WATERFRONT
PHILIPPINES

April 30, 2013

MS JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
4/F Philippine Stock Exchange, Inc.
PSE Centre, Exchange Road, Ortigas Center
Pasig City, Metro Manila

Dear Ms. Encarnacion,

We submit herewith the Annual Report (SEC 17-A) of WATERFRONT PHLIPPINES, INC. for the year ended December 31, 2012.

Thank you for your kind attention.

Very truly yours,

Atty. Arsenio A. Alfiler, Jr.
Assistant Corporate Seceretary

Waterfront Philippines, Inc.
7th Floor, Manila Pavilion Hotel
United Nations Avenue corner Ma. Orosa St.
Manila 1000 Philippines
Tel.: (02) 559-0888 • Fax: (02) 559-0129
Email: corporateoffice@waterfronthotels.net

COVER SHEET

AS094-8678
SEC 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 City / Town / Province)

MS. IRISH CHARA LAWAS
Contact Person

(02) 559-0130
Company Telephone Number

12 31
Month *Day*

17-A
FORM TYPE

08 18
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

490
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 11 OF THE REVISED SECURITIES ACT AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended DECEMBER 31, 2012

2. SEC Identification Number AS 094-8678 3. BIR Tax Identification No. D80-003-978-254-NV.

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

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

6. (SEC Use Only)
   Industry Classification Code:

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

8. (0632) 2326888
   Registrant'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 4 and 8 of the RSA

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

11. Are any or all of these securities listed on the Philippine Stock Exchange.

    Yes [√]   No [ ]

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 there under and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

    Yes [√]   No [ ]

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

    Yes [ ]   No [√]

SEC HRAD Central Receiving and Records Division APR 30 2013 BY: RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS 6

PART I – BUSINESS AND GENERAL INFORMATION

PART II – OPERATIONAL AND FINANCIAL INFORMATION

PART III – CONTROL AND COMPENSATION INFORMATION

PART IV – CORPORATE GOVERNANCE

SIGNATURES

FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

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

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

Marketing

The Company prides itself on having a first class hotel equipped with 561 luxury rooms in Cebu City and the one of the biggest convention hall in the Philippines. As in the previous years, our approach has always been in rejuvenating our hotels and its amenities, promoting the quality of our guest services and programs and empowering our peers. We have much to offer the broad market with the right marketing mix: competitive room rates, premium, value-added guest programs, well-equipped function facilities and professional guest services. Although, extreme competition has always been present with the Waterfront Group and other destinations and hotels, the Company has unfazingly regarded this as a welcome challenge and motivation on increasing its market share with a corresponding increase in average room rates and in actual room occupancies. As part of its marketing strategy, the company exercises flexible rates for contingencies, tie-ups with airlines, special occasion packages and other promos. Also, the massive efforts of our sales and marketing division in creating and implementing dynamic programs designed to search for customers and developing and maintaining their loyalties, have certainly added to the hotels' marketability. Coupled with the efforts of our public relations division in ensuring that the reputation of our hotels are kept free from negative publicity and its awareness of social responsibility, has certainly given marketing strategy a deeper meaning. The Company aims for building a strong relationship with our guests.

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

The integration of the Manila Hotel Pavilion gave the Company a foothold in the dynamic hotel business in the central political and commercial district of Manila. The Company's Sales and Marketing division has started the cross-selling each hotel. This made it easier for our guests to make reservations and bookings to any of the hotels through one hotel. Naturally, the central sales and reservation office served as the selling hub and augmented local sales effort.

Information Technology

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

The company takes pride in its training and development programs. In fact, Waterfront sets a high standard of achieving 70 training hours per person every year. In order to ensure that such passion

for never ending quest for improvement and excellence, Waterfront makes People Development an integral Key Performance Index, among others which is Guest Satisfaction Index and Financial Index.

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

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

Employees' Training

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

Property	Training Index
WCCHI	76.05
WMCHI	97.88
DIHCI	102.07
APHC	83.13
WMC	110.61
Citigym	110.95
WEC	19.31

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

Upon Joining the Waterfronts family newly-hired peers undergo a comprehensive Inductive Program to orient them to the Hotel's Culture. Front liners undergo basic Skills Certification Program for their respective areas of assignment to ensure that hotel service standards are maintained.

Supervisors and managers are enrolled in our Supervisory and Managerial Development Programs which equip them with both basic and advanced skills to help them effectively perform their roles as leaders of the organization.

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

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

Employees

As the reputations of the hotels rise and the volume of their clientele grows, so will their expectations and demands. The fundamental key to clients' satisfaction will always be the delivery of the best service from the employees. Service is the hotels' most important product and first class service doesn't just happen overnight. It is a team effort, requiring constant attention, training and supervision. In an ongoing endeavor to carry on with this ideal, the Company continues to increase in-house and external training of its personnel to endow the employees with the competence essential to cope with the increasing standards and demands of the market. A salary structure has also been implemented to ensure more competitive compensation packages, which are at par with the industry's standards and the Department of Labor and Employment's mandated requirements.

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

As of the end of the calendar year 2012, *WPI* Group has a total of 1,036 employees that were distributed as follows:

WCCCHI*:*

	Filipinos	*Foreigners*	*Total*
Executive	25	7	32
Non-Executive	401	0	401
Total	**426**	**7**	**433**

WMCHI*:*

	Filipinos	*Foreigners*	*Total*
Executive	11	0	11
Non-Executive	102	0	102
Total	**113**	**0**	**113**

DIHCI:

	Filipinos	*Foreigners*	*Total*
Executive	11	0	11
Non-Executive	73	0	73
Total	**84**	**0**	**84**

APHC:

	Filipinos	*Foreigners*	*Total*
Executive	23	2	25
Non-Executive	296	0	296
Total	**319**	**2**	**321**

WMC:

	Filipinos	*Foreigners*	*Total*
Executive	1	0	1
Non-Executive	32	0	32
Total	**33**	**0**	**33**

WCWI:

	Filipinos	*Foreigners*	*Total*
Executive	5	0	5
Non-Executive	21	0	21
Total	**26**	**0**	**26**

WFCI:

	Filipinos	*Foreigners*	*Total*
Executive	0	1	1
Non-Executive	10	0	10
Total	**10**	**1**	**11**

WEC:

	Filipinos	*Foreigners*	*Total*
Executive	2	0	2
Non-Executive	13	0	13
Total	**15**	**0**	**15**

Grand Total	**1,026**	**10**	**1,036**

There is no existing union under the Company except for Davao Insular Hotel and Manila Pavilion Hotel. For Davao Insular Hotel Company, Inc., the Davao Insular Hotel Free Employee Union (DIHFEU) members consisting of 53 employees all availed of retirement plan in 2010. On April 1, 2011, Waterfront Insular Hotel Davao Employees Association (WIHDEA) consisting of 35 employees was formed.

The Manila Pavilion Hotel has not experienced any strikes since 2006. The Collective Bargaining Agreement (CBA) for the line employees was concluded on January 14, 2013, covering a period of three (3) years, July 1, 2012 to June 30, 2015. The CBA for supervisors signed on June 21, 2012 covers a period of three (2) years, April 1, 2011 to March 31, 2014.

Business of WPI and Its Subsidiaries

- ***WPI***

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

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

Subsidiaries

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

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

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

-Waterfront Convention Center-(WCC)

Waterfront Convention Center previously known as Cebu International Convention Center is a six-storey building, especially-designed to adapt to any event size and purpose, with a total gross area of 40,587 square meters, and has been in operation since January 5, 1998. Major amenities of the center include ten (10) function rooms and two (2) Grand Ballrooms with a seating capacity of 4,000. *WCC* is the only convention and exhibition center of international standard in Cebu City.

- *Entertainment Block*

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

- *Hotel Tower Block*

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

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

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

In addition to its features, 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 criss-crossed by hundreds of people each day, the hotel's grand lobby sets the whizzing pulse for the hotel and dictates its overall ambiance.

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 started in the year 2011 and launched this year of 2012 on June 23. The cost of the renovation is around Php130 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. With this new improvement, guests are guaranteed an even better check-in experience with a brand new reception area, which includes a more spacious Concierge counter and a wider Front Desk that will cater exclusively to individual travelers. Brand new communications and IT gadgets have been acquired to further ensure the smooth reception of guests as well. Other enhancements include newly-built ticket booth for conventions and concerts, Egyptian marble flooring, improvements to the ceiling's three coves and the lobby's balconies and staircases, and state-of-the-art sound and lighting equipment.

More than that, the Lobby Lounge itself now offers an all-new dining and lounging experience, with newly-installed glass panels, semi-enclosing 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, additional features such as nightly entertainment from the city's top performers, soulful afternoon music by soloists, a selection of afternoon tea packages that is available for guests from 2:00 PM to 6:00 PM daily, and an offering of fantastic gourmet dessert. Diners now have the option to choose from a variety of flambé creations, which will be prepared by the lobby's server's right in front of the guests. A selection of fine wines is also available from the lobby's very own wine dispenser, with enomatic cards of varied denominations.

- ***Waterfront Mactan Casino Hotel, Inc.***

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

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

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

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

The hotel has 159 guest rooms, 5 function rooms and 6 F&B Outlets. Features included in the newly re-opened hotel are the 5 Gazebos located along the beach area. The numerous requests for beach weddings have made these added features not only attractive but functional as well as providing added revenue.

A large garden tent with a 12,000 sq. meter area was erected in July 2002, in order to accommodate functions that require extra space not available at the grand ballroom while providing a panoramic view of the garden and the sea.

It hopes to achieve higher occupancy levels for the coming years by extending the Waterfront Way of Service to the tourism industry.

- ***Waterfront Promotions Limited***

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

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

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

- ***Grand Ilocandia Resort and Development, Inc.***

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

- ***Mayo Bonanza, Inc.***

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

- ***Waterfront Entertainment Corporation***

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

- ***ACESITE (PHILS.) Hotel Corporation***

The principal property of the Company is a 22-storey building known as the Manila Pavilion Hotel located at the corner of United Nations Avenue and Maria Y. Orosa Street in Ermita, Manila. The Hotel has 502 rooms and suites that have individually controlled central air conditioning, private bathroom with bathtub and shower, multi-channel radio, color TV with cable channels and telecommunications facilities. The hotel had approximately 2,200 sq. m. of meeting, banquet and conference facilities but decided to lease the areas to Pagcor per Contract of Lease dated December 20, 2007. The hotel also houses several restaurants, such as Seasons Café (coffee shop), the Boulvar (bar & lounge) and the Patisserie (bakeshop and deli items). Other guest services and facilities include a chapel, swimming pool, gym, business center and a valet-service basement carpark. Concessionaires and tenants include a spa, herbal medicine, travel agency, and flower shop. Contract with beauty salon, photo service and travel agency operators expired and not renewed last 2009, 2008 and 2013 respectively. In addition, Casino Filipino – Pavilion, owned and operated by PAGCOR, occupies part of the first, second, third, fourth, fifth floors and AHU area (a total of 12,696.17 sq. m.) of the building.

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

- ***Waterfront Food Concepts, Inc.***

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

- ***Waterfront Hotel Management Corp.***

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

- ***Waterfront Wellness Group Inc.***

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

Business Development

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

Year 2008

The race is not always to the quick. It takes more than luck to reach the goal. Leaders oft make it to the top by dint of hard work, resourcefulness and a healthy streak of creativity. Waterfront Philippines, Inc. proved this philosophy when they surpassed the year 2008 which full of struggles. This year might be the crucial year of WPI, despite the ups and down, and tough competition from tourism industry, WPI still remain to continue its growth and existence as the largest Filipino owned chain hotels in the Philippines. Given this remarkable challenging performance, WPI aim not only to maintain the quality of lodging facilities and services but also raise it further. WPI made improvements in one of the Hotels-WCCHC, started in November 2008 the renovation of the offices. This investment is give pride to the employees who always remain loyal to the company by giving them comfort in their respective workplace, which essential in keeping the aforementioned momentum going. WPI still hopeful for the future that is well within the grasp, and remain in perseverance and continue to open the opportunities to come, whether by grace chance or for own making and size up tomorrow, meet the challenges and move further with banners spread out towards the future.

Year 2009

We started 2009 with resolve to face the challenges brought on by unrelenting international crises that contributed to the slow pace of recovery of the tourism and tourism-related services sectors. The company targets continued to remain modest and view in mind that we would take this year as a challenge to lay groundwork for greater profitability in the next year onward. 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 our operating cost without sacrificing the need and satisfaction of our guest.

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

Year 2010

In all regions of the world, the hotel sector has suffered big losses. Many hotels have slashed prices and are offering special discounts just to keep customers. Despite the dismal global numbers, Waterfront Philippines has kept to its primary commitment to taking care of its guest, employees and shareholders. Waterfront Philippines exhaust all means to increase the revenue and ensure the stability and profitability of the business. The hotels continue to cross-sell their rooms and continue to promote agency/tour-groups repeat business, and other subsidiaries like Mayo Bonanza and Citigym bring in revenue growth streams for the company.

Waterfront Philippines, Inc. remains secure and highly adaptable to the shifts in global tourism trends. Our strategic location in the country's prime hubs for tourism and key areas of economic expansion contributes to our stability and enables us to take advantage of emerging business opportunities.

The company aim to keep healthy, dynamic, profitable enterprises while maintaining the quality of excellent service and keeping the essential corporate values that company celebrated for. Facility upgrades in recent years have served to pique consumer interest.

Year 2011

Despite the vindictive economic condition of the country especially in hotel industry, the company still survives to continue to serve and give world class facilities, diverse and absolute entertainment system that brings attraction to the Province of Cebu which attracts local, regional and international visitors, to a highly competitive market. The newly opened subsidiaries have been in the up hill struggle to continue its existence with the help of the other group incorporators in order to achieve the goal which is to be the world class in competitive market; it was then truly a fruitful year to the company.

In years onward the company always has a vision to maintain to be on the peak world class market moreover the good and bad experiences of the company from previous years dictates to move forward and focus on the fundamentals of hotels operations in order to maximize profit. Stirring the effective marketing strategy, hospitable service and cost controls become the paramount to maintain in the highly competitive world.

Year 2012

The year 2012 has been another trying year for the tourism and travel industry. We have witnessed yet another wave of unforeseen global events that have had a profound impact on us. The decrease in the country's competitiveness as a tourism destination is also a factor contributing to our industry's woes. However, our innovative efforts to counteract dwindling tourism figures and create interest in our markets—both existing and potential ones—have allowed us to stay afloat. We continue to drive our marketing efforts along both offline and online channels. Thus, taking care of our shareholders is of utmost priority, and through our recent solutions and innovations, we are not just adapting to the times but creating and initiating growth by ourselves. We believe in being at the vanguard of change, and by stimulating positive change, we have managed to turn out positive results amid poorly performing global factors and regional incidents beyond our control.

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

Strategies

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

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

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

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

In addition to advancement concerning our operations is the upgrading of our Property Management Systems (PMS). These are multi-million Peso investments to upgrade our efficiency, and ensuring that our operations remain steady in the years to come. The Waterfront Recipe Guide System is a savvy new strategy to give our F&B operations a boost. This will enable us to standardize our best-selling dishes, aiming to be more consistent in preparation and taste.

Item 2. Properties

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

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

WCCCHI Land Lease:

Location	Former airport site at Lahug in Cebu City
Size	Approximately 4.6 hectares
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 2014, renewable for another 25 years up to 2039.
Rental	Annual rental of P6.1 million
Development	-

Item 3. Legal Proceedings

3.1 SSS vs WPI. Et al civil case no. Q-04-52629 at regional trial 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. On September 12, 2005, RTC of Quezon City ordered the issuance of writ of preliminary attachment against the properties of WPI 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. The Parent Company is trying 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.

3.2. BIR Assessment

Taxable Year 2003

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 and on 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.

Taxable year 2006
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 November 13, 2012, CTA ruled its decision on WPI's 2006 VAT, EWT and compromise penalty assessments. On the month of February 19, 2013, the CTA in its resolution promulgated in this date that the decision on the cancellation of VAT and Compromise penalty assessments are now final; however it was also ruled that WPI is still subject to EWT assessment in the basic amount of P551, 000.00 plus interest of P901, 141.73 and P25, 000.00 compromise.

In settlement of the 2006 deficiency tax assessment, the Company paid the amount of P1.5 million in March 12, 2013 thus making the case closed.

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

4.1 During the annual stockholders' meeting held last August 18, 2012, the stockholders approved and ratified the following matters:

a. Election of the members of the Board of Directors to serve for the term 2011-2012. Those elected regular members of the Board were:

    1. Mr. Renato B. Magadia
    2. Mr. Reno I. Magadia
    3. Mr. Kenneth T. Gatchalian
    4. Mr. Arthur M. Lopez
    5. Mr. Dee Hua T. Gatchalian
    6. Ms. Elvira A. Ting
    7. Atty. Lamberto B. Mercado, Jr.
    8. Mr. Sergio R. Ortiz-Luis, Jr.
    9. Ruben Torres

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

b. The designation of KPMG Manabat Sanagustin & Co. as the Corporation's external auditor. KPMG was also the external auditor for the years 2007, 2008, 2009, 2010, 2011 and 2012. 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.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

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

Peso	High	Low
2012		
January – March 2012	0.72	0.475
April- June 2012	0.60	0.35
July- September 2012	0.48	0.42
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 price of the stock is P 0.48 and P 0.385 as of March 31, 2013.

5.1 The number of stockholders of record as of December 31, 2012 on the Register of Shareholders was 490 but the company is not able to identify the actual number of beneficial owners who are registered under the name of the member companies of the Philippine Stock Exchange (PSE). Common shares outstanding as of December 31, 2012 were 2,498,991,753. There are no sales for the last three years of unregistered securities.

5.2 The list of top 20 stockholders of record as of December 31, 2012 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, 491, 291	21.828
3	Silver Green Investment LTD	180, 230, 000	7.212
4	Chesa Holdings, Inc.	175, 924, 000	7.039
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 and 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

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

Below are the results of operations of the Parent Company and its subsidiaries, for the years ending December 31, 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
Net Income (Loss) Before Income Tax	**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	**(0.003)**	**(0.042)**

FINANCIAL CONDITION (Amounts in P)

	2012	**2011**
ASSETS		
Current Assets	2,475,215,576	761,758,614
Non Current Assets	6,896,181,525	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

- Despite the hurdle that the tourism industry faces, WPI boasts solid performance for 2012. Total revenues for year ended Dec. 31, 2012, was higher than the previous year. In actual performance, revenues from hotel & other subsidiaries for the year 2012, is P1.999B compared to 2011's P1.995B; an increase of 0.19%.

  Earnings per share for 2012 are (P0.003) compared to last year's (P0.042). There are no potentially dilutive shares as of December 31, 2012, 2011, 2010.

Cost and expenses

- Cost and expenses is higher by P97M reflecting a 7% increase from previous year. But despite of its increase WPI still managed to come up a positive income of P8M as compared to last year's net loss of P145M.

FINANCIAL CONDITION

Current Assets

Cash and cash equivalents – This account decreased by P2M, which is more or less at 3%.

Receivables – decreased by 0.03%, from P165.119M in 2012 to P165.170M in 2011. The decreased resulted from the company's strict implementation of term payments and thorough evaluation of client's credit terms.

Inventories – Inventories for the period decreased by 18% compared to last year, this year being at P30 million and last year at P37 million.

Prepaid expenses and other current assets – This increased by P8M, approximately 45%; from P19M in 2011 to P27M 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 P1.7B an amount equivalent to 371%. This represents interest bearing advances to MAHEC, TWGI, FHI and PRC. This year of 2012, the company revised the previous term payments and makes it due in one year, subject to yearly renewal and re-pricing.

Noncurrent Assets

Property plant & equipment – This account reflected a decrease by P68M or 1% compared to last year. This is mainly due to depreciation. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

Other non current assets – There is a decreased of P67M on this account, an amount equivalent to 34% compared to last year's.

Current Liabilities – This account consists of trade payable, income tax payable, accruals and loans payable. The account decreased by 10% from last year; P2.2B in 2011 down to P1.9B in 2012.

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 6% compared to last year.

Loans Payable – The total amount consist of current and long term has increased by 1% compared to last year. This represents loan from Philippine Business Bank, Social Security System, and from Industrial Commercial Bank of China – Singapore Branch.

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 that did not arise from the issuer's continuing operations other than those already affecting profit or loss.

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.

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.

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

RESULTS OF OPERATION

Revenues and Earnings per share

- Total revenues for year ended December 31, 2011, was higher than the previous year. Revenues from hotel operations for the year 2011, is P1.995B compared to 2010's P1.930B, an increase of 3%.

  Earnings per share for 2011 was (P0.042) compared to last year's of (P0.020).

Cost and expenses

- Cost and expenses decreased of P113M equivalent 7% compared to last year. This is mainly due strict implementation of company's cost cutting measures.

FINANCIAL CONDITION

Current Assets

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 2009 to P19M for this year. Prepaid expenses are defined as payment for services and/or benefits yet to be performed or received, it also include prepaid taxes and insurance.

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

Noncurrent Assets

Property plant & equipment – This account reflected a decrease by P110M or 16% compared to last year. This is mainly due to depreciation. In compliance with PAS 27, property and equipment (except operating and transportation equipments) were carried at revalued amounts effective 2009.

Other non current assets – There is an increase of P51M on this account, an amount equivalent to 35% compared to last year's. This was mainly due to deposit to various contractors for the on going renovations of WCCCHI.

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

Accounts payable & accrued expenses – This account is part of the "Current Liabilities". This includes trade payable to suppliers and accrued interest and penalties from SSS loan. There is a minimal increase of 0.8% 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.

Item 7. Financial Statements

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

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

1) External Audit Fees and Services

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

A) 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

B) Tax Fees

None

C) All Other Fees

None

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

None

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

9.1 The names and ages of the Directors and Executive Officers as of December 31, 2012 are 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). Director of Asia Pacific Top Management International Resources Corp. Director of Phil. Hotel Federation Inc.
Director	Dee Hua T. Gatchalian	64	Filipino	Director- Philippine Estates Corporation, Acesite (Philippines) Hotel Corporation; EVP-Finance and Admin The Wellex Group, Inc., & Plastic City Corporation. Chairperson of Jesus Our Life Ministries, Inc.
Director	Reno I. Magadia	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	52	Filipino	President & CEO – Philippine Estates Corporation; Director-Wellex Industries, Inc., Forum Pacific, Inc., Orient Pacific Corporation, Crisanta Realty and Development Corporation, Recovery Development Corporation, The Wellex Group, Inc., Plastic City Industrial Corporation.
Corporate Secretary	Arthur R. Ponsaran	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.

➢ ***Independent Directors***

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

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

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

Kenneth T. Gatchalian	**President**

Mr. Kenneth T. Gatchalian is a President of the Company. He is a member of the Board of Forum Pacific, Inc. and Wellex Industries, Inc., and The Wellex Group, Inc. He is 36 years old and holds a Degree in Bachelor of Science in Architecture from University of Texas in San Antonio, Texas, USA. He's been a director of Waterfront since February 2001.

Arthur M. Lopez	**Director**

Arthur M. Lopez is the Principal Consultant of AML Hotel Consultants, an independent Hotel Consultant. Currently he is the Hotel Management Consultant of the Bellevue Hotel and the B Hotel and the Bellevue Bohol Resort in Panglao (opening July 2012), Director of Asia Pacific Top Management International Resources Corp. and, Chairman of Acesite Philippines Hotel Corporation and Director of Philippine Estates Corporation. He is the Owner's Representative and Advisor of the Sheraton Langkawi Beach Resort in Malaysia, Four Points by Sheraton Kuching, Malaysia, the Santubong Resort in Kuching, Malaysia and Helang Hotel, Langkawi, Malaysia. He was the Management Consultant at the Rarotongan Beach Resort & Spa and the Aitutaki Lagoon Resort and Spa in Cook Islands and has done hotel and club consultancy work in Japan, Palau, China and Indonesia. Currently he has four pre-opening hotel projects in the Philippines and overseas. He was elected as Chairman and Independent Director of Acesite (Phil's.) Hotel Corp., since 2004-present. He is 65 years old and a Masters Degree holder in Business Administration from the University of Santo Tomas. He's been a director of Waterfront Philippines, Inc. since October 2000-present.

Dee Hua T. Gatchalian	**Director**

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

Reno I. Magadia	Director

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

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

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

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

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

Ruben D. Torres	**Director**

Mr. Ruben Torres graduated in the University of the Philippines with a degree of Bachelor of Arts (Political Science) after which, he finished the degree of Bachelor of Laws at the same university. He is 71 years old. Presently he is also the President of RUBENORI, Inc., Senior Partner of Torres Clemencio Cabochan and Torres Law Offices, and Chairman of EACOMM Corporation. He is associated with the Integrated Bar of the Philippines and Philippine Academy of Professional Arbitrators. His former positions include being a Member of the House of Representatives of the 2nd District of Zambales, Executive Secretary of the Office of the President in Malacañang, Secretary of the Department of Labor and Employment, Managing Partner of Yulo, Torres, Tarrieta and Bello, Director of the Philippine Long Distance Company, Director of Puerto Azul Beach and Country Club, Director of Center for Research and Special Studies, Commissioner of Social Security System, Director of Land Bank of the Philippines, Board Member of Philippine Crop Insurance Corporation, Board Member of Population Commission, Board Member of National Housing Authority, Trustee of Home Development Mutual Fund, Member of Presidential Agrarian Reform Council, Member of President's Committee on Bases, Vice Chairman of Public Sector Labor-Management Council, Chairman of National Manpower and Youth Council, Chairman of Overseas Workers Welfare Administration, Chairman of National Maritime Polytechnic, Chairman of Employees Compensation Commission and Publisher of DIWALIWAN. Mr. Torres, became an Independent Director of Waterfront Philippines, Inc. since August 2006-present.

Elvira A. Ting	**Director and Treasurer**

Ms. Elvira A. Ting earned her Bachelor's Degree in Business Administration major in Management from the Philippine School of Business Administration. She's 52 years old and has been a Director of Waterfront Philippines, Inc., since October 2000-present**.** She is also the President/Director of Philippine Estates Corp., a director Wellex Industries, Inc., The Wellex Group, Inc., and Forum Pacific, Inc. She is also a Director/CFO of Acesite Phils. Inc. since 2004-present

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. For 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".

Ricky L. Ricardo	**Corporate Affairs Officer**

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

9.2 The Directors of WPI are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified. For the year 2012 the Board of Directors' meeting for the election of the Executive Officers was held on last August 18, 2012. The Directors are to serve one year from then. The last annual stockholders' meeting was held at the Waterfront Cebu City Hotel last August 18, 2012.

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

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

There are no other relationships among the officers listed.

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

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

Item 10. Executive Compensation

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

10.2 The aggregate compensation paid to the four.

	Fiscal Year Ending December 31		
	2012	**2011**	**2010**
a) Aggregate compensation paid to four most highly compensated executive officers: -estimated i) Alfred Portenschlager ii) Gaye Maureen Cenabre iii) Precilla O. Toriano iv) Ma. Socorro Cotelo	6,676,433.64	5,761,107.40	5,771,972.3
b) Aggregate compensation paid to other Officers as a group unnamed -estimated	6,828,942.54	6,503,754.80	3,919,702.2

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

10.4 There is no issuance of warrants or options for the year 2012 to the directors or executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1 Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2012, WPI has no knowledge of any individual or any party who beneficially owns in excess of 10% of WPI's common stock except as set forth in the table below:

Title of Class	Name of Record/ Beneficial Owner	Amount & Nature of Record/Beneficial Ownership ("r" or "b")	Percent Of Class
Common	The Wellex Group, Inc.	1,143, 466, 800 **"r" ***	45.757
Common	PCD Nominee Corp.(Fil)	545,491,291 **"r"**	21.828

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

11.2 Security Ownership of Management

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

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

Item 12. Certain Relationships and Related Transactions

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

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

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

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

(a) Exhibits

(b) Reports on SEC Form 17-C

PART IV – CORPORATE GOVERNANCE

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

1. The Company has a compliance officer, 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.

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

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

4. 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.

5. 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.

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

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

8. 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.

9. 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.

10. The Board has created committees, namely: the Nomination Committee, Compensation & Remuneration Committee, and the Audit Committee.

11. 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.

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

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. The External Auditor for the year 2004 and 2011 is KPMG Manabat Sanagustin and was chosen by the Board and approved by the stockholders upon recommendations of the Audit Committee.

19. The Internal Auditor reporting directly to the Audit Committee provided reasonable assurance that the key organizational and procedural controls were effective, appropriate and complied.

20. The Manual for Corporate Governance has been made available to discerning stockholders during office hours of Waterfront Philippines, Inc.

21. The reports required for the Manual were prepared and submitted to the Commission.

22. All material information that could potentially affect shares was publicly disclosed in accordance with the rules of the Philippine Stock Exchange and the Commission. The Annual Reports were properly disseminated to the stockholders.

23. 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

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

2. 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.

3. For 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.

4. The company did not issue any additional shares during the year to make use of the preemptive right for the stockholders.

5. 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.

6. 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.

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

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative periods:

CURRENT / LIQUIDITY RATIO

Current Ratio	2012	2011
Current Assets	2,475,215,576.00	761,758,614.00
Current Liabilities	1,994,471,919.00	2,222,928,749.00
Ratio	1.241	0.343

Quick Ratio	2012	2011
Cash + Accounts Receivable + Short Term Marketable Securities	241,842,741.00	244,126,575.00
Current Liabilities	1,994,471,919.00	2,222,928,749.00
Ratio	0.121	0.110

Cash Ratio	2012	2011
Cash + Short Term or Marketable Securities	76,723,180.00	78,956,323.00
Current Liabilities	1,994,471,919.00	2,222,928,749.00
Ratio	0.038	0.036

SOLVENCY RATIO

Current Liabilities to Equity Ratio	2012	2011
Current Liabilities	1,994,471,919.00	2,222,928,749.00
Total Equity	3,718,815,286.00	3,733,028,607.00
Ratio	0.536	0.595

Total Liabilities to Equity Ratio	2012	2011
Total Liabilities	4,966,505,041.00	5,018,490,800.00
Total Equity	3,718,815,286.00	3,733,028,607.00
Ratio	1.336	1.344

Fixed Assets to Equity Ratio	2012	2011
Fixed Assets	6,461,224,021.00	6,530,010,614.00
Total Equity	3,718,815,286.00	3,733,028,607.00
Ratio	1.737	1.749

Asset to Equity Ratio	2012	2011
Total Assets	9,371,397,101.00	9,401,693,941.00
Total Equity	3,718,815,286.00	3,733,028,607.00
Ratio	2.520	2.519

INTEREST COVERAGE RATIO

Interest Coverage Ratio	2012	2011
Net Income Before Tax + Interest Expense	209,195,718.00	-27,139,954.00
Interest Expense	162,940,594.00	89,458,540.00
Ratio	1.284	-0.303

PROFITABILITY RATIO

Return on Sales (Profit Margin) Ratio	2012	2011
Net Income After Taxes	7,688,355.00	-145,234,121.00
Net Sales	1,999,265,946.00	1,995,569,558.00
Ratio	0.004	-0.073

Return on Assets (ROA) Ratio	2012	2011
Net Income After Taxes	7,688,355.00	-145,234,121.00
Total Assets	9,371,397,101.00	9,401,693,941.00
Ratio	0.0008	-0.015

Return on Equity	2012	2011
Net Income After Taxes	7,688,355.00	-145,234,121.00
Total Equity	3,718,815,286.00	3,733,028,607.00
Ratio	0.002	-0.039

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned; thereunto duly authorized, in the City of CITY OF MANILA on APR 29 2013, 2013.

By:

KENNETH T. GATCHALIAN
President / CEO/COO

ELVIRA A. TING
Treasurer/CFO

ARTHUR R. PONSARAN
Corporate Secretary

PRECILLA O. TORIANO
Director for Finance (Comptroller)

SUBSCRIBED AND SWORN to before me this _____ day of APR 29 2013 2013__ affiant(s) exhibiting to me his/their Passport.

NOTARY PUBLIC

ATTY. RAMIL JOSELITO B. TAMAYO
NOTARY PUBLIC
PTR No. 1405527 Issued 12-28-12 Until 12-31-2013
IBP No. 868931 Until 12-31-2013 Comm. No. 2012-018 MANILA
Office Add: Legaspi Towers 300 Roxas Blvd. Cor. Ocampo St. Malate Manila

Doc. No. 57
Page No. 12
Book No. 20
Series of 2013

COVER SHEET

AS094-008678

S.E.C. Registration Number

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES

(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. Elvira A. Ting

Contact Person

(02) 687-0888

Company Telephone Number

12 31

Month *Day*

AFS12

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

WATERFRONT
PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Waterfront Philippines, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements 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

Precilla O. Toriano
Corporate Finance Director

Elvira A. Ting
Treasurer

Bureau of Internal Revenue
Revenue District No. 080, Mandaluyong
NOT VALID for Tax Credit Application

4/26/13

TO WHOM IT MAY CONCERN:

This is to certify that this is a true copy of the record on file in this office.

Debbie E. Gonzales

00935593
4/26/13

17 APR 2013

Signed this __th day of _________2013

ATTY. DELON RICHEL RAMON B. URO
NOTARY PUBLIC
D. Jakosalem Street Cebu City
NOTARIAL COMMISSION No. 211-06
UNTIL DECEMBER 31, 2013
PTR No. 2680872/1-2-13/Cebu Province

Doc. No. 132
Page No. 4

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

REPUBLIC OF THE PHILIPPINES)
) S.S

TREASURER'S CERTIFICATION

I, **Elvira A. Ting** ,of legal age, Filipino and with office address at the 27F Wynsum Corporate Plaza Francisco Ortigas Jr. Avenue Ortigas Center, Pasig City, after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Waterfront Philippines, Inc.,** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration **No. AS094-08678** with principal office address at No. 1 Salinas Drive Lahug Cebu City.

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

WITNESS MY HAND on this 17 APR 2013 day of ______ 2013 at ______________________________.

ELVIRA A. TING
Treasurer

SUSBCRIBED AND SWORN to before me on this 17 APR 2013 day of ______________ at ____________________. Affiant exhibited to me her Community Tax Certificate No./**Passport No.** 134250240 issued on December 3, 2003 and valid until December 3, 2013 .

Doc. No 234.
Page No 47.
Book No 49.
Series of 2013.

ATTY. DELON RICHEL RAMON B. URO
NOTARY PUBLIC
D. Jakosalem Street, Cebu City
NOTARIAL COMMISSION No. 211-06
UNTIL DECEMBER 31, 2013
PTR No. 2680872/1-2-13/Cebu Province
IBP No. 900524/1-2-13/Cebu Province
ROLL OF ATTORNEY'S No. 4056
MCLE Comp. No. III-0010595

**WATERFRONT PHILIPPINES, INCORPORATED
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012, 2011 and 2010

KPMG

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Branches: Bacolod · Cebu · Iloilo · Subic

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

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.

Manabat Sanagustin & Co., CPAs, a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Registration No. 0003, Group A, valid until December 31, 2013
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Group A, valid until December 17, 2014

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

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

SEC
Central Receiving and Records
HRAD
APR 30 2013
BY:

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2012**	2011 (As restated - Note 11)	2010
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

			Years Ended December 31	
	Note	**2012**	2011 (As restated - Note 11)	2010
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.

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.

Principles of Consolidation

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

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

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

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

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus

- the recognized amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

- the net recognized amount generally the fair value of the identifiable assets acquired and the liabilities assumed.

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

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

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

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

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).

Estimates
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	P33,653,505	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).

Lease Agreements with Concessionaires

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

Total rent income with concessionaires amounted to P686.1 million, P657.7 million and P546.7 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Lease Agreements Entered into by MBI

a. *Lease of Offices Spaces*

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

b. *Lease of Slot Machines to PAGCOR*

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

c. *Lease of Slot Gaming Machines*

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

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

Total rent expense for lease of slot machine and slot gaming machines amounted to P52.4 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) Change in interest rates (in basis points)	Income After Income Tax **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.

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

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. Elvira A. Ting

Contact Person

(02) 687-0888

Company Telephone Number

12 31

Month *Day*

AFS12

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

WATERFRONT
PHILIPPINES

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
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APR 26 2013

Precilla O. Toriano
Corporate Finance Director

Elvira A. Ting
Treasurer

Signed this __th day of 17 APR 2013 2013

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

Doc. No. 231
Page No. 47

ATTY. DELON RICHEL RAMON B. URO
NOTARY PUBLIC
D. Jakosalem Street, Cebu City
NOTARIAL COMMISSION No. 211-06
UNTIL DECEMBER 31, 2013
PTR No. 2580872/1-2-13/Cebu Province

REPUBLIC OF THE PHILIPPINES)
) S.S

TREASURER'S CERTIFICATION

I, **Elvira A. Ting** ,of legal age, Filipino and with office address at the 27F Wynsum Corporate Plaza Francisco Ortigas Jr. Avenue Ortigas Center, Pasig City, after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Waterfront Philippines, Inc.,** (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration **No. AS094-08678** with principal office address at No. 1 Salinas Drive Lahug Cebu City.

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

WITNESS MY HAND on this 17 APR 2013 day of ______ 2013 at ______________________________.

ELVIRA A. TING
Treasurer

SUSBCRIBED AND SWORN to before me on this 17 APR 2013 day of _____________ at ____________________. Affiant exhibited to me her Community Tax Certificate No./**Passport No.** 134250240 issued on December 3, 2003 and valid until December 3, 2013 .

Doc. No 284.
Page No 47.
Book No 49.
Series of 2013.

ATTY. DELON RICHEL RAMON B. URO
NOTARY PUBLIC
D. Jakosalem Street, Cebu City
NOTARIAL COMMISSION No. 211-06
UNTIL DECEMBER 31, 2013
PTR No. 2680872/1-2-13/Cebu Province
IBP No. 900524/1-2-13/Cebu Province
ROLL OF ATTORNEY'S No. 4056
MCLE Comp. No. III-001059

WATERFRONT PHILIPPINES, INCORPORATED

SEPARATE FINANCIAL STATEMENTS
December 31, 2012, 2011 and 2010

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches · Subic · Cebu · Bacolod · Iloilo

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

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 separate financial statements of Waterfront Philippines, Incorporated as at and for the year ended December 31, 2012, on which we have rendered our report dated April 12, 2013.

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

MANABAT SANAGUSTIN & CO., CPAs

BUREAU OF INTERNAL REVENUE
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DATE
APR 26 2013

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3669516MC
Issued January 2, 2013 at Makati City

April 12, 2013
Makati City, Metro Manila

KPMG

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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REPORT OF INDEPENDENT AUDITORS

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 26 2013

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

Report on the Financial Statements

We have audited the accompanying separate financial statements of Waterfront Philippines, Incorporated, which comprise the separate statements of financial position as at December 31, 2012 and 2011, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for each of the three years in the period ended December 31, 2012, 2011 and 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate 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 separate financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the unconsolidated financial position of Waterfront Philippines, Incorporated as at December 31, 2012 and 2011, and its unconsolidated financial performance and its unconsolidated cash flows for each of the three years in the period ended December 31, 2012, 2011 and 2010, in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 6 to the separate financial statements which indicates that the Parent Company has a receivable from a related party which has been the subject of collection efforts by the Parent Company's management. The ultimate amount and timing of collection of these receivables cannot presently be determined. The separate financial statements do not include any adjustment that may be necessary to reflect the effects of the ultimate outcome of this uncertainty on the carrying amount and classification of these receivables.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No. 19-2011 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information in Note 16 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

BUREAU OF INTERNAL REVENUE
RECEIVED
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TOMAS G. MAHINAY
Partner
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PTR No. 3669516MC
Issued January 2, 2013 at Makati City

April 12, 2013
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2012**	2011
ASSETS			
Current Assets			
Cash		**P584,181**	P753,381
Due from related parties (net) - current portion	*6*	**1,898,374,189**	427,139,047
Total Current Assets		**1,898,958,370**	427,892,428
Noncurrent Assets			
Investments in and advances to subsidiaries	*5*	**2,959,276,247**	3,209,801,840
Due from related parties (net) - noncurrent portion	*6*	**-**	1,349,778,169
Property and equipment - net	*7*	**2,269,249**	2,348,487
Other noncurrent assets		**2,561,550**	3,265,396
Total Noncurrent Assets		**2,964,107,046**	4,565,193,892
		P4,863,065,416	P4,993,086,320
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other payables	*8*	**P630,955,435**	P569,317,013
Due to related parties	*6*	**1,223,994,653**	1,413,828,014
Loan payable	*9*	**375,000,000**	375,000,000
Income tax payable		**4,756,400**	4,467,180
Total Current Liabilities		**2,234,706,488**	2,362,612,207
Equity			
Capital stock	*13*	**2,498,991,753**	2,498,991,753
Additional paid-in capital	*13*	**706,364,357**	706,364,357
Deficit		**(576,997,182)**	(574,881,997)
Total Equity		**2,628,358,928**	2,630,474,113
		P4,863,065,416	P4,993,086,320

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2012	2011	2010
REVENUES				
Interest income	6	**P39,393,283**	P24,509,186	P22,737,907
Other income		**93,322**	-	-
		39,486,605	24,509,186	22,737,907
GENERAL AND ADMINISTRATIVE EXPENSES				
Transportation and travel		**12,483,404**	577,377	611,518
Loss on sale of investment	5	**9,169,071**	22,473,317	-
Taxes and licenses	15	**5,136,097**	3,582,604	14,647
Annual meeting expenses		**2,503,611**	1,254,342	111,482
Representation and entertainment		**2,312,198**	2,442,609	28,592,533
Professional fees		**1,533,012**	1,188,560	1,363,000
Supplies		**1,023,585**	572,327	19,545
Data processing expenses		**936,680**	255,050	255,050
Others	10	**1,747,856**	3,474,085	7,009,939
		36,845,514	35,820,271	37,977,714
INCOME (LOSS) BEFORE INTEREST AND INCOME TAX		**2,641,091**	(11,311,085)	(15,239,807)
INTEREST				
Interest income from bank deposits		**(124)**	(5,696)	(62,112)
INCOME (LOSS) BEFORE INCOME TAX		**2,641,215**	(11,305,389)	(15,177,695)
INCOME TAX EXPENSE	11	**4,756,400**	4,467,180	3,937,604
NET LOSS/TOTAL COMPREHENSIVE LOSS		**P2,115,185**	P15,772,569	P19,115,299

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	2012	2011	2010
			Years Ended December 31	
CAPITAL STOCK - P1 par value				
Authorized - 5 billion shares				
Issued - 2,498,991,753 shares	*13*	**P2,498,991,753**	P2,498,991,753	P2,498,991,753
ADDITIONAL PAID-IN CAPITAL	*13*	**706,364,357**	706,364,357	706,364,357
DEFICIT				
Balance at beginning of year		**(574,881,997)**	(559,109,428)	(539,994,129)
Net loss for the year		**(2,115,185)**	(15,772,569)	(19,115,299)
Balance at end of year		**(576,997,182)**	(574,881,997)	(559,109,428)
		P2,628,358,928	P2,630,474,113	2,646,246,682

See Notes to the Separate Financial Statements.

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WATERFRONT PHILIPPINES, INCORPORATED
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2012**	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P2,641,215**	(P11,305,389)	(P15,177,695)
Adjustments for:				
Interest income	*6*	**(39,393,407)**	(24,514,882)	(22,800,019)
Depreciation	*7*	**287,106**	67,705	-
Operating loss before working capital changes		**(36,465,086)**	(35,752,566)	(37,977,714)
Decrease (increase) in other noncurrent assets		**703,846**	(129,549)	2,159,170
Increase in accrued expenses and other payables		**61,638,422**	61,768,756	54,120,667
Cash flow generated from operations		**25,877,182**	25,886,641	18,302,123
Interest received		**124**	5,696	53,763
Income tax paid		**(4,467,180)**	(3,937,604)	(3,843,177)
Net cash flow provided by operating activities		**21,410,126**	21,954,733	14,512,709
CASH FLOWS FROM AN INVESTING ACTIVITY				
Acquisitions of property and equipment	7	**(207,868)**	(2,416,192)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Net advances from (to) related parties	*5, 6*	**(21,371,458)**	328,632,458	462,627,633
Payment of loans payable		-	(354,487,513)	(472,000,000)
Net cash flow used in financing activities		**(21,371,458)**	(25,855,055)	(9,372,367)
NET INCREASE (DECREASE) IN CASH		**(169,200)**	(6,316,514)	5,140,342
CASH AT BEGINNING OF YEAR		**753,381**	7,069,895	1,929,553
CASH AT END OF YEAR		**P584,181**	P753,381	P7,069,895

See Notes to the Separate Financial Statements.

WATERFRONT PHILIPPINES, INCORPORATED
NOTES TO THE SEPARATE 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) and is listed in the Philippine Stock Exchange (PSE). It holds equity interests in hotels and resorts, a fitness gym, entities engaged in the international marketing and promotion of casinos, manufacturing of pastries, hotel management and operations.

The Parent Company and the following subsidiaries 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 as of December 31, 2012*	
	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
Pastries manufacturing:		
Waterfront Food Concepts, Inc. (WFC)	100	-
Hotel management and operation:		
Waterfront Management Corporation (WMC)	100	-
Waterfront Entertainment Corporation (WEC)	100	-

* *The Parent Company's percentages of ownership for the above subsidiaries are the same for 2012, 2011 and 2010, except for APHC wherein the percentage ownership decreased from 59% in 2011 to 58% in 2012 (see Note 5).*

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 separate 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).

In full compliance with PAS 27, *Consolidated and Separate Financial Statements*, the Parent Company has prepared consolidated financial statements for the same periods in which it consolidates all investments in subsidiaries in accordance with the said standard. Such consolidated financial statements provide information about the economic activities of the group of which WPI is the parent.

The separate financial statements of the Parent Company as at and for the year ended December 31, 2012 were authorized for issue by the Board of Directors (BOD) on April 12, 2013.

Basis of Measurement

The separate financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency

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

Use of Estimates and Judgments

The preparation of separate 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. 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 amount recognized in the separate financial statements are described in Note 4.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company 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 Company's separate 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.

- *Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12)* introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, *Investment Property*. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3, *Business Combinations* provided the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation SIC-21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into PAS 12, *Income Taxes*, and as a result Philippine Interpretation SIC-21 has been withdrawn.

- Philippine Interpretation Committee Question & Answer (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.

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 separate financial statements. None of these is expected to have a significant effect on the separate financial statements of the Company. Those which may be relevant to the Company are set out below. The Company 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 are 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.

  Control is re-assessed as facts and circumstances change.

  PFRS 10 supersedes PAS 27 (2008) *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12, *Consolidation - Special Purpose Entities.* This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- 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.

  This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- *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.

  This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- 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. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- *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 financial statements of the Company:

  - 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*.

- 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.*

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; and,

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

These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

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.

Under the prevailing circumstances, the adoption of the new standards, amendments and improvements to standards and interpretations in future periods as discussed above is not expected to have any material effect on the separate financial statements. However, additional disclosures will be included when these are adopted in the future.

Segment Reporting

Business segments provide services that are subject to risks and returns that are different from those of other business segments. The Parent Company's businesses are operated and organized according to the nature of business provided, with each segment representing a strategic business unit. The Parent Company's only reportable geographical segment is the Philippines.

The Parent Company does not present segment information because, at present, the Parent Company has only one segment in operation (i.e., holding operations). Operating results of the Parent Company's only operating segment are reviewed by the BOD, the chief operating decision maker (CODM) of the Parent Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management believes that segment reporting is more appropriate for enterprises offering group of products and services or operating in different geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects and risks that are relevant in assessing the risks and returns of a diversified or multinational entities.

Financial Assets

Financial assets are recognized in the separate financial statements when it becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets, except for investments classified as at fair value through profit or loss.

The Parent Company's category of financial assets includes loans and receivables only.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Parent Company provides money, goods or services directly to a debtor with no intention of trading the receivables. These are included in current assets if maturity is within twelve (12) months from the reporting date. Otherwise, these are classified as noncurrent assets.

Loans and receivables are initially recognized at fair value, representing the original invoice amount. They are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Parent Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Loans and receivables include cash, due from related parties and advances to subsidiaries. Due from related parties represents advances made to The Wellex Group, Metro Alliance Holdings and Equities Corporation, Forum Holdings Corp. and others. Advances to subsidiaries represent advances made to subsidiaries primarily to finance the construction and completion of certain hotel projects.

Cash
Cash includes cash in banks and is stated at its face value.

<u>Derecognition of Financial Assets</u>
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 Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Parent Company 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 Parent Company 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 Parent Company'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 Parent Company could be required to repay.

<u>Impairment of Financial Assets</u>
At each reporting date, the Parent Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss (FVPL) are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Financial Assets at Amortized Cost
For financial assets carried at amortized cost, the Parent Company 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 Parent Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses the group 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Parent Company on terms that it would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing the Parent Company's receivables, the Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The level of this allowance is evaluated by the Parent Company on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Parent Company's relationship with the debtor, their payment behavior and known market factors.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of the estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

Financial Liabilities
Financial liabilities are recognized when the Parent Company 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 Parent Company is established.

The Parent Company's financial liabilities include loans payable, accrued expenses and other payables and due to related parties.

Other Financial Liabilities
These include liabilities that are not carried at FVPL and are recognized initially at fair value and carried at amortized cost with amortization determined using the effective interest method.

After initial recognition, they 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 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.

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

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

Investments in Subsidiaries
Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

The Parent Company carries its investments in shares of stock of its subsidiaries under the cost method of accounting for investments. Under this method, investments are carried at cost less impairment losses, if any.

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

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Parent Company. The costs of day-to-day servicing of an asset are recognized as expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of furniture, fixtures and equipment ranging from 5 to 10 years. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

The estimated useful lives, as well as the depreciation and amortization 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 and no further charge for depreciation and amortization 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 and 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.

As of December 31, 2007, the property and equipment of the Parent Company costing P4.0 million have been fully depreciated.

Property and equipment, net of accumulated depreciation and amortization, as of December 31, 2012 and 2011 amounted to P2.27 million and P2.35 million, respectively, (see Note 7).

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 an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

Impairment of Nonfinancial Assets

The Parent Company's noncurrent assets are subject to impairment testing. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the excess of the carrying amount of the asset or cash-generating unit's carrying amount over its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. In assessing value in use, the following factors are considered: a) an estimate of the future cash flows the entity expects to derive from the asset; b) expectations about possible variations in the amount or timing of those future cash flows; c) the time value of money, represented by the current market risk-free rate of interest; d) the price for bearing the uncertainty inherent in the asset; and e) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset. Impairment loss is charged in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairment, if any, are recognized in profit or loss.

Income Taxes

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

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

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 by the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and 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.

Provisions and Contingencies

A provision is a liability of uncertain timing or amount. It is recognized when the Parent Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent assets are not recognized but disclosed in the notes to the separate financial statements when an inflow of economic benefits is virtually certain.

Events After the End of the Reporting Date

Post year-end events that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Accounting Estimates and Judgments

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates.

Estimating Allowance for Impairment Losses on Due from Related Parties

The Parent Company maintains an allowance for impairment losses on due from related parties at a level considered adequate to provide for potential uncollectible accounts. The level of this allowance is evaluated by the Parent Company on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Parent Company's relationship with its debtors, their payment behavior and known market factors. The Parent Company reviews the age and status of due from related parties, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgment or utilized different estimates. Allowance for impairment losses on due from related parties as of December 31, 2012 and 2011 amounted to P77.1 million, (see Note 6).

Estimated Useful Lives of Property and Equipment

The Parent Company estimates useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives and depreciation and amortization method are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Estimating Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that carrying amount of an asset may be impaired. If such indication exists, the Parent Company makes an estimate of the asset's recoverable amount. At the reporting date, the Parent Company 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. As of December 31, 2012 and 2011, there is no indication of impairment of the Parent Company's nonfinancial assets.

Recognition of Deferred Tax Assets
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts 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. Deferred tax assets as of December 31, 2012 and 2011 amounted to nil, (see Note 11).

5. Investments in and Advances to Subsidiaries

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

	2012			2011		
	Acquisition Cost	**Advances (Note 6f)**	**Total**	Acquisition Cost	Advances	Total
WCCCHI	**P13,800**	**P1,451,305**	**P1,465,105**	P13,800	P1,674,568	P1,688,368
DIHCI	**584,363**	**13,571**	**597,934**	584,363	25,033	609,396
APHC	**479,228**	**-**	**479,228**	502,047	-	502,047
GIRDI	**253,666**	**-**	**253,666**	253,666	-	253,666
MBI	**25**	**44,489**	**44,514**	25	44,436	44,461
WMCHI	**13,800**	**-**	**13,800**	13,800	-	13,800
WWGI	**625**	**12,952**	**13,577**	625	12,764	13,389
WFC	**125**	**5,710**	**5,835**	125	5,523	5,648
WMC	**125**	**78,782**	**78,907**	125	73,309	73,434
WEC	**125**	**6,585**	**6,710**	125	5,468	5,593
	P1,345,882	**P1,613,394**	**P2,959,276**	P1,368,701	P1,841,101	P3,209,802

Advances to Subsidiaries
Advances to subsidiaries mainly represent funds provided to primarily finance the construction and completion of certain hotel projects. As discussed in Note 9 to the separate financial statements, these include interest charges and foreign exchange gains or losses incurred on loans obtained from the Philippine National Bank (PNB) and the Social Security System (SSS).

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

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

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

	2012	2011
Total current assets	**P106,062**	P91,916
Total assets	**3,253,402**	3,381,212
Total current liabilities	**1,647,381**	1,983,761
Total liabilities	**2,765,266**	2,853,433
Revenue	**838,981**	753,025
Net loss	**(39,643)**	30,212

DIHCI

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

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

	2012	2011
Total current assets	**P57,652**	P52,317
Total assets	**560,343**	570,165
Total current liabilities	**46,540**	55,080
Total liabilities	**181,907**	195,554
Revenue	**163,479**	161,551
Net income (loss)	**3,825**	12,170

APHC

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

The Parent Company obtained control over APHC in 2007 though various shares swaps transactions (see Note 13).

As of December 31, 2012, the Parent Company's equity interest in APHC is reduced to 58% from 59% in 2011. This resulted from the sale in 2012 of 9,500,000 shares at a loss of P9.17 million. Also, in 2011, the Parent Company sold 4,700,000 shares at a loss of P22.5 million.

In October 2011, APHC acquired CIMAR and became its wholly owned subsidiary.

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

	2012	2011
Total current assets	**P629,942**	P773,984
Total assets	**2,543,787**	2,608,313
Total current liabilities	**530,724**	644,954
Total liabilities	**1,422,089**	1,524,789
Revenue	**537,435**	635,871
Net income (loss)	**35,139**	(99,469)

GIRDI

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

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

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

	2012	2011
Total current assets	**P218,304**	P218,414
Total assets	**472,321**	472,068
Total current liabilities	**40,712**	40,682
Total liabilities	**40,712**	40,682
Revenue	**1,685**	2,167
Net income	**224**	123

MBI

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

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

	2012	2011
Total current assets	**P15,137**	P11,181
Total assets	**41,097**	49,488
Total current liabilities	**70,441**	79,814
Total liabilities	**70,441**	79,814
Revenue	**91,892**	92,260
Net income	**981**	2,074

WMCHI

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

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

	2012	2011
Total current assets	**P304,173**	P381,686
Total assets	**1,307,790**	1,418,036
Total current liabilities	**81,989**	143,055
Total liabilities	**627,889**	762,141
Revenue	**289,778**	276,662
Net income	**24,006**	25,977

WWGI

WWGI, formerly W Citigyms & Wellness, Inc., was incorporated and registered with the SEC on January 26, 2006, to engage in, conduct and carry on the general business of sporting and other recreational activities. The facilities of WWGI, which commenced commercial operations on May 1, 2006, include a fitness gym with top-of-the line equipment and amenities. During 2010, the WWGI established a snack bar, "Powerhouse" that sells food and drinks to its customer. WWGI also offers in-house massage for guests staying in WCCCHI, a fellow subsidiary.

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

	2012	2011
Total current assets	**P2,465**	P2,212
Total assets	**15,461**	17,512
Total current liabilities	**25,189**	26,007
Total liabilities	**26,678**	27,191
Revenue	**15,044**	12,810
Net loss	**1,538**	1,545

WFC

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

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

	2012	2011
Total current assets	**P6,076**	P6,229
Total assets	**6,371**	6,793
Total current liabilities	**22,302**	16,503
Total liabilities	**22,302**	16,503
Revenue	**4,533**	7,268
Net loss	**6,221**	5,333

WMC

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

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

	2012	2011
Total current assets	**P9,533**	P11,876
Total assets	**18,077**	28,619
Total current liabilities	**110,662**	103,922
Total liabilities	**115,113**	106,790
Revenue	**50,359**	44,490
Net loss	**18,864**	14,707

WEC

WEC was incorporated under the laws of the Republic of the Philippines and registered with the SEC on August 13, 2003. WEC's primary purpose is to engage in the business of producing and co-producing of concerts and shows.

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

	2012	2011
Total current assets	**P11,107**	P9,125
Total assets	**11,290**	9,260
Total current liabilities	**1,720**	2,222
Total liabilities	**8,155**	7,708
Revenue	**8,802**	8,842
Net income (loss)	**1,584**	1,547

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

WPL and CWIL's primary business purpose is to invite and organize groups of foreign casino players to play in Philippine casinos pursuant to certain agreements entered into with the PAGCOR under the latter's Foreign High-Roller Marketing Program (the "Program"). WPL and its subsidiary's participation with PAGCOR's Program, however, has been terminated in 2003 due to unfavorable economic conditions.
To support the Program, WPL and CWIL entered into several agreements with various junket operators to market and promote the Philippine casinos to foreign casino players. In consideration for marketing and promoting of the Philippine casinos, these operators receive certain incentives such as free hotel accommodations, free airfares, and rolling commissions from the Group. Due to the termination of the WPL and CWIL's participation with PAGCOR's Program, agreements with the junket operators were also terminated.

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

	2012	2011
Total current assets	**$4,783**	$4,518
Total assets	**4,783**	4,518
Total current liabilities	**582**	506
Total liabilities	**582**	506
Net income (loss)	**187**	(46)

6. Related Party Transactions

<u>Identity of related parties</u>
Aside for the Parent Company's subsidiaries as enumerated in Notes 1 and 5, 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	Outstanding Balance: Due to Related Parties	Terms and Conditions
Stockholders						
▪ TWGI (Advances, interest and settlement)	**2012**	**6a**	**(P22,704)**	**P882,074**		**Unsecured; interest bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment**
	2011		(43,951)	904,779		
▪ PRC (Advances, interest and settlement)	**2012**	**6a**	**90,708**	**615,708**		**Unsecured; interest bearing; subject to re-pricing; due in one year subject to renewal**
	2011		525,000	525,000		
▪ MAHEC (Advances and interest)	**2012**	**6b**	**6,898**	**351,724**		**Unsecured; interest bearing; subject to re-pricing; due in one year subject to renewal; net of allowance for impairment**
	2011		6,760	344,827		
▪ PHES (Advances)	**2012**	**6c**	**46,550**	**46,550**		**Unsecured; non-interest bearing; and due on demand**
	2011		-	-		
▪ Others	**2012**	**6d**	**7**	**2,319**		**Unsecured; non-interest bearing; and due on demand**
	2011		-	2,312		
Subsidiaries		**6e , 6f**				
▪ APHC (Advances and settlement)	**2012**		**(117,323)**		**P572,052**	**Unsecured; non-interest bearing; and due on demand**
	2011		111,579		689,375	
▪ WMCHI (Advances and settlement)	**2012**		**(82,163)**		**252,304**	**Unsecured; non-interest bearing; and due on demand**
	2011		187,832		334,467	
▪ GIRDI (Advances and settlement)	**2012**		**9,890**		**203,304**	**Unsecured; non-interest bearing; and due on demand**
	2011		(3,350)		193,414	
▪ WPL (Advances and settlement)	**2012**		**(237)**		**196,335**	**Unsecured; non-interest bearing; and due on demand**
	2011		28,629		196,572	
TOTAL	**2012**			**P1,898,375**	**P1,223,995**	
TOTAL	2011			P1,776,918	P1,413,828	

a. Prior to 2012, advances from TWGI and PRC are payable in series of payments until 2015 and 2016, respectively. TWGI paid P40.0 million in 2012 and P61.7 million 2011 while PRC paid P18.5 million in 2012.

   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 and PRC 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	P40,000	P924,398	P964,398
PRC	40,000	485,000	525,000
MAHEC	362,310	-	362,310
FHC	363	-	363
Other stockholders	1,949	-	1,949
	444,622	1,409,398	1,854,020
Less allowance for impairment losses	17,483	59,619	77,102
	P427,139	P1,349,779	P1,776,918

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

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.

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

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 FHC and other stockholders representing advances. The outstanding advances are due on demand and are interest-bearing at the rate determined and repriced yearly. The interest was charged was 2% in 2012, 2011 and 2010.

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.

Total interest income on these advances amounted to P39.3 million, P24.5 million and P22.7 million in 2012, 2011 and 2010, respectively.

e. In the ordinary course of business, the Parent Company obtains noninterest- bearing, collateral-free cash and non-cash advances from related parties for working capital purposes, as well as to finance the construction of its hotel projects. The above advances are due and demandable at anytime. The increase in the balance of due to WMCHI in 2011 represents WMCHI's proceeds from its loan from a bank which was advanced by the Parent Company.

f. Advances to Subsidiaries (see Note 5)
These mainly represent funds provided to primarily finance the construction and completion of certain hotel projects. These include interest charges and foreign exchange losses on loans (see Note 9).

g. The Parent Company's operating, accounting and administrative functions are handled by its subsidiaries.

7. Property and Equipment

The movements of this account are as follows:

	For the Year Ended December 31, 2012		
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Total**
Gross carrying amount:			
Beginning balance	P4,815,980	P1,559,927	P6,375,907
Additions	-	207,868	207,868
Ending balance	**4,815,980**	**1,767,795**	**6,583,775**
Accumulated depreciation and amortization:			
Beginning balance	2,744,894	1,282,526	4,027,420
Depreciation and amortization	212,419	74,687	287,106
Ending balance	**2,957,313**	**1,357,213**	**4,314,526**
Carrying amount:			
Beginning balance	P2,071,086	P277,401	P2,348,487
Ending balance	**P1,858,667**	**P410,582**	**P2,269,249**

	For the Year Ended December 31, 2011		
	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Gross carrying amount:			
Beginning balance	P2,691,789	P1,267,926	P3,959,715
Additions	2,124,191	292,001	2,416,192
Ending balance	4,815,980	1,559,927	6,375,907
Accumulated depreciation and amortization:			
Beginning balance	2,691,789	1,267,926	3,959,715
Depreciation and amortization	53,105	14,600	67,705
Ending balance	2,744,894	1,282,526	4,027,420
Carrying amount:			
Beginning balance	P -	P -	P -
Ending balance	P2,071,086	P277,401	P2,348,487

As of December 31, 2007, the property and equipment of the Parent Company costing P4.0 million have been fully depreciated but are still used in operations.

8. Accrued Expenses and Other Payables

This account is broken down as follows:

	Note	**2012**	2011
Accrued interest and penalties - SSS loan	*9*	**P626,679,418**	P566,637,313
Others	*15*	**4,276,017**	2,679,700
		P630,955,435	P569,317,013

9. Loans Payable

SSS Loan

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

The SSS loan was availed to finance the completion of the facilities of WCCCHI. It was secured by a first mortgage over parcels of land owned by Wellex Industries, Inc. ("WII"), a related party, and by the assignment of 200 million common shares of the 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 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 stocks of the Parent Company owned by TWGI and WII numbering 235 million shares 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 (Motion) 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 Appeal (CA) seeking the nullification of the orders of RTC of Quezon City dated June 18, 2004, January 10, 2005, July 18, 2005 and September 12, 2005.

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

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

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

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

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

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

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

In the absence of a formal restructuring agreement, the entire outstanding principal loan balance amounting P375 million and accrued interest and penalties amounting P626.7 million and P566.6 million as of December 31, 2012 and 2011, respectively, (presented as part of "Accrued expenses and other payables" account - see Note 8) have been classified under "Current Liabilities" in the separate statements of financial position.

10. Other General and Administrative Expenses

This account is broken down as follows:

	Note	**2012**	2011	2010
Utilities		**P567,438**	P -	P -
Depreciation	*7*	**287,106**	67,705	-
Directors' fees		**200,000**	290,000	260,000
Commission expense		**38,220**	35,250	5,864,203
Fines and penalties		**-**	1,530,849	-
Others		**655,092**	1,550,281	885,736
		P1,747,856	P3,474,085	P7,009,939

11. Income Taxes

The Parent Company's current income tax expense in 2012, 2011 and 2010 represents regular corporate income tax (RCIT) being the higher amount compared to minimum corporate income tax (MCIT). The MCIT is computed at 2% of gross taxable income as defined under the income tax regulations.

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

	2012	2011	2010
Income (loss) before income tax	**P2,641,215**	(P11,305,389)	(P15,177,695)
Provision for (benefit from) income tax	**P792,365**	(P3,391,617)	(P4,553,309)
Tax effects of:			
Income subjected to final tax	**(37)**	(1,709)	(18,633)
Nondeductible expenses	**3,964,072**	7,860,506	8,509,546
	P4,756,400	P4,467,180	P3,937,604

Deferred tax assets have not been recognized in respect of the allowance for impairment losses on receivables amounting to P77.1 million in 2012 and 2011.

12. Right to Provide Venue for Land-based Casinos

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

The agreements involve lease by PAGCOR of certain hotel spaces to be used as venue for PAGCOR's casino operations. The agreements are usually for a period of five years and are renewable upon the agreement of all concerned parties.

13. Equity

Capital Stock

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 holding the implementation of the proposed increase in the authorized capital stock of the Parent Company in abeyance.

There is no change in the Parent Company's paid-in capital and additional paid-in capital (APIC) in 2012 and 2011. The Parent Company's APIC resulted from its original issuance of shares of stock and from the various shares swaps transactions in 2007 involving the acquisition by the Parent Company of the controlling interest over APHC (see Note 5).

Capital Management
The Parent Company's capital consists of capital stock (common stock), additional paid-in capital and deficit as shown in the separate statements of changes in equity.

The primary objective of the Parent Company's capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital is defined as the invested money or invested purchasing power, the net assets or equity of the entity. The Parent Company's overall strategy remains unchanged for 2012, 2011 and 2010.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to its shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2012, 2011 and 2010.

The Parent Company is not subject to externally-imposed capital requirements.

14. Financial Risk Management

The Parent Company's financial instruments comprise of cash, due from and to related parties, advances to subsidiaries, accrued expenses and other payables, and loans payable. The main purpose of these financial instruments is to raise finances for the Parent Company's operations.

The main risks arising from the financial instruments of the Parent Company are credit risk and liquidity risk. The Parent Company's management reviews and approves policies for managing each of these risks. These are summarized below.

Credit Risk
The Parent Company's credit risk is primarily attributable to its cash, due from related parties - current and noncurrent portion, and advances to subsidiaries. Exposure to credit risk arises from defaulting third parties, with a maximum exposure equal to carrying amount of the financial assets. The Parent Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk.

As of December 31, the Parent Company's maximum exposure to credit risk, without considering the effects of any collateral, credit enhancements and other credit risk mitigation techniques are as follows:

	Note	**2012**	2011
Cash		**P584,181**	P753,381
Due from related parties – net	*6*	**1,898,374,189**	1,776,917,216
Advances to subsidiaries	*5*	**1,613,394,256**	1,841,100,778
		P3,512,352,626	P3,618,771,375

Except for the impaired due from related parties - current and noncurrent portion amounting to P17.5 million and P59.6 million, respectively, which is fully covered by allowance for impairment, the management believes that all its financial assets are of standard grade and of good credit quality. Standard grade financial assets are those past due but not impaired receivables and with fair collection status. This category includes credit grades 4-5. The standard grade category includes those for which collections are probable due to the reputation and the financial ability to pay of the counterparty but have been outstanding for a considerable length of time.

As of December 31, the aging analyses of the Parent Company's financial assets are as follows (in thousands):

2012	**Total**	**Neither Past Due nor Impaired**	**Past Due but not Impaired** <30 Days	**31-60 Days**	**61-90 Days**	**>90 Days**	**Impaired**
Due from related parties	**P1,975,476**	**P1,544,331**	**P -**	**P -**	**P -**	**P354,043**	**P77,102**
Advances to subsidiaries	**1,613,394**	**1,613,394**	**-**	**-**	**-**	**-**	**-**
	P3,588,870	**P3,157,725**	**P -**	**P -**	**P -**	**P354,043**	**P77,102**

2011	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	31-60 Days	61-90 Days	>90 Days	Impaired
Due from related parties	P1,832,556	P1,410,627	P -	P -	P -	P344,827	P77,102
Advances to subsidiaries	1,884,101	1,884,101	-	-	-	-	-
	P3,716,657	P3,294,728	P -	P -	P -	P344,827	P77,102

Liquidity Risk

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

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

The Parent Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Parent Company's reputation.

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

2012	**Total Carrying Amount**	**Contractual Undiscounted Payments** Total	**On Demand**	**Less than 1 Year**	**1 to 5 Years**	**> 5 Years**
Accrued expenses and other payables	**P630,955**	**P630,955**	**P630,955**	**P -**	**P -**	**P -**
Loans payable	**375,000**	**375,000**	**375,000**	**-**	**-**	**-**
Due to related parties	**1,223,995**	**1,223,995**	**1,223,995**	**-**	**-**	**-**
	P2,229,950	**P2,229,950**	**P2,229,950**	**P -**	**P -**	**P -**

2011	Total Carrying Amount	Contractual Undiscounted Payments Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Accrued expenses and other payables	P569,317	P569,317	P569,317	P -	P -	P -
Loans payable	375,000	375,000	375,000	-	-	-
Due to related parties	1,413,828	1,413,828	1,413,828	-	-	-
	P2,358,145	P2,358,145	P2,358,145	P -	P -	P -

Fair Value of Financial Assets and Liabilities

Due to the relatively short-term maturities of due from related parties, advances to subsidiaries, trade and other receivables, loans payable - current, and due to related parties, the carrying amounts recognized in the separate statements of financial position are a reasonable approximation of their fair values.

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.

As of December 31, 2012 and 2011, the Parent Company has no financial instruments carried at fair value.

15. Bureau of Internal Revenue Assessment

Taxable Year 2003

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.

Taxable year 2006

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 and presented as part of "Accrued expenses and other payables" in the separate statements of financial position (see Note 8).

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

16. Supplementary Information Required by the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRSs. The following is the supplementary tax information required for the taxable year ended December 31, 2012 that is applicable to the Parent Company:

I. Based on Revenue Regulations (RR) No. 19-2011

A. Non-Operating and Other Taxable Income

	Exempt	Special Rate	Regular/ Normal Rate	Total
Interest income	**P -**	**P -**	**P39,949,370**	**P39,949,370**
Other income	-	-	**93,322**	**93,322**
	P -	**P -**	**P40,042,692**	**P40,042,692**

B. Itemized Deductions

	Exempt	Special Rate	Regular/ Normal Rate	Total
Transportation and travel	-	-	**P12,483,404**	**P12,483,404**
Taxes and licenses	-	-	**3,002,705**	**3,002,705**
Other outside services	-	-	**1,997,094**	**1,997,094**
Office supplies	-	-	**1,533,097**	**1,533,097**
Communication, light and water	-	-	**1,512,579**	**1,512,579**
Professional fees	-	-	**993,012**	**993,012**
Management and consultancy fees	-	-	**540,000**	**540,000**
Representation and entertainment	-	-	**401,087**	**401,087**
Depreciation	-	-	**287,106**	**287,106**
Director's fees	-	-	**200,000**	**200,000**
Commissions	-	-	**38,220**	**38,220**
Bank service charges	-	-	**1,284**	**1,284**
Miscellaneous	-	-	**642,352**	**642,352**
	P -	**P -**	**P23,631,940**	**P23,631,940**

II. Based on RR No. 15-2010

A. Documentary Stamp Tax

In 2012, the Parent Company paid documentary stamp tax of P2.8 million for the advances extended to related parties.

B. Withholding Taxes

During the year, the Parent Company withheld expanded withholding tax amounting to P94,000.

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
License and other fees	**P230,992**

D. Deficiency Tax Assessments

Period Covered	Amount
2003	**P27,240,290**
2006	**3,436,558**
	P30,676,848

Taxable Year 2003
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.

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

kpmg

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Bacolod · Cebu · Iloilo · Subic

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Waterfront Philippines, Incorporated and Subsidiaries (the "Group") as at and for the years ended December 31, 2012, 2011 and 2010, included in this Form 17-A, and have issued our report thereon dated April 12, 2013.

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

- Schedule of Philippine Financial Reporting Standards *(Annex A)*
- Map of the Conglomerate *(Annex B)*
- Supplementary Schedules of Annex 68-E *(Annex C)*
- Reconciliation of Deficit *(Annex D)*

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

MANABAT SANAGUSTIN & CO., CPAs

TOMAS G. MAHINAY
Partner
CPA License No. 0024593
SEC Accreditation No. 1035-A, Group A, valid until September 29, 2013
Tax Identification No. 121-597-818
BIR Accreditation No. 08-001987-21-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3669516MC
Issued January 2, 2013 at Makati City

April 12, 2013
Makati City, Metro Manila

WATERFRONT PHILIPPINES, INCORPORATED
IPT Building, Pre-Departure Area
Mactan Cebu International Airport
Lapu-lapu City, Cebu
SCHEDULE OF RECONCILIATION OF DEFICIT
DECEMBER 31, 2012

DEFICIT BEGINNING OF YEAR	**P574,881,997**
Add:	
Net loss for the year	**2,115,185**
DEFICIT END OF YEAR	**P576,997,182**

Figures based on functional currency audited financial statements

Note
The resulting reconciled amount is a deficit. Hence, not available for dividend declaration.

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	✔		

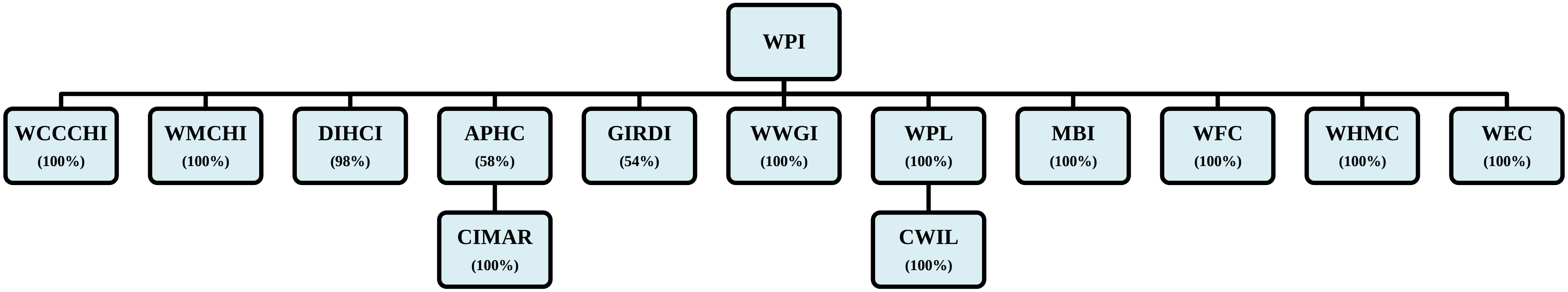
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
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	P -	P -	58,206	P -	P58,206

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	P -	P -	5,946,788	P -	P5,946,788

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