108082014001193

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

Document ID	108082014001193
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SEC Registration Number

WATERFRONT PHILIPPINES, INC

(Company's Full Name)

NO. 1 WATERFRONT DRIVE
OFF SALINAS DRIVE LAHUG
CEBU CITY

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

MS. IRISH CHARA LAWAS	(02) 559-0130
Contact Person	Company Telephone Number

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

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

482		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSIONSEC FORM 17-Q

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

1. For the quarterly period ended
   June 30, 2014
2. SEC Identification Number
   AS 094-8678
3. BIR Tax Identification No.
   D80-003-978-254-NV

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

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

6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   No.1 Waterfront Drive, Off Salinas Drive, Lahug, Cebu City Postal Code ***6000***
8. Issuer's telephone number, including area code
   (032) 232- 6888
9. Former name or former address, and former fiscal year, if changed since last report
   NOT APPLICABLE
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares- P 1.00 par value	Issued- 2,498,991,753

11. Are any or all of registrant's securities listed on a Stock Exchange?
   √ Yes
   No

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange ***Common***

12. Indicate by check mark whether the registrant:

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

√ Yes

☐ No

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

√ Yes

☐ No

Waterfront Philippines, Incorporated(WPI)

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

For the quarterly period ended	June 30, 2014
Currency (indicate units, if applicable)	Peso

Balance Sheet

	Quarterly Period Ended	**Calendar Year Ended (Audited)**
	As of June 30, 2014	As of December 31, 2013
Current Assets	2,326,526,575	2,359,380,385
Total Assets	8,890,032,444	9,203,897,269
Current Liabilities	1,615,193,168	2,224,979,328
Total Liabilities	4,221,231,861	4,606,061,804
Retained Earnings/(Deficit)	-1,410,847,471	-1,469,509,833
Stockholders' Equity	4,668,800,583	4,597,835,465
Stockholders' Equity - Parent	3,931,039,850	3,872,866,239
Book Value per Share	1.868	1.839

Income Statement

	Current Year-To-Date	Previous Year-To-Date	Current Year (3 Months)	Previous Year (3 Months)
Operating Revenue	934,556,846	932,068,061	455,107,837	448,540,453
Other Revenue	14,406,746	19,989,323	6,438,066.63	8,310,119
Gross Revenue	948,963,592	952,057,384	461,545,904	456,850,572
Operating Expense	596,457,175	612,800,023	315,286,027	309,511,440
Other Expense	50,217,645	54,484,346	15,803,329	25,470,832
Gross Expense	646,674,820	667,284,369	331,089,356	334,982,272
Net Income/(Loss) Before Tax	71,453,869	26,304,625	8,228,636	-6,828,133
Income Tax Expense	0.00	0.00	0.00	0.00
Net Income/(Loss) After Tax	71,453,869	26,304,625	8,228,636	-6,828,133
Net Income Attributable to Parent Equity Holder	58,662,362	29,705,842	6,192,318	-1,980,377
Earnings/(Loss) Per Share (Basic)	0.023	0.012	0.002	-0.001
Earnings/(Loss) Per Share (Diluted)	0.023	0.012	0.002	-0.001

Other Relevant Information

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex A.

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

Please refer to Annex B.

PART II--OTHER INFORMATION

NONE.

SIGNATURES

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

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

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

Signature and Title ______________
Corporate Secretary

Date 08/11/2014

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

Signature and Title ______________
Compliance Officer/ Director for Finance

Date 08/11/2014

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION-UNAUDITED

As of June 30, 2014

	CONSOLIDATED					
		Unaudited		Unaudited		Audited
		June 30, 2014		June 30, 2013		December 31, 2013
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents		183,759,861	P	91,776,813	P	71,807,950
Trade and Other Receivables-net		565,871,697		467,070,595		191,340,325
Inventories		24,945,316		29,716,937		26,691,581
Due from affiliated companies-current portion		1,480,807,142		1,948,940,475		2,001,628,340
Prepaid Expenses and Other Current Assets		71,142,559		7,809,588		67,912,189
Total Current Assets		2,326,526,575		2,545,314,408		2,359,380,385
Noncurrent Assets						
Property and equipment-net		6,403,805,389		5,886,416,045		6,505,409,658
Available-for-sale Investments		16,908,450		26,013,000		16,908,450
Deferred Tax Assets		44,164,488		94,227,046		247,525,682
Other noncurrent assets		98,627,542		493,224,367		74,673,094
Total Noncurrent Assets		6,563,505,869		6,499,880,458		6,844,516,884
Total Assets	P	8,890,032,444	P	9,045,194,866	P	9,203,897,269
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	P	1,049,471,890	P	1,349,063,887	P	1,249,043,043
Loans Payable-current portion		375,000,000		684,962,327		847,184,455
Income tax payable		-		96,100		17,970,786
Provisions		-		-		45,575,012
Other current liabilities		190,721,278		301,502,210		65,206,032
Total Current Liabilities		1,615,193,168		2,335,624,524		2,224,979,328
Noncurrent Liabilities						
Loans Payable-noncurrent portion		717,567,067		759,166,667		251,297,183
Deferred tax liabilities		1,109,194,272		839,525,197		1,252,615,432
Other noncurrent liabilities		779,277,354		679,681,793		877,169,861
Total Noncurrent Liabilites		2,606,038,693		2,278,373,657		2,381,082,476
Total Liabilites		4,221,231,861		4,613,998,181		4,606,061,804
Equity Attributable to Equity Holders of the Parent Company						
Capital Stock		2,498,991,753		2,498,991,753		2,498,991,753
Additional paid-in capital		706,364,357		706,364,357		706,364,357
Revaluation increment in property and equipment		2,072,860,019		1,982,306,439		2,072,860,019
Unrealized valuation loss on AFS investments		2,701,628		7,982,267		2,701,628
Foreign currency translation adjustment		24,042,754		35,801,255		24,042,754
Deficit						
Appropriated		-		140,000,000		140,000,000
Unappropriated		(1,410,847,471)		(1,622,924,943)		(1,609,509,833)
Retirement Reserves		36,926,810				37,415,561
Total Stockholders Equity		3,931,039,850		3,748,521,128		3,872,866,239
Non-controlling Interest		737,760,733		682,675,557		724,969,226
Total Liabilities & Stockholders Equity	P	8,890,032,444	P	9,045,194,866	P	9,203,897,269

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME -UNAUDITED

For the Quarter Ended June 30, 2014

		CONSOLIDATED				
		Unaudited		Unaudited		Audited
		Apr-Jun 2014		Apr-Jun 2013		December 31, 2013
REVENUES						
Hotel	P	431,155,893	P	419,533,045	P	1,930,763,056
Nonhotel		23,951,944		29,007,408		23,952,650
Interest and other income		6,438,066.63		8,310,119		24,376,009
Subtotal		461,545,904		456,850,572		1,979,091,715
OPERATING EXPENSES						
Hotel		315,286,027		309,511,440		1,123,685,642
Nonhotel		15,803,329		25,470,832		337,805,199
Subtotal		331,089,356		334,982,272		1,461,490,841
INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES		130,456,548		121,868,300		517,600,874
FIXED, FINANCIAL AND OTHER CHARGES						
Depreciation and amortization		93,166,798		82,966,973		349,652,722
Interest Expense		29,059,625		29,289,741		163,830,581
Interest Income		1,488		(1,472)		(33,621,918)
Casualty Loss		-		-		44,511,664
Impairment losses, bad debts written off and provisions		-		-		33,316,701
Foreign exchange losses(gains) - net		-		-		12,851,819
Others-net		-		16,441,191		8,438,710
Subtotal		122,227,912		128,696,433		578,980,279
INCOME BEFORE INCOME TAX		8,228,636		(6,828,133)		(61,379,405)
PROVISION FOR INCOME TAX						
Current		-		(96,100)		3,952,111
Deferred		-		-		
INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST		8,228,636		(6,732,033)		(65,331,516)
SHARE OF MINORITY INTEREST		2,036,318		(4,751,656)		4,482,312
NET INCOME(LOSS)		6,192,318		(1,980,377)		(69,813,828)
OTHER COMPREHENSIVE INCOME						
Foreign currency translation differences for foreign operations		-		-		(11,758,501)
Net change in fair value of available-for-sale financial assets		-		-		(9,104,550)
Actuarial gains(losses) on defined benefit plan		-		-		72,086,443
Appraisal increase on property and equipment		-		-		353,000,906
Write-off of revaluation surplus resulting from casulaty loss		-		-		(21,024,771)
Deferred tax effect		-		-		(120,863,334)
Total		-		-		262,336,193
TOTAL COMPREHENSIVE INCOME	P	8,228,636	P	-6,732,033	P	197,004,677
EARNINGS (LOSS) PER SHARE		P0.002		-P0.001		(P0.028)

*There are no dilutive potential shares as of June 30, 2014 and 2013

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES "Annex-A"

CONSOLIDATED STATEMENT OF INCOME -UNAUDITED

As of June 30, 2014

	CONSOLIDATED					
	Unaudited		Unaudited		Audited	
	Jan-June 2014		Jan-June 2013		December 31, 2013	
REVENUES						
Hotel	P	886,807,813	P	872,960,899	P	1,930,763,056
Nonhotel		47,749,032		59,107,162		23,952,650
Interest and other income		14,406,746		19,989,323		24,376,009
Subtotal		948,963,592		952,057,384		1,979,091,715
OPERATING EXPENSES						
Hotel		596,457,175		612,800,023		1,123,685,642
Nonhotel		50,217,645		54,484,346		337,805,199
Subtotal		646,674,820		667,284,369		1,461,490,841
INCOME BEFORE FIXED FINANCIAL AND OTHER CHARGES		302,288,772		284,773,015		517,600,874
FIXED, FINANCIAL AND OTHER CHARGES						
Depreciation and amortization		173,377,407		164,637,414		349,652,722
Interest Expense		57,460,137		79,456,435		163,830,581
Interest Income		(2,641)		(1,538)		(33,621,918)
Casualty Loss		-		-		44,511,664
Impairment losses, bad debts written off and provisions		-		-		33,316,701
Foreign exchange losses(gains) - net		-		-		12,851,819
Others-net		-		14,376,080		8,438,710
Subtotal		230,834,903		258,468,390		578,980,279
INCOME BEFORE INCOME TAX		71,453,869		26,304,625		(61,379,405)
PROVISION FOR INCOME TAX						
Current		-		-		3,952,111
Deferred		-		-		
INCOME (LOSS) BEFORE SHARE OF MINORITY INTEREST		71,453,869		26,304,625		(65,331,516)
SHARE OF MINORITY INTEREST		12,791,507		(3,401,217)		4,482,312
NET INCOME(LOSS)		58,662,362		29,705,842		(69,813,828)
OTHER COMPREHENSIVE INCOME						
Foreign currency translation differences for foreign operations		-		-		(11,758,501)
Net change in fair value of available-for-sale financial assets		-		-		(9,104,550)
Actuarial gains(losses) on defined benefit plan		-		-		72,086,443
Appraisal increase on property and equipment		-		-		353,000,906
Write-off of revaluation surplus resulting from casulaty loss		-		-		(21,024,771)
Deferred tax effect		-		-		(120,863,334)
Total		-		-		262,336,193
TOTAL COMPREHENSIVE INCOME	P	71,453,869	P	26,304,625	P	197,004,677
EARNINGS (LOSS) PER SHARE		P0.023		P0.012		(P0.028)

*There are no dilutive potential shares as of June 30, 2014and 2013

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-UNAUDITED
As of June 30, 2014

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	June 30, 2014	June 30, 2013	December 31, 2013
CAPITAL STOCK			
Balance, beginning of the period	P 2,498,991,753	P 2,498,991,753	P 2,498,991,753
Issuance of shares	-	-	-
Balance, end of period	2,498,991,753	2,498,991,753	2,498,991,753
Additional Paid-in Capital	706,364,357	706,364,357	706,364,357
Revaluation Surplus in Property and Equipment			
Balance, beginning of the period	2,072,860,019	1,982,306,439	1,982,306,439
Other comprehensive income, net of tax			
Transfer of revaluation surplus absorbed through		-	195,375,166
depreciation for the year-net of income tax effect	-	-	(104,821,586)
Balance, end of the period	2,072,860,019	1,982,306,439	2,072,860,019
Unrealized Valuation Gain (Loss) on AFS Investment			
Balance, beginning of the period	2,701,628	7,982,267	7,982,267
Valuation Loss taken into equity during the year	-	-	(5,280,639)
Effect of the increase in non-controlling interest due to sale			
of an interest in a subsidiary	-	-	-
Balance, end of the period	2,701,628	7,982,267	2,701,628
Foreign Curreny Translation			
Balance, beginning of the period	24,042,754	35,801,255	35,801,255
Translation adjustment during the year	-	-	(11,758,501)
Balance, end of the period	24,042,754	35,801,255	24,042,754
Deficit			
Appropriation for renovation and business expansion	-	140,000,000	140,000,000
Unappropriated:			
Balance beginning of the year	(1,609,509,833)	(1,652,630,785)	(1,652,630,785)
Transfer of revaluation surplus			
absorbed through depreciation for the year net of tax effect	-	-	122,934,780
Appropriation for the year	-	-	(10,000,000)
Reversal of appropriated retained earnings	140,000,000	-	-
Net Income (Net Loss)	58,662,362	29,705,842	(69,813,828)
Balance, end of the period	(1,410,847,471)	(1,622,924,943)	(1,609,509,833)
Total deficit	(1,410,847,471)	(1,482,924,943)	(1,469,509,833)
Retirement benefits reserve	36,926,810	-	37,415,561
Total Equity Attributable to Equity			
Holders of the Parent Company	P 3,931,039,850	P 3,748,521,128	P 3,872,866,239

WATERFRONT PHILIPPINES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS-UNAUDITED
As of June 30, 2014

	CONSOLIDATED		
	Unaudited	Unaudited	Audited
	June 30, 2014	June 30, 2013	December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 71,453,869	P 26,304,625	(61,379,405)
Adjustments for:			
Depreciation and amortization	173,377,407	164,637,414	349,652,722
Interest expense	57,460,137	79,456,435	163,830,581
Casualty loss	-	-	44,511,664
Retirement benefits reserve	(488,751)	-	36,478,197
Provision for impairment losses on receivable	-	-	33,316,701
Unrealized foreign exchange loss(gain)	-	14,376,080	12,756,646
Loss on disposal of property and equipment	-	-	-
Interest income	(12,870,852)	(19,989,323)	(33,621,918)
Operating income before working capital changes	288,931,810	264,785,231	545,545,188
Decrease (increase) in:			
Receivables	(374,531,372)	(301,951,034)	(39,216,160)
Inventories	1,746,265	123,634	3,148,990
Prepaid expenses and other current assets	(3,230,370)	19,351,645	(31,005,197)
Increase (decrease) in:			
Accounts payable and accrued expenses	(199,571,153)	223,851,067	(21,119,781)
Other current liabilities	79,940,234	287,419,002	(7,819,639)
Cash generated from operations	(206,714,586)	493,579,545	449,533,401
Interest received	12,870,852	19,989,323	123,427
Income taxes paid	(17,970,786)	(14,217,866)	(49,681,341)
Retirement plan contributions paid	-	-	(14,875,658)
Interest paid	(57,460,137)	(79,456,435)	(149,873,765)
Net cash provided by (used in) operations	(269,274,657)	419,894,567	235,226,064
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	(71,773,138)	410,170,562	(103,654,721)
Investment in subsidiary	-	203,019,736	-
Payment of contract payable	-	-	-
Decrease in due from related parties	520,821,198	-	208,241,182
Proceeds from sale of an equity interest in subsidiary	-	-	-
Decrease (increase) in other non-current assets	179,406,747	(178,506,909)	55,748,740
Net cash provided by (used in) investing activities	628,454,807	434,683,389	160,335,201
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase(decrease) in loans payable	(5,914,571)	(314,128,747)	(313,098,843)
Decrease in due from related parties	-	227,430,556	(87,377,652)
Increase (decrease) in other non-current liabilities	(241,313,668)	(752,826,132)	-
Payment of obligation under finance lease	-	-	-
Net cash used in financing activities	(247,228,239)	(839,524,323)	(400,476,495)
Decrease in translation adjustment for the year	-		-
Net increase (decrease) in cash and cash equivalents	111,951,911	15,053,633	(4,915,230)
Cash and cash equivalents at beginning of year	71,807,950	76,723,180	76,723,180
Cash and cash equivalents at end of year	P 183,759,861	P 91,776,813	P 71,807,950

-

WATERFRONT PHILIPPINES, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Organization and Status of the Business

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

The Parent Company and the following subsidiaries were incorporated in the Philippines, except for Waterfront Promotion Ltd (WPL) and Club Waterfront Limited (CWIL), which were registered in the Cayman Islands. The details of the equity interest of the Parent Company are shown below:

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

Hotels

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

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

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

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

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

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

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

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

Afternoon.Tea

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

Wine.Dispenser

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company and are included in the consolidated financial statements from the date when control commences until the date when control ceases.

The accounting policies of subsidiaries are being aligned with the policies adopted by the Group. Losses applicable to the 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.

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 operations, Marketing operations and Corporate and Other Operations segments.

The Group's only reportable geographical segment is the Philippines

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

Rooms
Room revenue is recognized based on actual occupancy.

Food and Beverages
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.

Other Income
Other income is recognized when earned.

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.

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

1. Cash and Cash Equivalents
Included in cash and cash equivalents as of June 30, 2014 are composed mainly of cash deposited in various banks and short-term placements that earn an annual interest of 2% with an average maturity date of 30 days.

2. Receivables
This account consists:

	June 2014	June 2013
Trade	156,051,132	147,067,682
Others	431,364,193	340,315,320
	587,415,325	**487,383,002**
Less allowance for doubtful accounts	-21,543,628	-20,312,407
Total	**565,871,697**	**467,070.595**

3. Inventories
This account consists of:

	June 2014	June 2013
Food and Beverage	12,682,305	14,772,497
Operating Supplies	10,836,470	12,910,711
Others	1,426,541	2,033,729
Total	**24,945,316**	**29,716,937**

4. Related Party Transactions

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

5. Accounts Payable and Accrued Expenses

This account consists of:

	June 2014	June 2013
Trade	224,160,148	238,276,452
Accrued Expenses	341,366,814	382,046,545
Others	483,944,928	728,740,890
Total	**1,049,471,890**	**1,349,063,887**

6. Loans Payable

This account consists of:

SSS Loan

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

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

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

ICBC Loan

This represents the balance of the US$15 million loan obtained from ICBC under the terms and conditions of a Facility Agreement issued on March 27, 1995 which was amended on September 17, 1997 (collectively, the "Existing Facility Agreement"). The loan underwent several restructurings. The latest restructuring was approved by ICBC on November 12, 2013 after the Group made partial payment of US$700,000.

PBB

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

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

On January 9, 2013, WMCHI entered into another term loan agreement with PBB amounting to P300 million. The loan had been released in four (4) installments starting on January 9, 2013 for P80 million, on February 4, 2013 for P120 million, on March 11, 2013 for P50 million and on April 4, 2013 for P50 million with a stated interest rate fixed at 10% per annum from the date the loan was released to be reprised every month and payable in arrears. The loan will mature in two (2) years and is not secured by any assets or properties. The proceeds of the loan shall be used exclusively for the Phase II renovation costs of APHC. The loan proceeds were subsequently advanced to WPI who ultimately advance the same to APHC.

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

	June 2014	June 2013
Net Income (Loss)	58,662,362	29,705,842
Weighted Average Number of Shares Outstanding	2,498,991,753	2,498,991,753
Earnings (Loss) per share	**0.023**	**0.012**

There are no dilutive potential shares as of June 30, 2014 and 2013.

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

On December 1, 2010, PAGCOR and APHC amended the lease contract, otherwise known as the Omnibus Amended Lease Contract (OALC) extending the lease term and expanding the lease area. The OALC shall cover the Main Area (7,093.05 sq. m.), Expansion Area A (2,130.36 sq. m.), Expansion Area B (3,069.92 sq. m.) and Air Handling Unit (AHU) Area (402.84 sq. m.) for a total lease area of 12,696.17 square meters. The lease agreement is until December 16, 2016.

The monthly rent to be applied on the leased areas are as follows: Main Area shall be P2, 621.78 per square meter, Expansion Area A shall be P1,248.47 per square meter, Expansion Area B shall be P1,600 per square meter and the AHU Area shall be free of rent. Annual escalation rate of 5% shall be applied on the third and fourth year of the lease. The Amended Lease Contract is until December 30, 2016, and may be renewed, in accordance with the law, at the option of the Lessee under such terms and conditions as may be agreed upon by the parties.

On March 21, 2011, WCCCHI and WMCHI renewed their respective Lease Contracts with PAGCOR, in order to consolidate, simplify, reconcile and update the terms and conditions of the contract of lease and its amendments. The Lease Contract shall cover a total area of 13,677.08 sq. m., for WCCCHI, particularly described as follows: Main Area 8,123 sq. m., Slot Machine Expansion Area 883.38 sq. m., Mezzanine 2,335 sq. m., 5th Floor Junket Area 2,336 sq. m. The monthly rent for each area is P1, 772.96 per sq. m., and for the 5th Floor Junket Area the rent is free for a period of one (1) year from the execution of the Lease Contract. In the event that the lease over the 5th Floor Junket Area is continued by the Lessee, the parties shall agree on the monthly rent and the duration of the lease for the said area.

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

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

9. Other Lease Agreements

Land under Operating Lease

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

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

Land under Finance Lease

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

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

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

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

Equipment under Finance Lease

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

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.

10. Commitments and Contingencies

On November 10, 2008, the Parent Company received a preliminary assessment notice from the BIR for deficiency taxes for the taxable year 2006. On February 9, 2009, the Parent Company sent a protest letter to BIR contesting the said assessment.

On February 18, 2009, the Regional Office of the BIR sent a letter to the Parent Company informing the latter that the docket was returned to Revenue District Office for reinvestigation and further verification. On December 8, 2009, the Parent Company received BIR's Final Decision on Disputed Assessment for deficiency taxes for the 2006 taxable year. The final decision of the BIR seeks to collect deficiency assessments totaling to P3.3 million. However, on January 15, 2010, the Parent Company appealed the final decision of the BIR with the Court of Tax Appeals (CTA) on the grounds of lack of legal and factual bases in the issuance of the assessments.

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

The Parent Company appealed the case to the CTA sitting En Banc on October 21, 2013 docketed as CTA EB No. 1070 where it is awaiting decision by the CTA.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Below are the results of operations of the Parent Company and its subsidiaries, for the period ending June 30, 2014 and 2013 together with its financial conditions as of the same period.

RESULTS OF OPERATIONS

	Jan-June 2014	Jan-June 2014
Revenues	**948,963,592**	**952,057,384**
Less: Costs and Expenses	646,674,820	667,284,369
Net Income (Loss) Before Fixed Financial and Other Charges	**302,288,772**	**284,773,015**
Less: Fixed Financial and Other Charges (Dep'n and Amort'n, and Interest)	230,834,903	258,468,390
Income (Loss) before Income Tax	**71,453,869**	**26,304,625**
Income Tax Expense (Benefit)	-	-
Income (Loss) before Share in Minority Interest	**71,453,869**	**26,304,625**
Share of Minority Interest	**-12,791,507**	**-3,401,217**
Net Income (Loss)	**58,662,362**	**29,705,842**
Earnings (loss) Per share	**0.023**	**0.012**

FINANCIAL CONDITION

	June 2014	June 2013
Assets		
Current assets	2,326,526,575	2,545,314,408
Non-current Assets	6,563,505,869	6,499,880,458
Total Assets	**8,890,032,444**	**9,045,194,866**
Liabilities and Stockholders' Equity		
Current Liabilities	1,615,193,168	2,335,624,524
Non-current Liabilities	2,606,038,693	2,278,373,657
Total Stockholders' Equity	3,931,039,850	3,748,521,128
Minority Interest	737,760,733	682,675,557
Total Liabilities and Stockholders' Equity	**8,890,032,444**	**9,045,194,866**

RESULTS OF OPERATIONS

Period ended June 30, 2014 compared to Period Ended June 30, 2013.

Income Statement

Hotel and other subsidiaries gross revenues for the 2nd quarter is Php949 million compared on the 2nd quarter of last year of Php952 million; a slight decrease of 0.32%. The reason of the decrease in revenue is due to the rapid rising of city hotels.

Seasonality or Cyclicality of Interim Operations

1ST QUARTER

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

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

Steering through these unfavorable circumstances is a challenge, yet our organization continues to thrive; determined to look beyond the negative and to accentuate the constructive.

2nd QUARTER

We are approaching the current business climate with cautious optimism. Tourism numbers are up, but it is too soon to tell whether this new positive growth is sustainable. For our particular industry, it has yet to reflect encouraging developments. We enhance our revenue by improving our different distribution networks, online and offline. In the coming years, we will maintain our lead and harness our online potential by revamping our webpage, adding more capabilities to it and by enhancing our online web sweep. We are planning to innovate by introducing new online products, and ways to reach our customer through the web. We believe that as the world gets more connected we can harness the potential of technologically enhanced service systems. Our online and offline systems must become more integrated and efficient so we are able to properly interact with our market and become more profitable through innovation and efficiency.

In addition, keeping operations on point by monitoring cost-efficiency has always been our priority.

All of the abovementioned measures build the relevance of the Waterfront name, thereby unlocking value for your shares.

TOP FIVE (5) PERFORMANCE INDICATORS

	Jan-June 2014	**Jan-June 2013**
Occupancy Percentage	53%	56%
Average Room Rates	2,577	2,365

Food Covers	114,065	119,170
Average Food Checks	394	349
Average Food Costs	38%	36%

Occupancy Percentage
The occupancy percentage grew down by 3% as compared to 2nd quarter last year. Occupancy percentage is computed by dividing the total number of rooms sold over the total number of rooms available for sale.

Average Room Rate
Average room rate is 9% higher compared to 2nd quarter last year; this mainly due to room promotions offered by WCCCHI and WMCHI to compete with the newly open hotels in Cebu that offered promo rates. Average room rate is computed by dividing the net rooms revenue over the total number of rooms sold.

Food Covers
Food covers this quarter decreased by 4% compared to the 2nd quarter last year. This is mainly because there were fewer functions and conventions this time. Food covers pertains to the number of guests that availed of the restaurants services.

Average Food Check
The average food check or average consumption per guest this quarter grew up by 13% compared to 2nd quarter last year. Average Food Check is derived by dividing the total food and beverage revenue by total food covers.

Average Food Cost
The average food cost increased by 2% from previous year of the same quarter. Average Food Cost is computed by dividing the total food and beverage revenue by total food cost.

Revenues and Earnings per Share
Revenues slightly decreased by 0.32% for the second quarter of 2014 as compared to previous year of the same quarter while operating expenses decreased by 3%. The whole operation resulted to a net income of P59 million, which is 98% higher compared to last year same quarter.

Earnings per share this quarter is P0.023 while same quarter last year was also P0.012.

Fixed Financial and Other Charges
Total fixed financial and other charges for this quarter is 11% lower compared to same quarter last year. This account includes the depreciation and interest expenses from the loans from the banks.

Interest Expense this quarter is lower by 28% as compared to the 2nd quarter last year.

FINANCIAL CONDITION

Cash and Cash Equivalents
Cash and cash equivalents as of the 2nd quarter of this year is Php183 million compared to last year of the same quarter, Php92 million; an increased of 100%.

Receivables
Receivables for the period increased by 21% from P467 million 2nd quarter last year to P566 million 2nd quarter this year. The increase was attributable to the higher sales volume but on account basis. The company continues to monitor the credit sales and strictly followed the 30 days credit term.

Inventories
Inventory for this quarter is P25million this year while last year was P30 million. Best effort was exerted to maintain the inventories on a very reasonable level. The company was nimble enough to react quickly to changes in customer demand and do it with little inventory to prevent a long lead

times in-order to minimize cost.

Due from related parties-current portion
This account has decreased by 24% from last year's second quarter. This also represents interest bearing advances with MAHEC, TWGI, PRC and FHI at a rate of two percent (2%) per annum. Advances to TWGI, PRC MAHEC and FHI are subject for annual re-pricing and renewal.

Property, Plant and Equipment
There is an increased of 9% on this account. This is mainly due to room renovations.

Other Non-current assets
This is composed of rent receivables, refundable deposits and others.
Special project deposits pertain to deposits granted to contractors in connection with the renovation work at of WCCCHI and APHC. Others represent input VAT, advances to officers and employees, and deposits to service providers such as security and janitorial services.

Accounts Payable and Accrued Expenses
This account has decreased by 22%. This is attributable to monitoring cost-efficiency.

Loans Payable – current and non-current
There is a decreased of 24% or Php351 million on this account. This comprises loans from Phil. Business Bank, Social Security System and Industrial Commercial Bank of China. Series of payments were made to fulfill its obligation to settle the account.

Other Non-current Liabilities
There is an increase of 14% of this account from 680 million to 779 million in 2014. The account compiles rent received in advance from PAGCOR and retirement benefits.

Deferred Tax Assets and Deferred Tax Liabilities
Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

Key Variable and Other Qualitative and Quantitative Factors:

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

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

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

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

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

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

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

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

The interim financial statements as of June 30, 2014 shall contain the following disclosure:

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

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

ii. Investments In Associate and Joint Ventures – Not Applicable

iii. Government Loans – Not Applicable

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

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

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

v. Consolidated Financial Statements
The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the

first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its invitees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted**.**

Financial Risk Management

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

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

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and nontrade receivables. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk from other financial assets of the Group, which mainly comprise of due from related parties, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary. Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is sufficient working capital inflows to match repayments of short-term debt.

Market risk
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. 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.

Cash flow interest rate risk
The following table illustrates the sensitivity of net income and equity for 2013, and 2012 to a reasonably possible change in interest rates based on the historical volatility of SIBOR rates in the

immediately preceding 12-month period. 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 as at the reporting date.

Fair value interest rate risk
There is no other impact on the Group's equity other than those already affecting profit or loss in 2014 and 2013.

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.

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.

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.

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 2014, 2013 and 2012.

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 2014, 2013, and 2012. For purposes of the Group's capital management, capital includes all equity items that are presented in the consolidated statements of changes in equity.

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

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative periods:

CURRENT / LIQUIDITY RATIO

Current Ratio	**Jun-14**	**Jun-13**
Current Assets	2,326,526,575.00	2,545,314,408.00
Current Liabilities	1,615,193,168.00	2,335,624,524.00
Ratio	1.440	1.090

Quick Ratio	**Jun-14**	**Jun-13**
Cash + Accounts Receivable + Short Term Marketable Securities	749,631,558.00	558,847,408.00
Current Liabilities	1,615,193,168.00	2,335,624,524.00
Ratio	0.464	0.239

Cash Ratio	**Jun-14**	**Jun-13**
Cash + Short Term or Marketable Securities	183,759,861.00	91,776,813.00
Current Liabilities	1,615,193,168.00	2,335,624,524.00
Ratio	0.114	0.039

SOLVENCY RATIO

Current Liabilities to Equity Ratio	**Jun-14**	**Jun-13**
Current Liabilities	1,615,193,168.00	2,335,624,524.00
Total Equity	4,668,800,583.00	4,431,196,685.00
Ratio	0.346	0.527

Total Liabilities to Equity Ratio	**Jun-14**	**Jun-13**
Total Liabilities	4,221,231,861.00	4,613,998,181.00
Total Equity	4,668,800,583.00	4,431,196,685.00
Ratio	0.904	1.041

Fixed Assets to Equity Ratio	**Jun-14**	**Jun-13**
Fixed Assets	6,403,805,389.00	5,886,416,045.00
Total Equity	4,668,800,583.00	4,431,196,685.00
Ratio	1.372	1.328

Asset to Equity Ratio	**Jun-14**	**Jun-13**
Total Assets	8,890,032,444.00	9,045,194,866.00
Total Equity	4,668,800,583.00	4,431,196,685.00
Ratio	1.904	2.041

INTEREST COVERAGE RATIO

Interest Coverage Ratio	**Jun-14**	**Jun-13**
Net Income Before Tax + Interest Expense	128,914,006.00	105,761,060.00
Interest Expense	57,460,137.00	79,456,435.00
Ratio	2.244	1.331

PROFITABILITY RATIO

Return on Sales (Profit Margin) Ratio	**Jun-14**	**Jun-13**
Net Income After Taxes	71,453,869.00	26,304,625.00
Net Sales	948,963,592.00	952,057,384.00
Ratio	0.075	0.028

Return on Assets (ROA) Ratio	**Jun-14**	**Jun-13**
Net Income After Taxes		26,304,625.00
Total Assets	8,890,032,444.00	9,045,194,866.00
Ratio	0.0080	0.003

Return on Equity	**Jun-14**	**Jun-13**
Net Income After Taxes	71,453,869.00	26,304,625.00
Total Equity	4,668,800,583.00	4,431,196,685.00
Ratio	0.015	0.006

WATERFRONT PHILIPPINES, INCORPORATED & SUBSIDIARIES
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE FOR SEC REPORTING
As of June 30, 2014

Trade Receivables	0-30 days	31-60 days	61-90 days	91-120 days	121 days over	TOTAL
Waterfront Cebu City Hotel & Casino	11,684,680.10	6,003,524.21	2,385,364.91	2,839,292.57	4,270,551.98	27,183,413.77
Waterfront Airport Hotel & Casino	8,690,175.87	-	22,400.00	-	23,598.25	8,736,174.12
Waterfront Insular Hotel Davao	9,645,255.49	29,892.89	10,984.45	3,600.00	1,612,186.05	11,301,918.88
Manila Pavilion Hotel	11,338,047.63	8,093,175.00	2,531,077.11	2,175,534.74	11,673,915.92	35,811,750.40
G-Hotel	306,194.50	-	151,410.05	73,600.00	1,294,086.44	1,825,290.99
Total	**41,664,353.59**	**14,126,592.10**	**5,101,236.52**	**5,092,027.31**	**18,874,338.64**	**84,858,548.16**