	(147)
Interest income	**-**	2	49	**-**	-	-	**41**	27	25	**-**	-	-	**41**	29	74
Benefit from (provision for) income taxes	**14**	(27)	20	**13**	-	-	**(9)**	(39)	(6)	**-**	-	-	**18**	(66)	14
Others	**(31)**	(69)	(39)	**-**	-	-	**(7)**	(2)	11	**-**	-	-	**(38)**	(71)	(28)
Total Other Income (Loss)	**(177)**	(180)	(114)	**10**	(2)	(2)	**25**	(15)	29	**-**	-	-	**(142)**	(197)	(87)
Net Income (Loss)	**5**	33	(39)	**10**	(3)	(3)	**(7)**	(32)	(10)	**-**	-	-	**8**	(2)	(52)
OTHER INFORMATION															
Segment assets	**7,684**	8,149	7,847	**196**	197	197	**5,406**	5,587	5,535	**(4,193)**	(4,674)	(4,207)	**9,093**	9,259	9,372
Deferred tax asset	**268**	282	213	**-**	-	-	**3**	4	6	**-**	-	-	**271**	286	219
Consolidated Total Assets	**7,952**	8,431	8,060	**196**	197	197	**5,409**	5,591	5,541	**(4,193)**	(4,674)	(4,207)	**9,364**	9,545	9,591
Segment liabilities	**4,172**	4,478	4,338	**24**	22	19	**2,403**	2,577	2,508	**(2,170)**	(3,305)	(3,362)	**4,429**	3,772	3,503
Loans and interest payable	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Deferred liability	**1,208**	1,247	1,237	**-**	-	-	**-**	-	-	**-**	-	-	**1,208**	1,247	1,237
Consolidated Total Liabilities	**5,380**	5,725	5,575	**24**	22	19	**2,403**	2,577	2,508	**(2,170)**	(3,305)	(3,362)	**5,637**	5,019	4,740
Other Segment Information															
Capital expenditures	**261**	159	66	**-**	-	-	**1**	4	16	**-**	-	-	**262**	163	82
Depreciation and amortization	**315**	265	302	**-**	-	-	**8**	10	12	**-**	-	-	**323**	275	314

19. Capital Stock

Details of capital stock at December 31, 2012, 2011 and 2010 follow:

	Number of Shares		
	2012	2011	2010
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:

	2012	2011	2010
Taxes and licenses	**P41,628,923**	P37,861,523	P35,132,550
Security and other services	**37,303,731**	44,866,679	39,073,071
Advertising	**36,552,612**	30,264,484	49,012,303
Corporate expenses	**36,439,066**	43,311,460	43,627,516
Supplies	**27,972,540**	27,217,331	25,759,708
Representation and entertainment	**24,019,512**	17,340,140	67,525,805
Transportation and travel	**19,359,166**	5,670,033	11,573,429
Insurance	**14,855,852**	14,448,891	14,037,327
Communications	**12,910,006**	11,266,038	8,362,726
Data processing	**11,559,905**	10,652,146	13,248,227
Fuel and oil	**11,391,832**	17,528,762	9,963,025
Professional fees	**10,659,767**	11,464,267	13,220,108
Commissions	**10,567,279**	10,257,763	13,668,918
Trainings and seminars	**7,686,842**	2,231,718	4,920,657
Medical expenses	**5,330,966**	6,844,698	5,840,134
Reservation	**4,457,103**	5,493,448	3,356,327
Membership dues	**3,807,381**	377,130	280,000
Guest and laundry valet	**3,084,691**	5,592,095	12,230,075
Guest amenities	**2,955,323**	8,581,517	4,263,028
Meeting expenses	**2,086,103**	1,752,262	610,095
Uniforms	**896,648**	2,317,216	1,214,747
Recruitment	**874,032**	2,419,913	224,610
Decorations	**515,252**	1,012,372	975,871
Banquet expenses	**108,550**	2,754,336	1,181,624
Documentary stamps	**-**	3,625,000	-
Fines and penalties	**-**	1,530,849	-
Miscellaneous	**23,169,620**	6,792,632	14,296,813
	P350,192,702	P333,474,703	P393,598,694

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, 2012, 2011 and 2010 amounted to P44.3 million, P21.7 million and P46.1 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:

	2012	2011
Present value of defined benefit obligation	**P310,194,013**	P275,057,649
Fair value of plan assets	**(72,351,826)**	(59,920,951)
Net present value of defined benefit obligation	**237,842,187**	215,136,698
Unrecognized actuarial loss	**(6,425,540)**	(8,558,780)
Retirement benefits liability at end of year	**P231,416,647**	P206,577,918

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

	2012	2011
Present value of obligation, beginning of year	**P275,057,649**	P269,660,310
Current service cost	**29,363,520**	26,252,100
Interest cost	**18,458,841**	21,282,154
Benefits paid:		
Paid directly from plan assets	**(7,018,397)**	(47,802,532)
Advanced by the Group	**(5,667,600)**	-
Curtailment gain	**-**	(9,449,079)
Actuarial loss	**-**	15,114,696
Present value of obligation, end of year	**P310,194,013**	P275,057,649

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

	2012	2011
Fair value of plan assets, beginning of year	**P59,920,951**	P83,502,229
Expected return of plan assets	**2,916,377**	3,328,262
Contributions to the plan	**13,800,000**	17,505,000
Benefits paid	**(7,018,397)**	(47,802,532)
Actuarial gain	**2,732,895**	3,387,992
Fair value of plan assets, end of year	**P72,351,826**	P59,920,951

Actual return on plan assets are as follows:

	2012	2011
Income	**P5,649,272**	P6,716,254

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

	2012	2011
Investments in bonds and other debt securities	**55%**	39%
Deposits in banks	**32%**	27%
Investments in equity securities	**7%**	17%
Others	**6%**	17%

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

	2012	2011	2010
Current service costs	**P29,363,520**	P26,252,100	P24,786,583
Interest cost	**18,458,841**	21,282,154	25,474,163
Expected return on plan assets	**(2,916,377)**	(3,328,262)	(4,389,586)
Effect of curtailment gain	**-**	(21,556,976)	-
Net actuarial loss (gain) recognized during the period	**(599,655)**	(902,314)	195,710
	P44,306,329	P21,746,702	P46,066,870

In 2011, APHC significantly reduced the number of employees covered by the plan as part of the streamlining and cost saving measures implemented to improve its operational efficiency. This resulted to a recognition of curtailment gain amounting to P21.56 million, which is presented as part of net retirement benefit income.

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

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	**P310,194**	P275,058	P269,660	P236,018	P218,112
Fair value of plan assets	**72,352**	59,921	83,502	58,500	72,978
Net present value of defined benefit obligation	**P237,842**	P215,137	P186,158	P177,518	P145,134

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

	2012	2011	2010
Discount rate	**6%**	7%	8%
Expected rate of return on plan assets	**6%**	6%	6%
Salary increase rate	**10%**	10%	10%

22. Income Taxes

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

	2012	2011	2010
Current	**P63,498,095**	P111,197,142	P71,135,264
Deferred	**(24,931,326)**	(82,561,515)	(84,619,065)
Income tax expense (benefit)	**P38,566,769**	P28,635,627	(P13,483,801)

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:

	2012	2011	2010
Income (loss) before income tax	**P46,255,124**	(P116,598,494)	(P65,640,996)
Income tax expense (benefit) at 30%	**P13,876,537**	(P34,979,548)	(P19,692,299)
Additions to (reductions in) income tax resulting from the tax effects of:			
Unrecognized deferred tax from impairment losses on receivables	**-**	536,326	68,334
Unrecognized NOLCO and MCIT	**6,666,880**	4,246,649	4,074,563
Unrecognized income tax expense arising from reversal of accrued rent per PAS 17	**(144,441)**	(185,990)	(142,267)
Unrecognized income tax benefit arising from retirement liability	**475,053**	400,396	459,873
Nondeductible expenses	**20,881,620**	58,357,606	21,922,377
Derecognition of previously recognized DTA and DTL	**762,971**	798,489	(9,863,749)
Income not subjected to income tax	**(3,951,851)**	(538,301)	(3,455,470)
Expired NOLCO and MCIT	**-**	-	246,664
Realization of previously unrecognized deferred tax on NOLCO	**-**	-	(7,101,827)
	P38,566,769	P28,635,627	(P13,483,801)

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**	
	2012	2011	**2012**	2011
Revaluation surplus on property and equipment	**P -**	P -	**P1,158,090,533**	P1,194,930,430
Rent receivable	-	-	**21,061,944**	18,306,042
Rent received in advance	**146,902,223**	150,066,813	-	-
Retirement liability	**68,089,673**	61,113,108	-	-
Unrealized foreign exchange loss	**35,301,532**	45,397,170	-	-
Allowance for impairment losses on receivables	**6,084,949**	6,810,664	-	-
NOLCO	**1,383,305**	1,936,888	-	-
Unamortized past service cost	**1,670,225**	2,351,578	-	-
MCIT	**991,920**	124,970	-	-
Accrued rent expense	**1,594,587**	1,579,098	-	-
Unearned revenues	**16,504,256**	16,502,490	-	-
Rental income under PAS 17	-	-	**13,270,505**	6,021,657
Unamortized premium on security deposits	-	-	**22,334,927**	27,309,400
	P278,522,670	P285,882,779	**P1,214,757,909**	P1,246,567,529

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

	2012	2011
NOLCO	**P41,016,757**	P35,897,937
Allowance for impairment losses on receivables	**3,092,755**	3,092,755
Accrued rent expense	**6,391,828**	6,959,523
Retirement liability	**4,451,072**	2,867,562
MCIT	**9,958**	66,397
	P54,962,370	P48,884,174

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 P56.96 million, the details of which are as follows:

2012

Taxable Period	Unapplied Balances	Valid Until
December 31, 2012	P22,887,702	December 31, 2015
December 31, 2011	19,263,121	December 31, 2014
December 31, 2010	14,805,545	December 31, 2013
	P56,956,368	

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	

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, 2012	P110,280	December 31, 2015
December 31, 2011	147,018	December 31, 2014
December 31, 2010	142,463	December 31, 2013
	P399,761	

23. Loss Per Share (LPS)

The LPS are computed as follows:

	2012	2011	2010
Net loss attributable to equity holders of the Parent	**(P7,249,664)**	(P104,751,746)	(P49,371,535)
Weighted number of shares outstanding	**2,498,991,753**	2,498,991,753	2,498,991,753
Loss per share - basic and diluted	**(P0.003)**	(P0.042)	(P0.020)

There are no potentially dilutive shares as of December 31, 2012, 2011 and 2010. 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 P162.2 million and P152.7 million on December 31, 2012 and 2011, 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 was on March 15, 2008, and shall be valid for two years.

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

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

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

APHC also had a lease agreement with PAGCOR which was 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:

	2012	2011
Less than one year	**P652,617,582**	P631,400,494
Between one and five years	**1,895,742,247**	2,548,359,830
	P2,548,359,829	P3,179,760,324

Rental income from the lease contracts, recognized in the statements of comprehensive income on a straight-line basis consistently in 2012, 2011 and 2010, amounted to P778.0 million, P750.0 million and P634.9 million, 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:

	2012	2011
Less than one year	**P13,793,443**	P13,793,443
Between one and five years	**61,573,265**	61,573,265
More than five years	**344,668,420**	358,461,863
	P420,035,128	P433,828,571

Total annual rent expense recognized in profit or loss amounted to P102.7 million, P104.1 million and P102.9 million in 2012, 2011 and 2010, respectively.

Land under Finance Lease

In the period prior to October 2011, APHC and CIMAR entered into a finance lease agreement. Accordingly, 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 an ejectment case and demanded possession of land plus interest.

As disclosed in Note 11, 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 the 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, 2012, 2011 and 2010 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, 2012 and 2011 are as follows:

		December 31, 2012		
	Note	**Future Minimum Lease Payments**	**Imputed Finance Charges**	**Present Value of Future Minimum Lease Payments**
Less than one year	*15*	**P1,500,000**	**P294,407**	**P1,205,593**
Between one and five years	*17*	**2,750,000**	**229,439**	**2,520,561**
		P4,250,000	**P523,846**	**P3,726,154**

		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

The carrying value of the leased asset amounted to P3,742,519 and P4,718,833 as of December 31, 2012 and 2011, respectively.

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, 2012		
	Note	**Present Value of Future Minimum Lease Payments**	**Imputed Finance Charges**	**Future Minimum Lease Payments**
Less than one year	*15*	**P2,890,475**	**P87,286**	**P2,977,761**
Between one and five years	*17*	**-**	**-**	**-**
		P2,890,475	**P87,286**	**P2,977,761**

		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

Net carrying amount of PABX equipment as of December 31, 2012 and 2011 is P10.5 million and P12.8 million, respectively (see Note 12).

<u>Lease Agreements with Concessionaires</u>
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 P686.1 million, P657.7 million and P546.7 million for the years ended December 31, 2012, 2011 and 2010, respectively.

<u>Lease Agreements Entered into by MBI</u>

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 P52.4 million in 2012, P52.8 million in 2011 and P51.4 million in 2010.

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 amounted to P14.1 million. Loss on sale of APHC shares amounting to P40.54 million is recognized in the consolidated statements of comprehensive income. After the sale, the Parent Company's equity interest in APHC is reduced to 59% from 69% in 2010. The sale resulted to the adjustment of the "Non-controlling interest" by P155.8 million.

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

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

27. Financial Risk Management

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investments, 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, 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, 2012 and 2011 are as follows:

December 31, 2012	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	P185,403	P103,499	P29,366	P8,554	P6,861	P8,563	P8,277	P20,283
Due from related parties	2,253,472	1,822,328	-	-	-	-	354,043	77,101
Total	P2,438,875	P1,925,827	P29,366	P8,554	P6,861	P8,563	P362,320	P97,384

December 31, 2011	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	P187,872	P109,955	P20,224	P7,276	P7,094	P10,675	P9,946	P22,702
Due from related parties	2,142,682	1,703,271	-	-	-	-	362,310	77,101
Total	P2,330,554	P1,813,226	P20,224	P7,276	P7,094	P10,675	P372,256	P99,803

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, 2012 and 2011 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, 2012 and 2011 based on contractual undiscounted payments:

December 31, 2012	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	P1,252,931	P1,252,931	P943,238	P309,693	P -
Loans payable	1,389,129	1,621,713	753,713	-	868,000
Other current liabilities	14,083	14,083	9,987	4,096	-
Other noncurrent liabilities	825,859	825,859	-	-	825,859
	P3,482,002	P3,714,586	P1,706,938	P313,789	P1,693,859

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

December 31, 2011	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years
Accounts payable and accrued expenses*	P1,152,388	P1,152,388	P940,835	P211,553	P -
Loans payable	1,379,956	1,502,956	742,099	125,357	635,500
Contract payable	86,260	86,260	-	86,260	-
Other current liabilities	12,140	12,140	8,109	4,031	-
Other noncurrent liabilities	829,917	829,917	-	-	829,917
	P3,460,661	P3,583,661	P1,691,043	P427,201	P1,465,417

**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, SSS, PAGCOR and ICBC. The annual interest rates of these loans are as follows:

	Annual Interest Rate
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 2012 and 2011. 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)	**2012**	2011
+50	**(P3,741)**	(P3,145)
-50	**3,741**	3,145

There are no other impact on the Group's equity other than those already affecting profit or loss in 2012 and 2011.

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, 2012	**US Dollar**	**Philippine Peso**
Cash	**\$15,039**	**P617,791**
Loan payable	**(7,630,040)**	**(314,128,747)**
Net foreign currency-denominated liability	**\$7,615,001**	**(P313,510,956)**

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

The Group recognized foreign exchange gain amounting P34.9 million in 2012, P1.6 million in 2011, and P38.0 million in 2010, 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 2012, with all other variables held constant, of the Group's 2012, 2011 and 2010 income after income tax. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items. This analysis assumes a 3.20%, 2.05% and 2.68% strengthening as of December 31, 2012, 2011 and 2010, respectively, and 2.85%, 2.04% and 3.77% weakening as of December 31, 2012, 2011 and 2010, respectively, of the Philippine peso against the US dollar exchange rate:

	Strengthening			Weakening		
		+2.05%	+2.68%		-2.04%	-3.77%
	2012	2011	2010	**2012**	2011	2010
Net income	**P7,019,230**	P5,246,031	P4,387,345	**(P4,470,620)**	(P5,226,571)	(P6,666,233)

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 2012. This analysis assumes a decrease of 14.89% for 2012, 47.10% for 2011 and 27.19% for 2010 and an increase of 44.68% for 2012, 141.83% 2011 and 21.47% for 2010 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, 2012, 2011 and 2010, respectively. All other variables are held constant:

	2012	2011	2010	**2012**	2011	2010
	Decrease			Increase		
	-14.89%	-47.07%	-27.19%	**44.68%**	141.83%	+21.47%
Equity	**(P2,711,994)**	(P7,571,431)	(P74,101)	**P8,135,981**	P22,812,148	P112,590

The impact on the Group's equity already excludes the impact on transactions affecting profit or loss in the 2012 and 2011.

<u>Fair Value of Financial Assets and Liabilities</u>
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, 2012 and 2011:

	2012		2011	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Cash and cash equivalents	**P76,723**	**P76,723**	P78,956	P78,956
Receivables - net	**165,120**	**165,120**	165,170	165,170
Due from related parties - current portion	**2,176,371**	**2,176,371**	462,149	462,149
Due from related parties - noncurrent portion	**-**	**-**	1,603,432	1,603,432
AFS investments	**26,013**	**26,013**	22,978	22,978
Financial Liabilities				
Accounts payable and accrued expenses	**1,252,931**	**1,252,931**	1,152,388	1,152,388
Loans payable - current portion	**689,129**	**689,129**	867,456	867,456
Loans payable - noncurrent portion	**700,000**	**700,000**	512,500	512,500
Other current liabilities	**14,083**	**14,083**	12,140	12,140
Other noncurrent liabilities	**825,859**	**825,859**	829,917	829,917

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, 2012 and 2011.

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% 2011.

Fair Value Hierarchy

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

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

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
WII shares of stocks	**P26,013**	**P -**	**P -**	**P26,013**
	P26,013	**P -**	**P -**	**P26,013**

	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

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 2012, 2011 and 2010.

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 2012 and 2011. For purposes of the Group's capital management, capital includes all equity items less unrealized valuation gain on AFS investment that are presented in the statements of changes in equity.

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 Bureau of Internal Revenue (BIR) for deficiency taxes for the 2003 taxable year. On May 9, 2007, the Parent Company sent a letter to the BIR contesting the said 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 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 taxable year 2003 in the total amount of P27,240,290. The BIR is requesting for copies of financial statements for taxable year 2011 and 2010 to determine if the Parent Company can qualify for compromise settlement based on financial incapacity under Section 204 of the Tax Code.

   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. In 2011, 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. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment. On February 18, 2009, the Regional Office of the BIR sent a letter to the Parent Company informing the latter that the docket was returned to Revenue District Office for reinvestigation and further verification.

   On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.4 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

   In settlement of the 2006 deficiency tax assessment, the Parent Company paid subsequent to reporting date the amount of P1.5 million. An accrual is recognized under "Accounts payable and accrued expenses" in the consolidated statements of financial position.

   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.

On April 11, 2011, APHC filed a petition for review in the Court of Tax Appeals (CTA) assailing the decision dated December 7, 2010 and order dated February 28, 2011. The parties filed their respective memoranda in compliance with the resolution dated April 15, 2011. However, the court dismissed the petition for lack of merit through a decision dated May 24, 2012. APHC also received a resolution dated September 19, 2012 dismissing the motion for reconsideration for lack of merit.

On October 11, 2012, APHC filed a petition for review seeking to annul and set aside the decision dated May 24, 2012 and resolution dated September 19, 2012 of the first division of the CTA. On February 25, 2013, APHC received a resolution dated February 12, 2013, giving due course to the petition and requiring the parties to submit their memoranda within 30 days from notice.

As of the date of the report, the said assessment is pending action of the court on the petition for review 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 APHC.

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 P0.3 million in 2010.

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.

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

ANNEX A

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED UNDER SRC RULE 68, AS AMENDED (2011)
Schedule of Philippine Financial Reporting Standards (PFRSs) Effective as at December 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		

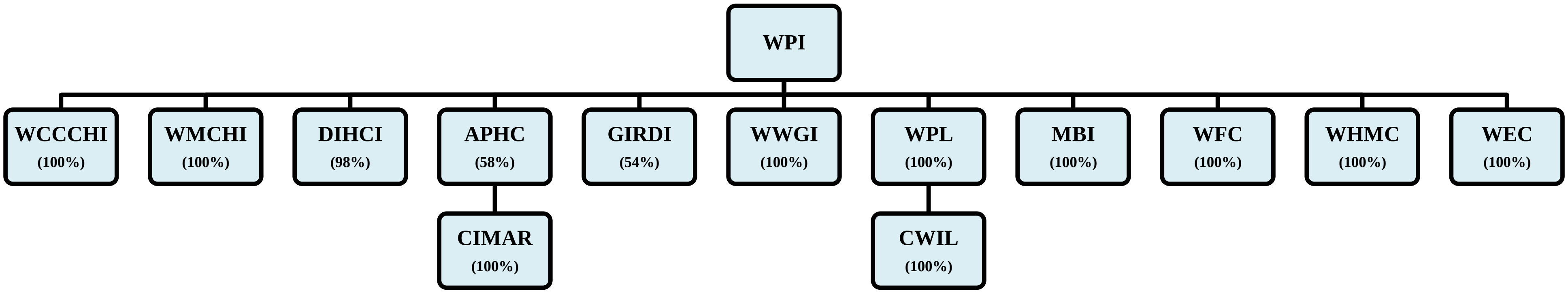
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
PFRS 8	Operating Segments	✔		
PFRS 9	Financial Instruments			✔
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✔
PFRS 10	Consolidated Financial Statements			✔
PFRS 11	Joint Arrangements			✔
PFRS 12	Disclosure of Interests in Other Entities			✔
PFRS 13	Fair Value Measurement			✔
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures			✔
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Balance Sheet Date	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19	Employee Benefits	✔		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✔
PAS 19 (Amended)	Employee Benefits	✔		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates			✔
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs			✔
PAS 24 (Revised)	Related Party Disclosures	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Amended)	Separate Financial Statements	✔		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 31	Interests in Joint Ventures			✔
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting			✔
PAS 36	Impairment of Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
PAS 40	Investment Property			✔
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 8	*Scope of PFRS 2*			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	*Interim Financial Reporting and Impairment*			✔
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities			✔
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives			✔
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

ANNEX B

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



LEGEND:

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

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES

Table of Contents

Supplementary Schedules
Required Under SRC Rule 68, As Amended (2011)
December 31, 2012

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2012
(Amounts in thousands)

Name of Issuing Entity/Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2012	Income Received and Accrued
Loans and receivables				
Due from The Wellex Group, Inc.	P -	P1,102,234	P1,102,234	P17,296
Due from Pacific Rehouse Corp.	-	615,708	615,708	15,194
Due from Metro Alliance Holdings and Equities Corp.	-	351,724	351,724	6,897
Due from Philippine Estate Corp.	-	46,550	46,550	-
Due from Forum Holdings Corporation	-	58,206	58,206	1,691
Due from Others	-	1,949	1,949	-
Various Banks	-	76,723	76,723	196
Various Customers	-	165,120	165,120	-
Available-for-sale (AFS) Investment				
Wellex Industries, Inc.	86,710	26,013	26,013	-
	P86,710	**P2,444,227**	**P2,444,227**	**P41,274**

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
DECEMBER 31, 2012
(Amounts in thousands)

Name and Designation of Debtor	Balance at beginning of the period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of the period
The Wellex Group, Inc.	P1,135,970	P -	P33,736	P -	P1,102,234	P -	P1,102,234
Pacific Rehouse Corp.	525,000	90,708	-	-	615,708	-	615,708
Metro Alliance Holdings and Equities Corp.	344,827	6,898	-	-	351,724	-	351,724
Philippine Estate Corp.	-	46,550	-	-	46,550	-	46,550
Forum Holdings Corporation	57,835	371	-	-	58,206	-	58,206

Refer also to Note 9 of the
Consolidated financial statements

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLDIATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2012

Name and Designation of Debtor	Balance at beginning of the period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of the period
Waterfront Cebu City Casino Hotel, Incorporated	P1,674,567,904	P -	P223,262,926	P -	P1,451,304,978	P -	P1,451,304,978
Davao Insular Hotel Company, Inc.	25,032,998	-	11,461,952	-	13,571,406	-	13,571,406
Mayo Bonanza, Inc.	44,435,631	15,200	-	-	44,450,831	-	44,450,831
Waterfront Wellness Group, Inc.	12,763,922	188,145	-	-	12,952,067	-	12,952,067
Waterfront Food Concepts, Inc.	5,522,504	187,171	-	-	5,709,675	-	5,709,675
Waterfront Hotel Management Corp.	73,309,509	5,774,893	-	-	79,084,402	-	79,084,402
Waterfront Entertainment Corporation	5,468,310	478,478	-	-	5,946,788	-	5,946,788

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2012

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

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2012

Title of Issue and Type of Obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
ICBC Loans Payable	P314,128,747	P314,128,747	P -
SSS Loans Payable	375,000,000	375,000,000	-
PBB Loans Payable	700,000,000	-	700,000,000

Refer also to Note 16 of the
Consolidated financial statements

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2012

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

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2012

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

Nothing to report

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2012

Description	Number of Shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common stock	5,000,000,000	2,498,991,753	-	-	47,390,430	2,451,601,323

COVER SHEET

A S 0 9 4 - 8 6 7 8

S.E.C. Registration Number

WATERFRONT PHILIPPINES,
INCORPORATED

(Company's Full Name)

IPT Building, Pre-Departure
Area, Mactan Cebu
International Airport
Lapu-lapu City, Cebu

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

Ms. Irish Chara Lawas

Contact Person

(02) 559-0130

Company Telephone Number

1 2 | 3 1

Month *Day*

17-Q1

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

490

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.

107032013002429

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Representative

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Company Information

SEC Registration No.	AS94008678
Company Name	WATERFRONT PHILS. INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	107032013002429
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	March 31, 2013
No. of Days Late	0
Department	CFD
Remarks	Amended

7/3/2013
ROSEHELLE V. TAMPUCAO

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex A.

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

Please refer to Annex B.

PART II--OTHER INFORMATION

NONE.

SIGNATURES

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

Registrant: ***Waterfront Philippines, Inc.***

Issuer ***Atty. Arthur R. Ponsaran***

Signature and Title ____________________
Corporate Secretary

Date 07/02/2013

Principal Financial/Accounting Officer/Controller ***Precilla O. Toriano***

Signature and Title ____________________
Compliance Officer/ Director for Finance

Date 07/02/2013

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES **"Annex-A"**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION-UNAUDITED
As of March 31, 2013

	CONSOLIDATED					
		Unaudited		Unaudited		Audited
		March 31, 2013		March 31, 2012		December 31, 2012
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	P	100,354,224	P	76,078,884	P	76,723,180
Trade and Other Receivables-net		405,140,490		382,798,311		165,119,561
Inventories		34,427,235		31,937,171		29,840,571
Due from affiliated companies-current portion		1,930,183,933		1,842,953,175		2,176,371,031
Prepaid Expenses and Other Current Assets		9,672,897		13,983,049		27,161,233
Total Current Assets		2,479,778,779		2,347,750,590		2,475,215,576
Noncurrent Assets						
Receivables from Acesite (BVI)		-		-		-
Due from affiliated companies-noncurrent portion		-		253,653,680		-
Goodwill		-		142,819,150		-
Property and equipment-net		5,921,902,228		6,485,041,467		6,461,224,021
Available-for-sale Investments		26,013,000		22,978,150		26,013,000
Deferred Tax Assets		95,192,804		115,253,244		278,522,670
Other noncurrent assets		32,970,688		122,140,211		130,421,834
Total Noncurrent Assets		6,076,078,720		7,141,885,902		6,896,181,525
Total Assets	P	8,555,857,499	P	9,489,636,492	P	9,371,397,101
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	P	1,173,133,658	P	1,653,675,102	P	1,276,945,998
Loans Payable-current portion		375,000,000		825,157,196		689,128,747
Income tax payable		9,093,083		48,347,023		14,313,966
Contract Payable		-		86,260,000		-
Mortgage Loan payable		299,798,636		-		-
Other current liabilities		305,876,917		11,387,710		14,083,208
Total Current Liabilities		2,162,902,294		2,624,827,031		1,994,471,919
Noncurrent Liabilities						
Loans Payable-noncurrent portion		603,125,000		512,500,000		700,000,000
Deferred tax liabilities		855,855,307		1,075,075,779		1,214,757,909
Other noncurrent liabilities		496,046,182		694,667,252		1,057,275,213
Total Noncurrent Liabilites		1,955,026,489		2,282,243,031		2,972,033,122
Total Liabilites		4,117,928,783		4,907,070,062		4,966,505,041
Equity Attributable to Equity Holders of the Parent Company						
Capital Stock		2,498,991,753		2,498,991,753		2,498,991,753
Additional paid-in capital		706,364,357		706,364,357		706,364,357
Revaluation increment in property and equipment		1,982,306,439		2,085,457,808		1,982,306,439
Unrealized valuation loss on AFS investments		7,982,267		6,329,331		7,982,267
Foreign currency translation adjustment		35,801,255		37,654,614		35,801,255
Deficit						
Appropriated		140,000,000		130,000,000		140,000,000
Unappropriated		(1,620,944,568)		(1,604,207,350)		(1,652,630,785)
Total Stockholders Equity		3,750,501,503		3,860,590,513		3,718,815,286
Non-controlling Interest		687,427,213		721,975,917		686,076,774
Total Liabilities & Stockholders Equity	P	8,555,857,499	P	9,489,636,492	P	9,371,397,101

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME -UNAUDITED
For the Quarter Ended March 31, 2013

	CONSOLIDATED		
	Unaudited	**Unaudited**	**Audited**
	Jan-Mar 2013	**Jan-Mar 2012**	**December 31, 2012**
REVENUES			
Hotel	P 453,427,854	P 475,954,951	P 1,951,660,279
Nonhotel	30,099,754	34,197,026	19,132,964
Interest and other income	11,679,204	6,629,902	28,472,703
Subtotal	495,206,812	516,781,879	1,999,265,946
OPERATING EXPENSES			
Hotel	303,288,583	323,417,735	1,174,511,444
Nonhotel	29,013,514	30,568,019	350,192,702
Subtotal	332,302,097	353,985,754	1,524,704,146
INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES	162,904,715	162,796,125	474,561,800
FIXED, FINANCIAL AND OTHER CHARGES			
Depreciation and amortization	81,670,440	73,250,666	323,723,574
Interest Expense	50,166,694	37,443,064	162,940,594
Interest Income	(66)	(335)	(41,274,304)
Others	(2,065,111)	(4,441,411)	(17,083,188)
Subtotal	129,771,958	106,251,984	428,306,676
INCOME BEFORE INCOME TAX	33,132,756	56,544,141	46,255,124
PROVISION FOR INCOME TAX			
Current	96,100	-	38,566,769
Deferred	-	-	
INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	33,036,656	56,544,141	7,688,355
SHARE OF MINORITY INTEREST	1,350,439	13,245,534	14,938,019
NET INCOME(LOSS)	31,686,217	43,298,607	(7,249,664)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for foreign operations	-	-	(11,853,359)
Net change in fair value of available-for-sale financial assets	-	-	3,034,850
Total	-	-	(8,818,509)
TOTAL COMPREHENSIVE INCOME	P 33,036,656	P 56,544,141	$ (1,130,154)
EARNINGS (LOSS) PER SHARE	P0.013	P0.017	(P0.003)

*There are no dilutive potential shares as of March 31, 2013and 2012

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-UNAUDITED

As of March 31, 2013

	CONSOLIDATED					
	Unaudited		Unaudited		Audited	
	March 31, 2013		March 31, 2012		December 31, 2012	
CAPITAL STOCK						
Balance, beginning of the period	P	2,498,991,753	P	2,498,991,753	P	2,498,991,753
Issuance of shares		-		-		-
Balance, end of period		2,498,991,753		2,498,991,753		2,498,991,753
Additional Paid-in Capital		706,364,357		706,364,357		706,364,357
Revaluation Surplus in Property and Equipment						
Balance, beginning of the period		1,982,306,439		2,085,457,808		2,085,457,808
Derecognition of land held under finance lease						
due to acquisition of a subsidiary		-		-		(6,763,234)
Transfer of revaluation surplus absorbed through				-		
depreciation for the year-net of income tax effect		-		-		(96,388,135)
Balance, end of the period		1,982,306,439		2,085,457,808		1,982,306,439
Unrealized Valuation Gain (Loss) on AFS Investment						
Balance, beginning of the period		7,982,267		6,329,331		6,329,331
Valuation Loss taken into equity during the year		-		-		1,760,213
Effect of the increase in non-controlling interest due to sale						
of an interest in a subsidiary		-		-		(107,277)
Balance, end of the period		7,982,267		6,329,331		7,982,267
Foreign Curreny Translation						
Balance, beginning of the period		35,801,255		37,654,614		37,654,614
Translation adjustment during the year		-		-		(1,853,359)
Balance, end of the period		35,801,255		37,654,614		35,801,255
Deficit						
Appropriation for renovation and business expansion		140,000,000		130,000,000		140,000,000
Unappropriated:						
Balance beginning of the year		(1,652,630,785)		(1,647,505,957)		(1,741,769,256)
Transfer of revaluation surplus						
absorbed through depreciation for the year net of tax effect		-		-		96,388,135
Net Income (Net Loss)		31,686,217		43,298,607		(7,249,664)
Balance, end of the period		(1,620,944,568)		(1,604,207,350)		(1,652,630,785)
Total deficit		(1,480,944,568)		(1,474,207,350)		(1,512,630,785)
Total Equity Attributable to Equity						
Holders of the Parent Company	P	3,750,501,503	P	3,860,590,513	P	3,718,815,286

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS-UNAUDITED
As of March 31, 2013

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	March 31, 2013	March 31, 2012	December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 33,036,656	P 56,544,141	P 46,255,124
Adjustments for:			
Depreciation and amortization	81,670,440	73,250,666	323,723,574
Interest expense	50,166,694	37,443,064	162,940,594
Loss on sale on acesite shares	-	-	9,169,071
Retirement benefit costs	-	-	44,306,329
Provision for impairment losses on receivable	-	-	796,995
Unrealized foreign exchange gain	(2,065,111)	(4,441,411)	(21,172,420)
Loss on disposal of property and equipment	-	-	88,605
Interest income	(9,994,661)	(6,629,902)	(41,274,304)
Operating income before working capital changes	152,814,018	156,166,558	524,833,568
Decrease (increase) in:			
Receivables	(240,020,929)	(210,136,329)	(746,305)
Inventories	(4,586,664)	4,781,085	6,877,685
Prepaid expenses and other current assets	17,488,336	4,781,855	(10,973,124)
Increase (decrease) in:			
Accounts payable and accrued expenses	(101,747,229)	447,304,715	78,280,229
Other current liabilities	424,809,144	(752,029)	10,628,902
Cash generated from operations	248,756,676	402,145,855	608,900,955
Interest received	9,994,661	6,629,902	196,478
Income taxes paid	(5,316,983)	(5,406,171)	(102,418,152)
Retirement plan contributions paid	-	-	(19,467,600)
Interest paid	(50,166,694)	(37,443,064)	(151,871,417)
Net cash provided by (used in) operations	203,267,660	365,926,522	335,340,264
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	457,651,353	(28,281,519)	(262,303,663)
Investment in subsidiary	203,019,736	-	(22,819,071)
payment of contract payable	-	-	(86,260,000)
Proceeds from sale of an equity interest in subsidiary	-	-	13,650,000
Proceeds from sale of property and equipment	-	-	135,200
Decrease (increase) in other non-current assets	280,781,012	246,121,258	67,210,101
Net cash provided by (used in) investing activities	941,452,101	217,839,739	(290,387,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase(decrease) in loans payable	(314,128,747)	(42,298,554)	30,976,955
Decrease in due from related parties	246,187,098	(31,026,127)	(44,985,501)
Increase (decrease) in other non-current liabilities	(1,053,147,068)	(513,319,019)	(19,824,067)
Payment of obligation under finance lease	-	-	(1,500,000)
Net cash used in financing activities	(1,121,088,717)	(586,643,700)	(35,332,613)
Decrease in translation adjustment for the year	-		(11,853,361)
Net increase (decrease) in cash and cash equivalents	23,631,044	(2,877,439)	(2,233,143)
Cash and cash equivalents at beginning of year	76,723,180	78,956,323	78,956,323
Cash and cash equivalents at end of year	P 100,354,224	P 76,078,884	P 76,723,180

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Organization and Status of the Business

Corporate Information
Waterfront Philippines, Incorporated ("the Parent Company") was incorporated in the Philippines, and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. WPI is 46%-owned by The Wellex Group, Inc. ("TWGI") and is listed in the Philippine Stock Exchange (PSE). It holds equity interest 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 were incorporated in the Philippines, except for Waterfront Promotion Ltd (WPL) and Club Waterfront Limited (CWIL), which were registered in the Cayman Islands. The details of the equity interest of the Parent Company are shown below:

	Percentage of Ownership	
	Direct	Indirect
Hotels and resorts:		
Waterfront Cebu City Casino Hotel, Inc. (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Inc. (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Philis.) Hotel Corporation (APHC)	58	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real Estate:		
CIMA Realty Phils. Inc.		58
Fitness gym:		
W Citigyms & Wellness, Inc. (W Citigym)	100	-
International marketing and promotion of casinos:		
Waterfront Promotion Ltd. (WPL)	100	-
Mayo Bonanza, Inc. (MBI)	100	-
Club Waterfront International Limited (CWIL)	-	100
Pastries manufacturing:		
Waterfront Food Concepts, Inc. (WFC)	100	
Hotel management and operation:		
Waterfront Management Corprotion (WMC)	100	-

Hotels

Waterfront Cebu City Casino Hotel Inc. (WCCCHI) was incorporated on September 23, 1994. It started commercial operations in January 1998.

This hotel is conveniently located in the center of Cebu and is within easy reach from the financial district, shopping malls, golf courses and Mactan's renowned beach resorts.

Waterfront Cebu City Hotel & Casino has 561 elegantly designed and well-appointed guest rooms and suites. The 18th Floor is the Waterfront Ambassador Club with a two floor Club Lounge exclusive for Ambassador Floor guests. Waterfront Ambassador Club guests enjoy butler service, complimentary business services and a business boardroom fit for a group of up to 8 people, equipped with a built-in LCD projector, a roll-up screen, PA and recording system, a local area network (LAN) and a poly communication system. The 2nd floor lounge is outfitted with 3 computer stations, where guests can avail of complimentary WIFI access, flat-screen television entertainment, an array of lifestyle and business magazines as well as newspapers and board games. The hotel offers a 10,000-square meter convention center, which is the largest convention center in the Visayas and Mindanao, and is designed to adapt to multiple types of events. The convention center is equipped with 10 function rooms, 2 executive board rooms, and 2 Grand Ballrooms, each seating 4,000 people. It has played host to a myriad of national as well as regional events, conventions and conferences.

Waterfront Cebu operates 10 F&B outlets, including a hotel coffees hop, a Japanese restaurant, an Italian restaurant and a poolside snack bar. The hotel has a fully functional business center paired with flat-screen computers, internet access and private boardrooms.

The hotel's lobby renovation has started last year, 2011 and will be launched July this year. The cost of the renovation is around Php120 million. Designed by no less than Steven J. Leach, Jr. + Associates [Consultants] Incorporated (SL+A Manila), which is a part of the world-renowned Steven Leach Group, the inspiration for the lobby's new look is based on two main objectives; first, to transform the existing single dimension grand lobby into a multi-dimensional lifestyle-concept space that will enhance the guests' experience when dining and lounging in the lobby; and second, to improve traffic patterns, through the construction of larger check-in areas and through maximizing the Lobby's three entrances.

Waterfront Cebu City Hotel and Casino's massive, high-ceilinged lobby has always been its principal attraction in fact it is touted as the largest hotel lobby in Visayas-Mindanao area. Spanning 22 meters wide, 96 meters in long and 35 meters high and crisscrossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance.

Apart from improvements to the general structure of the lobby, the Lobby Lounge itself will offer an all-new dining and lounging experience, with newly-installed glass panels, semi-closing each side of the lounge. Fully-equipped bar areas have also been installed in the middle of each of the lounge's two sections, ensuring diners of more efficient and prompt service. To enhance the overall guest experience, the hotel has put together additional features such as nightly entertainment from the city's top performers, and soulful afternoon music by soloists.

Among the hotel's newest pride comes in the form of delectable treats, introducing Lobby Lounge's new service concepts.

Flambé
Dubbed as the dessert on fire, this sizzling treat is sure to please foodies all around! The Lobby Lounge currently has a total variety of five (5) flambé selections – Vanilla and Passion Fruit Crêpe, Apple-Mango Tango, Pineapple Passion, Crêpe Suzette, Sweet Surprise. One variety is available per day. Guests can enjoy the flambé of the day at these times, 10:30 AM until 1:00 AM.

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

Wine Dispenser
Guests can now take a sip of Lobby Lounge's extensive selection of wine. The wine dispenser is an innovative addition to the wining and dining experience at the hotel. It serves the purpose of

allowing guests to select among an array of bottles, through tasting by the glass. This concept intends to give guests an opportunity to sample different wines in small amounts before deciding to order a full glass or bottle. Guests may test wines from the dispenser in three different amounts. This way, guests can choose the perfect wine fit for their palate. To enjoy the wine dispenser service, guests must avail of the Wine Card which comes in prepaid or postpaid.

Hot Chocolate
Delight your senses with our variety of sweets! Lobby Lounge serves hot chocolate using only the finest local chocolate and hot milk. Choose from a selection of Orange, Vanilla, Plain or Spiced Chocolate.

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

Waterfront Mactan Casino Hotel, Inc. (WMCHI) was incorporated on September 23, 1994. Located right across the Mactan Cebu International Airport, it features 164 rooms and suites, 4 food-and-beverage outlets and a Casino Filipino facility. It has the advantage of proximity to the Mactan International Airport. It has the largest number of rooms among airport hotels. WMCHI has made Cebu the only city in Southeast Asia that offers casino facilities to transients while waiting for their flights.

It is just a 3-minute drive to the industrial zone of Cebu, and a 15-minute drive to the beaches of Mactan Island. This hotel is just a short 30-minute drive from Cebu City's shopping and financial districts. The hotel has 164 well-appointed guest rooms and suites. The hotel has an Ambassador Club floor which consists of 14 Ambassador Rooms and 6 Ambassador Suites. The suites are designed with the business travelers in mind and are equipped with a work desk, dual telephone lines for broadband internet access. The business center is equipped with secretarial services and board rooms that cater to business meetings. Its computer area is outfitted with flat screen computers subdivided with modular partitions.

The hotel operates 4 F&B outlets including Uno, the Lobby Lounge, and Café Fortuna. The hotel's convention center consists of three function rooms and a boardroom. Both are equipped with audio-visual equipment. Function rooms can accommodate groups of up to 200 in banquet style. For guests who wish to hold events outdoors, the Veranda is a spacious open area that can accommodate as much as 250 people.

DIHCI was incorporated on July 3, 1959 and is currently operating under its trade name "Waterfront Insular Hotel Davao".

Waterfront Insular Hotel is a resort hotel overlooking the Davao Gulf. It is 20 minutes away from downtown Davao City. The hotel holds a superior position over other hotels in the city in terms of space and location.

With a greater area than any other hotel facility in the city, it is unmatched in servicing large business meetings, conventions, and exhibit groups. The hotel consists of four low-rise buildings of 158 guest rooms and suites. Every room opens to a lanai overlooking a lush garden, the blue waters of the Davao Gulf or a scenic coconut grove. The hotel has 5 restaurants. The hotel's function rooms suit different event requirements: 1 Grand Ballroom that can accommodate up to 400 persons, 3 boardrooms that can accommodate 30 persons each, and the Kalaw function room that can accommodate groups of up to 150 persons. The Tent in the hotel's garden is also popular for bigger celebrations

The hotel is every guest's gateway to the diverse, colorful and rich cultural heritage of Davao City. Discover the rich cultural heritage of Davao which stems from the different groups and tribes that populated the area throughout its history and be astonished of artworks in the hotel lobby where it showcases pieces of artifacts featuring the various object d'art from the different tribes and historical periods. These range from tribal handicrafts, instruments, pottery, jars and vases. Most of the sculptures and carvings dated from the ancient times.

Acesite (Phils.) Hotel Corporation (APHC) was incorporated on October 10, 1952 and commenced commercial operations in March 1968. It is currently operating under its trade name Manila Pavilion

Hotel. Situated in the heart of Manila, this property is opposite the Rizal National Park and is close to the historic walled city of Intramuros. It was acquired by WPI in June 24, 2004. This property is a few minutes away from the Philippine International Convention Center, World Trade Center and the Cultural Center of the Philippines. The Ninoy Aquino International Airport is 11 kilometers away while the Makati Central Business District is only 6 kilometers away.

The hotel has 534 rooms and suites. All rooms have individually controlled central air conditioning, private bathroom with bath tub and shower, multi-channel radio, color TV with cable channels and internet connections.

The hotel has 5 food and beverage outlets that serve an international selection of culinary cuisines from European, to Chinese, Malaysian, and Cantonese. The hotel also has a music lounge and a lobby café that serves light meals and has an extensive pastry and deli counter.

Other guest services and facilities include a chapel, swimming pool, gym, business center, and a valet-service basement car park. Concessionaires and tenants include a spa, photography services, transportation services, travel agency and flower shop.

In addition, Casino Filipino –Pavilion, owned and operated by PAGCOR, occupies parts of the first five floors of the building. PAGCOR covers approximately 13,000 square meters of gaming and administrative area within the hotel structure. Casino Filipino – Pavilion is the highest earning location of PAGCOR in the country and accounts for a large percentage of PAGCOR's total gaming revenue.

This 2013, launched the renovation of the Manila Pavilion Hotel amid rising competition from new and international hotel brands set to open in the Philippines. It recently completed the second phase of its renovation covering 223 upper floor rooms and suites. Aside from its two-category Deluxe Rooms, Executive Rooms and Premier Suites, the hotel introduced a new set of Ambassador Club rooms and two new Presidential Suites to enhance the hotel's position in the corporate market. The redevelopment will continue for 250 Superior Rooms and Suites at the lower floors, as well as for the upgrade of function rooms and food and beverage facilities.The room themes were developed to maximize guest satisfaction to generate repeat bookings and keep room maintenance costs to minimum levels.

A landmark in Manila, the Manila Pavilion is situated close to a mix of historic sites, major ports and various entertainment hubs. It also houses the Casino Filipino Pavilion on the first three floors of the hotel.

GIRDI was incorporated on December 18, 1990 to engage in the hotel and resort business.

In November 2000, all of the property and equipment of GIRDI, including the hotel facilities and other operating assets, as well as its investment in marketable securities, were transferred to a third party. With this transfer, GIRDI ceased its involvement in the hotel and resort business. Management is currently looking for new business opportunities for GIRDI and intends to continue operating GIRDI as a going concern entity.

Mayo Bonanza, Inc. (MBI), a wholly-owned subsidiary of Waterfront Philippines, Incorporated (WPI) was registered with the Securities and Exchange Commission on November 24, 1995. Its primary purpose is to establish, operate, and manage the business of amusement entertainment, and recreation facilities for the use of the paying public.
MBI has been appointed by Atlantic Dynamo of the British Virgin Islands as its agent in the Philippines. Atlantic Dynamo has a contract with PAGCOR under which it will lease space and slot machines to PAGCOR for the operation of VIP slot machine arcades. MBI shall provide space and machines to PAGCOR, while PAGCOR operates the slot machine arcade.

WPI's entry into the VIP slot machine arcade market space is in line with PAGCOR's growth strategy. The first such VIP slot machine arcade was opened by MBI in Sta. Cruz, Manila. The 1,200 square meter area is located at the Universal Mall along Rizal Avenue.

The slot machines are supplied by Elixir Gaming Technologies, which is part of the Melco Group of Hong Kong. This partnership is both strategic and operational in nature. It is strategic because they are a big operator in Macau. Operationally, WPI is at an advantage because the Melco Group creates its own slot machines and does their own game programming.

WPL, CWIL On March 23, 1995, WPL became a wholly-owned subsidiary following its acquisition by the Company from Waterfront Amusement and Gaming Limited. WPL and its wholly-owned subsidiary, CWIL were primarily established for the international marketing and promotion of hotels and casinos. In 2003, these companies have been temporarily laid inoperative in response to a general slow down in the economy. Management, however, commits to resume operations when better business opportunities present themselves in the future.

Waterfront Wellness Group, Inc. (formerly W Citigyms and Wellness Corp.) was incorporated and registered with the Securities and Exchange Commission on January 26, 2006, to engage in, conduct and carry on the general business of sporting and other recreational activities. The facilities of W Citigym include a fitness gym with the top-of-the line equipments and amenities. The Company also offers in-house massage for guests staying in Waterfront Cebu City Casino Hotel, Inc.

Waterfront Food Concepts was incorporated and registered with the Securities and Exchange Commission on January 26, 2004, to engage in the operation of restaurants and food outlets, manufacture, baked and unbaked desserts, breads and pastries supplies to in-store bakeries, coffee shops and food service channels. WFC supplies the pastries and desserts offered by WCCHI and WMCHI food outlets, as well as its local customers.

Waterfront Hotel Management Corp. was registered with the Securities and Exchange Commission on March 31, 2003 to engage in the management and operation of hotels, except management of funds, portfolios, securities, and other similar assets of the managed entity. In November 2006, WHMC started its commercial operations by managing the hotel operations of G-hotel Manila by Waterfront.

The G-Hotel Manila is a boutique hotel located at the heart of Manila fronting Roxas Boulevard. It is easily accessible from major thoroughfares. The hotel is approximately a twenty-minute drive from the Ninoy Aquino International Airport and is minutes away from the Makati Central Business District. With its residential chic appeal, G-Hotel Manila provides a comfortable backdrop for both business and pleasure in the metropolis. Combining both world-class services with posh modern minimalism, G-Hotel Manila serves a unique balance of substance and style in a trendy boutique hotel.

The hotel has 50 rooms consisting of 10 suites rooms and 40 deluxe rooms, which offer 24-hour personalized butler service. The hotel operates two outlets namely, the Café Noir which is the hotel's coffee shop which offers Asian fusion menu and the Mirage, the hotel's pool bar. Its function room, the Promenade, can cater to 250 people banquet style offering a marvelous view of the Manila Bay.

The hotel's business center is equipped with flat screen computers, fax machines, telecommunications facilities and travel booking assistance.

WEC, was registered with the Securities and Exchange Commission on August 13, 2003 and successfully established the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, 7 days a week Central Reservation Office last October 2009. This service ranges from systems and solutions specializing in the operations hotel framework. It offers specialize hotel consultancy services to hotel owners, operators, brands, developers, lenders and investors with the support of hand-picked networks of experts covering all elements of the hotel or hospitality business within a global perspective.

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. Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has the power to exercise control over the operations of these companies. All subsidiaries have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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 expense 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 assts 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 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.

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

1. Cash and Cash Equivalents
Included in cash and cash equivalents as of March 31, 2013 are composed mainly of cash deposited in various banks and short-term placements that earn an annual interest of 2% with an average maturity date of 30 days.

2. Receivables
This account consists:

	March 2013	**March 2012**
Trade Others	123,634,066 301,754,603	120,546,713 285,206,324
	425,388,670	**405,753,037**
Less allowance for doubtful accounts	-20,248,180	-22,954,726
Total	**405,140,490**	**382,798,311**

3. Inventories
This account consists of:

	March 2013	**March 2012**
Food and Beverage Operating Supplies Others	17,864,824 13,847,278 2,715,133	15,424,589 13,737,963 2,770,619
Total	**34,427,235**	**31,933,171**

4. Related Party Transactions

These are interest bearing advances to MAHEC, TWIGI, PRC and FORUM subject for re-pricing and yearly renewal.

5. Accounts Payable and Accrued Expenses
This account consists of:

	March 2013	**March 2012**
Trade Accrued Expenses Others	233,642,963 621,560,424 317,930,270	276,286,883 945,708,398 431,679,821
Total	**1,173,133,658**	**1,653,675,102**

6. Loans Payable

This account consists of:

SSS Loan

On October 28, 1999, the Parent Company also obtained a five-year term loan from SSS amounting to P375 million originally due on October 29, 2004.

The SSS loan was availed of 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 of an independent custodian mutually agreed upon by both parties.

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.

ICBC Loan

The Company had committed an event of default with respect to the payment of its US$15 million loan with the ICBC – Singapore Branch, which matured on 31 March 1998. On 03 June 2003, the loan was restructured by ICBC which stipulated six semi-annual installments payment of principal and interest until April 2006. In July 2004, the new management of the Company requested for a reprieve on loan principal payments due for the period, which the Company suggested to be placed at the end of the term of the Amended Agreement. As of the date of this report, management is still negotiating with ICBC for the rescheduling of payments of the APHC's overdue loan principal installments totaling US$7.36 million.

PBB

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 2012, WCCCHI entered into another term loan agreement with PBB amounting to P250 million. The loan matures in three years and shall bear an interest rate of 10% per annum to be reprised every month payable in arrears. WCCCHI, however, is allowed to fully or partially pre-terminate the loan. The loan is secured by the assignment of rental payments from PAGCOR on the leases of hotels, plus real estate mortgage on the hotel building and other improvements.

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

	March 2013	**March 2012**
Net Income (Loss)	31,686,217	43,298,607
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	**0.013**	**0.017**

There are no dilutive potential shares as of March 31, 2013 and 2012.

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

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 agreement is until December 16, 2016.

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. The Amended Lease Contract is until December 30, 2016, and may be renewed, in accordance with the law, at the option of the Lessee under such terms and conditions as may be agreed upon by the parties.

On March 21, 2011, WCCCHI and WMCHI renewed their respective Lease Contracts with PAGCOR, in order to consolidate, simplify, reconcile and update the terms and conditions of the contract of lease and its amendments. The Lease Contract shall cover a total area of 13,677.08 sq. m., for WCCCHI, particularly described as follows: Main Area 8,123 sq. m., Slot Machine Expansion Area 883.38 sq. m., Mezzanine 2,335 sq. m., 5th Floor Junket Area 2,336 sq. m. The monthly rent for each area is P1, 772.96 per sq. m., and for the 5th Floor Junket Area the rent is 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.

For WMCHI the Lease Contract shall cover a total area of 5,152.24 sq. m consisting of Main Casino Area of 4,076.24 sq. m., and a Chip Washing Area of 1,076 sq. m. The monthly rent for the Main Casino Area is P 1,772.96 per sq. m. and for the Chip Washing Area is P1, 688.53 per sq. m.

The monthly rent for the Leased Premises is Value Added Tax (Vat) exclusive, zero-rated transactions. Starting on January 3, 2013 and every year thereafter, the monthly rent for the Main Area, Slot Machine Expansion Area, Mezzanine, Main Casino Area and the Chip Washing Area for both WCCCHI and WMCHI, shall be adjusted by five (5%) on year after the lease thereon is continued by the Lessee and every year thereafter. The Lease Contracts for both WCCCHI and WMCHI is until August 2, 2016, and may be renewed, in accordance with the law, at the option of the Lessee under such terms and conditions as may be agreed upon by the parties.

9. Other Lease Agreements

Land under Operating Lease

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

Land under Finance Lease

In the period prior to October 2011, APHC and CIMAR entered into a finance lease agreement. Accordingly, 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 an ejectment case and demanded possession of land plus interest.

As disclosed in Note 11, 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 the 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 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.

10. Commitments and Contingencies

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.

In settlement of the 2006 deficiency tax assessment, the Parent Company paid subsequent to reporting date the amount of P1.5 million.

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

MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Below are the results of operations of the Parent Company and its subsidiaries, for the period ending March 31, 2013 and 2012 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

	Jan-March 20123	**Jan-March 2012**
Revenues	**495,206,812**	**516,781,879**
Less: Costs and Expenses	332,302,097	353,985,754
Net Income (Loss) Before Fixed Financial and Other Charges	**162,904,715**	**162,796,125**
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	129,771,958	106,251,984
Income (Loss) before Income Tax	**33,132,756**	**56,544,141**
Income Tax Expense (Benefit)	96,100	-
Income (Loss) before Share in Minority Interest	**33,036,656**	**56,544,141**
Share of Minority Interest	**1,350,439**	**13,245,534**
Net Income (Loss)	**31,686,217**	**43,298,607**
Earnings (loss) Per share	**0.013**	**0.017**

FINANCIAL CONDITION

	March 2013	**March 2012**
Assets		
Current assets	2,479,778,779	2,347,750,590
Non-current Assets	6,076,078,720	7,141,885,902
Total Assets	**8,555,857,499**	**9,489,636,492**
Liabilities and Stockholders' Equity		
Current Liabilities	2,295,917,729	2,624,827,031
Non-current Liabilities	1,822,011,054	2,282,243,031
Total Stockholders' Equity	3,750,501,503	3,860,590,513
Minority Interest	687,427,213	721,975,917
Total Liabilities and Stockholders' Equity	**8,555,857,499**	**9,489,636,492**

RESULTS OF OPERATIONS

Period ended March 31, 2013 compared to Period Ended March 31, 2012.

Income Statement

Hotel and other subsidiaries gross revenues for the 1st quarter is Php495 million compared the 1st quarter last year of Php517 million; a decrease of 4.17%. The reason of the decrease in revenue is due to the rapid rising of city hotels. WCCCHI's net revenue lowered by 26.82%. and operating expenses Decreased by 6.13%

Seasonality or Cyclicality of Interim Operations

1ST QUARTER

The occupancy for the two (2) hotels, WCCCHI and WMCHI, are high during the months of January and February because of the celebration of the Feast of Sto. Niño better, renowned as the "Sinulog" as well as the celebration of the Chinese New Year. Many visitors come to Cebu during this time just to witness and participate in the festivities. Sinulog is one of the city's main pull for tourists as well as other locals. The celebration of the Chinese New Year also added to the Company's revenues. As we all know, the country's full of Chinese nationalities and businessmen that celebrating their new year would really be an advantage to the hotels in terms of revenues. The month of March tends to be a slow one for all the hotels. The occupancy percentage depends on the bookings of rooms and functions scheduled by convention organizers, government agencies and tour-group bookings.
Inspite the boostful celebration, these numbers of people were divided among hotels that grow like mushroom here in Cebu. In addition, Manila Pavilion's on-going renovation has affected the number of guests coming in.

As always, the company and the management itself continue to navigate to a position of incontestable strength and market leadership. To go beyond outside traditional markets and develop new revenue streams. And further enhance measures to decrease its operating cost without sacrificing the need and satisfaction of its guest/clients. This is also to ensure long-term stability of the corporation and continuing customers' 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 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

TOP FIVE (5) PERFORMANCE INDICATORS

	Jan-Mar 2013	**Jan-Mar 2012**
Occupancy Percentage	65.70%	68%
Average Room Rates	2,234.62	2,143.64
Food Covers	62,243.60	67,943
Average Food Checks	352.16	350.90
Average Food Costs	37%	34%

Occupancy Percentage
The occupancy percentage grew down by 2.3% as compared to 1st quarter last year. Occupancy percentage is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

Average Room Rate
Average room rate is 4.2% higher compared to 1st quarter last year; this mainly due to room promotions offered by WCCCHI and WMCHI to compete with the newly open hotels in Cebu that

offered promo rates. Average room rate is computed by dividing the net rooms revenue over the total number of rooms sold.

Food Covers
Food covers this quarter decreased by 8.4% compared to the 1st quarter last year. This is mainly because there were fewer functions and conventions this time. Food covers pertains to the number of guests that availed of the restaurants services.

Average Food Check
The average food check or average consumption per guest this quarter grew by 0.36% compared to 1st quarter last year. Average Food Check is derived by dividing the total food and beverage revenue by total food covers.

Average Food Cost
The average food cost increased by 3% from previous year of the same quarter. This is mainly due to the fewer functions and conventions this quarter compared to the same quarter last year. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

Revenues and Earnings per Share
Revenues decreased by 23.53% for the first quarter of 2013 as compared to previous year of the same quarter while operating expenses decreased by 6.13%. Such decreased resulted to a net income of P32 million, which is 26.82% lower compared to last year same quarter.

Earnings per share this quarter is a (P0.013) while same quarter last year was (P0.017).

Fixed Financial and Other Charges
Total fixed financial and other charges for this quarter is 13% higher compared to same quarter last year. This account includes the depreciation and interest expenses from the loans from the banks.

Interest Expense this quarter is higher by 34% as compared to the 1st quarter last year.

FINANCIAL CONDITION

Cash and Cash Equivalents
Cash and cash equivalents as of the 1st quarter of this year is Php100 million compared to 1st quarter of Php76 million; an increased of 32%. The reason for this is that the company has tried to avail of the prompt payment discount offered by some suppliers whenever there is an excess fund and prompt collection of receivables from corporate clients.

Receivables
Receivables for the period increased by 6% from P383 million 1st quarter last year to P405 million 1st quarter this year. The increase was attributable to the higher sales volume but on account basis. The company continues to monitor the credit sales and strictly followed the 30 days credit term.

Inventories
Inventory for this quarter is P34million this year while last year was P32 million. Best effort was exerted to maintain the inventories on a very reasonable level. The company was nimble enough to react quickly to changes in customer demand and do it with little inventory to prevent a long lead times in-order to minimize cost.

Due from related parties-current portion
This account has increased by 5% from last year's first quarter. This also represents interest bearing advances with MAHEC, TWGI, PRC and FHI at a rate of two percent (2%) per annum. Advances to TWGI, PRC and FHI are subject for annual re-pricing and renewal.

Property, Plant and Equipment
There is a decrease of 9% on this account. This is mainly due to depreciation.

Accounts Payable and Accrued Expenses
This account has decreased by 29%. The reason for this is that the company has tried to avail of the prompt payment discount offered by some suppliers whenever there is an excess fund.

Loans Payable
There is a decrease of 26% or Php359 million on this account. This comprises loans from Phil. Business Bank, Social Security System and Industrial Commercial Bank of China. Series of payments were made to fulfill its obligation to settle the account.

Other Current Liabilities
The increase on this account was due on advance rentals from concessionanaires.

Other Non current Liabilities
There is a decrease of 29% of this account from 695 million to 496 million. The account compiles rent received in advance< PAGCOR and retirement benefits.

Deferred Tax Assets and Deferred Tax Liabilities
Deferred income 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 income 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 income 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.

Key Variable and Other Qualitative and Quantitative Factors:

a. Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE

b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c. There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

e. From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.

f. There are no significant elements of income or loss or any events that did not arise from the issuer's continuing operations other than those already affecting profit or loss.

g. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effect in the current interim period. – NONE

f. There were no dividends paid aggregate or per share separately for ordinary shares and other shares.

The interim financial statements as of March 31 , 2013 shall contain the following disclosure:

i. Separate Financial Statements
PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)). These amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory.

ii. Investments In Associate and Joint Ventures – Not Applicable

iii. Government Loans – Not Applicable

iv. Disclosure –Offsetting Financial Asssts and Financial Liablities – Applicable
Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).
These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

*****offset in the statement of financial position; or**
*****subject to enforceable master netting arrangements or similar agreements**

They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

v. Consolidated Financial Statements
The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its invitees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

Financial Risk Management

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investments, 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, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary. Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is sufficient working capital inflows to match repayments of short-term debt.

Market risk
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, SSS, PAGCOR and ICBC. 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.

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.

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.

Fair Value of Financial Assets and Liabilities

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.

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative periods:

CURRENT / LIQUIDITY RATIO

Current Ratio	2013	2012
Current Assets	2,479,778,779.00	2,347,750,590.00
Current Liabilities	2,162,902,294.00	2,624,827,031.00
Ratio	1.147	0.894

Quick Ratio	2013	2012
Cash + Accounts Receivable + Short Term Marketable Securities	505,494,714.00	458,877,195.00
Current Liabilities	2,162,902,294.00	2,624,827,031.00
Ratio	0.234	0.175

Cash Ratio	2013	2012
Cash + Short Term or Marketable Securities	100,354,224.00	76,078,884.00
Current Liabilities	2,162,902,294.00	2,624,827,031.00
Ratio	0.046	0.029

SOLVENCY RATIO

Current Liabilities to Equity Ratio	2013	2012
Current Liabilities	2,162,902,294.00	2,624,827,031.00
Total Equity	3,750,501,503.00	3,860,590,513.00
Ratio	0.577	0.680

Total Liabilities to Equity Ratio	2013	2012
Total Liabilities	4,117,928,783.00	4,907,070,062.00
Total Equity	3,750,501,503.00	3,860,590,513.00
Ratio	1.098	1.271

Fixed Assets to Equity Ratio	2013	2012
Fixed Assets	5,921,902,228.00	6,485,041,467.00
Total Equity	3,750,501,503.00	3,860,590,513.00
Ratio	1.579	1.680

Asset to Equity Ratio	2013	2012
Total Assets	8,555,857,499.00	9,489,636,492.00
Total Equity	3,750,501,503.00	3,860,590,513.00
Ratio	2.281	2.458

INTEREST COVERAGE RATIO

Interest Coverage Ratio	2013	2012
Net Income Before Tax + Interest Expense	83,299,450.00	93,987,205.00
Interest Expense	50,166,694.00	37,443,064.00
Ratio	1.660	2.510

PROFITABILITY RATIO

Return on Sales (Profit Margin) Ratio	2013	2012
Net Income After Taxes	33,036,656.00	56,544,141.00
Net Sales	485,212,216.00	516,781,879.00
Ratio	0.068	0.109

Return on Assets (ROA) Ratio	2013	2012
Net Income After Taxes	33,036,656.00	56,544,141.00
Total Assets	8,555,857,499.00	9,489,636,492.00
Ratio	0.0039	0.006

Return on Equity	2013	2012
Net Income After Taxes	33,036,656.00	56,544,141.00
Total Equity	3,750,501,503.00	3,860,590,513.00
Ratio	0.009	0.015

WATERFRONT PHILIPPINES, INCORPORATED & SUBSIDIARIES
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING
As of March 31, 2013

Trade Receivables	0-30 days	31-60 days	61-90 days	91-120 days	121 days over	TOTAL
Waterfront Cebu City Hotel & Casino	14,397,857.00	8,314,084.00	245,117.00	31,312.00	1,905,738.00	24,894,108.00
Waterfront Airport Hotel & Casino	10,418,537.96	6,800.00	4,800.00	-	139,370.21	10,569,508.17
Waterfront Insular Hotel Davao	6,522,457.97	3,152,649.92	1,130,217.01	1,233,131.40	4,929,126.70	16,967,583.00
Manila Pavilion Hotel	12,116,569.25	5,287,553.69	820,463.06	952,627.35	11,013,895.56	30,191,108.91
G-Hotel	2,331,139.82	82,690.00	96,395.00	87,100.00	402,522.77	2,999,847.59
Total	**45,786,562.00**	**16,843,777.61**	**2,296,992.07**	**2,304,170.75**	**18,390,653.24**	**85,622,155.67**

COVER SHEET

AS094-8678

S.E.C. Registration Number

WATERFRONT PHILIPPINES, INCORPORATED

(Company's Full Name)

IPT Building, Pre-Departure Area, Mactan Cebu International Airport Lapu-lapu City, Cebu

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

Ms. Irish Chara Lawas

Contact Person

(02) 559-0130

Company Telephone Number

AMENDED

12	31	**17-Q2**	08	18
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

490		
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.

July 2, 2013

Janet S. Encarnacion
Head, Disclosure Department
4th Floor Philippine Stock Exchange Center
Exchange Road Ortigas Center
Pasig City, Metro Manila

Dear Ms. Encarnacion,

Stated herewith are the following revisions:

Paragraph	Page No.	Amendments / Revisions
d. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effect in the current interim period;	18	Complied.
f. Dividends paid separately for ordinary shares and other shares	18	Complied.
h. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period	18	Complied.
g. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.	18	Complied.
The interim financial statements as of March 31, 2013 shall contain the following disclosures. i. Separate Financial Statements ii. Investments in Associate and Joint ventures iii. Government Loans iv. Disclosure-Offsetting Financial Assets and Financial Liabilities v. Consolidated Financial Statements	19	Complied

Very yours truly,

Atty. Arthur R. Ponsaran
Corporate Secretary

107032013002429

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725 5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	AS94008678
Company Name	WATERFRONT PHILS. INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	107032013002429
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	March 31, 2013
No. of Days Late	0
Department	CFD
Remarks	Amended

7/3/2013
ROSEHELLE V. TAMPUCAO

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex A.

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

Please refer to Annex B.

PART II--OTHER INFORMATION

NONE.

SIGNATURES

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

Registrant: ***Waterfront Philippines, Inc.***

Issuer ***Atty. Arthur R. Ponsaran***

Signature and Title ____________________
Corporate Secretary

Date 07/02/2013

Principal Financial/Accounting Officer/Controller ***Precilla O. Toriano***

Signature and Title ____________________
Compliance Officer/ Director for Finance

Date 07/02/2013

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION-UNAUDITED

As of March 31, 2013

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	March 31, 2013	March 31, 2012	December 31, 2012
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	P 100,354,224	P 76,078,884	P 76,723,180
Trade and Other Receivables-net	405,140,490	382,798,311	165,119,561
Inventories	34,427,235	31,937,171	29,840,571
Due from affiliated companies-current portion	1,930,183,933	1,842,953,175	2,176,371,031
Prepaid Expenses and Other Current Assets	9,672,897	13,983,049	27,161,233
Total Current Assets	2,479,778,779	2,347,750,590	2,475,215,576
Noncurrent Assets			
Receivables from Acesite (BVI)	-	-	-
Due from affiliated companies-noncurrent portion	-	253,653,680	-
Goodwill	-	142,819,150	-
Property and equipment-net	5,921,902,228	6,485,041,467	6,461,224,021
Available-for-sale Investments	26,013,000	22,978,150	26,013,000
Deferred Tax Assets	95,192,804	115,253,244	278,522,670
Other noncurrent assets	32,970,688	122,140,211	130,421,834
Total Noncurrent Assets	6,076,078,720	7,141,885,902	6,896,181,525
Total Assets	P 8,555,857,499	P 9,489,636,492	P 9,371,397,101
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	P 1,173,133,658	P 1,653,675,102	P 1,276,945,998
Loans Payable-current portion	375,000,000	825,157,196	689,128,747
Income tax payable	9,093,083	48,347,023	14,313,966
Contract Payable	-	86,260,000	-
Mortgage Loan payable	299,798,636	-	-
Other current liabilities	305,876,917	11,387,710	14,083,208
Total Current Liabilities	2,162,902,294	2,624,827,031	1,994,471,919
Noncurrent Liabilities			
Loans Payable-noncurrent portion	603,125,000	512,500,000	700,000,000
Deferred tax liabilities	855,855,307	1,075,075,779	1,214,757,909
Other noncurrent liabilities	496,046,182	694,667,252	1,057,275,213
Total Noncurrent Liabilites	1,955,026,489	2,282,243,031	2,972,033,122
Total Liabilites	4,117,928,783	4,907,070,062	4,966,505,041
Equity Attributable to Equity Holders of the Parent Company			
Capital Stock	2,498,991,753	2,498,991,753	2,498,991,753
Additional paid-in capital	706,364,357	706,364,357	706,364,357
Revaluation increment in property and equipment	1,982,306,439	2,085,457,808	1,982,306,439
Unrealized valuation loss on AFS investments	7,982,267	6,329,331	7,982,267
Foreign currency translation adjustment	35,801,255	37,654,614	35,801,255
Deficit			
Appropriated	140,000,000	130,000,000	140,000,000
Unappropriated	(1,620,944,568)	(1,604,207,350)	(1,652,630,785)
Total Stockholders Equity	3,750,501,503	3,860,590,513	3,718,815,286
Non-controlling Interest	687,427,213	721,975,917	686,076,774
Total Liabilities & Stockholders Equity	P 8,555,857,499	P 9,489,636,492	P 9,371,397,101

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME -UNAUDITED

For the Quarter Ended March 31, 2013

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	Jan-Mar 2013	Jan-Mar 2012	December 31, 2012
REVENUES			
Hotel	P 453,427,854	P 475,954,951	P 1,951,660,279
Nonhotel	30,099,754	34,197,026	19,132,964
Interest and other income	11,679,204	6,629,902	28,472,703
Subtotal	495,206,812	516,781,879	1,999,265,946
OPERATING EXPENSES			
Hotel	303,288,583	323,417,735	1,174,511,444
Nonhotel	29,013,514	30,568,019	350,192,702
Subtotal	332,302,097	353,985,754	1,524,704,146
INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES	162,904,715	162,796,125	474,561,800
FIXED, FINANCIAL AND OTHER CHARGES			
Depreciation and amortization	81,670,440	73,250,666	323,723,574
Interest Expense	50,166,694	37,443,064	162,940,594
Interest Income	(66)	(335)	(41,274,304)
Others	(2,065,111)	(4,441,411)	(17,083,188)
Subtotal	129,771,958	106,251,984	428,306,676
INCOME BEFORE INCOME TAX	33,132,756	56,544,141	46,255,124
PROVISION FOR INCOME TAX			
Current	96,100	-	38,566,769
Deferred	-	-	
INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	33,036,656	56,544,141	7,688,355
SHARE OF MINORITY INTEREST	1,350,439	13,245,534	14,938,019
NET INCOME(LOSS)	31,686,217	43,298,607	(7,249,664)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for foreign operations	-	-	(11,853,359)
Net change in fair value of available-for-sale financial assets	-	-	3,034,850
Total	-	-	(8,818,509)
TOTAL COMPREHENSIVE INCOME	P 33,036,656	P 56,544,141	$ (1,130,154)
EARNINGS (LOSS) PER SHARE	P0.013	P0.017	(P0.003)

*There are no dilutive potential shares as of March 31, 2013and 2012

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-UNAUDITED

As of March 31, 2013

	CONSOLIDATED		
	Unaudited	**Unaudited**	**Audited**
	March 31, 2013	**March 31, 2012**	**December 31, 2012**
CAPITAL STOCK			
Balance, beginning of the period	P 2,498,991,753	P 2,498,991,753	P 2,498,991,753
Issuance of shares	-	-	-
Balance, end of period	2,498,991,753	2,498,991,753	2,498,991,753
Additional Paid-in Capital	706,364,357	706,364,357	706,364,357
Revaluation Surplus in Property and Equipment			
Balance, beginning of the period	1,982,306,439	2,085,457,808	2,085,457,808
Derecognition of land held under finance lease			
due to acquisition of a subsidiary	-	-	(6,763,234)
Transfer of revaluation surplus absorbed through		-	
depreciation for the year-net of income tax effect	-	-	(96,388,135)
Balance, end of the period	1,982,306,439	2,085,457,808	1,982,306,439
Unrealized Valuation Gain (Loss) on AFS Investment			
Balance, beginning of the period	7,982,267	6,329,331	6,329,331
Valuation Loss taken into equity during the year	-	-	1,760,213
Effect of the increase in non-controlling interest due to sale			
of an interest in a subsidiary	-	-	(107,277)
Balance, end of the period	7,982,267	6,329,331	7,982,267
Foreign Curreny Translation			
Balance, beginning of the period	35,801,255	37,654,614	37,654,614
Translation adjustment during the year	-	-	(1,853,359)
Balance, end of the period	35,801,255	37,654,614	35,801,255
Deficit			
Appropriation for renovation and business expansion	140,000,000	130,000,000	140,000,000
Unappropriated:			
Balance beginning of the year	(1,652,630,785)	(1,647,505,957)	(1,741,769,256)
Transfer of revaluation surplus			
absorbed through depreciation for the year net of tax effect	-	-	96,388,135
Net Income (Net Loss)	31,686,217	43,298,607	(7,249,664)
Balance, end of the period	(1,620,944,568)	(1,604,207,350)	(1,652,630,785)
Total deficit	(1,480,944,568)	(1,474,207,350)	(1,512,630,785)
Total Equity Attributable to Equity			
Holders of the Parent Company	P 3,750,501,503	P 3,860,590,513	P 3,718,815,286

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS-UNAUDITED

As of March 31, 2013

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	March 31, 2013	March 31, 2012	December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 33,036,656	P 56,544,141	P 46,255,124
Adjustments for:			
Depreciation and amortization	81,670,440	73,250,666	323,723,574
Interest expense	50,166,694	37,443,064	162,940,594
Loss on sale on acesite shares	-	-	9,169,071
Retirement benefit costs	-	-	44,306,329
Provision for impairment losses on receivable	-	-	796,995
Unrealized foreign exchange gain	(2,065,111)	(4,441,411)	(21,172,420)
Loss on disposal of property and equipment	-	-	88,605
Interest income	(9,994,661)	(6,629,902)	(41,274,304)
Operating income before working capital changes	152,814,018	156,166,558	524,833,568
Decrease (increase) in:			
Receivables	(240,020,929)	(210,136,329)	(746,305)
Inventories	(4,586,664)	4,781,085	6,877,685
Prepaid expenses and other current assets	17,488,336	4,781,855	(10,973,124)
Increase (decrease) in:			
Accounts payable and accrued expenses	(101,747,229)	447,304,715	78,280,229
Other current liabilities	424,809,144	(752,029)	10,628,902
Cash generated from operations	248,756,676	402,145,855	608,900,955
Interest received	9,994,661	6,629,902	196,478
Income taxes paid	(5,316,983)	(5,406,171)	(102,418,152)
Retirement plan contributions paid	-	-	(19,467,600)
Interest paid	(50,166,694)	(37,443,064)	(151,871,417)
Net cash provided by (used in) operations	203,267,660	365,926,522	335,340,264
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	457,651,353	(28,281,519)	(262,303,663)
Investment in subsidiary	203,019,736	-	(22,819,071)
payment of contract payable	-	-	(86,260,000)
Proceeds from sale of an equity interest in subsidiary	-	-	13,650,000
Proceeds from sale of property and equipment	-	-	135,200
Decrease (increase) in other non-current assets	280,781,012	246,121,258	67,210,101
Net cash provided by (used in) investing activities	941,452,101	217,839,739	(290,387,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase(decrease) in loans payable	(314,128,747)	(42,298,554)	30,976,955
Decrease in due from related parties	246,187,098	(31,026,127)	(44,985,501)
Increase (decrease) in other non-current liabilities	(1,053,147,068)	(513,319,019)	(19,824,067)
Payment of obligation under finance lease	-	-	(1,500,000)
Net cash used in financing activities	(1,121,088,717)	(586,643,700)	(35,332,613)
Decrease in translation adjustment for the year	-		(11,853,361)
Net increase (decrease) in cash and cash equivalents	23,631,044	(2,877,439)	(2,233,143)
Cash and cash equivalents at beginning of year	76,723,180	78,956,323	78,956,323
Cash and cash equivalents at end of year	P 100,354,224	P 76,078,884	P 76,723,180

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Organization and Status of the Business

Corporate Information
Waterfront Philippines, Incorporated ("the Parent Company") was incorporated in the Philippines, and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. WPI is 46%-owned by The Wellex Group, Inc. ("TWGI") and is listed in the Philippine Stock Exchange (PSE). It holds equity interest 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 were incorporated in the Philippines, except for Waterfront Promotion Ltd (WPL) and Club Waterfront Limited (CWIL), which were registered in the Cayman Islands. The details of the equity interest of the Parent Company are shown below:

	Percentage of Ownership	
	Direct	Indirect
Hotels and resorts:		
Waterfront Cebu City Casino Hotel, Inc. (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Inc. (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Philis.) Hotel Corporation (APHC)	58	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real Estate:		
CIMA Realty Phils. Inc.		58
Fitness gym:		
W Citigyms & Wellness, Inc. (W Citigym)	100	-
International marketing and promotion of casinos:		
Waterfront Promotion Ltd. (WPL)	100	-
Mayo Bonanza, Inc. (MBI)	100	-
Club Waterfront International Limited (CWIL)	-	100
Pastries manufacturing:		
Waterfront Food Concepts, Inc. (WFC)	100	
Hotel management and operation:		
Waterfront Management Corprotion (WMC)	100	-

Hotels

Waterfront Cebu City Casino Hotel Inc. (WCCCHI) was incorporated on September 23, 1994. It started commercial operations in January 1998.

This hotel is conveniently located in the center of Cebu and is within easy reach from the financial district, shopping malls, golf courses and Mactan's renowned beach resorts.

Waterfront Cebu City Hotel & Casino has 561 elegantly designed and well-appointed guest rooms and suites. The 18th Floor is the Waterfront Ambassador Club with a two floor Club Lounge exclusive for Ambassador Floor guests. Waterfront Ambassador Club guests enjoy butler service, complimentary business services and a business boardroom fit for a group of up to 8 people, equipped with a built-in LCD projector, a roll-up screen, PA and recording system, a local area network (LAN) and a poly communication system. The 2nd floor lounge is outfitted with 3 computer stations, where guests can avail of complimentary WIFI access, flat-screen television entertainment, an array of lifestyle and business magazines as well as newspapers and board games. The hotel offers a 10,000-square meter convention center, which is the largest convention center in the Visayas and Mindanao, and is designed to adapt to multiple types of events. The convention center is equipped with 10 function rooms, 2 executive board rooms, and 2 Grand Ballrooms, each seating 4,000 people. It has played host to a myriad of national as well as regional events, conventions and conferences.

Waterfront Cebu operates 10 F&B outlets, including a hotel coffees hop, a Japanese restaurant, an Italian restaurant and a poolside snack bar. The hotel has a fully functional business center paired with flat-screen computers, internet access and private boardrooms.

The hotel's lobby renovation has started last year, 2011 and will be launched July this year. The cost of the renovation is around Php120 million. Designed by no less than Steven J. Leach, Jr. + Associates [Consultants] Incorporated (SL+A Manila), which is a part of the world-renowned Steven Leach Group, the inspiration for the lobby's new look is based on two main objectives; first, to transform the existing single dimension grand lobby into a multi-dimensional lifestyle-concept space that will enhance the guests' experience when dining and lounging in the lobby; and second, to improve traffic patterns, through the construction of larger check-in areas and through maximizing the Lobby's three entrances.

Waterfront Cebu City Hotel and Casino's massive, high-ceilinged lobby has always been its principal attraction in fact it is touted as the largest hotel lobby in Visayas-Mindanao area. Spanning 22 meters wide, 96 meters in long and 35 meters high and crisscrossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance.

Apart from improvements to the general structure of the lobby, the Lobby Lounge itself will offer an all-new dining and lounging experience, with newly-installed glass panels, semi-closing each side of the lounge. Fully-equipped bar areas have also been installed in the middle of each of the lounge's two sections, ensuring diners of more efficient and prompt service. To enhance the overall guest experience, the hotel has put together additional features such as nightly entertainment from the city's top performers, and soulful afternoon music by soloists.

Among the hotel's newest pride comes in the form of delectable treats, introducing Lobby Lounge's new service concepts.

Flambé
Dubbed as the dessert on fire, this sizzling treat is sure to please foodies all around! The Lobby Lounge currently has a total variety of five (5) flambé selections – Vanilla and Passion Fruit Crêpe, Apple-Mango Tango, Pineapple Passion, Crêpe Suzette, Sweet Surprise. One variety is available per day. Guests can enjoy the flambé of the day at these times, 10:30 AM until 1:00 AM.

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

Wine Dispenser
Guests can now take a sip of Lobby Lounge's extensive selection of wine. The wine dispenser is an innovative addition to the wining and dining experience at the hotel. It serves the purpose of

allowing guests to select among an array of bottles, through tasting by the glass. This concept intends to give guests an opportunity to sample different wines in small amounts before deciding to order a full glass or bottle. Guests may test wines from the dispenser in three different amounts. This way, guests can choose the perfect wine fit for their palate. To enjoy the wine dispenser service, guests must avail of the Wine Card which comes in prepaid or postpaid.

Hot Chocolate
Delight your senses with our variety of sweets! Lobby Lounge serves hot chocolate using only the finest local chocolate and hot milk. Choose from a selection of Orange, Vanilla, Plain or Spiced Chocolate.

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

Waterfront Mactan Casino Hotel, Inc. (WMCHI) was incorporated on September 23, 1994. Located right across the Mactan Cebu International Airport, it features 164 rooms and suites, 4 food-and-beverage outlets and a Casino Filipino facility. It has the advantage of proximity to the Mactan International Airport. It has the largest number of rooms among airport hotels. WMCHI has made Cebu the only city in Southeast Asia that offers casino facilities to transients while waiting for their flights.

It is just a 3-minute drive to the industrial zone of Cebu, and a 15-minute drive to the beaches of Mactan Island. This hotel is just a short 30-minute drive from Cebu City's shopping and financial districts. The hotel has 164 well-appointed guest rooms and suites. The hotel has an Ambassador Club floor which consists of 14 Ambassador Rooms and 6 Ambassador Suites. The suites are designed with the business travelers in mind and are equipped with a work desk, dual telephone lines for broadband internet access. The business center is equipped with secretarial services and board rooms that cater to business meetings. Its computer area is outfitted with flat screen computers subdivided with modular partitions.

The hotel operates 4 F&B outlets including Uno, the Lobby Lounge, and Café Fortuna. The hotel's convention center consists of three function rooms and a boardroom. Both are equipped with audio-visual equipment. Function rooms can accommodate groups of up to 200 in banquet style. For guests who wish to hold events outdoors, the Veranda is a spacious open area that can accommodate as much as 250 people.

DIHCI was incorporated on July 3, 1959 and is currently operating under its trade name "Waterfront Insular Hotel Davao".

Waterfront Insular Hotel is a resort hotel overlooking the Davao Gulf. It is 20 minutes away from downtown Davao City. The hotel holds a superior position over other hotels in the city in terms of space and location.

With a greater area than any other hotel facility in the city, it is unmatched in servicing large business meetings, conventions, and exhibit groups. The hotel consists of four low-rise buildings of 158 guest rooms and suites. Every room opens to a lanai overlooking a lush garden, the blue waters of the Davao Gulf or a scenic coconut grove. The hotel has 5 restaurants. The hotel's function rooms suit different event requirements: 1 Grand Ballroom that can accommodate up to 400 persons, 3 boardrooms that can accommodate 30 persons each, and the Kalaw function room that can accommodate groups of up to 150 persons. The Tent in the hotel's garden is also popular for bigger celebrations

The hotel is every guest's gateway to the diverse, colorful and rich cultural heritage of Davao City. Discover the rich cultural heritage of Davao which stems from the different groups and tribes that populated the area throughout its history and be astonished of artworks in the hotel lobby where it showcases pieces of artifacts featuring the various object d'art from the different tribes and historical periods. These range from tribal handicrafts, instruments, pottery, jars and vases. Most of the sculptures and carvings dated from the ancient times.

Acesite (Phils.) Hotel Corporation (APHC) was incorporated on October 10, 1952 and commenced commercial operations in March 1968. It is currently operating under its trade name Manila Pavilion

Hotel. Situated in the heart of Manila, this property is opposite the Rizal National Park and is close to the historic walled city of Intramuros. It was acquired by WPI in June 24, 2004. This property is a few minutes away from the Philippine International Convention Center, World Trade Center and the Cultural Center of the Philippines. The Ninoy Aquino International Airport is 11 kilometers away while the Makati Central Business District is only 6 kilometers away.

The hotel has 534 rooms and suites. All rooms have individually controlled central air conditioning, private bathroom with bath tub and shower, multi-channel radio, color TV with cable channels and internet connections.

The hotel has 5 food and beverage outlets that serve an international selection of culinary cuisines from European, to Chinese, Malaysian, and Cantonese. The hotel also has a music lounge and a lobby café that serves light meals and has an extensive pastry and deli counter.

Other guest services and facilities include a chapel, swimming pool, gym, business center, and a valet-service basement car park. Concessionaires and tenants include a spa, photography services, transportation services, travel agency and flower shop.

In addition, Casino Filipino –Pavilion, owned and operated by PAGCOR, occupies parts of the first five floors of the building. PAGCOR covers approximately 13,000 square meters of gaming and administrative area within the hotel structure. Casino Filipino – Pavilion is the highest earning location of PAGCOR in the country and accounts for a large percentage of PAGCOR's total gaming revenue.

This 2013, launched the renovation of the Manila Pavilion Hotel amid rising competition from new and international hotel brands set to open in the Philippines. It recently completed the second phase of its renovation covering 223 upper floor rooms and suites. Aside from its two-category Deluxe Rooms, Executive Rooms and Premier Suites, the hotel introduced a new set of Ambassador Club rooms and two new Presidential Suites to enhance the hotel's position in the corporate market. The redevelopment will continue for 250 Superior Rooms and Suites at the lower floors, as well as for the upgrade of function rooms and food and beverage facilities.The room themes were developed to maximize guest satisfaction to generate repeat bookings and keep room maintenance costs to minimum levels.

A landmark in Manila, the Manila Pavilion is situated close to a mix of historic sites, major ports and various entertainment hubs. It also houses the Casino Filipino Pavilion on the first three floors of the hotel.

GIRDI was incorporated on December 18, 1990 to engage in the hotel and resort business.

In November 2000, all of the property and equipment of GIRDI, including the hotel facilities and other operating assets, as well as its investment in marketable securities, were transferred to a third party. With this transfer, GIRDI ceased its involvement in the hotel and resort business. Management is currently looking for new business opportunities for GIRDI and intends to continue operating GIRDI as a going concern entity.

Mayo Bonanza, Inc. (MBI), a wholly-owned subsidiary of Waterfront Philippines, Incorporated (WPI) was registered with the Securities and Exchange Commission on November 24, 1995. Its primary purpose is to establish, operate, and manage the business of amusement entertainment, and recreation facilities for the use of the paying public.

MBI has been appointed by Atlantic Dynamo of the British Virgin Islands as its agent in the Philippines. Atlantic Dynamo has a contract with PAGCOR under which it will lease space and slot machines to PAGCOR for the operation of VIP slot machine arcades. MBI shall provide space and machines to PAGCOR, while PAGCOR operates the slot machine arcade.

WPI's entry into the VIP slot machine arcade market space is in line with PAGCOR's growth strategy. The first such VIP slot machine arcade was opened by MBI in Sta. Cruz, Manila. The 1,200 square meter area is located at the Universal Mall along Rizal Avenue.

The slot machines are supplied by Elixir Gaming Technologies, which is part of the Melco Group of Hong Kong. This partnership is both strategic and operational in nature. It is strategic because they are a big operator in Macau. Operationally, WPI is at an advantage because the Melco Group creates its own slot machines and does their own game programming.

WPL, CWIL On March 23, 1995, WPL became a wholly-owned subsidiary following its acquisition by the Company from Waterfront Amusement and Gaming Limited. WPL and its wholly-owned subsidiary, CWIL were primarily established for the international marketing and promotion of hotels and casinos. In 2003, these companies have been temporarily laid inoperative in response to a general slow down in the economy. Management, however, commits to resume operations when better business opportunities present themselves in the future.

Waterfront Wellness Group, Inc. (formerly W Citigyms and Wellness Corp.) was incorporated and registered with the Securities and Exchange Commission on January 26, 2006, to engage in, conduct and carry on the general business of sporting and other recreational activities. The facilities of W Citigym include a fitness gym with the top-of-the line equipments and amenities. The Company also offers in-house massage for guests staying in Waterfront Cebu City Casino Hotel, Inc.

Waterfront Food Concepts was incorporated and registered with the Securities and Exchange Commission on January 26, 2004, to engage in the operation of restaurants and food outlets, manufacture, baked and unbaked desserts, breads and pastries supplies to in-store bakeries, coffee shops and food service channels. WFC supplies the pastries and desserts offered by WCCHI and WMCHI food outlets, as well as its local customers.

Waterfront Hotel Management Corp. was registered with the Securities and Exchange Commission on March 31, 2003 to engage in the management and operation of hotels, except management of funds, portfolios, securities, and other similar assets of the managed entity. In November 2006, WHMC started its commercial operations by managing the hotel operations of G-hotel Manila by Waterfront.

The G-Hotel Manila is a boutique hotel located at the heart of Manila fronting Roxas Boulevard. It is easily accessible from major thoroughfares. The hotel is approximately a twenty-minute drive from the Ninoy Aquino International Airport and is minutes away from the Makati Central Business District. With its residential chic appeal, G-Hotel Manila provides a comfortable backdrop for both business and pleasure in the metropolis. Combining both world-class services with posh modern minimalism, G-Hotel Manila serves a unique balance of substance and style in a trendy boutique hotel.

The hotel has 50 rooms consisting of 10 suites rooms and 40 deluxe rooms, which offer 24-hour personalized butler service. The hotel operates two outlets namely, the Café Noir which is the hotel's coffee shop which offers Asian fusion menu and the Mirage, the hotel's pool bar. Its function room, the Promenade, can cater to 250 people banquet style offering a marvelous view of the Manila Bay.

The hotel's business center is equipped with flat screen computers, fax machines, telecommunications facilities and travel booking assistance.

WEC, was registered with the Securities and Exchange Commission on August 13, 2003 and successfully established the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, 7 days a week Central Reservation Office last October 2009. This service ranges from systems and solutions specializing in the operations hotel framework. It offers specialize hotel consultancy services to hotel owners, operators, brands, developers, lenders and investors with the support of hand-picked networks of experts covering all elements of the hotel or hospitality business within a global perspective.

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. Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has the power to exercise control over the operations of these companies. All subsidiaries have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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 expense 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 assts 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 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.

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

1. Cash and Cash Equivalents
Included in cash and cash equivalents as of March 31, 2013 are composed mainly of cash deposited in various banks and short-term placements that earn an annual interest of 2% with an average maturity date of 30 days.

2. Receivables
This account consists:

	March 2013	March 2012
Trade	123,634,066	120,546,713
Others	301,754,603	285,206,324
	425,388,670	**405,753,037**
Less allowance for doubtful accounts	-20,248,180	-22,954,726
Total	**405,140,490**	**382,798,311**

3. Inventories
This account consists of:

	March 2013	March 2012
Food and Beverage	17,864,824	15,424,589
Operating Supplies	13,847,278	13,737,963
Others	2,715,133	2,770,619
Total	**34,427,235**	**31,933,171**

4. Related Party Transactions

These are interest bearing advances to MAHEC, TWIGI, PRC and FORUM subject for re-pricing and yearly renewal.

5. Accounts Payable and Accrued Expenses
This account consists of:

	March 2013	March 2012
Trade	233,642,963	276,286,883
Accrued Expenses	621,560,424	945,708,398
Others	317,930,270	431,679,821
Total	**1,173,133,658**	**1,653,675,102**

6. Loans Payable

This account consists of:

SSS Loan

On October 28, 1999, the Parent Company also obtained a five-year term loan from SSS amounting to P375 million originally due on October 29, 2004.

The SSS loan was availed of 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 of an independent custodian mutually agreed upon by both parties.

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.

ICBC Loan

The Company had committed an event of default with respect to the payment of its US$15 million loan with the ICBC – Singapore Branch, which matured on 31 March 1998. On 03 June 2003, the loan was restructured by ICBC which stipulated six semi-annual installments payment of principal and interest until April 2006. In July 2004, the new management of the Company requested for a reprieve on loan principal payments due for the period, which the Company suggested to be placed at the end of the term of the Amended Agreement. As of the date of this report, management is still negotiating with ICBC for the rescheduling of payments of the APHC's overdue loan principal installments totaling US$7.36 million.

PBB

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 2012, WCCCHI entered into another term loan agreement with PBB amounting to P250 million. The loan matures in three years and shall bear an interest rate of 10% per annum to be reprised every month payable in arrears. WCCCHI, however, is allowed to fully or partially pre-terminate the loan. The loan is secured by the assignment of rental payments from PAGCOR on the leases of hotels, plus real estate mortgage on the hotel building and other improvements.

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

	March 2013	**March 2012**
Net Income (Loss)	31,686,217	43,298,607
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	**0.013**	**0.017**

There are no dilutive potential shares as of March 31, 2013 and 2012.

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

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 agreement is until December 16, 2016.

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. The Amended Lease Contract is until December 30, 2016, and may be renewed, in accordance with the law, at the option of the Lessee under such terms and conditions as may be agreed upon by the parties.

On March 21, 2011, WCCCHI and WMCHI renewed their respective Lease Contracts with PAGCOR, in order to consolidate, simplify, reconcile and update the terms and conditions of the contract of lease and its amendments. The Lease Contract shall cover a total area of 13,677.08 sq. m., for WCCCHI, particularly described as follows: Main Area 8,123 sq. m., Slot Machine Expansion Area 883.38 sq. m., Mezzanine 2,335 sq. m., 5th Floor Junket Area 2,336 sq. m. The monthly rent for each area is P1, 772.96 per sq. m., and for the 5th Floor Junket Area the rent is 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.

For WMCHI the Lease Contract shall cover a total area of 5,152.24 sq. m consisting of Main Casino Area of 4,076.24 sq. m., and a Chip Washing Area of 1,076 sq. m. The monthly rent for the Main Casino Area is P 1,772.96 per sq. m. and for the Chip Washing Area is P1, 688.53 per sq. m.

The monthly rent for the Leased Premises is Value Added Tax (Vat) exclusive, zero-rated transactions. Starting on January 3, 2013 and every year thereafter, the monthly rent for the Main Area, Slot Machine Expansion Area, Mezzanine, Main Casino Area and the Chip Washing Area for both WCCCHI and WMCHI, shall be adjusted by five (5%) on year after the lease thereon is continued by the Lessee and every year thereafter. The Lease Contracts for both WCCCHI and WMCHI is until August 2, 2016, and may be renewed, in accordance with the law, at the option of the Lessee under such terms and conditions as may be agreed upon by the parties.

9. Other Lease Agreements

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

Land under Finance Lease
In the period prior to October 2011, APHC and CIMAR entered into a finance lease agreement. Accordingly, 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 an ejectment case and demanded possession of land plus interest.
As disclosed in Note 11, 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 the 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 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.

10. Commitments and Contingencies

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.

In settlement of the 2006 deficiency tax assessment, the Parent Company paid subsequent to reporting date the amount of P1.5 million.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Below are the results of operations of the Parent Company and its subsidiaries, for the period ending March 31, 2013 and 2012 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

	Jan-March 20123	Jan-March 2012
Revenues	**495,206,812**	**516,781,879**
Less: Costs and Expenses	332,302,097	353,985,754
Net Income (Loss) Before Fixed Financial and Other Charges	**162,904,715**	**162,796,125**
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	129,771,958	106,251,984
Income (Loss) before Income Tax	**33,132,756**	**56,544,141**
Income Tax Expense (Benefit)	96,100	-
Income (Loss) before Share in Minority Interest	**33,036,656**	**56,544,141**
Share of Minority Interest	**1,350,439**	**13,245,534**
Net Income (Loss)	**31,686,217**	**43,298,607**
Earnings (loss) Per share	**0.013**	**0.017**

FINANCIAL CONDITION

	March 2013	March 2012
Assets		
Current assets	2,479,778,779	2,347,750,590
Non-current Assets	6,076,078,720	7,141,885,902
Total Assets	**8,555,857,499**	**9,489,636,492**
Liabilities and Stockholders' Equity		
Current Liabilities	2,295,917,729	2,624,827,031
Non-current Liabilities	1,822,011,054	2,282,243,031
Total Stockholders' Equity	3,750,501,503	3,860,590,513
Minority Interest	687,427,213	721,975,917
Total Liabilities and Stockholders' Equity	**8,555,857,499**	**9,489,636,492**

RESULTS OF OPERATIONS

Period ended March 31, 2013 compared to Period Ended March 31, 2012.

Income Statement

Hotel and other subsidiaries gross revenues for the 1st quarter is Php495 million compared the 1st quarter last year of Php517 million; a decrease of 4.17%. The reason of the decrease in revenue is due to the rapid rising of city hotels. WCCCHI's net revenue lowered by 26.82%. and operating expenses Decreased by 6.13%

Seasonality or Cyclicality of Interim Operations

1ST QUARTER

The occupancy for the two (2) hotels, WCCCHI and WMCHI, are high during the months of January and February because of the celebration of the Feast of Sto. Niño better, renowned as the "Sinulog" as well as the celebration of the Chinese New Year. Many visitors come to Cebu during this time just to witness and participate in the festivities. Sinulog is one of the city's main pull for tourists as well as other locals. The celebration of the Chinese New Year also added to the Company's revenues. As we all know, the country's full of Chinese nationalities and businessmen that celebrating their new year would really be an advantage to the hotels in terms of revenues. The month of March tends to be a slow one for all the hotels. The occupancy percentage depends on the bookings of rooms and functions scheduled by convention organizers, government agencies and tour-group bookings.
Inspite the boostful celebration, these numbers of people were divided among hotels that grow like mushroom here in Cebu. In addition, Manila Pavilion's on-going renovation has affected the number of guests coming in.

As always, the company and the management itself continue to navigate to a position of incontestable strength and market leadership. To go beyond outside traditional markets and develop new revenue streams. And further enhance measures to decrease its operating cost without sacrificing the need and satisfaction of its guest/clients. This is also to ensure long-term stability of the corporation and continuing customers' 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 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

TOP FIVE (5) PERFORMANCE INDICATORS

	Jan-Mar 2013	**Jan-Mar 2012**
Occupancy Percentage	65.70%	68%
Average Room Rates	2,234.62	2,143.64
Food Covers	62,243.60	67,943
Average Food Checks	352.16	350.90
Average Food Costs	37%	34%

Occupancy Percentage
The occupancy percentage grew down by 2.3% as compared to 1st quarter last year. Occupancy percentage is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

Average Room Rate
Average room rate is 4.2% higher compared to 1st quarter last year; this mainly due to room promotions offered by WCCCHI and WMCHI to compete with the newly open hotels in Cebu that

offered promo rates. Average room rate is computed by dividing the net rooms revenue over the total number of rooms sold.

Food Covers
Food covers this quarter decreased by 8.4% compared to the 1st quarter last year. This is mainly because there were fewer functions and conventions this time. Food covers pertains to the number of guests that availed of the restaurants services.

Average Food Check
The average food check or average consumption per guest this quarter grew by 0.36% compared to 1st quarter last year. Average Food Check is derived by dividing the total food and beverage revenue by total food covers.

Average Food Cost
The average food cost increased by 3% from previous year of the same quarter. This is mainly due to the fewer functions and conventions this quarter compared to the same quarter last year. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

Revenues and Earnings per Share
Revenues decreased by 23.53% for the first quarter of 2013 as compared to previous year of the same quarter while operating expenses decreased by 6.13%. Such decreased resulted to a net income of P32 million, which is 26.82% lower compared to last year same quarter.

Earnings per share this quarter is a (P0.013) while same quarter last year was (P0.017).

Fixed Financial and Other Charges
Total fixed financial and other charges for this quarter is 13% higher compared to same quarter last year. This account includes the depreciation and interest expenses from the loans from the banks.

Interest Expense this quarter is higher by 34% as compared to the 1st quarter last year.

FINANCIAL CONDITION

Cash and Cash Equivalents
Cash and cash equivalents as of the 1st quarter of this year is Php100 million compared to 1st quarter of Php76 million; an increased of 32%. The reason for this is that the company has tried to avail of the prompt payment discount offered by some suppliers whenever there is an excess fund and prompt collection of receivables from corporate clients.

Receivables
Receivables for the period increased by 6% from P383 million 1st quarter last year to P405 million 1st quarter this year. The increase was attributable to the higher sales volume but on account basis. The company continues to monitor the credit sales and strictly followed the 30 days credit term.

Inventories
Inventory for this quarter is P34million this year while last year was P32 million. Best effort was exerted to maintain the inventories on a very reasonable level. The company was nimble enough to react quickly to changes in customer demand and do it with little inventory to prevent a long lead times in-order to minimize cost.

Due from related parties-current portion
This account has increased by 5% from last year's first quarter. This also represents interest bearing advances with MAHEC, TWGI, PRC and FHI at a rate of two percent (2%) per annum. Advances to TWGI, PRC and FHI are subject for annual re-pricing and renewal.

Property, Plant and Equipment
There is a decrease of 9% on this account. This is mainly due to depreciation.

Accounts Payable and Accrued Expenses
This account has decreased by 29%. The reason for this is that the company has tried to avail of the prompt payment discount offered by some suppliers whenever there is an excess fund.

Loans Payable
There is a decrease of 26% or Php359 million on this account. This comprises loans from Phil. Business Bank, Social Security System and Industrial Commercial Bank of China. Series of payments were made to fulfill its obligation to settle the account.

Other Current Liabilities
The increase on this account was due on advance rentals from concessionanaires.

Other Non current Liabilities
There is a decrease of 29% of this account from 695 million to 496 million. The account compiles rent received in advance< PAGCOR and retirement benefits.

Deferred Tax Assets and Deferred Tax Liabilities
Deferred income 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 income 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 income 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.

Key Variable and Other Qualitative and Quantitative Factors:

a. Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE

b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c. There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

e. From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.

f. There are no significant elements of income or loss or any events that did not arise from the issuer's continuing operations other than those already affecting profit or loss.

g. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effect in the current interim period. – NONE

f. There were no dividends paid aggregate or per share separately for ordinary shares and other shares.

The interim financial statements as of March 31 , 2013 shall contain the following disclosure:

i. Separate Financial Statements
PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)). These amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory.

ii. Investments In Associate and Joint Ventures – Not Applicable

iii. Government Loans – Not Applicable

iv. Disclosure –Offsetting Financial Asssts and Financial Liablities – Applicable
Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).
These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

*****offset in the statement of financial position; or**
*****subject to enforceable master netting arrangements or similar agreements**

They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

v. Consolidated Financial Statements
The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its invitees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

Financial Risk Management

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investments, 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, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary. Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is sufficient working capital inflows to match repayments of short-term debt.

Market risk
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, SSS, PAGCOR and ICBC. 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.

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.

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.

Fair Value of Financial Assets and Liabilities

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.

WATERFRONT PHILIPPINES, INCORPORATED & SUBSIDIARIES
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING
As of March 31, 2013

Trade Receivables	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121 days over**	**TOTAL**
Waterfront Cebu City Hotel & Casino	14,397,857.00	8,314,084.00	245,117.00	31,312.00	1,905,738.00	24,894,108.00
Waterfront Airport Hotel & Casino	10,418,537.96	6,800.00	4,800.00	-	139,370.21	10,569,508.17
Waterfront Insular Hotel Davao	6,522,457.97	3,152,649.92	1,130,217.01	1,233,131.40	4,929,126.70	16,967,583.00
Manila Pavilion Hotel	12,116,569.25	5,287,553.69	820,463.06	952,627.35	11,013,895.56	30,191,108.91
G-Hotel	2,331,139.82	82,690.00	96,395.00	87,100.00	402,522.77	2,999,847.59
Total	**45,786,562.00**	**16,843,777.61**	**2,296,992.07**	**2,304,170.75**	**18,390,653.24**	**85,622,155.67**

COVER SHEET

A S 0 9 4 - 8 6 7 8

S.E.C. Registration Number

WATERFRONT PHILIPPINES,
INCORPORATED

(Company's Full Name)

NO. 1 WATERFRONT DRIVE
LAHUG, CEBU CITY

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

Ms. Irish Chara Lawas	(02) 559-0130
Contact Person	Company Telephone Number

1 2	3 1	**17-Q2**	0 9	1 4
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

482		
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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30***, 2013***

2. Commission identification number ***AS 094-8678***

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

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

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. ***No.1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City*** ***6000***
   Address of issuer's principal office Postal Code

8. ***(032) 232- 6888***
   Issuer's telephone number, including area code

9. ***NOT APPLICABLE***
   Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares- P 1.00 par value	Issued- 2,498,991,753

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [√] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange ***Common***

12. Indicate by check mark whether the registrant:

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

    Yes [√] No [ ]

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

    Yes [√] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex A.

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

Please refer to Annex B.

PART II--OTHER INFORMATION

NONE.

SIGNATURES

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

Registrant: ***Waterfront Philippines, Inc.***

Issuer ***Atty. Arthur R. Ponsaran***

Signature and Title ____________________
Corporate Secretary

Date 08/13/2013

Principal Financial/Accounting Officer/Controller ***Precilla O. Toriano***

Signature and Title ____________________
Compliance Officer/ Director for Finance

Date 08/13/2013

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES "Annex-A"
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION-UNAUDITED
As of June 30, 2013

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	June 30, 2013	June 30, 2012	December 31, 2012
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	P 91,776,813	P 70,107,142	P 76,723,180
Trade and Other Receivables-net	467,070,595	243,928,036	165,119,561
Inventories	29,716,937	38,689,869	29,840,571
Due from affiliated companies-current portion	1,948,940,475	1,913,328,757	2,176,371,031
Prepaid Expenses and Other Current Assets	7,809,588	18,376,771	27,161,233
Total Current Assets	2,545,314,408	2,284,430,575	2,475,215,576
Noncurrent Assets			
Receivables from Acesite (BVI)	-	435,427	-
Due from affiliated companies-noncurrent portion	-	243,653,680	-
Goodwill	-	142,819,150	-
Property and equipment-net	5,886,416,045	6,454,955,700	6,461,224,021
Available-for-sale Investments	26,013,000	22,978,150	26,013,000
Deferred Tax Assets	94,227,046	115,452,642	278,522,670
Other noncurrent assets	493,224,367	144,929,563	130,421,834
Total Noncurrent Assets	6,499,880,458	7,125,224,312	6,896,181,525
Total Assets	P 9,045,194,866	P 9,409,654,887	P 9,371,397,101
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	P 1,349,063,887	P 1,570,617,284	P 1,276,945,998
Loans Payable-current portion	684,962,327	815,398,947	689,128,747
Income tax payable	96,100	1,069,757	14,313,966
Contract Payable	-	-	-
Mortgage Loan payable	-	-	-
Other current liabilities	301,502,210	98,365,669	14,083,208
Total Current Liabilities	2,335,624,524	2,485,451,657	1,994,471,919
Noncurrent Liabilities			
Loans Payable-noncurrent portion	759,166,667	493,750,000	700,000,000
Deferred tax liabilities	839,525,197	1,015,502,982	1,214,757,909
Other noncurrent liabilities	679,681,793	830,901,232	1,057,275,213
Total Noncurrent Liabilites	2,278,373,657	2,340,154,214	2,972,033,122
Total Liabilites	4,613,998,181	4,825,605,871	4,966,505,041
Equity Attributable to Equity Holders of the Parent Company			
Capital Stock	2,498,991,753	2,498,991,753	2,498,991,753
Additional paid-in capital	706,364,357	706,364,357	706,364,357
Revaluation increment in property and equipment	1,982,306,439	2,085,457,808	1,982,306,439
Unrealized valuation loss on AFS investments	7,982,267	6,329,331	7,982,267
Foreign currency translation adjustment	35,801,255	37,654,614	35,801,255
Deficit			
Appropriated	140,000,000	130,000,000	140,000,000
Unappropriated	(1,622,924,943)	(1,601,918,500)	(1,652,630,785)
Total Stockholders Equity	3,748,521,128	3,862,879,363	3,718,815,286
Non-controlling Interest	682,675,557	721,169,653	686,076,774
Total Liabilities & Stockholders Equity	P 9,045,194,866	P 9,409,654,887	P 9,371,397,101
	-	-	

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME -UNAUDITED
For the Quarter Ended June 30, 2013

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	Apr-Jun 2013	Apr-Jun 2012	December 31, 2012
REVENUES			
Hotel	P 419,533,045	P 437,083,876	P 1,951,660,279
Nonhotel	29,007,408	30,314,154	19,132,964
Interest and other income	8,310,118.64	6,429,938	28,472,703
Subtotal	456,850,572	473,827,968	1,999,265,946
OPERATING EXPENSES			
Hotel	309,511,440	354,288,103	1,174,511,444
Nonhotel	25,470,832	27,276,322	350,192,702
Subtotal	334,982,272	381,564,424	1,524,704,146
INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES	121,868,300	92,263,543	474,561,800
FIXED, FINANCIAL AND OTHER CHARGES			
Depreciation and amortization	82,966,973	61,627,663	323,723,574
Interest Expense	29,289,741	36,749,415	162,940,594
Interest Income	(1,472)	(371)	(41,274,304)
Others	16,441,191	(7,595,749)	(17,083,188)
Subtotal	128,696,433	90,780,958	428,306,676
INCOME BEFORE INCOME TAX	(6,828,133)	1,482,585	46,255,124
PROVISION FOR INCOME TAX			
Current	(96,100)	-	38,566,769
Deferred	-	-	
INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST	(6,732,033)	1,482,585	7,688,355
SHARE OF MINORITY INTEREST	(4,751,656)	(806,265)	14,938,019
NET INCOME(LOSS)	(1,980,377)	2,288,850	(7,249,664)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for foreign operations	-	-	(11,853,359)
Net change in fair value of available-for-sale financial assets	-	-	3,034,850
Total	-	-	(8,818,509)
TOTAL COMPREHENSIVE INCOME	$ (6,732,033)	P 1,482,585	$ (1,130,154)
EARNINGS (LOSS) PER SHARE	-P0.001	P0.001	(P0.003)

*There are no dilutive potential shares as of June 30, 2013and 2012

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES **"Annex-A"**
CONSOLIDATED STATEMENT OF INCOME -UNAUDITED
For the Quarter June 30, 2013

		CONSOLIDATED				
		Unaudited		Unaudited		Audited
		Jan-June 2013		Jan-June 2012		December 31, 2012
REVENUES						
Hotel	P	872,960,899	P	913,038,827	P	1,951,660,279
Nonhotel		59,107,162		64,511,180		19,132,964
Interest and other income		19,989,323		13,059,840		28,472,703
Subtotal		952,057,384		990,609,847		1,999,265,946
OPERATING EXPENSES						
Hotel		612,800,023		677,705,838		1,174,511,444
Nonhotel		54,484,346		57,844,341		350,192,702
Subtotal		667,284,369		735,550,178		1,524,704,146
INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES		284,773,015		255,059,668		474,561,800
FIXED, FINANCIAL AND OTHER CHARGES						
Depreciation and amortization		164,637,414		134,878,329		323,723,574
Interest Expense		79,456,435		74,192,479		162,940,594
Interest Income		(1,538)		(706)		(41,274,304)
Others		14,376,080		(12,037,160)		(17,083,188)
Subtotal		258,468,390		197,032,942		428,306,676
INCOME BEFORE INCOME TAX		26,304,625		58,026,726		46,255,124
PROVISION FOR INCOME TAX						
Current		-		-		38,566,769
Deferred		-		-		
INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST		26,304,625		58,026,726		7,688,355
SHARE OF MINORITY INTEREST		(3,401,217)		12,439,269		14,938,019
NET INCOME(LOSS)		29,705,842		45,587,457		(7,249,664)
OTHER COMPREHENSIVE INCOME						
Foreign currency translation differences for foreign operations		-		-		(11,853,359)
Net change in fair value of available-for-sale financial assets		-		-		3,034,850
Total		-		-		(8,818,509)
TOTAL COMPREHENSIVE INCOME	P	26,304,625	P	58,026,726	$	(1,130,154)
EARNINGS (LOSS) PER SHARE		P0.012		P0.018		(P0.003)

*There are no dilutive potential shares as of June 30, 2013and 2012

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES **"Annex-A"**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-UNAUDITED

As of June 30, 2013

	CONSOLIDATED					
		Unaudited		Unaudited		Audited
		June 30, 2013		June 30, 2012		December 31, 2012
CAPITAL STOCK						
Balance, beginning of the period	P	2,498,991,753	P	2,498,991,753	P	2,498,991,753
Issuance of shares		-		-		-
Balance, end of period		2,498,991,753		2,498,991,753		2,498,991,753
Additional Paid-in Capital		706,364,357		706,364,357		706,364,357
Revaluation Surplus in Property and Equipment						
Balance, beginning of the period		1,982,306,439		2,085,457,808		2,085,457,808
Derecognition of land held under finance lease						
due to acquisition of a subsidiary		-		-		(6,763,234)
Transfer of revaluation surplus absorbed through				-		
depreciation for the year-net of income tax effect		-		-		(96,388,135)
Balance, end of the period		1,982,306,439		2,085,457,808		1,982,306,439
Unrealized Valuation Gain (Loss) on AFS Investment						
Balance, beginning of the period		7,982,267		6,329,331		6,329,331
Valuation Loss taken into equity during the year		-		-		1,760,213
Effect of the increase in non-controlling interest due to sale						
of an interest in a subsidiary		-		-		(107,277)
Balance, end of the period		7,982,267		6,329,331		7,982,267
Foreign Curreny Translation						
Balance, beginning of the period		35,801,255		37,654,614		37,654,614
Translation adjustment during the year		-		-		(1,853,359)
Balance, end of the period		35,801,255		37,654,614		35,801,255
Deficit						
Appropriation for renovation and business expansion		140,000,000		130,000,000		140,000,000
Unappropriated:						
Balance beginning of the year		(1,652,630,785)		(1,647,505,957)		(1,741,769,256)
Transfer of revaluation surplus						
absorbed through depreciation for the year net of tax effect		-		-		96,388,135
Net Income (Net Loss)		29,705,842		45,587,457		(7,249,664)
Balance, end of the period		(1,622,924,943)		(1,601,918,500)		(1,652,630,785)
Total deficit		(1,482,924,943)		(1,471,918,500)		(1,512,630,785)
Total Equity Attributable to Equity						
Holders of the Parent Company	P	3,748,521,128	P	3,862,879,363	P	3,718,815,286

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS-UNAUDITED
As of June 30, 2013

	CONSOLIDATED					
		Unaudited		Unaudited		Audited
		June 30, 2013		June 30, 2012		December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	P	26,304,625	P	58,026,726	P	46,255,124
Adjustments for:						
Depreciation and amortization		164,637,414		134,878,329		323,723,574
Interest expense		79,456,435		74,192,479		162,940,594
Loss on sale on acesite shares		-		-		9,169,071
Retirement benefit costs		-		-		44,306,329
Provision for impairment losses on receivable		-		-		796,995
Unrealized foreign exchange gain		14,376,080		(12,037,160)		(21,172,420)
Loss on disposal of property and equipment		-		-		88,605
Interest income		(19,989,323)		(13,059,840)		(41,274,304)
Operating income before working capital changes		264,785,231		242,000,534		524,833,568
Decrease (increase) in:						
Receivables		(301,951,034)		(71,266,054)		(746,305)
Inventories		123,634		(1,971,613)		6,877,685
Prepaid expenses and other current assets		19,351,645		388,133		(10,973,124)
Increase (decrease) in:						
Accounts payable and accrued expenses		223,851,067		371,842,648		78,280,229
Other current liabilities		287,419,002		(34,070)		10,628,902
Cash generated from operations		493,579,545		540,959,578		608,900,955
Interest received		19,989,323		13,059,840		196,478
Income taxes paid		(14,217,866)		(52,683,437)		(102,418,152)
Retirement plan contributions paid		-		-		(19,467,600)
Interest paid		(79,456,435)		(74,192,479)		(151,871,417)
Net cash provided by (used in) operations		419,894,567		427,143,502		335,340,264
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of property and equipment		410,170,562		(59,823,415)		(262,303,663)
Investment in subsidiary		203,019,736		-		(22,819,071)
payment of contract payable		-		-		(86,260,000)
Proceeds from sale of an equity interest in subsidiary		-		-		13,650,000
Proceeds from sale of property and equipment		-		-		135,200
Decrease (increase) in other non-current assets		(178,506,909)		222,697,082		67,210,101
Net cash provided by (used in) investing activities		434,683,389		162,873,667		(290,387,433)
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase(decrease) in loans payable		(314,128,747)		(70,806,803)		30,976,955
Decrease in due from related parties		227,430,556		(91,401,709)		(44,985,501)
Increase (decrease) in other non-current liabilities		(752,826,132)		(436,657,838)		(19,824,067)
Payment of obligation under finance lease		-		-		(1,500,000)
Net cash used in financing activities		(839,524,323)		(598,866,350)		(35,332,613)
Decrease in translation adjustment for the year		-				(11,853,361)
Net increase (decrease) in cash and cash equivalents		15,053,633		(8,849,181)		(2,233,143)
Cash and cash equivalents at beginning of year		76,723,180		78,956,323		78,956,323
Cash and cash equivalents at end of year	P	91,776,813	P	70,107,142	P	76,723,180

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Organization and Status of the Business

Corporate Information
Waterfront Philippines, Incorporated ("the Parent Company") was incorporated in the Philippines, and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 1994. WPI is 46%-owned by The Wellex Group, Inc. ("TWGI") and is listed in the Philippine Stock Exchange (PSE). It holds equity interest 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 were incorporated in the Philippines, except for Waterfront Promotion Ltd (WPL) and Club Waterfront Limited (CWIL), which were registered in the Cayman Islands. The details of the equity interest of the Parent Company are shown below:

	Percentage of Ownership	
	Direct	Indirect
Hotels and resorts:		
Waterfront Cebu City Casino Hotel, Inc. (WCCCHI)	100	-
Waterfront Mactan Casino Hotel, Inc. (WMCHI)	100	-
Davao Insular Hotel Company, Inc. (DIHCI)	98	-
Acesite (Philis.) Hotel Corporation (APHC)	58	-
Grand Ilocandia Resort and Development, Inc. (GIRDI)	54	-
Real Estate:		
CIMA Realty Phils. Inc.		58
Fitness gym:		
W Citigyms & Wellness, Inc. (W Citigym)	100	-
International marketing and promotion of casinos:		
Waterfront Promotion Ltd. (WPL)	100	-
Mayo Bonanza, Inc. (MBI)	100	-
Club Waterfront International Limited (CWIL)	-	100
Pastries manufacturing:		
Waterfront Food Concepts, Inc. (WFC)	100	
Hotel management and operation:		
Waterfront Management Corprotion (WMC)	100	-

Hotels

Waterfront Cebu City Casino Hotel Inc. (WCCCHI) was incorporated on September 23, 1994. It started commercial operations in January 1998.

This hotel is conveniently located in the center of Cebu and is within easy reach from the financial district, shopping malls, golf courses and Mactan's renowned beach resorts.

Waterfront Cebu City Hotel & Casino has 561 elegantly designed and well-appointed guest rooms and suites. The 18th Floor is the Waterfront Ambassador Club with a two floor Club Lounge exclusive for Ambassador Floor guests. Waterfront Ambassador Club guests enjoy butler service, complimentary business services and a business boardroom fit for a group of up to 8 people, equipped with a built-in LCD projector, a roll-up screen, PA and recording system, a local area network (LAN) and a poly communication system. The 2nd floor lounge is outfitted with 3 computer stations, where guests can avail of complimentary WIFI access, flat-screen television entertainment, an array of lifestyle and business magazines as well as newspapers and board games. The hotel offers a 10,000-square meter convention center, which is the largest convention center in the Visayas and Mindanao, and is designed to adapt to multiple types of events. The convention center is equipped with 10 function rooms, 2 executive board rooms, and 2 Grand Ballrooms, each seating 4,000 people. It has played host to a myriad of national as well as regional events, conventions and conferences.

Waterfront Cebu operates 10 F&B outlets, including a hotel coffees hop, a Japanese restaurant, an Italian restaurant and a poolside snack bar. The hotel has a fully functional business center paired with flat-screen computers, internet access and private boardrooms.

The newly renovated lobby was inspired based on two main objectives; first, to transform the existing single dimension grand lobby into a multi-dimensional lifestyle-concept space that will enhance the guests' experience when dining and lounging in the lobby; and second, to improve traffic patterns, through the construction of larger check-in areas and through maximizing the Lobby's three entrances.

Waterfront Cebu City Hotel and Casino's massive, high-ceilinged lobby has always been its principal attraction in fact it is touted as the largest hotel lobby in Visayas-Mindanao area. Spanning 22 meters wide, 96 meters in long and 35 meters high and crisscrossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance.

Apart from improvements to the general structure of the lobby, the Lobby Lounge itself will offer an all-new dining and lounging experience, with newly-installed glass panels, semi-closing each side of the lounge. Fully-equipped bar areas have also been installed in the middle of each of the lounge's two sections, ensuring diners of more efficient and prompt service. To enhance the overall guest experience, the hotel has put together additional features such as nightly entertainment from the city's top performers, and soulful afternoon music by soloists.

Among the hotel's newest pride comes in the form of delectable treats, introducing Lobby Lounge's new service concepts.

Flambé
Dubbed as the dessert on fire, this sizzling treat is sure to please foodies all around! The Lobby Lounge currently has a total variety of five (5) flambé selections – Vanilla and Passion Fruit Crêpe, Apple-Mango Tango, Pineapple Passion, Crêpe Suzette, Sweet Surprise. One variety is available per day. Guests can enjoy the flambé of the day at these times, 10:30 AM until 1:00 AM.

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

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

guests can choose the perfect wine fit for their palate. To enjoy the wine dispenser service, guests must avail of the Wine Card which comes in prepaid or postpaid.

Hot Chocolate
Delight your senses with our variety of sweets! Lobby Lounge serves hot chocolate using only the finest local chocolate and hot milk. Choose from a selection of Orange, Vanilla, Plain or Spiced Chocolate.

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

Waterfront Mactan Casino Hotel, Inc. (WMCHI) was incorporated on September 23, 1994. Located right across the Mactan Cebu International Airport, it features 164 rooms and suites, 4 food-and-beverage outlets and a Casino Filipino facility. It has the advantage of proximity to the Mactan International Airport. It has the largest number of rooms among airport hotels. WMCHI has made Cebu the only city in Southeast Asia that offers casino facilities to transients while waiting for their flights.

It is just a 3-minute drive to the industrial zone of Cebu, and a 15-minute drive to the beaches of Mactan Island. This hotel is just a short 30-minute drive from Cebu City's shopping and financial districts. The hotel has 164 well-appointed guest rooms and suites. The hotel has an Ambassador Club floor which consists of 14 Ambassador Rooms and 6 Ambassador Suites. The suites are designed with the business travellers in mind and are equipped with a work desk, dual telephone lines for broadband internet access. The business center is equipped with secretarial services and board rooms that cater to business meetings. Its computer area is outfitted with flat screen computers subdivided with modular partitions.

The hotel operates 4 F&B outlets including Uno, the Lobby Lounge, and Café Fortuna. The hotel's convention center consists of three function rooms and a boardroom. Both are equipped with audio-visual equipment. Function rooms can accommodate groups of up to 200 in banquet style. For guests who wish to hold events outdoors, the Veranda is a spacious open area that can accommodate as much as 250 people.

DIHCI was incorporated on July 3, 1959 and is currently operating under its trade name "Waterfront Insular Hotel Davao".

Waterfront Insular Hotel is a resort hotel overlooking the Davao Gulf. It is 20 minutes away from downtown Davao City. The hotel holds a superior position over other hotels in the city in terms of space and location.

With a greater area than any other hotel facility in the city, it is unmatched in servicing large business meetings, conventions, and exhibit groups. The hotel consists of four low-rise buildings of 158 guest rooms and suites. Every room opens to a lanai overlooking a lush garden, the blue waters of the Davao Gulf or a scenic coconut grove. The hotel has 5 restaurants. The hotel's function rooms suit different event requirements: 1 Grand Ballroom that can accommodate up to 400 persons, 3 boardrooms that can accommodate 30 persons each, and the Kalaw function room that can accommodate groups of up to 150 persons. The Tent in the hotel's garden is also popular for bigger celebrations

The hotel is every guest's gateway to the diverse, colorful and rich cultural heritage of Davao City. Discover the rich cultural heritage of Davao which stems from the different groups and tribes that populated the area throughout its history and be astonished of artworks in the hotel lobby where it showcases pieces of artifacts featuring the various object d'art from the different tribes and historical periods. These range from tribal handicrafts, instruments, pottery, jars and vases. Most of the sculptures and carvings dated from the ancient times.

Acesite (Phils.) Hotel Corporation (APHC) was incorporated on October 10, 1952 and commenced commercial operations in March 1968. It is currently operating under its trade name Manila Pavilion Hotel. Situated in the heart of Manila, this property is opposite the Rizal National Park and is close to the historic walled city of Intramuros. It was acquired by WPI in June 24, 2004. This property is a few minutes away from the Philippine International Convention Center, World Trade Center and the Cultural Center of the Philippines. The Ninoy Aquino International Airport is 11 kilometers away while the Makati Central Business District is only 6 kilometers away.

The hotel has 486 rooms and suites. All rooms have individually controlled central air conditioning, private bathroom with bath tub and shower, multi-channel radio, color TV with cable channels and internet connections.

The hotel has 3 food and beverage outlets that serve an international selection of culinary cuisines from European, to Chinese, Malaysian, and Cantonese. The hotel also has a music lounge and a lobby café that serves light meals and has an extensive pastry and deli counter.

Other guest services and facilities include a chapel, swimming pool, gym, business center, and a valet-service basement car park. Concessionaires and tenants include a spa, photography services, transportation services, travel agency and flower shop.

In addition, Casino Filipino –Pavilion, owned and operated by PAGCOR, occupies parts of the first five floors of the building. PAGCOR covers approximately 13,000 square meters of gaming and administrative area within the hotel structure. Casino Filipino – Pavilion is the highest earning location of PAGCOR in the country and accounts for a large percentage of PAGCOR's total gaming revenue.

This 2013, launched the renovation of the Manila Pavilion Hotel amid rising competition from new and international hotel brands set to open in the Philippines. It recently completed the second phase of its renovation covering 223 upper floor rooms and suites. Aside from its two-category Deluxe Rooms, Executive Rooms and Premier Suites, the hotel introduced a new set of Ambassador Club rooms and two new Presidential Suites to enhance the hotel's position in the corporate market. The redevelopment will continue for 250 Superior Rooms and Suites at the lower floors, as well as for the upgrade of function rooms and food and beverage facilities.The room themes were developed to maximize guest satisfaction to generate repeat bookings and keep room maintenance costs to minimum levels.

A landmark in Manila, the Manila Pavilion is situated close to a mix of historic sites, major ports and various entertainment hubs. It also houses the Casino Filipino Pavilion on the first three floors of the hotel.

GIRDI was incorporated on December 18, 1990 to engage in the hotel and resort business.

In November 2000, all of the property and equipment of GIRDI, including the hotel facilities and other operating assets, as well as its investment in marketable securities, were transferred to a third party. With this transfer, GIRDI ceased its involvement in the hotel and resort business. Management is currently looking for new business opportunities for GIRDI and intends to continue operating GIRDI as a going concern entity.

Mayo Bonanza, Inc. (MBI), a wholly-owned subsidiary of Waterfront Philippines, Incorporated (WPI) was registered with the Securities and Exchange Commission on November 24, 1995. Its primary purpose is to establish, operate, and manage the business of amusement entertainment, and recreation facilities for the use of the paying public.

MBI has been appointed by Atlantic Dynamo of the British Virgin Islands as its agent in the Philippines. Atlantic Dynamo has a contract with PAGCOR under which it will lease space and slot machines to PAGCOR for the operation of VIP slot machine arcades. MBI shall provide space and machines to PAGCOR, while PAGCOR operates the slot machine arcade.

WPI's entry into the VIP slot machine arcade market space is in line with PAGCOR's growth strategy. The first such VIP slot machine arcade was opened by MBI in Sta. Cruz, Manila. The 1,200 square meter area is located at the Universal Mall along Rizal Avenue.

The slot machines are supplied by Elixir Gaming Technologies, which is part of the Melco Group of Hong Kong. This partnership is both strategic and operational in nature. It is strategic because they are a big operator in Macau. Operationally, WPI is at an advantage because the Melco Group creates its own slot machines and does their own game programming.

WPL, CWIL On March 23, 1995, WPL became a wholly-owned subsidiary following its acquisition by the Company from Waterfront Amusement and Gaming Limited. WPL and its wholly-owned subsidiary, CWIL were primarily established for the international marketing and promotion of hotels and casinos. In 2003, these companies have been temporarily laid inoperative in response to a general slow down in the economy. Management, however, commits to resume operations when better business opportunities present themselves in the future.

Waterfront Wellness Group, Inc. (formerly W Citigyms and Wellness Corp.) was incorporated and registered with the Securities and Exchange Commission on January 26, 2006, to engage in, conduct and carry on the general business of sporting and other recreational activities. The facilities of W Citigym include a fitness gym with the top-of-the line equipments and amenities. The Company also offers in-house massage for guests staying in Waterfront Cebu City Casino Hotel, Inc.

Waterfront Food Concepts was incorporated and registered with the Securities and Exchange Commission on January 26, 2004, to engage in the operation of restaurants and food outlets, manufacture, baked and unbaked desserts, breads and pastries supplies to in-store bakeries, coffee shops and food service channels. WFC supplies the pastries and desserts offered by WCCHI and WMCHI food outlets, as well as its local customers.

Waterfront Hotel Management Corp. was registered with the Securities and Exchange Commission on March 31, 2003 to engage in the management and operation of hotels, except management of funds, portfolios, securities, and other similar assets of the managed entity. In November 2006, WHMC started its commercial operations by managing the hotel operations of G-hotel Manila by Waterfront.

The G-Hotel Manila is a boutique hotel located at the heart of Manila fronting Roxas Boulevard. It is easily accessible from major thoroughfares. The hotel is approximately a twenty-minute drive from the Ninoy Aquino International Airport and is minutes away from the Makati Central Business District. With its residential chic appeal, G-Hotel Manila provides a comfortable backdrop for both business and pleasure in the metropolis. Combining both world-class services with posh modern minimalism, G-Hotel Manila serves a unique balance of substance and style in a trendy boutique hotel.

The hotel has 50 rooms consisting of 10 suites rooms and 40 deluxe rooms, which offer 24-hour personalized butler service. The hotel operates two outlets namely, the Café Noir which is the hotel's coffee shop which offers Asian fusion menu and the Mirage, the hotel's pool bar. Its function room, the Promenade, can cater to 250 people banquet style offering a marvellous view of the Manila Bay.

The hotel's business center is equipped with flat screen computers, fax machines, telecommunications facilities and travel booking assistance.

WEC, was registered with the Securities and Exchange Commission on August 13, 2003 and successfully established the country's first ever integrated hotel reservations and booking system featuring a full-service, round-the-clock, 7 days a week Central Reservation Office last October 2009.

This service ranges from systems and solutions specializing in the operations hotel framework. It offers specialize hotel consultancy services to hotel owners, operators, brands, developers, lenders and investors with the support of hand-picked networks of experts covering all elements of the hotel or hospitality business within a global perspective.

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. Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has the power to exercise control over the operations of these companies. All subsidiaries have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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 expense 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 assts 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 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.

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

1. Cash and Cash Equivalents
Included in cash and cash equivalents as of June 30, 2013 are composed mainly of cash deposited in various banks and short-term placements that earn an annual interest of 2% with an average maturity date of 30 days.

2. Receivables
This account consists:

	June 2013	June 2012
Trade	147,067,682	101,520,535
Others	340,315,320	165,462,636
	487,383,002	**266,983,171**
Less allowance for doubtful accounts	-20,312,407	-23,055,135
Total	**467,070.595**	**243,928,036**

3. Inventories
This account consists of:

	June 2013	June 2012
Food and Beverage	14,772,497	18,902,877
Operating Supplies	12,910,711	17,726,303
Others	2,033,729	2,060,689
Total	**29,716,937**	**38,689,869**

4. Related Party Transactions

These are interest bearing advances to MAHEC, TWIGI, PRC and FORUM subject for re-pricing and yearly renewal.

5. Accounts Payable and Accrued Expenses
This account consists of:

	June 2013	June 2012
Trade	238,276,452	319,126,627
Accrued Expenses	382,046,545	427,632,358
Others	728,740,890	823,858,299
Total	**1,349,063,887**	**1,570,617,284**

6. Loans Payable

This account consists of:

SSS Loan

On October 28, 1999, the Parent Company also obtained a five-year term loan from SSS amounting to P375 million originally due on October 29, 2004.

The SSS loan was availed of 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 of an independent custodian mutually agreed upon by both parties.

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.

ICBC Loan

The Company had committed an event of default with respect to the payment of its US$15 million loan with the ICBC – Singapore Branch, which matured on 31 March 1998. On 03 June 2003, the loan was restructured by ICBC which stipulated six semi-annual installments payment of principal and interest until April 2006. In July 2004, the new management of the Company requested for a reprieve on loan principal payments due for the period, which the Company suggested to be placed at the end of the term of the Amended Agreement. As of the date of this report, management is still negotiating with ICBC for the rescheduling of payments of the APHC's overdue loan principal installments totaling US$7.36 million.

PBB

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 2012, WCCCHI entered into another term loan agreement with PBB amounting to P250 million. The loan matures in three years and shall bear an interest rate of 10% per annum to be reprised every month payable in arrears. WCCCHI, however, is allowed to fully or partially pre-terminate the loan. The loan is secured by the assignment of rental payments from PAGCOR on the leases of hotels, plus real estate mortgage on the hotel building and other improvements.

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

	June 2013	**June 2012**
Net Income (Loss)	29,705,842	45,587,457
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	**0.012**	**0.018**

There are no dilutive potential shares as of March 31, 2013 and 2012.

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

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 agreement is until December 16, 2016.

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. The Amended Lease Contract is until December 30, 2016, and may be renewed, in accordance with the law, at the option of the Lessee under such terms and conditions as may be agreed upon by the parties.

On March 21, 2011, WCCCHI and WMCHI renewed their respective Lease Contracts with PAGCOR, in order to consolidate, simplify, reconcile and update the terms and conditions of the contract of lease and its amendments. The Lease Contract shall cover a total area of 13,677.08 sq. m., for WCCCHI, particularly described as follows: Main Area 8,123 sq. m., Slot Machine Expansion Area 883.38 sq. m., Mezzanine 2,335 sq. m., 5th Floor Junket Area 2,336 sq. m. The monthly rent for each area is P1, 772.96 per sq. m., and for the 5th Floor Junket Area the rent is 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.

For WMCHI the Lease Contract shall cover a total area of 5,152.24 sq. m consisting of Main Casino Area of 4,076.24 sq. m., and a Chip Washing Area of 1,076 sq. m. The monthly rent for the Main Casino Area is P 1,772.96 per sq. m. and for the Chip Washing Area is P1, 688.53 per sq. m.

The monthly rent for the Leased Premises is Value Added Tax (Vat) exclusive, zero-rated transactions. Starting on January 3, 2013 and every year thereafter, the monthly rent for the Main Area, Slot Machine Expansion Area, Mezzanine, Main Casino Area and the Chip Washing Area for both WCCCHI and WMCHI, shall be adjusted by five (5%) on year after the lease thereon is continued by the Lessee and every year thereafter. The Lease Contracts for both WCCCHI and WMCHI is until August 2, 2016, and may be renewed, in accordance with the law, at the option of the Lessee under such terms and conditions as may be agreed upon by the parties.

9. Other Lease Agreements

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

Land under Finance Lease
In the period prior to October 2011, APHC and CIMAR entered into a finance lease agreement. Accordingly, 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 an ejectment case and demanded possession of land plus interest.
As disclosed in Note 11, 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 the 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 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.

10. Commitments and Contingencies

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.

In settlement of the 2006 deficiency tax assessment, the Parent Company paid subsequent to reporting date the amount of P1.5 million.

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

MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Below are the results of operations of the Parent Company and its subsidiaries, for the period ending June 30, 2013 and 2012 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

	June 2013	June 2012
Revenues	**952,057,384**	**990,609,847**
Less: Costs and Expenses	667,284,369	735,550,178
Net Income (Loss) Before Fixed Financial and Other Charges	**284,773,015**	**255,059,668**
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	258,468,390	197,032,942
Income (Loss) before Income Tax	**26,304,625**	**58,026,726**
Income Tax Expense (Benefit)	-	-
Income (Loss) before Share in Minority Interest	**26,304,625**	**58,026,726**
Share of Minority Interest	**-3,401,217**	**12,439,269**
Net Income (Loss)	**29,705,842**	**45,587,457**
Earnings (loss) Per share	**0.012**	**0.018**

FINANCIAL CONDITION

	June 2013	June 2012
Assets		
Current assets	2,545,314,408	2,284,430,575
Non-current Assets	6,499,880,458	7,125,224,312
Total Assets	**9,045,194,866**	**9,409,654,887**
Liabilities and Stockholders' Equity		
Current Liabilities	2,335,624,524	2,485,451,657
Non-current Liabilities	2,278,373,657	2,340,154,214
Total Stockholders' Equity	3,748,521,128	3,862,879,363
Minority Interest	682,675,557	721,169,653
Total Liabilities and Stockholders' Equity	**9,045,194,866**	**9,409,654,887**

RESULTS OF OPERATIONS

Period ended June 30, 2013 compared to Period Ended June 30, 2012.

Income Statement

Hotel and other subsidiaries gross revenues for the 2nd quarter is Php952 million compared the 2nd quarter last year of Php991 million; a decrease of 3.89%. The reason of the decrease in revenue is due to the rapid rising of city hotels. WCCCHI's net revenue lowered by 55%. and operating expenses decreased by 9.28%

Seasonality or Cyclicality of Interim Operations

1ST QUARTER

The occupancy for the two (2) hotels, WCCCHI and WMCHI, are high during the months of January and February because of the celebration of the Feast of Sto. Niño better, renowned as the "Sinulog" as well as the celebration of the Chinese New Year. Many visitors come to Cebu during this time just to witness and participate in the festivities. Sinulog is one of the city's main pull for tourists as well as other locals. The celebration of the Chinese New Year also added to the Company's revenues. As we all know, the country's full of Chinese nationalities and businessmen that celebrating their new year would really be an advantage to the hotels in terms of revenues. The month of March tends to be a slow one for all the hotels. The occupancy percentage depends on the bookings of rooms and functions scheduled by convention organizers, government agencies and tour-group bookings.
Inspite the boostful celebration, these numbers of people were divided among hotels that grow like mushroom here in Cebu. In addition, Manila Pavilion's on-going renovation has affected the number of guests coming in.

As always, the company and the management itself continue to navigate to a position of incontestable strength and market leadership. To go beyond outside traditional markets and develop new revenue streams. And further enhance measures to decrease its operating cost without sacrificing the need and satisfaction of its guest/clients. This is also to ensure long-term stability of the corporation and continuing customers' 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 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

2nd QUARTER

Hong Kong residents' lack of resolution and enduring negative sentiments continue to affect arrivals from the region and China. Increasing tension in Southeast Asia caused by territorial disputes and other diplomatic differences, has only added to the downtrend of tourist interest in the Philippines. We also experienced a secondary dip in bookings from Europe with citizens from countries in crisis opting to vacation locally. Steering through these unfavorable circumstances is a challenge, yet our organization continues to thrive; determined to look beyond the negative and to accentuate the constructive

Since we cannot depend on erratic global economic and political factors, we are creating what I would call "internal catalysts for growth" - self-initiated stimuli that spark profitability in our enterprise combined with innovations that enable us to reach our corporate goals.

These monumental improvements will help us continue to harness opportunities we encounter; and by stabilizing and enhancing the Waterfront brand, we are then assured of financial strength and dominance in the coming years.

TOP FIVE (5) PERFORMANCE INDICATORS

	Jan-June 2013	Jan-June 2012
Occupancy Percentage	56%	61%
Average Room Rates	2,365	2,176
Food Covers	119,170	140,688
Average Food Checks	349	359
Average Food Costs	36%	34%

Occupancy Percentage
The occupancy percentage grew down by 5% as compared to 2nd quarter last year. Occupancy percentage is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

Average Room Rate
Average room rate is 8.69% higher compared to 2nd quarter last year; this mainly due to room promotions offered by WCCCHI and WMCHI to compete with the newly open hotels in Cebu that offered promo rates. Average room rate is computed by dividing the net rooms revenue over the total number of rooms sold.

Food Covers
Food covers this quarter decreased by 15.29% compared to the 2nd quarter last year. This is mainly because there were fewer functions and conventions this time. Food covers pertains to the number of guests that availed of the restaurants services.

Average Food Check
The average food check or average consumption per guest this quarter grew down by 2.78% compared to 2nd quarter last year. Average Food Check is derived by dividing the total food and beverage revenue by total food covers.

Average Food Cost
The average food cost increased by 2% from previous year of the same quarter. This is mainly due to the fewer functions and conventions this quarter compared to the same quarter last year. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

Revenues and Earnings per Share
Revenues decreased by 3.89% for the second quarter of 2013 as compared to previous year of the same quarter while operating expenses decreased by 9.28%. Such decreased resulted to a net income of P26 million, which is 55% lower compared to last year same quarter.

Earnings per share this quarter is a (P0.012) while same quarter last year was (P0.018).

Fixed Financial and Other Charges
Total fixed financial and other charges for this quarter is 31% higher compared to same quarter last year. This account includes the depreciation and interest expenses from the loans from the banks.

Interest Expense this quarter is higher by 7% as compared to the 2nd quarter last year.

FINANCIAL CONDITION

Cash and Cash Equivalents
Cash and cash equivalents as of the 2nd quarter of this year is Php92 million compared to 2012 2nd quarter of Php70 million; an increased of 31%. The reason is due to prompt collection of receivables

from corporate clients.

Trade Receivables and Other Trade Receivables
Receivables for the period increased by 91% from P244 million 2nd quarter last year to P467 million 2nd quarter this year. The increase was attributable to the higher sales volume but on account basis. The company continues to monitor the credit sales and strictly followed the 30 days credit term.

Inventories
Inventory for this quarter is P30million this year while last year was P39 million. Best effort was exerted to maintain the inventories on a very reasonable level. The company was nimble enough to react quickly to changes in customer demand and do it with little inventory to prevent a long lead times in-order to minimize cost.

Due from related parties-current portion
This account has increased by 2% from last year's first quarter. This also represents interest bearing advances with MAHEC, TWGI, PRC and FHI at a rate of two percent (2%) per annum. Advances to MAHEC, TWGI, PRC, and FHI are subject for annual re-pricing and renewal.

Property, Plant and Equipment
There is a decrease of 9% on this account. This is mainly due to depreciation.

Accounts Payable and Accrued Expenses
This account has decreased by 14%. The reason for this is that the company has tried to avail of the prompt payment discount offered by some suppliers whenever there is an excess fund.

Loans Payable
There is a decrease of 10% or Php134 million on this account. This comprises loans from Phil. Business Bank, Social Security System and Industrial Commercial Bank of China. Series of payments were made to fulfill its obligation to settle the account.

Other Current Liabilities
The increase on this account was due on advance rentals from concessionanaires**.**

Other Non current Liabilities
There is a decrease of 18% of this account from 831 million to 680 million. The account compiles rent received in advance, PAGCOR and retirement benefits.

Deferred Tax Assets and Deferred Tax Liabilities
Deferred income 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 income 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 income 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.

Key Variable and Other Qualitative and Quantitative Factors:

a. Any known Trends, Events or Uncertainties-(material impact on liquidity)-NONE

b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c. There are no material off-balance sheet transactions, arrangements, obligations (including, contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

e. From continuing operations, the Company is not exposed to any significant elements of income or loss except for those already affecting profit or loss.

f. There are no significant elements of income or loss or any events that did not arise from the issuer's continuing operations other than those already affecting profit or loss.

g. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effect in the current interim period. – NONE

h. There were no dividends paid aggregate or per share separately for ordinary shares and other shares.

The interim financial statements as of June 30 , 2013 shall contain the following disclosure:

i. Separate Financial Statements
PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)). These amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory.

ii. Investments In Associate and Joint Ventures – Not Applicable

iii. Government Loans – Not Applicable

iv. Disclosure –Offsetting Financial Assets and Financial Liablities – Applicable
Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).
These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

***offset in the statement of financial position; or
***subject to enforceable master netting arrangements or similar agreements

They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

v. Consolidated Financial Statements
The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its invitees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

Financial Risk Management

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

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

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary. Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is sufficient working capital inflows to match repayments of short-term debt.

Market risk
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, SSS, PAGCOR and ICBC. 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.

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.

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.

Fair Value of Financial Assets and Liabilities
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.

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative periods:

CURRENT / LIQUIDITY RATIO

Current Ratio	Jun-13	Jun-12
Current Assets	2,545,314,408.00	2,284,430,575.00
Current Liabilities	2,335,624,524.00	2,485,451,657.00
Ratio	1.090	0.919

Quick Ratio	Jun-13	Jun-12
Cash + Accounts Receivable + Short Term Marketable Securities	558,847,408.00	314,035,178.00
Current Liabilities	2,335,624,524.00	2,485,451,657.00
Ratio	0.239	0.126

Cash Ratio	Jun-13	Jun-12
Cash + Short Term or Marketable Securities	91,776,813.00	70,107,142.00
Current Liabilities	2,335,624,524.00	2,485,451,657.00
Ratio	0.039	0.028

SOLVENCY RATIO

Current Liabilities to Equity Ratio	Jun-13	Jun-12
Current Liabilities	2,335,624,524.00	2,485,451,657.00
Total Equity	3,748,521,128.00	3,862,879,363.00
Ratio	0.623	0.643

Total Liabilities to Equity Ratio	Jun-13	Jun-12
Total Liabilities	4,613,998,181.00	4,825,605,871.00
Total Equity	3,748,521,128.00	3,862,879,363.00
Ratio	1.231	1.249

Fixed Assets to Equity Ratio	Jun-13	Jun-12
Fixed Assets	5,886,416,045.00	6,454,955,700.00
Total Equity	3,748,521,128.00	3,862,879,363.00
Ratio	1.570	1.671

Asset to Equity Ratio	Jun-13	Jun-12
Total Assets	9,045,194,866.00	9,409,654,887.00
Total Equity	3,748,521,128.00	3,862,879,363.00
Ratio	2.413	2.436

INTEREST COVERAGE RATIO

Interest Coverage Ratio	Jun-13	Jun-12
Net Income Before Tax + Interest Expense	105,761,060.00	132,219,205.00
Interest Expense	79,456,435.00	74,192,479.00
Ratio	1.331	1.782

PROFITABILITY RATIO

Return on Sales (Profit Margin) Ratio	Jun-13	Jun-12
Net Income After Taxes	26,304,625.00	58,026,726.00
Net Sales	952,057,384.00	990,609,847.00
Ratio	0.028	0.059

Return on Assets (ROA) Ratio	Jun-13	Jun-12
Net Income After Taxes	26,304,625.00	58,026,726.00
Total Assets	9,045,194,866.00	9,409,654,887.00
Ratio	0.0029	0.006

Return on Equity	Jun-13	Jun-12
Net Income After Taxes	26,304,625.00	58,026,726.00
Total Equity	3,748,521,128.00	3,862,879,363.00
Ratio	0.007	0.015

WATERFRONT PHILIPPINES, INCORPORATED & SUBSIDIARIES
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING
As of June 30, 2013

Trade Receivables	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121 days over**	**TOTAL**
Waterfront Cebu City Hotel & Casino	18,277,025.19	2,804,260.76	223,646.40	126,544.10	1,935,451.49	23,366,927.94
Waterfront Airport Hotel & Casino	10,666,187.56		6,145.80		123,264.83	10,795,598.19
Waterfront Insular Hotel Davao	6,066,596.66	3,546,922.69	1,074,359.40	164,959.63	3,619,043.91	14,471,882.29
Manila Pavilion Hotel	8,500,358.13	4,443,698.26	969,244.91	506,202.13	8,635,348.63	23,054,852.06
G-Hotel	337,581.00	589,429.24	187,431.90	161,940.00	748,996.77	2,025,378.91
Total	**43,847,748.54**	**11,384,310.95**	**2,460,828.41**	**959,645.86**	**15,062,105.63**	**73,714,639.39**